The Basis of Minimum Prices.—A digression is necessary here to consider some of the factors which might influence the level of the fixed minimum price. The Act itself gives no clue to the factors which should be considered, merely saying [Section 8 *(a)*] that it shall be the duty of the Board to fix a price to be paid to the producers for wheat delivered to the Board, subject to the approval of the Governor in Council. While the Wheat Board legislation is in effect, it guarantees a minimum price to farmers under an optional marketing plan. The setting of a minimum price is one of the most interesting phases of the Canadian wheat situation; it has many economic, and also social and political, implications. The Board must exercise careful judgment in carrying out this section of the Act, because once the fixed minimum price is established it cannot be changed until the end of the crop year. The Board must forecast conditions nearly twelve months in advance. If the price established is too low it has little significance to the farmer, and if the price is established too high it becomes a burden upon the Dominion treasury. The fixed price also has a close relation to farmers' wheat deliveries. While, theoretically, the farmer may sell his wheat wherever he wishes, self-interest will direct deliveries to the Board if the open market is below the fixed minimum price. If the open market is above the minimum price, the farmer will naturally weigh the advantages of selling at the open-market price or taking the fixed minimum price and speculating on the value which may eventually lie in the participation certificates.

There are several bases upon which the Board could fix the price:—

1. It could be a price considered possible of attainment through sales on the market.

2. It could be a price that would enable the farmer: *(a)* to 'get by', *(b)* to cover production costs, or *(c)* to make a profit.

3. It could be a price calculated to compensate roughly for the farmers' burden through protection of Canadian industries or one that would avoid large governmental expenditures for direct relief.

It is probable that no one of these bases is transcendent at the time of price-fixing and it is also probable that different considerations rule in different years, when the fundamental conditions change so drastically.

In looking back upon the 1935 price, it seems reasonable to suppose that the price was based upon the concept of fair market value—a reasonable interpretation of what was considered possible of attainment by sales during the crop year. It proved to be somewhat optimistic, as we shall see later, but was fairly close in such a complex situation. If the 1935 price carried any relationship to a price which would permit the western farmer to continue in business or to get his costs of production, such a relationship was incidental and unintentional.

It should be pointed out here that the fixed price is on a Fort William basis for the top grade. It is not the average price nor what the farmer obtains at the elevator. On a high quality crop, the average farmer centrally located probably receives about 20 cents less per bushel than the fixed price for No. 1 Northern, basis Fort William. On a poor quality crop, like the rust-devastated harvest of