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Company Affiliations: Mission Terminals Inc., Canadian Consolidated Grain Company, Winnipeg Commodities Exchange

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Summary: In his first interview, chairman of Mission Terminals Bruce Hayles discusses the early portion of his career in Canada's grain industry. He begins by sharing the history of his current company, Mission Terminals, and the history of its parent company, Upper Lakes Shipping. He describes his father's connection to the grain industry as manager for Dominion Elevator Company, early member of the Winnipeg Grain Exchange, and early advisor to the Canadian Wheat Board. He discusses joining the grain industry with Canadian Consolidated Grain Company, and he shares his experiences in various positions, like as a country grain elevator manager/grain buyer, Winnipeg grain inspector, cash grain broker, and manager of terminal elevators. He recalls his first impression of country and terminal elevators and memories of the Winnipeg Grain Exchange trading floor. Hayles explains in detail the work of a grain broker, the processes of futures trading, and the computerization of trading in the modern era. Other topics discussed include the importance of the elevator manager to drive business in the country, United Grain Growers' purchase of Consolidated, the introduction of the Canadian Wheat Board to regulate trading and protect farmers, and his fears about the removal of the CWB's oversight.

Keywords: Mission Terminals Inc.; Canadian Consolidated Grain Company; Winnipeg Commodities Exchange (Winnipeg Grain Exchange); Terminal grain elevators—Thunder Bay; Upper Lakes Shipping; Searle Elevator (Mission Terminal); Grain transportation—ships; Dominion Elevator Company; Canadian Wheat Board (CWB); Labour relations; Grain elevators—Equipment and supplies; Country grain elevators; Elevator managers; Grain buying; Boxcars; Grain inspection; Futures trading; Grain trading; Grain brokers; Non-board grains; Computerization

| Time, Speaker, Narrative |
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| NP: I'm here this morning with Mr. Bruce Hayles of Mission Terminals at his office at 360 Main Street and it is April 3rd, 2009. Nancy Perozzo is conducting the interview. So perhaps Mr. Hayles we could just start with introducing yourself and your current position. |

BH: I'm Bruce Hayles, currently chairman of Mission Terminal. I was the person responsible for the beginning of Mission Terminal back in 1999, and since that time, we've been developing and adding staff, and so I'm currently in this position as chairman. We, as a company, are about to reform, rename the company, which takes in three, four other divisions of a group of companies owned by Upper Lakes Shipping out of Toronto, Ontario. This is commencing the end of this month, and at that time we will be having a new CEO and president of the new company Soumat Incorporated. That's the beginning of it.

There'd be a great deal of more detail as how we commenced in Thunder Bay. Thunder Bay is a very important part of our operation. We have one terminal there that has the capacity to handle about 110,000 tonnes storage, and this past year of 2008, we passed through about 1,200,000 tonnes of--. Our interest in Thunder Bay is very extensive and our development there I think has been very opportunist for the City of Thunder Bay. We've been able to hire. Presently we have 35 people on our payroll, all gentlemen that were on layoff from some of the other terminals in the city about the time we started up. So they're happy. We're happy.

NP: Just going back to the start of Mission Terminals, you said that was in 1999?

BH: Yeah

NP: How did that come about?

BH: It came about, I guess, my interest of Thunder Bay and knowledge of Thunder Bay over the years previously. We were aware of the terminal that we now own. Over the years, it was a terminal that had been closed by one of the companies in Thunder Bay. It was owned by an individual who was using it for a wood pellet manufacturing plant. He got into financial difficulties, and the City of Thunder Bay then decided that they were going to have a tax sale on this terminal, and we, at that time, took a look at it and passed it by our legal people and discovered that, yes, it was a working plant. So, we put a bid into the city on this tax-sale basis, and we were fortunate enough to be the successful bidder.

NP: Now, the name Mission Terminal, where did that come from?

BH: Well, that was originally our company's--. Most of our companies had a relationship name to the Great Lakes of which we, as a shipping company, have a lot of vessels that move grain up and down the Great Lakes system, including the St. Lawrence. We were going to use that, but we found that the names were not available. So, we finally came up--. And the elevator's on the Mission River, so it made a little sense to me, anyway, that we should just call this Mission Terminal. That's how the name came about.

NP: And I've seen the elevator. In fact, I've visited the offices there. It's a beautiful setting. That was a Searle Elevator wasn't it, one time?

BH: Yes, way back.

NP: Were they the first owners, do you know?

BH: Yes.

NP: It's hard to keep track of who owned which elevator there.

BH: Searle Grain disappeared, were merged into other corporations and this terminal ended up being owned by Sask Pool.

NP: So, you started to mention the company and Upper Lake Shipping. I don't know how easy it is to sort of give us an overview of the pieces of the company into which Mission Terminals fits.

BH: Upper Lakes Shipping commenced the business in 1932. Primarily it was an eastern company out of Toronto involved in supplying milling wheat to the local flour mills throughout Ontario. In that development, of course, they decided that the way to move the grain prompted them to buy their own vessels, which were pretty small back in those days—this is before the Welland Canal, before the St. Lawrence Seaway. The company did have a terminal, an elevator in the port of Toronto and from that—and at that time they had a connection with the original Maple Leaf Flour Mill company—from that they developed into eastern Canada into the Quebec, Three Rivers, Quebec, area to supply flour to the provinces of Quebec and also to get into the domestic feed-grain business, which Maple Leaf were very involved with at the time. This is the connection that started to—. The company built a 140,000 tonne transfer elevator that borders Trois Rivières in Quebec, and from that they've been marketing grain since 1932.

NP: Was it a public company?

BH: No, it was a private company.

NP: And are there family names involved with it?

BH: The Leitch family. Gordon Leitch was the father who started the company and his son, Jack Leitch, J.D Leitch, is still the chairman of the board of Upper Lake Shipping. They call themselves Upper Lake Screw because they have these other subdivisions

that are not in just shipping business. We have this grains group which consists of the Mission Terminal, the elevator, port of Trois Rivières, and a company called the Grand Lac Superior company which is the marketing company in Quebec. The elevator [inaudible] company in the port of Trois-Rivières. The company has a ship repair business that, one of the offices and one of the workshops is in the port of Thunder Bay and also in eastern Canada in St. Catherine area on the Welland Canal.

NP: The one in Thunder Bay I think is just recent, is it not?

BH: That company has been there for some years. I think the restructuring has taken place in recent years in that there has been more repair work being done and that branch of Upper Lakes is also attempting to broaden out somewhat in their manufacturing. I think that they're involved in an area of tank supplies and things in this nature. The company is and has been diversifying and growing and these are various. That's where we are today.

NP: We were talking before we were taping about the fact that your roots in the industry go quite deep, so I'm going to step back and just talk to you about that and then move into your own career. So, Charles E. Hayles was your dad?

BH: Yes.

NP: What can you tell us about him and his involvement in the grain industry?

BH: He came from Redding, California, up into Canada. I'm not all familiar with his activities. I know that he resided in Saskatchewan for several years but then came to Winnipeg. [Laughing] That goes back many, many years. But he came to Canada and when I look at-- He made application to be a member of the Winnipeg Grain Exchange, which is now the Commodity Exchange. But he was mentioned in this that he was with a security company in Winnipeg, and his application is 1922. He states on here that previous to that 1922 he had been in Winnipeg for eight years, and prior to that, he was Warner Grain Company in Winnipeg for two years. This is an application that he put in on behalf of the Dominion Elevator Company. The Dominion Elevator Company was a company that was for Manitobans.

It's interesting that the—don't want to rattle these pages—but the names of the members of this firm were Sir. R. B. Roblin who was a well-known Manitoban premier and did many, many great things, and another person by the name of W. W. McMillan, and R. R. Muir. Those would be the gentlemen. Fred Phillips, I think that was a legal lawyer that was involved here in Winnipeg for many years but that indicates how far with this company Dominion Malting-- Or not Dominion Malting but the Dominion Elevator Company.

Now I know that Dominion Elevator Company had a group of elevators in Manitoba/Saskatchewan. I think they probably numbered around 20 elevators, very small elevators at the time. The horse and buggy days almost, the small truck operations. But this Dominion Elevator Company had two terminals in the port of Fort William and Port Arthur. One in Port Arthur and one in Fort William. They operated for several years, quite a few years in the old wooden elevators.

So that was really my father's beginning, and he was well thought of within the grain industry. He, in managing this company Dominion Elevator, he was very much involved in the general trade operations. At that time, there was the Canadian Wheat Board was just developing and their operation. I know my father was very involved as a member, along with other members of the grain trade in meetings with the Wheat Board as a group to try and develop better ways of marketing and moving the grain.

At the same time, my father was quite involved in Fort William, Port Arthur in negotiating with the union that they're involved with these terminals that were in place at that time. He, looking back on his obituary that was written up in the paper, that he was highly thought of within that grain trade and also was involved with some other activities. He was very involved in an organization that were promoting forestry throughout the Prairies. I think that—I'm not sure what it's called today—but I think his forestry organization is still there and still promoting the need for trees and that sort of thing.

NP: Did he have any stories to tell about those early days, the trials and tribulations, the successes?

BH: A group of grain persons would go to visit with the Wheat Board and advise them and agree to methods of operation that they would all sit around the table, and they would say, "Oh yes, yes. That makes sense." And then, as he related, that they'd all go back to their offices and phone up the Wheat Board individually and say, "Oh, ignore what I was mentioning there." The grain trade were forever attempting to find their way and preserve their ability to operate their own businesses, and I do know that there were, and still is, very differences of opinion as to whether the Wheat Board should be there or should not be there and their attempts to disbar or rid the country of the grain of the Canadian Wheat Board.

NP: The early setting up of labour relations with the unions, did your dad have anything to say about that as far as you recall?

BH: Well, he just spent a lot of time at it. I do recall that's back in the days when the passenger train was, and he was quite regularly hopping on that train overnight to Thunder Bay or to Port Arthur, Fort William to have sessions with the union. He pretty much did that on his own. The other grain companies said, "Okay Charlie, you handle this on our behalf." I do recall that he-- I don't know the union [inaudible]. But I do know they spent long sessions together and nighttime as well.

NP: Yes, I'm not sure if it would've been Frank Mazur at that time.

BH: It could've been.

NP: Legendary figure in Thunder Bay.

BH: [Laughs] Yeah. That could be who he was dealing with, if it goes back far enough. It was one-on-one negotiation.

NP: Yes. Seemed to be so much dependent on personalities and an ability to be flexible.

BH: Yes. That's exactly what--. And I think too, a lot of what was done sort of around the table, just the two of them, having a little dinner, sip of refreshment.

NP: Grain based? [Laughs] Dominion Company, was that where he spent his career then, with Dominion?

BH: No, no. Dominion sort of came together and eventually, and I don't really have all the detail on it, but it became the Canadian Consolidated Grain Company. That Canadian Consolidated Grain Company ended up--. Dominion was part of it, and there was another small grain company. They merged together. At that time my father, being the manager of the Dominion I guess, became then the president or manager of this Canadian Consolidated Grain Company. That's the company that I started in the grain business with.

NP: Did your dad travel at all, other than to Thunder Bay to negotiate? Did he do any traveling on behalf of the company at all?

BH: Well, it was a Manitoba-Saskatchewan company. Of course, he travelled extensively throughout the company and its operation and into Thunder Bay. He was not traveling overseas or down--. He was involved once in a while in dealing with the government and of course would then end up in Ottawa.

NP: For one of the many inquiries.

BH: That's right. Back in those days, there were royal commissions going on and several of those were taking place. I know that my father was very involved in the dealings within those. Some of that history is interesting to read back on but there were many issues.

NP: Yes. Railways.

BH: We'll get back to it with only the two railroads that we have in this country that we have a Czar of transportation a fellow by the name of Milner and he--. It was his duty to make sure the railroads performed. In the transportation of grain the railroads, at that time, had to pay very close attention to what this gentleman was telling them that they should be doing. Today we also where the grain industry were somewhat concerned at times with the service that's being provided to the grain industry. I think we have a Department of Transportation, but we don't have that one individual who is--. This is a big company, very, very important.

NP: So when you were mentioning that you started with Consolidated, correct?

BH: Right.

NP: How old were you at that time?

BH: I was 19.

NP: Nineteen. Did you ever travel before, as a child, did you ever travel with your dad down to Thunder Bay?

BH: No. I never went on those kinds of trips.

NP: So, what was your first introduction to Thunder Bay? Do you recall?

BH: I went with the company, and of course they sent me to a point in Elie, Manitoba, to train as a grain buyer. I spent I guess a year doing that. Then I came back into Winnipeg and they decided that I should learn how to inspect grain. Those little ventures. Now I've forgotten just the year it was but our manager in Thunder Bay was ill and had to take six months off. So, at that time, they sent me to Thunder Bay to oversee the operation down there of which, at that time, I knew nothing about. All I recall of that adventure was that these were wooden elevators and wooden pulls to open the bins. They were an interesting operations. But they did work.

NP: About what year would that be?

BH: That would be--.

NP: You were about 20?

BH: 1950.

NP: I'm only familiar with the concrete elevators in Thunder Bay. So can you remember where the Consolidated Elevators were, the wooden ones?

BH: The Fort William was, as I remember it, the hydro plant on I guess that's Mission River.

NP: Yes, on the Island, yes.

BH: On that--. What would that be? The north side of the river?

NP: Yes.

BH: That was the Fort William and the Port Arthur--.

NP: Where was it in relation to the hydro plant?

BH: It was about that location.

NP: Oh really?

BH: Port Arthur was where the United Grain Grower--.

NP: UGG M beside Saskatchewan Pool 7?

BH: Yeah, it was in that area.

NP: There was a Thunder Bay Elevator there, a little one, then there was UGGM.

BH: There was a McCabe.

NP: That was a UGGM, I think. It started out as McCabe. So where was it in relation to McCabe's, do you recall?

BH: It was about that location.

NP: Okay. Right around there. Hm.

BH: I think they tore them down, put up the concrete.

NP: Well, eventually we'll get this.

BH: Now they're pulling down some of the concrete.

NP: Oh, I know. Yes, they become events as they take them down. Our project is called Elevators Up and Down. [Laughs] Any first remembrances about going to Thunder Bay other than, "Gee, this is new!" You lived there, then?

BH: Yeah, I stayed in Fort William at the YMCA.

NP: Oh, my goodness.

BH: [Laughs] Yes.

NP: It's being torn down.

BH: It should be too.

NP: [Laughs]

BH: That was quite an adventure, the old hotel, was it the Royal Alexander?

NP: Royal Edward.

BH: Edward, yes.

NP: They didn't really put you up at spiffy digs then.

BH: [Laughs] No. I don't know that there were too many spiffy digs right at that time. No, that's my recollection. I recall through the wintertime, we'd get that freezing rain storm even sometimes. It'd take you about an hour to chip the ice off the car so that you could see out of it. But other than that, well, it was beautiful. I used to move around a little bit, and I knew a couple people there of course was involved with some social activities, which was of some interest at the time. But the trip going back and forth to Fort William and Port Arthur at that time was to some could be an adventure.

NP: In what way?

BH: Just that it seemed like a long way over the road. It isn't today but at the time you kind of had to venture down out of Fort William, go around a few little bends and circles to get across to Port Arthur.

NP: Well, I'd imagine the bridges that are there now weren't there at the time you were there.

BH: No, I think--.

NP: The ones over to the elevators.

BH: Well, yes. That's all changed certainly to what it was then.

NP: What were those elevators like? Describe them as you remember them.

BH: They were built out of wood and the bins were all wooden. I can't recall how many bins were there, but the design of the elevators was similar to what you see today in concrete. You have a workhouse, you have the bins, you have the elevator system, and you have the trackage, and everything is just somewhat larger than what it was back then.

NP: And a lot more workers, I would assume?

BH: I'm not sure about that because when I think back on--. And I haven't paid that much attention to it recently as to the staff of the Viterra now and Richardson. I think they have a lot of importers at those terminals, and back in those other days, I would think probably had 30, 40 people.

NP: A lot more shoveling grain.

BH: Oh yes, there was a lot more physical, and of course the unloading of the boxcars was they had boxcar dumps back in those days which is quite very different to what we see today with the hopper car operations.

NP: What about the ships coming into those?

BH: They were all smaller ships, of course, in at that time. Today, they were taking out 27,000 tonnes of grain on the ship. Back in those days, they took 5-6,000 tonnes, it was a fairly good load. Until the Seaway commenced, we did not have large ships on the regular.

NP: So what would be your most endearing memories of, was it a year in Thunder Bay?

BH: Yes.

NP: That was your penance other than staying at the YMCA. [Laughs] What sticks with you the most from that experience?

BH: I guess it was the learning experience. I did not travel outside of the Thunder Bay area, at that time. My spent time there was really through the winter. As I recall, there was a fair amount of snow through that winter, so travelling around was somewhat restricted. The fascination of it was the ships, the activity of the grain. At the end of it, I do recall that hockey was a very high sport in Thunder Bay, at the time. I know at the YMCA they used to do--. That every Friday night, I guess it was, they'd have a dance, and that was rather interesting to attend that.

NP: Did you have contact with the other elevator companies in Thunder Bay at that time then?

BH: Not really, no. I had contact of course with the Grain Commission who were close by our downtown Fort William office, so the grading aspect of that, the samples, and so forth but as to relationship with other grain companies, no.

NP: Where were the offices, do you recall? Your Consolidated offices.

BH: Well, they were right adjacent to the YMCA. It was sort of in the heart of downtown Fort William.

NP: In the Chapple's building?

BH: I believe so.

NP: Okay, because the Grain Commission was in that building at that time.

BH: Yeah, we were in the Chapple's.

NP: You could just roll out of bed, take a few steps, and you were there.

BH: Well, that's right.

NP: I'm going to step back because I'm interested in your early career, even before your stint in Thunder Bay. So you went out to Elie, Manitoba, to learn to become a grain buyer, and what are your remembrances of learning to be a grain buyer?

BH: Well, it was interesting, hard work and that, physically hard work. Back in those days, they were boxcars, and of course boxcars had to be coopered. Coopering was the closing of the boxcar doors was with lumber and tar paper and a lot of hammering. Then of course, when you were loading a boxcar, you had to do a lot of shovelling to get the grain from the doorway back into the ends of the boxcar. So it was dusty and hot work through the summertime.

NP: So the name buyer doesn't quite say it all?

BH: No, no. [Laughs] They did call them assistant buyers and buyers, but no.

NP: So where did the buyer part come in?

BH: That was at the elevator doorway, when the farmer delivered his grain to the elevator, and it went into the pit to go into the elevator storage. At that stage the samples were taken of the grain being delivered, and the grade was put on it and a price at that time was put at it. So that's the buying. The cash cheque was delivered to the farmer and returned to the grain. Now it's pretty automated to that extent it was all green shield bookkeeping.

NP: What's green shield bookkeeping?

BH: That's the gentlemen who used to sit around in office in highchairs at the desks and had their eyeshades.

NP: So that's the green shield part of it? [Laughs]

BH: I suppose so.

NP: So you were associated then with the Consolidated had a country elevator in Elie?

BH: Oh yes. That's one of the areas throughout Manitoba with several at that stage and Saskatchewan as well. I recall, the rail to visit our elevators in Saskatchewan. That was always an interesting time. Of course you stop off in the town, in the little village of where the elevator was, you get off the train, go to the hotel, book in. If you wanted hot water in the morning, you had to circle at the time you were going to be up. Different to what we see today.

NP: So your dad sort of encouraged this sort of starting--.

BH: Oh yes. That was all part of my training.

NP: I imagine it served you well.

BH: Well, I hope so. [Laughs] It was interesting times. It's fun to think back on some of those little trips and times.

NP: Any difficulties or was it--.

BH: No not--. [...*audio skips*] A breakdown and that sort of thing. But when I think back on it, we always read of the odd elevator agent, buyer, sort of fall off the wrong side of the track and be stealing a little grain here and there, but I never experienced that in my time. I know other elevator companies had that once in a while.

NP: The interaction with the farmers, did you experience much of that when you were there?

BH: No, you would be in relationship with them if they were delivering when you were there. But I don't recall in my times out there, I wouldn't be out in necessarily the busiest part of the season because the elevator buyers. They're rather busy at that time so--.

NP: To train you as opposed to you just being underfoot?

BH: To talk to me.

NP: Were there other competitor elevators in Elie?

BH: Yes. UGG were in Elie at that time. UGG of course is no longer United Grain Growers, but I think that was the only other competition in that. But the next little town over you'd have a Manitoba Pool. I don't recall Cargill at the time. I guess it would be National Grain back in those days. I don't recall being up against them. It was more either Manitoba Pool or UGG in Manitoba and Saskatchewan Pool and UGG in Saskatchewan.

NP: What made the difference between whether the farmers delivered to you or to UGG?

BH: It was the grain buyer. It was the fellow that you had responsible for running the operation in that town, and if we had a good boy and got along well with them all in the beer parlour, that would attract the grain in. Of course, the company had to be respected. To gain that respect you had to rely on good service and good prices, but primarily you had to have a personality of the buyer to attract the farmers. Again, a little different to what you see today. But again today, your man on the scene is--. [...*audio skips*]

NP: If I recall correctly, you move from your stint out there, went back into Winnipeg to work in grading and inspections. What do you recall about what you learned there and--?

BH: Well, my position with the company back in Winnipeg was really, I was involved--. They were demoting chemical products for the farmer to rid himself of weeds in his field. I recall that I was somewhat involved in that development of that side of the business in the country. But primarily my job as to, at that time, samples were all stopped and taken here in Winnipeg and delivered to the old Grain Exchange building to the commodity every morning, and each company had their own little spot in the inspection room to look at all the samples coming through on any given day. Doing that, an inspector had the responsibility of--. At that time, you could select protein visually just by looking at the colour. So, you would advise the terminal to set that aside because protein, as it is today, is of value to it. So that was part of the job then. And of course, where I need barley shipments, we were all visually trying to pick off malting barley samples at car lots that could be then set aside and delivered to the malting companies of the day. So that was a big part of it.

NP: We had talked to Mr. Duke who was the chief grain inspector at the Grain Commission. He was telling us about the change when they used to sample here. Two questions that we discussed with him—and one we weren't certain of the answer to so maybe you know—we were wondering where the CN roads were at that point? I think we sort of decided they might have been near Jubilee, Fort Rouge?

BH: I think they were. I didn't go near the yards. [Laughs] CP--.

NP: The west end area, right? The other thing was, what impact, if any, the change in process there of not sampling in Thunder Bay had on the companies? Did it make any difference, that you weren't--?

BH: Not sampling?

NP: Not sampling in Winnipeg and instead of having it unload at the elevator.

BH: No, I don't recall that changing anything particularly. Now, that change really took place when I was more involved in the shipping business on the Great Lakes. So I didn't really follow it that closely, observe it. I was out of the grain handling business of the elevator.

NP: So from that stint with the inspection and grading, that was when you went to Thunder Bay for your experience at the terminal. Then what direction did your career take?

BH: Well then my father died, and the company was taken over by it, and was taken over by United Grain Growers. At that time, I didn't see too much of a--. Grain Growers were quite a large company. I saw an opportunity to get into the cash grain business as a broker in Winnipeg on the Grain Exchange trading floor.

NP: So how does that work? What did that entail?

BH: Well, that entails--. At that time, grain companies used to--. The elevator terminals would have been blending grains to get a better grade, or they'd have off-grade grains that your one feed screenings, your refuse screenings, things of that kind. There'd always be a need to be buying and selling a [No.] 1 feed barley to make a [No.] 2 feed or a [No.] 2 feed to make a [No.] 1 feed, and that's really what the cash grain business consisted of. You had to go around elevator companies, terminal companies. Not as it is today where you're down to three, four. So that was the cash grain business.

In those days grain could be bought, your barleys particularly and oats were traded by the grain companies. The Canadian Wheat Board were not involved in that transaction so you would, when malting barley was selected and stored in the terminals, then the elevator company would have it there and want it to make a sale on it, and you would be approaching the elevator company or the

terminal company to sell it on behalf of a buyer wanting a grain traded that way, and there's a cash grain business. And back in those days, there were probably nine or ten cash grain brokers. The volume supported that. Today, I think there's only one.

NP: Now what is a cash grain broker?

BH: He's the fellow who goes between buyer/seller and tries to promote, in some cases, promote the trade of that grain, or if the terminal has need to sell, then rather than he go directly to a buyer, he would go through a broker because often times they would not want their participation known in the trade until after the trade was made.

NP: And why would that be?

BH: Well, if a buyer knows who the seller is, that would give the buyer some advantage because of some other knowledge that he had of what was happening in the industry. So there was a need for confidentiality in the trades that were going on. Even, oftentimes, the buyer or seller would not want the trade known to the rest of the trade because that's giving their positions away. That was a big part of the need for a cash grain broker.

NP: And what has changed? You said it went from close to ten down to one, why?

BH: The changes just come out through a lack of--. There's not as many grain companies as there once was. There's not as many grain buyers. The old Grain Exchange, the floor of the Grain Exchange trading, they're all representing 20 to 30 different companies. As time went on and as the trade changed—a lot of it was brought on with the Wheat Board influence—the number of companies disappeared. They merged. Some just went out of business.

At one stage on the floor, there would be 20 exporters represented. You know there's the offshore buyer. They would have a representation here in the city of Winnipeg looking after their overseas needs on behalf of their owners. Of course, that in itself would grade it a lot of trade between these companies, and they're all sort of competing against each other. That's how the Commodity Exchange and the Grain Exchange first became necessary, back in the days when the regulation was not as it is today. Buyer and seller, sometimes there's difficulty finding each other. So that's why they came together in this marketplace.

NP: When I think about the changes in the broad industry and the impact of the Wheat Board and the change in the production, different types of crops that are grown now in greater amounts than previously so for example, Wheat used to--. [...*audio skips*] The prairies produced--.

BH: And still is.

NP: And still is, so I can certainly see when the Wheat Board came in, then, that would make quite a difference in the makeup of the--.

BH: The Wheat Board, when it first came in, you know, Bennet, way back in 1935, he's the one that said we need to have a Wheat Board. That was the beginning of some regulations. A Conservative Government back in those days was--. They weren't exactly as we hear from them today, that they're all for private trade and free enterprise and so forth and so on. Back in those days, they were more protectionist. As I remember in conversations with my father in those days, that the Liberals were the ones that were the free trade. Things have kind of reversed. Oftentimes, looking at the business today and thinking back to those days and how it was then and the change in government positions. The government has more control of things today than they ever had back in those days. But the Wheat Board was brought in--. There was need for it. The companies were not as regulated as they could have been and should have been. So, there were--. And this went on right up into the '40s, '50s.

NP: What were some of the situations that made it necessary to have that regulation?

BH: I think it was they had control of--. The farmer had only one place to go with his grain. He had five or six buyers of the grain out there, but they weren't all in the same town. Oftentimes, and I do recall one time on the floor of the Grain Exchange, at the market close every day, the grain companies that were buying the farmers grain in the country, they would establish between them what they were going to be paying the next day in the country. I remember the competitions people came to the Grain Exchange and brought these grain companies to the fore, and said, "Cease and desist. We can't do this anymore." So there were those kind things that were going on, and the poor old producer—and it's the same thing today—the producer really needs a friend. A friend at the moment—and has been for the last 30 years I guess—has been the Canadian Wheat Board. I look back on when I became the chairman of the Commodity Exchange and the writeup in the newspaper. I read back on my thinking at the time. [Laughs] My thinking has changed quite considerably since those days.

NP: Has it?

BH: Back at that time, and I thought--.

NP: And that would have been about what year?

BH: That would be back in '77 or '78. But at that time, I felt that there was a place for the private grain trade to have a little more say in the buying of grain from farmers. I felt there was a way you could see a dual market between the Wheat Board and the private grain trade. But my thinking today was, well, that's impossible because there's only three major buyers in the country of producers' grain. You've got Viterra, you've got Richardson International, and you've got Cargill. You've got Paterson and P&H on the border, but very small related to these others. These others are handling 70 percent of the grain in the country. As such, that was not sufficient competition to get a good, straight, honest service to the grain producer. That's the role that the Wheat Board and under their pooling system can control.

NP: And the dual system that they talk about?

BH: The dual system won't work because the Wheat Board has no facilities. They don't own any facilities, so they would have to--. If a farmer wants to sell to the Wheat Board, it still has to go through the facilities of these other three companies, and when the Board come to ship it, well, it will sell against the same customer that these grain companies are going to be selling against. Who's going to service who? I don't see these grain companies giving the first position to the Canadian Wheat Board under those conditions, unless you had a regulator, a Czar, that came in that said, "This is the way it's going to be." But the two just don't work together.

The other weakness, I think, of getting rid of the Canadian Wheat Board is that the Wheat Board come up with pretty good value, pricewise, for farmers. Having the control of the sale of wheat, as they do have, allows them to seek out and retrieve premiums that the other international companies--. Richardson are a Canadian company. Viterra cannot be considered a Canadian company as it once was as Sask Pool. It's owned by the Americans. And of course you have Cargill owned by Americans. So where's the priority in selling Canadian grain going to be? It's going to be where these companies can make the greatest margin. That isn't always going to be the Canadian situation. Or if it is, then the farmer is going to be receiving a whole bunch less for his grain than he should be.

NP: We're an hour into the interview. Would it be a good time to take a pause?

BH: Well, sure.

[Audio pauses]

NP: We're just coming back after a stretch break. Mr. Hayles if you would just comment on the life of a grain broker, and, in particular, your memories of trading on the Commodities Exchange.

BH: Well, the grain exchange back in the '40s and '50s was probably made up of 100 members—100-plus, I guess—all of whom would come together at the opening of market on the trading floor to either trade cash grain or trade futures, futures being their hedging of grain they had purchased or sold in the country. In order to do this, of course, there were seven, eight, nine cash grain brokers on the trading floor. There'd probably be 30 or so futures brokers standing at the end of the barley pit, wheat pit at the time. The activity could certainly, depending on market conditions, could be rather exciting. The futures trades, the buying and selling of the futures, was always recorded, visible to those on the trading floor through a price-board system in that, when a trade was made, it was recorded to the board marker, and then that was immediately written on this marketing board.

NP: In chalk?

BH: In chalk in those days. Now that eventually became electronic and was done automatically as the trades were spoken out and spoken through, it would automatically relate up onto the dramatic board. But as I think I mentioned earlier, that these members on the trading floor, they all represented the grain companies, or they represented export houses, buyers, offshore buyers. They represented malting companies. Flour mills were always very much involved, and, at that time, Canada had quite a few flour mills. So there was quite an activity there.

Cash grain brokers would go to buyer and seller and try to promote—if they had an idea or if they knew of some position that somebody had—they'd try and promote a grain trade beneficial to both parties. The futures, of course, were primarily in the grain companies that had purchased the cash grain in the country. If they did not have a sale for it at the time, then they had to put a futures position in place. They had to protect them from price fluctuation. So it was an active kind of system.

In the '40s/'50s, the Canadian Wheat Board were certainly involved. They had wheat and barley. They were active, at that time, not in the wheat market but certainly in the barley market, in hedging their country position through their pooling system that they were taking on. So, there was a great deal of volume trading that was taking place. Back in those days, it was bushels. So wouldn't be surprised if they had a million bushels trade in one snap kind of pricing commitment. That all started to change, and I guess we should talk somewhat of what happened to the Grain Exchange. The Grain Exchange was firstly started up for the need of price protection and price discovery. Then of course--.

NP: Now for those of listeners who wouldn't know what price discovery and price protection were, is there a simple explanation?
[Laughs]

BH: Price protection is, as I mentioned, that the grain price, he says it's worth a dollar. Now the grain company, because it's still back in the elevator system, has no way of providing that to a buyer of that grain that same day or tomorrow. He can make a forward sale to him. So then that's based on what he's paid for it on that day. He calculates all his costs in so he can resell that on a forward sale. Now, if he can do that, he does not need price protection through a futures market. If he's just buying and going long that grain, then he needs a system whereby he has a sale in the future for delivery. Of course, that's why these futures all had delivery months [inaudible]. And you'd see a lot of deliveries. The deliveries were taking place in Thunder Bay in the terminals in Thunder Bay. Also, the same thing happened on the West Coast in Vancouver.

That all changed. The delivery months were still there, but the delivery position was changed from the port position to country positions back in the country. So that kind of changed the usage of futures markets. If an overseas buyer would ship it in November, he'd buy our futures, get delivery in Thunder Bay, have the ship come in early November, and ship it out. When the grain delivery is back in the country, that sort of eliminates that need. The pricing is quite a different position than what it was with delivery in ports. This was really the busy time for the Grain Exchange and the Commodity Exchange was when you had that port delivery system in place. As that disappeared, then so did some of the need for futures trading and a need for cash trading.

NP: How did the change come about? Why the shift from--.

BH: It was the grain companies, the owners of the grain port facilities. One of the problems with a delivery system based on a delivery month is that the grain sits there and is not shipped. The storage ends up back in the country and the flow through the terminals is not sufficient to handle the volumes of grain that are there for sale. That's really why that system did change around. As we started, you know, I guess at one time Canada used to, for export, we had 8,000 tonnes of grain for export, all grain. We had quite a lot of grain. But as that grew, and now we're up 21 million tonnes, that's rather difficult on the system to handle. Now we've seen these concrete elevators in the country grow, and there's more storage there, and there's a faster throughput. If the rail service is there to keep up with it and it's equated through the 12-month season, or 9-month as in Thunder Bay.

NP: More flexibility, then, in the change. So, going back to the floor of the Exchange, what would cause your heart to beat faster on the floor of the Exchange?

BH: Well, it was really the futures traders. They were future brokers, and they'd be given an order by a company, depending on the company's position, to either buy or sell the future. Of course, a lot of this, because of having to price grain the next day, was always done at the close of market. So you'd have a five minute period whereby--. I don't know if there could be sort of futures being battered back and forth, and that got people's attention, that short period of time to finish the trade.

NP: Close the deal?

BH: To close the deal on behalf of your buyer.

NP: And if you didn't close it?

BH: Well, then sometimes the buyer/seller might look for another broker. [Laughing]

NP: So is it like a bidding up, at that time? You sort of have a range?

BH: You have buys and sells, and actually the order that you were given would have a limit to it. It wouldn't just be uncontrolled. But, you know, there would be some close orders. The close could be driven up very highly or could be driven down quite considerably depending on whether there's more buyers or sellers at the time.

NP: Is there a certain personality that does better in--?

BH: I think there is, yes, yeah. Futures, you have to have a quick mind and a quick mouth and a loud voice in order to be heard and get your--. [Laughing] You have to be very aggressive.

NP: Yeah. Were there certain—I don't know if we'll call them stars—but were there certain sort of--?

BH: Some better than others, certainly.

NP: So were there—what's the word I'm looking for—legends on the floor?

BH: Yeah, I would think so. Maybe in some of your other conversations with--. There were characters and became legends to some extent, yeah, or some considered to be and used to a greater extent than others.

NP: Names come to mind?

BH: Well, Howie Stover is one. He was very prominent in the futures trading. Grain companies had their own futures brokers. A lot of them had them, and they were pretty well-established and qualified.

NP: Mr. Stover, was he independent?

BH: He was independent, yeah. There was a fellow, Bill Gall. He was independent, and they were different.

NP: They were different. [Laughs] How would you describe different, in their case?

BH: Just, not your ordinary banker type. Not a sit around the table quietly kind of individual. They had personality.

NP: So the vision that I see of people yelling and screaming and lots of activity, that is what it was like?

BH: Oh yes. Very much so, but in saying that, too, unlike today, in saying that, that was all positive commotion because people were able to read markets a little better than--. Well, they can't read them today at all. Some of these major companies--. That trading-pit operation was very fact finding for--. Even if one was not on that day trading, one could get a sense of what business was going on, which would help you in your next day trading. That visual contact was very important, and the conversation that is available on a moment's notice. A trader of a grain company could go to any of those brokers and say, "What is going on?" and they'd get a pretty good read. You wouldn't get names, but you'd have a good knowledge of what the buy/sell situation was for that given moment. You can't get that today with people sitting in their offices looking at a screen 24/7.

NP: When you talk about a pit, you were saying there'd be the barley pit. So that was sort of the location or--?

BH: That's the location. The trading floor had side-by-side two different pits, and there's steps down.

NP: It actually was a pit?

BH: Yeah, so people could stand there and either look up or look down.

NP: And you would only go there if you had business that day?

BH: Well, people would oftentimes, just you would see them there just standing there listening.

NP: Was there a--. When you were just observing--.

BH: It was circular.

NP: So if you didn't have a trade to make--.

BH: You'd stand outside the pit.

NP: And just watch the action.

BH: You'd just watch the action, yeah.

NP: Well, we're going to have to call it today because of my schedule, but I'd really love to continue on another day. Is that going to be possible?

BH: We can certainly give that a try, yes.

NP: Good.

End of interview.