

# How Uncle Sam runs the Nation's Wheat Business



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

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

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

"When you want to sell this wheat?"

"I dunno," he answered. "One time's about as good as another—these days. 'T won't weigh any more later," he added, with a dry smile.

"Wheat shrinks a lot," admitted the manager. "I hear the Government wants as much wheat as it can get just now—understand the Allies do eat a terrible lot of it since the war."

"What's wheat to-day?" asked Col. Jenkins, getting interested.

"Well, let me see," parleyed the manager. "I guess this wheat'd be a good No. 2 under the new grades."

"Grades? What about grades? That Food Administration seems to mix into mighty high everything from rabbits to axle grease."

"Hold on, Colonel," said the elevator man, good-naturedly. "The Food Administration is not to blame. Congress passed the act and told the Department of Agriculture to fix the grades. They became effective last July. I sent out a letter on it."

"Well, I guess you better sell for the best you can," said the farmer. "I am needed at home." And he drove away.

**A New Order in the Grain World.**

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

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

This work is a necessary arm of the Food Administration, allowing the Government to do business quickly and without red tape. Its stock is held in trust by the President of the United States. For the time of the war it will supervise the rate or purchase the part commercially available of the 600,000,000 bushels of wheat and the 500,000,000 surplus of rye grown in America in 1917. Its job is to find a market for every bushel, irrespective of class and grade. Under its patronage, wheat screenings are moving just as easily as No. 1 Northern. It must also work out satisfactorily the local prices for wheat at each of almost 20,000 country elevator points, adjust thousands of complaints, organize the gathering and analysis of data, inspect concerns reported as dealing unfairly, solve vexatious disagreements among the trade, and deal effectively with the allies' purchasing agent and the neutrals who may desire to purchase.

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

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

## Introducing Two Bushels of Wheat.

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

## Finding a Price at a Country Point.

High war costs of production gave our Missouri farmer much concern as to his returns and accounted for his depression over the prospects of his wheat "grading down"; for that meant a reduction of 3 cents per bushel under the No. 1 grade. But it graded No. 2.

The elevator would also deduct an additional 5 cents a bushel to cover the fixed charge made in this locality for handling and selling. The 5-cent charge included the commission of 1 cent per bushel customary in 1917 among commission men for selling the wheat to domestic millers or foreign buyers.

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

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

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

## Finding the Price of No. 2 Wheat at Sikeston.

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

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

He next compared this price with what he could get if he sold at St. Louis, his nearest primary market. At St. Louis the basic price is \$2.18 per bushel, and the freight rate from Sikeston to St. Louis 6 cents per bushel. This would make the Sikeston price \$2.12, less 1 cent per bushel for selling charges, or \$2.11 net. The St. Louis price would therefore govern, being advantageous to the Sikeston seller.

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

## When Farmer and Elevator Man Disagree.

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

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

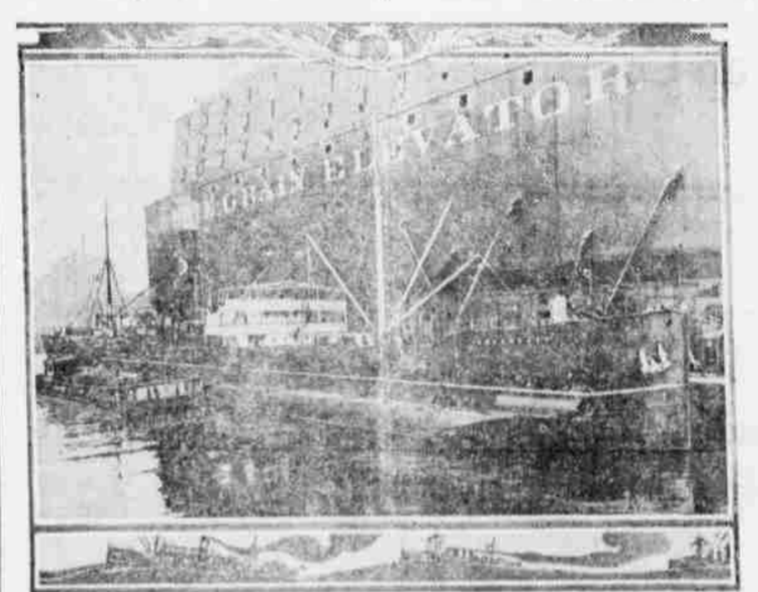


**UR** delay in getting this wheat started across the world was occasioned by the over-enthusiasm of the manager. He sent a sample on to the St. Louis zone agent for test, which verified his judgment as to grade. He then went about his usual duties, cleaning the grain, filling his bins, and shipping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

**Selling Wheat to Government.**

**ABOUT** 25 days after the farmer brought in his wheat there came a request to this elevator for a carload to be purchased by the Grain Corporation. So one of our wheat bushels was poured into a car which miraculously had appeared on the siding at a time when car shortage was troubling the entire commercial world. Inquiry might have shown that

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



Loading Wheat at an Atlantic Port for the Allies.

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

F. A. G. C. markets.	St. Kansas Mo.	St. Joseph Mo.	St. Louis Mo.
Basic price	\$2.15	\$2.15	\$2.18
Rate per 100 pounds	.065	.065	.1175
Rate per bushel	.655	.655	.6785
Net price	2.111	2.095	2.1095

F. A. G. C. markets.	Chicago, Ill.	New York City.
Basic price	\$2.20	\$2.25
Rate per 100 pounds	.1475	.2005
Rate per bushel	.655	.8085
Net price	2.1115	2.097

Under these conditions the proprietor would probably sell at St. Joseph or Chicago, according to his inclination.

The table further illustrates the equalization of prices and indicates to what extent the miller is protected when buying wheat in any territory. Through this plan discriminations against the producer, the miller, and the consumer are eliminated so far as it seems humanly possible under a plan of such tremendous proportions.

**How Uncle Sam Keeps the Whip**

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

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

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

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

## How the Wheat Was Milled.

Away went our bushel of wheat on its journey to the terminal, where it met other bushels of wheat from all parts of the territory that fed this market. There it was regarded for special requirements, marked for immediate milling and rolled out in a large mill in Illinois. The miller bought the wheat from the Grain Corporation, for each miller in the United States is under license and most of them have filed out similar voluntary agreements which block them either to purchase all supplies from the Grain Corporation or under its direct supervision. The corporation charges each miller 1 per cent of the value of the wheat he grinds to cover the costs of administering the corporation; for the \$50,000,000 capital is to be returned to the United States Treasury, unimpaired.

# Doubling the Farmer's Wheat Dollar

By Charles W. Holman  
(In the Country Gentleman)



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

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

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

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

## The Other Bushel of Wheat Starts Traveling.

**AS** we go to the other bushel of wheat, a certain Georgia miller, in need of supplies, notified the Grain Corporation and received permission to buy on the open market.

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

## Controlling the Jobber by License.

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



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

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

This merchant did a small business and was not licensed, but even here was another social check. For the retail merchants of the large cities, and those of many small cities and towns find each morning and afternoon in the daily papers a price list for flour and other commodities which are considered fair by the Federal Food Administrator for their State. These prices are usually arrived at through the machinery of the wholesalers and the retailers' organizations. The retailer also discovered that the jobber who sold him this flour was keenly interested in the price paid by the consumer. For the Food Administration has discovered an indirect



**URING** last July and August, while Congress was wrestling with itself to produce a food administration, and there was no Grain Corporation, flour production in the principal centers was 75 per cent under the same period in 1915. In September, October and November, under the supervision of the Food Administration, flour production was 114 per cent of the same period in 1915. What this means in the great national situation, with depleted domestic flour reserves and clamoring foreign buyers, can hardly be over-emphasized, when movement of wheat into primary markets has been hindered



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half that of a year ago, or 100,000,000 bushels less. It was nothing short of a disaster. The total number of bushels purchased by the Grain Corporation from the time it commenced activities in February 1 to \$7,276,115.00. Arranged by months, the purchases in bushels were: September, 7,841,200.00; October, 19,270,846.25; November, 30,950,974.25; December, 21,456,239.00; and January, 17,028,069.00. During July and August our flour exports were about the same as in the same two months of 1915, but in September, October, and November, the exportation was 50 per cent larger than a year ago. So the Grain Corporation has discharged our obligations to the allies, and restored our flour reserves, which is the largest aspect of the question.