

# A PROTEST

BY A

## MEMBER OF THE COMMERCIAL EXCHANGE

AGAINST THE

## REPORT

OF THE

## COMMITTEE

APPOINTED BY ORDER OF

# The Commercial Exchange

TO INQUIRE INTO THE CAUSE OF

## THE (SO-CALLED) DECADENCE OF THE GRAIN TRADE

Of Philadelphia, and Remedies for Same.

# Aaron<sup>1703</sup> Bldg.

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At a meeting of the Board of Managers of the "PHILADELPHIA COMMERCIAL EXCHANGE," held on Wednesday August 17th, 1881, the following resolution was adopted:—

*Resolved*, That a Committee of Five, of whom the President shall be Chairman, be appointed from the Exchange by the Chair, to investigate the facts connected with the subject-matter involved in the call now under the consideration of the Board, which Committee shall have power to call upon the Inspection Department and the Grain Committee for facts and information appertaining thereto: that the said Committee also shall report upon the general subject of the recent marked decadence of the "Grain Trade" of Philadelphia, as compared with other export cities, involving official comparative statistics of receipts and exports, the probable cause of such decadence, and the possible remedies therefore: to be submitted to the Board at their earliest convenience.

This Committee was duly appointed by the President, and at a meeting held on Thursday, November 10th, 1881, the following resolution was adopted:—

*Resolved*, That a Committee of Three be appointed to recommend a plan of action, and a Council of Fifteen, to be appointed by the President, with the approval of the Board, each year, to look after the interests of the trade of the Exchange.

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Under the above authority, the Committee has made a report, representing by very interesting maps and statistics, (furnished by the Chief Grain Inspector), the flow of grain to the three principal export points on the Atlantic Sea-board; supplemented by *their own* views as to the possible remedies required.

The report was unanimously adopted by the General Committee, and approved by the Board of Managers, but was *not* submitted to the Members of the Exchange, at a meeting of the Association, for general approval, *before* distribution, and need *not*, therefore, necessarily imply a *universal* ratification of the document.

It was certainly the moral right of our merchants, actively engaged in the grain trade, to enjoy the privilege of having answered, on the floor of the Exchange, the following queries suggested by the report "on Decadence"—*before* its public distribution, as their opinions and belief officially expressed, viz:—

1st. Does not the business record of the "manner-born" merchant of Philadelphia, refute the Committee's theory (page 8), of his insignificance as an "important" factor for the "prosperity" of this "trade centre."

2nd. Whether we propose to stay in the grain trade at the Port of Philadelphia, or fly with the "important," "migratory," "cosmopolitan," "typical," "American grain operator," "straightway" "down to Egypt," and "lease" the "Pyramidal" elevators, *without charge*, under "suitable terms from the Pharaohs," unless we can have the "differentials" and "abated elevator charges" added to our diet.

3rd. Whether it was judicious to assume and assert, on both the outside and inside of a printed pamphlet, that our Grain Trade had reached a state of "Decadence," at a time when one of our trunk lines has just completed initial elevator storage facilities, and the other is suffering the misfortune of loss of elevator facilities by fire, but is hard at work *trebling* their former capacity with two new elevators now being pushed to completion?

4th. Whether the agricultural resources of this country are not large enough to afford the merchants of New York, Philadelphia and Baltimore sufficient grain for business?

5th. Was the remedial Committee correct in its conclusions to "*differential-ly*" attack one of their Trunk lines, and "*deferentially and inferentially* assail the other Trunk line?

6th. Will the Committee's report cause *anyone* to have a *higher opinion* of us?

7th. Will it attract trade to our city to print a report on "Decadence," for *public distribution*?

I hold no office in our Association, and will confess, that I was fortunate in becoming an accidental recipient, for a short time, of the *printed report* before distribution. I wondered, upon the hasty judgment at once formed, *why* the family wash was hung out on the public promenade, and, after individual protest was unavailing, concluded as there was *more room on the same line*, that I would, in the name of "all recognized principles of fair competition," (page 5) hang up *my* wash also.

I propose to speak plainly *for the grain merchants' interests*, and shall classify my remarks under three divisions, viz:—

- 1st. A review of the defects in the Report of the Committee.
- 2d. The "responsibilities" of our grain merchants.
- 3d. The "possible remedies."

## A REVIEW OF THE DEFECTS IN THE REPORT OF THE COMMITTEE.

I would preface with the opinion, that it was a primary error, in assuming conclusions upon so important a subject, and particularly where the power of regeneration is so *emphatically laid upon the Railroads*, that the Committee did not consistently work out their theory, by corresponding with the Managers of *both* of the Trunk lines, requesting *their views at length* as to what *they* considered necessary and remedial measures; also by receiving from any other of our grain interests, contributions on the subject, and after the communications had all been in hand—to *then* prepare their report, adding as an *appendix* the correspondence received.

This course would have left the Committee free to express *their own* views, but at the same time, would have given us perhaps more enlightenment as to the policy and requirements of the Railroads than will probably be otherwise evoked.

An examination of the report (page 5), shows that the Committee, after stating the fact, that by "*vigorous methods, (i. e. energy) New York rivalry (i. e. competition), sustained by Railroad protection (a misnomer) is wresting from this city benefits which Philadelphia's unsurpassed geographical advantage would otherwise naturally secure to herself.*"

*This should have been their text*, but they preferred to create a *supposititious one*, probably for dramatical effect, for they state (page 5), "*If the Railroads centering in New York rebate the entire elevator charges, or should offer any other tempting inducement to New York, that are not given to Baltimore or Philadelphia, in the name of all recognized principles of fair competition, let the Baltimore and Philadelphia lines grant the same, or at once give up the fight, as it will be practically impossible for Baltimore and Philadelphia to compete at such fearful odds.*" And they assume from what a Railroad company *might, could, or would* do, our privilege of *drawing checks* upon the Pennsylvania Railroad Company for *our deficits of energy*, and in consideration of the aforesaid "*naturally secured geographical advantages to our credit*;" as they confidently state (page 5), "*The needed remedies, we are sure can only be reached through the earnest and zealous co-operation of the Pennsylvania Railroad, and this, we believe, would be secured by presenting to the road, with proper force, the true facts*

and strong arguments that may be urged in behalf of a *more liberal*, if not a *more protective*, policy towards the City of Philadelphia," and further recommend that the exchanges be made through a Clearing House of fifteen of their number.

They further state (page 5), "Your Committee has no idea of *even suggesting* any special line of policy to the able management of the Pennsylvania Railroad, &c.," and immediately proceed (page 6) to argue *against the policy* that established "a most serious diversion of the trade from Philadelphia to Baltimore;" and argue away, "in these days of low freight," sufficient justification for "the one cent per hundred charged less to Baltimore," established "in accordance with *conventional* arrangements *hitherto made* with other Trunk lines," and finally argue away *all* the trade from Baltimore, owing to Philadelphia's "geographical advantages" and her "far greater capital" and "larger import trade," and seriously state (page 7), "All these *sacrifices* have been made (by the Pennsylvania Railroad Company), simply to get into Baltimore," concluding with the summary (page 7), "We think there is not a particle of the grain traffic, that is now moved to Baltimore, over the lines and connections of the Pennsylvania Railroad, that could not, with better results *to the interests of that road*, be restored to Philadelphia."

Proceeding, we find stated (page 8), "The *policy* that has diverted from Philadelphia so large a part of the traffic to New York, *we think* equally unfortunate," that "the difference two cents per hundred in freight, is no adequate compensation for the *enormous additional expenses incurred to reach New York*, and to pay her *extravagant terminals*," and the Committee invite the Pennsylvania Railroad "in the *sharp competition* for business, to fight the New York lines on *her own great vantage ground of Philadelphia*, they feel appalled lest the Pennsylvania Railroad should be a factor in "Augmenting the power (*i. e.* competition) at work to abolish entirely the differential rates to the sea-board" "in these days of low freights," which differentials, to quote again, "were established in accordance with *conventional* arrangement, *hitherto made* with other Trunk lines." By some serious blunder, the Committee entirely omit any allusion to the "strong arguments" that were to be so effective in producing the rediversion of trade from Baltimore to Philadelphia, and the previous manner of handling the "differential," (pages 6 and 7).

They however, urge that if this "heresy" of abolition is *to be*, how



much more apparent becomes the economy of developing Philadelphia, *instead* of New York, notwithstanding the Pennsylvania Railroad's enormous additional expenses *incurred to reach New York*, and which expenses are to be annually provided for.

The Committee present (page 8), as *main elements of success*, *cheap grain*, and *cheap port charges*, and urge the Railroads to a similarly *cheap policy*, asking them (page 9), "To abate the terminal elevator charges at once," and the Pennsylvania Railroad Company "promptly" to meet, if not lead the New York lines *in all measures* intended to specially favor their own termini "ignoring the fact that the said road has its" "*own termini*" *in New York*, as well as here, obtained by "enormous additional expenses incurred," then "THEY BEG them (the Penna. R. R.) to "rigidly maintain the two cents per one hundred difference in favor of Philadelphia, below New York, and to consent to no terms of peace with the New York lines, unless the heresy of equal rates to New York is expunged from all protocols "in these days of low freights," and notwithstanding that said differentials "were established in accordance with *conventional* arrangements *hitherto* made with other Trunk lines," and summarize (page 9). In view of the *unwarrantable* circumstances under which we find the trade of Philadelphia has been diverted, we would most earnestly BEG the management of the Pennsylvania Railroad that they shall so *modify their present policies*, as may best accord to Philadelphia, her *just and reasonable expectations*, (as shown with proper force by these "true facts" and "strong arguments,") as the *natural* terminus of the road, and as possessing the "*best general* geographical advantages on the sea-board," and further *bind* the necessity on the Pennsylvania Railroad, because (page 8), "We do not consider they (the Philadelphia merchants) are in any sense, responsible for the situation," and (page 9) the "causes which have contributed to the banishment of the "Cosmopolitan" "typical" "grain operator" are entirely outside of the merchants (of Philadelphia) themselves."

To the question asked by the Committee (page 7), "Was there ever such an anomaly?" as applied to these *good strong* arguments, I think "when this subject is dispassionately reviewed in all its bearings," there is justification for the use of the reply, "No, NEVER."

Seriously, in a brief space, to combat the arguments used, is a formidable task, and would not have been attempted, *had it not been for a public distribution of such* (to me) *heresies.*" I shall proceed as briefly as possible.

1st. One of the chief burdens of the report is the "differentials," and I propose to reply with a personal "uninspired" opinion of the subject, and to show our relief from the "responsibility" of considering it.

I would premise with the fact, that certainly has been lost sight of by the Committee, that differentials are conceded in the general policy adopted by Railroads, quite as often for the disadvantages to be overcome in cultivating and developing trade, as for any other cause, and all of the arguments (on pages 6 and 7) of Philadelphia vs. Baltimore, *if true*, would be the most potent, possible factors, to concede the differential, to the city laboring under such great disadvantages.

Proceeding, however, I think the question of the maintenance of "differentials" as a *sine qua non*, is as much removed from the arena of *mercantile* discussion, for all the influences thereby exerted as is the establishment of passenger fares to Chicago, or any other question strictly determined by the power and responsibilities delegated to the President of a Railroad and his Board of Managers. It was as natural for the Pennsylvania Railroad Co. *for her interests*, after having primarily gained control by enormous expenditures and obligations, for lines into the three cities of New York, Baltimore and Philadelphia to assert the necessity of a *formula* called geographical differences, that would yield to her the largest percentage of tonnage, and returns from the freight pooling system as it is *now* for the New York lines *for their interests* to decline to further contribute their larger aggregated rolling stock to the disadvantageous (to them) arrangement!

As I understand it after a full and unsatisfactory trial, the New York lines insist upon their right to manage their own business, and by refusal to make arbitrary allowances, called differentials, in favor of the rival route, are not handicapped by the enormous obligations which were assumed by the aforesaid rival route in reaching all three competing centres *under the full expectation that the said arbitrary allowances or differentials in her favor would be allowed to be maintained undisturbed* thereafter.

It is therefore unnecessary for our Committees to BEG the Pennsylvania Railroad Co. to *maintain* the differentials.

The Pennsylvania Railroad Co. demands that preceding any readjustments of freight rates (*i. e.* advance of freight rates *to the highest possible figures* to which she can gain the mutual consent of the other Trunk lines,) she must have conceded the right to "cut rates" to two large cities,

a profitable operation *for her interests* under a *high tariff*, and *required to offset the aforesaid enormous obligations*. As there are "millions in it," if they (the Penna. R. R. Co.) can succeed, they desperately hope to force the point by enormous losses, on the through grain business, and, to *wear out their competitor, cut freights to New York City*, under the hope that by centering the fight there, the sentiments of the Southern Cities, and of their stockholders, will throw the onus of the fight on the New York roads.

Do any of our merchants, for a moment, suppose that the Pennsylvania Railroad, after naming a *competing rate* to New York, would make a still further reduction of two cents per hundred pounds, *in favor of Philadelphia*, "in these days of low freight." If the aforesaid "conventional arrangement" could be made binding *hereafter*, as well as "*hitherto*," there would be *some* chance, under the immediate advance of all freight rates, to secure this, but *we had better not wait for that*, rather relegate the subject entirely where it belongs, to the Railroads and their Managers, and let them solve the conundrums asked by their stockholders.

2d. We had better abandon, as a narrow and unprofitable argument, the suggested "closing up shop" by the Pennsylvania Railroad at Baltimore and New York, and concentrating business entirely at Philadelphia, none of us can afford it.

We are not yet prepared to receive all this business, as less than four months ago, when we had not "decayed" quite as much, about three million bushels of grain was enough to compel both the Philadelphia and Reading Railroad and the Pennsylvania Railroad to refuse further shipments of grain for Philadelphia; this was an expensive luxury, and particularly so to the Elevator and Railroad Companies.

It would be considered as poor business policy for a Railroad Company to place her entire reliance upon one terminal as for any one "to put too many eggs in one basket;" but more than all this, "on the general and broad principles of commerce," I for one am fully satisfied that none of these cities in question have yet nearly reached the zenith of their grain trade. Should we rather not *wish them all* to develop into the importance which they will reach as grain centres, when *all* the Trunk lines will develop *competing* connections at *all three cities*?

3rd. I consider the committee unjust to the *Philadelphia and*

*Reading Railroad Co. and its connections*, when they conclude that the Pennsylvania Railroad is the *only* factor at their command, and that they must BEG *from them* an alteration to a *subsidized policy in favor of the merchants of Philadelphia, as the only remedy.*

They very eloquently prove *by their statistics*, the value to Baltimore of the competing Railroad ; but the committee dismiss in two or three lines *without any seeming perception of its value* the *competing* element offered by the Philadelphia and Reading Railroad Co. and the advantages offered by her connections with the New York lines extending into all large Western grain centres, as well as into territory *not accessible even* by the Pennsylvania Railroad. The growth and worth of this competing trade is shown by the comparative statistics, and had Elevator facilities, only completed last spring, been erected earlier, they would have been relatively much greater.

We are wholly indebted to this same *competition* for the introduction and establishment here of a number of our representative grain firms.

4th. I consider the report unjust to the Pennsylvania Railroad Co., to our city, and to our comparative statistics, in not alluding to the fire, *by which was destroyed the principal elevator facilities of the Pennsylvania Railroad at Girard Point.*

If the committee *can not*, our merchants *can* testify that this deficiency alone was responsible for a large decline in the receipt of grains at this port.

I consider the report still further unjust to the Pennsylvania Railroad Co. in not even alluding to their construction (progressing at Girard Point) *of two elevators aggregating over two millions of bushels* storage capacity, and if the committee *cannot see* with said completion, and with this port, in the possession of between four and five million bushels grain storage capacity, and with two *competing* Trunk lines, *any hope or any "remedy" for the future* I for one consider that *they are not a representative Committee*, and for one believe that the grain trade will, in the future, notwithstanding their protest, grow larger than ever.

5th. I consider the Committee were unjust to themselves and to their faith, in accepting without protest the word "decadence," and expecting as a "Committee on decadence," to be able to treat with a lively Trunk line.

6th. Regarding statement K, of the Committee's report, it would

lead a casual observer to believe that the whole charges on grain at New York were only ( $\frac{1}{4}$ ) one-quarter of one cent per bushel, and at Philadelphia and Baltimore, *one and one quarter cent* ( $1\frac{1}{4}$ ) per bushel for the same service.

If the Committee has arrived at this conclusion, I would respectfully request them to merely read through the elaborate works on the terminal charges, (not yet perfected) performed at various times by the special committees of the New York Produce Exchange.

In New York almost every steamer has its special dock, and while to the receiver it costs one-quarter of one cent ( $\frac{1}{4}$ ) per bushel, to get his grain unloaded and stored in Railroad Elevator and obtain an Elevator certificate, yet, the transfer from the Elevators to the aforesaid steamers at their docks, is not done for nothing, as the Committee's statement would imply. It will require a brief reference to the New York system for explanation.

Originally all deliveries of grain in New York were *afloat*, and all grain received by rail at Jersey City required delivery into barge before certificates were issued and sales could be effected.

It was only after the successful development of Railroad Elevators at Philadelphia and Baltimore, (to the credit of the Pa. R.R. Co.) that development of Railroad Elevators followed in New York. The introduction of the new system, led by the New York Central R.R., opened a war with the "afloat" interests, and with the addition of the Erie and Pa. R. R. Companies' Elevators, resulted, after considerable difficulties, in a readjustment, by which grain would thereafter be sold on a basis of "in store," instead of "afloat."

It required the recognition of three separate and distinctive forms of deliveries of grain, viz :

"Afloat,"

"Brooklyn Stores,"

Railroad Elevators,

and the establishment of various tariffs of charges.

The Railroad Elevator system was the cheapest form of handling grain, and to equalize the conglomerate tariffs under one uniform and harmonious system, so that call-board sales could be filled with grain held under any one of the three systems, it was by agreement decided that all sales of Railroad Elevator Certificates should have an "equalization" charge of one half cent ( $\frac{1}{2}$ ) per bushel added to the bill—a premium *indirectly added to prevent injury to the competing systems.*

But this Railroad Elevator grain is purchased "*in store*," and as perhaps ninety (90) per cent. of deliveries *are made to steamers lying at their own docks* it requires the assistance of barges and floating elevators with additional costs:

## SUMMARY OF COSTS.

Railroad Elevator charge,	$\frac{1}{4}$ c. per bus.
Floating Elevator transfer,	$\frac{1}{2}$ c. "
Weighing, - - -	$\frac{1}{2}$ c. "
	$1\frac{1}{4}$ c. "

Also floating elevator charges for trimming seven-tenths ( $\frac{7}{10}$ ) of one cent per bushel.

The other systems cost more and I, therefore, do not introduce them.

I have inserted in full what the Committee in another part of their report (page 8) are pleased to call her "extravagant terminals," in arguing away from New York her grain trade, via Pa. R.R. If I do advertise a New York firm, without their knowledge or permission (for want of time), I trust they will excuse the liberty taken,—but I want to give them full credit for the care with which the work was performed by them.

### **"Terminal Charges on Grain at the Port of New York.**

PREPARED BY

J. H. HERRICK & CO.,

**GRAIN COMMISSION MERCHANTS,**

NEW YORK.

*Terminal charges upon grain at this port are, until understood, the source of so much perplexity to grain shippers, and inquiry has so frequently been made of us in regard thereto, we have decided to present these charges to our friends, in tabulated form, hoping it may lead to a clearer understanding of the same.*

*All grain in this market is sold upon the basis of a free delivery, the seller paying cost of delivery to ship or dock within the port.*

*J. H. H. & CO.*

Unless otherwise ordered, all graded grain, in good order, arriving by rail, is stored in elevators connected with the several roads. The

New York Central, Erie, and Pennsylvania Railroad Companies now have elevators at their termini in this city, storage in which is charged at the rate of  $\frac{1}{4}$  of 1 cent per bushel for each 10 days or parts thereof, until delivered. Upon such grain the terminal charges are as follows :

Elevation,	. . . . .	$\frac{1}{2}$ c. per bushel.
Weighing,	. . . . .	$\frac{1}{4}$ c. “
Storage,	. . . . .	$\frac{1}{4}$ c. “
Inspection,	. . . . .	20c. per car.
Sampling,	. . . . .	20c. “
Fire Insurance,	. . . . .	
Commission,	. . . . .	

New corn, or other graded grain, in doubtful condition, is not stored in R. R. elevators, but is transferred, upon arrival, to barge, in which it can lay 4 days, subject to—

Elevation,	. . . . .	$\frac{1}{2}$ c. per bushel.
Weighing,	. . . . .	$\frac{1}{4}$ c. “
Inspection,	. . . . .	20c. per car.
Sampling,	. . . . .	20c. “
Commission,	. . . . .	

After 4 days, this grain is subject to a charge for demurrage of  $\frac{1}{8}$  of 1 cent per bushel per day. In some cases it may be desirable to sell such graded grain *by sample*; in this case an additional charge of \$6.00 is incurred, for towing, on lots of less than 4,000 bushels. (The buyer of grain in this market has 3 lay-days in which to put aboard of vessel free of storage; hence, to save demurrage to seller, grain must be sold on or before the second day after transfer, the second day counting as one of the three. Insurance upon grain in barges is covered by the R. R. companies).

Graded grain, inspecting unmerchantable or no established grade, is also transferred to barge, is kept separate, and can there be held 3 days subject to—

Elevation,	. . . . .	$\frac{1}{2}$ c. per bushel.
Weighing,	. . . . .	$\frac{1}{4}$ c. “
Towing,	. . . . .	\$6.00 on each lot.
Inspection,	. . . . .	20c. per car.
Commission,	. . . . .	

After 3 days, a charge of \$10 per day demurrage is incurred, regardless of size of lot.

Grain shipped TRACK is not graded, and can remain on track 48 hours, subject only to—

Weighing,	. . . . .	$\frac{1}{2}$ c. per bushel.
Sampling,	. . . . .	20c. per car.
Commission,	. . . . .	

After 48 hours, if not previously unloaded, the R. R. companies transfer to barge, and is there kept separate. It is then, in lieu of the above, subject to—

Elevation,	. . . . .	$\frac{1}{2}$ c. per bushel.
Weighing,	. . . . .	$\frac{1}{4}$ c. “
Sampling,	. . . . .	20c. per car.
Lighterage,	. . . . .	$2\frac{1}{2}$ c. per bus. on lots of 1,000 bus. or less.
“	. . . . .	2c. “ “ over 1,000 and under 2,000.
“	. . . . .	$1\frac{1}{2}$ c. “ “ “ 2,000 “ “ 5,000.
“	. . . . .	1c. “ “ “ 5,000

Commission,

It can lay in barges 3 days at these rates, after that demurrage is charged at the rate of \$10 per day.

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On grain arriving by CANAL, the terminal charges are—

Measuring,  $\frac{1}{4}$ c. per bushel.

Towing, \$12.00 to \$20.00 per boat load (according to distance towed).

Inspection, \$2.00 per boat load.

Marine Insurance, Free first 5 days,  $\frac{1}{8}$  of 1 per ct. for each 10 days thereafter.

Demurrage, Free first 3 days, 2 per ct. per day on canal freight list thereafter.

Commission,

*The above items cover all costs for the delivery of grain.*

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#### RATES OF STORAGE AND OTHER CHARGES AT THE PORT OF NEW YORK.

If desired to store canal or other grain not held by R. R. Elevators, it is transferred to Brooklyn warehouses, in which the charge (in addition to those heretofore mentioned) is  $\frac{1}{2}$  cent per bushel, which includes storage 10 days, elevating, and weighing in and out. After the first 10 days, storage accrues at the rate of  $\frac{1}{4}$  cent per bushel for each 10 thereafter until delivered.



Storage in R. R. Elevators, as above stated, is  $\frac{1}{4}$  cent. per bushel each 10 days, or parts thereof, whether for a longer or shorter period.

The quantity of all *sound* grain is guaranteed from elevators and warehouses.

The charge of turning grain (for preservation) is 20 cents per 100 bushels, and for blowing and screening  $\frac{1}{4}$  cent per bushel.

In shipping grain intended for grade, it is not necessary to insert in Bills of Lading the clause "*To be Graded*," as all grain consigned to New York, now, is graded, unless otherwise specified.

It is not necessary to ship grain in five-car lots. The present N. Y. system of grain inspection provides for handling single cars upon the same basis as large lots.

All grain option trades in this market are made upon the basis of boat-load lots (8,000 bushels), except oats, which are 5,000. Contracts for the future delivery of car lots are upon the basis of 450 bushels to the car of wheat, 500 to the car of corn and rye, and 800 to that of oats. Deficiency or overrun settled at the market price on day of delivery."

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#### "RESPONSIBILITIES OF OUR GRAIN MERCHANTS."

Selection is made of what should, perhaps, otherwise have been the concluding division of the subject, but for the necessity *required* to discuss the Philadelphia grain merchants, as the Committee state (page 8), "They do not consider, they (the Philadelphia merchants,) are in any sense responsible for the situation," and also (page 9), "The causes which have contributed to the limited development in our midst of the migratory," "Cosmopolitan" typical "American grain operator," "are entirely outside of the merchants themselves." I propose to ascertain whether so sweeping an assertion can be complacently maintained under an analysis of our own records. Very much of course, depends upon the standard, we set up for ourselves, the care and judgment with which vexatious problems affecting our business relations are *studied out* to correct solution, and the power and influence with which such solutions are successfully applied.

Is it in accordance with such an exalted standard, to imply that our Trunk lines "owe us a living?" It is perhaps, considerably nearer to the truth, that when our propositions *are not accepted*, they are *somewhere wrong*, and had better be remodeled, to show a mutual and probable profit with some responsibility resting on the merchant for their success, if adopted.

The best and highest illustrations that can be shown of this power and interest exerted with the Railroads by the grain merchants, as a body, is in the negotiations of the Trunk lines with the New York Produce Exchange. We have never yet heard of those merchants ignoring their responsibilities, on the contrary, it is positively asserted that they rest even heavier on the merchants than on the Trunk lines, and *they demand* and receive the support of the Railroads.

But let us proceed with the delicate task of introspection ; our Association (the Commercial Exchange), includes a very large number *not* in the grain business, *nor directly affected by it*, the general aim being to include the mercantile community in good standing of all branches of trade, and from these associated interests the Board of Management, Arbitration Committee, etc., etc., are selected. Our grain merchants are therefore, *only a part* of a large Association, and our grain problems must be explained to some member, as of the Board for instance, when resolutions affecting grain interests, etc., are offered for action, and the side upon which the not directly interested Manager will be found, will depend, I may fairly say, upon his reliance upon (some one, probably in the grain trade, for whose judgment, he entertains great respect. It is therefore, apparent that this interest, which is *always the balance of power*, is an uncertain factor, and may see through one pair of glasses, that the color of the resolution is rosy red, and through another pair, the same color as a very deep blue, it depends upon whose spectacles have been most borrowed, as to whether the resolution declares the color to be red or blue. In addition to this, the original organization was largely composed of successful and influential grain merchants, doing business in their own warehouses, after their old-fashioned methods, and individually were strong representative men.

The introduction of the comparatively sweeping reforms demanded by the modernized grain business, was chiefly through the *young men* and has been of slow development, each successively advanced step—(in every case not introduced until in successful operation by our competing sister cities) was (and is) met by opposition, and in the opposition was (and is) generally to be found the old fashioned grain merchant, (not a few of them influential and representative houses,) fearful either of the effects of the innovations, or of the increasing area of competition offered to the younger firms.

This was not however the only battle—the same young blood

had another one outside, with our money matters. Elevator Receipts attempted to be compulsorily delivered by one elevator in 1874, on grain as received, in order to introduce cash system with deliveries of the grain, and chiefly to assist young firms of limited capital, with collateral for increasing their business opportunities were mercilessly "sat down upon."

Our banks had a good old fashioned way too, they knew all about discounting "double named" paper, and the old fashioned grain men had great advantages, from their long known reputation and worth. It was not an unusual thing, however, for young firms in those days to be compelled to check additional consignments of grain because they were "locked up" in their finances, their stocks in hand, of no available collateral value, and their outstanding bills sold *on time*, collectable at convenience of buyers. Many a time financial plans for the day were "knocked higher than a kite" by unexpected Sight Drafts or expected payments deferred, or both. With the increased facilities, of another elevator, came the absolute necessity for additional relief, and shortly after, elevator receipts were made regular and Bank recognition of their value followed: but the delay cost our grain business of Philadelphia thousands of dollars of profit, and tens of thousands of bushels of grain in the course of *legitimate business*, and restricted opportunities for increased business of many of our young firms. This reminds me that it will never do to slight so important a branch of the subject, as it is still a sore not healed, as the *illegitimate grain business of Philadelphia transacted at the Open Board* as so considered by a very large, and highly respectable portion of our Association, who either *do not understand the subject*, or else have had their look at it through a pair of borrowed blue spectacles.

I must admit active influence in urging the resolution passed at the meeting of the Board of Managers of "The Commercial Exchange," held February 8th, 1877.

"Resolved, That a committee of five be appointed by the President to prepare suitable Rules and Regulations for the establishment and government of a Call Board for the sale and purchase of grain in this market, and report either at the next stated meeting of the Board, or at a special meeting for that purpose."

The rules presented by the Committee were approved by the Board, March 12th, and adopted at a meeting of the Association, held March 21st, 1877.

After a struggle, in which opposition was largely made by members who never intended to avail themselves of the Board, we were permit-

ted to have "a trial." We were obliged shortly thereafter to withdraw the "call," the *ridicule* and *censure* it met, being too great, and the opposition vote again coming to the front overwhelmed us.

We "saved the pieces" however, that is, we retained without any regular "calls," the Call Board rules governing grain, and made sales under the same.

These rules were an advance over the old system, as they gave us cash for our sales of spot grain, and some opportunities for sales of grain to arrive.

The *only* cause for a return of the Call Board to the floor of the Commercial Exchange was (under a resolution offered at the meeting of the Board of Managers, September 13th, 1877,) as the growth of the grain trade under these Call Board rules in the rooms of "The Philadelphia Maritime Exchange," under the generalship of young blood, was of such rapid proportions as to menace the interests of the old Association, and a simple statement of the facts was sufficient to give us a unanimous return on a more civil and respectful basis.

I feel called upon here to divert somewhat from my subject, to use the only probable public opportunity to briefly explain, through this channel to the large and respectable portion of our Association who do not understand nor approve the operations of the "call, or open board," the *necessity for its existence for legitimate purposes*. At every grain centre in the United States, there is established some form of a call or open board.

Their existence *is necessary* for a number of causes, prominent among which are:—

1. That we may obtain daily, at regular stated times, a uniform value for grain, regulated by demand and supply, and shown by the bids and offers.

2. Ability to buy or sell larger quantities of cash grain at greater uniformity of price, and with less disturbance of value than by any other method.

3. Ability to find all buyers and sellers, and what they will bid or take for stock in the shortest possible time, and with greater advantage than by any other method.

4. A fundamental requirement by all banking institutions in accepting elevator grain receipts as collateral.

These are the chief advantages that readily occur to me, although there are many others, incidentally may be mentioned, less disputes

and arbitrations, than by any other method of purchase and sale,—and the advantage of a public distribution of marked values by telegraph, avoiding the old fashioned way of informing each correspondent by mail. The restoration to equilibrium, if one market has been disturbed (from its general plane of relative equality with other markets,) by any very large transactions, follows through orders by wire from correspondents to sell grain *for future delivery* if the market is relatively too high, or perhaps to buy for their account, if the market is relatively too low.

The chief argument for attack is, however, on “the futures,” but these in their turn govern the value of cash, *and are the largest factor in determining consignments or sales of grain from western points* requiring time for their arrival.

Beyond this is the argument that the temptations are offered to *young firms* to speculate beyond their means, but these temptations we cannot control. Young men or young firms unable to withstand speculative temptations would not be restricted by the abolishment of the “open board” from the floor. We might as well, and with far more numerous illustrations point to the losses made by firms (not engaged in the grain trade) in Railroad, Mining, and other stocks, at the Stock Exchanges, and urge abolishment of the Stock Exchanges.

Let us now inquire after the whereabouts of the “migratory,” “cosmopolitan,” “typical,” “American grain operator,” the man (page 9) “whose enterprise and adventure are without bounds.” This element is scarce here, and why have we not more of it amongst us from abroad.

Simply for the reason that our good old fashioned Constitution and By-Laws decided that Philadelphia was for Philadelphians, and any inquiries at the doors of our Association by outside capital and energy were met by the following notice, which I extract from one of the annual reports. “Any respectable individual or firm, having a place of business *in Philadelphia*, and being regularly licensed to do business therein, shall be eligible for membership,” also “*No others* shall buy or sell in the rooms of the Association, or exercise any of the rights of membership.”

The affiliations by Baltimore (where a liberal spirit prevailed) with New York, Chicago, Toledo, and elsewhere, added hundreds of thousands of bushels and dollars, both to the growth and importance of Baltimore as a grain export centre, and created interested sympathies

for her success ; although it is but justice to state that the prospective benefits expected from the *competition of two Trunk lines*, one of which had no connection with New York, exercised the chief influence, and we had *no competition* here to offer the same inducements.

On January 18th, 1881, The Commercial Exchange of Philadelphia advanced initiatory membership fees to \$250, and opened her doors to *universal membership*.

This change will in time produce benefits ; but it is regretted that it was not done at least ten years ago.

A comparison of the present value of memberships of the Grain Associations is as follows:—

New York Produce Exchange,	\$2,800.
Baltimore	“ 500.
Philadelphia	“ 250.

Are our Railroads, or our merchants responsible for this difference ?

Now as to our Annual Reports,—I will confess it has been a weakness of mine for some time back to endeavor to have our report show an increased attention to the Grain statistics, values, etc., and was particularly surprised with the growth in value of the Baltimore Grain Reports,—last year’s edition, showing so great an advance, and so many valuable statistics as to be a model:—we make a very unfavorable comparison. We have had a general desire expressed among our grain merchants for an alteration of policy without producing any official effect,—and the thought never struck me until I penned these lines, that the grain interest may be arrogating to itself too much to expect that an annual report of a mixed association representing so many interests should be in bulk absorbed by grain statistics, etc.

The report, in truth, with the exception of the figures officially furnished by the Chief Grain Inspector is *not a grain report*, and is of no value to the grain interests.

I do not mean, by this assertion, to make the slightest reflection upon our worthy Secretary, as he is amply competent and able to discharge any duties exacted of him. His office is simply an executive of the will and policy of the management, and reports *are their’s*, not his.

As to active work and regular attendance of members of important Committees, I would respectfully request the Board of Managers to reply by “showing up,” in their annual report, the number of meetings and work accomplished, as is done, by the New York Produce Exchange.

The state of general looseness in their corporate business, among a class of men of more than active intelligence, more than average reliability and especially attentive to all business confided to their hands, as individuals, simply shows that the corporate business is pretty much "left to run itself." There never was a greater mistake, as the progress of our merchants, as a body, is gauged almost entirely by the progressive measures developed by their corporation and its executive boards and committees. The Association is a "pooling" of each individual needs, and treats for them with Railroad Companies and other corporate bodies, and expresses their sentiment upon public measures affecting their interests.

Too great an indifference has prevailed and I ascribe it chiefly to the fact that leading firms negotiate as with Railroad Companies, for their own individual needs, and are indifferent as to whether the remainder of the trade can corporately attain by negotiation the same benefits. Further, the mixed interests, generally composing our Committees, make too often an indifferent majority, and the one or two working members are more than probably subjected to the imputation, not necessarily expressed, of "having some axe to grind."

I consider I have said enough, without further prolongation of the subject, or more specific details, to prove that progress must not be obstructed, and more responsibilities and work must be assumed by our members individually and officially for our Association, if we would "reap the harvest."

### THE "POSSIBLE REMEDIES."

The possible remedies for a return to our relative position in the percentage of grain receipts and shipments are *all within the grasp and power of our merchants* if they choose, through unity, energy and courage, to work out the requirements.

I would briefly call attention to:—

1. *Insufficient Elevator Storage facilities.* At first glance, it is apparent beyond dispute, that in the creation of Elevator facilities we have not kept pace with the active developments of Baltimore and New York, and the percentage of our decline in grain receipts is not nearly so great as the reduced ratio, (in the comparative exhibit of growth of elevator facilities) of our ability to take care of large stocks of grain. Hammer and nail have been used without cessation by our competitive neighbors, New York and Baltimore,

and one elevator is scarcely finished before another one upon a still larger scale is planned and in course of construction. Since the erection of the Girard Point Elevator at Philadelphia—Baltimore has created *three* elevators, and New York still larger storage capacity, and they are still at it—fulfilling their “manifest destiny” of creating on the Atlantic seaboard the *chief markets and speculative grain centres* in the United States.

A full proportion of this same destiny belongs to us, and although we may be somewhat slower, *we shall accomplish it too*. In my opinion, the day will come when the three cities will be able to store fifty million bushels or more of grain. Our merchants have always waited for the Penna. Railroad Co. to develop the *whole* elevator system here, and as rapidly as elsewhere, and have *officially begged* regularly and continuously for this investment by the Railroad. I must do the Managers of the Penna. Railroad the justice, to state that they liberally offered our merchants long ago, sites and foundations for the additional elevators, so urgently demanded by them, if they would “raise” the funds to complete the superstructure, and we made, perhaps, errors, in not accepting the offers, as certainly we should have had faith enough, and certainly *would have had trade enough* to have made them profitable. We preferred, however, that the Penna. Railroad Managers should manage that, and waited for them to “see it to their interest,” but we *waited and pleaded* in vain; and why? Because *our* official committees lost sight of a very important and dominant factor, viz:—

2. *The value to the merchant of competition between Trunk lines.* We certainly ought to know something about this element, as competition decides *every* transaction we make, and the value of every bushel of grain. After waiting in vain, *for a competitor* here, *our* Penna. Railroad deserted “the best geographical advantages on the sea-board” (page 9), and “the great vantage ground of Philadelphia” (page 8) for *competition* at Baltimore—to *prevent a rival there from gaining too great an advance*, and the battle resulted, as such battles *always* do, to the advantage of the merchants of the place, while the “sinews of war” were drawn, according to the tone of the Committee’s report, from *our* life’s blood. ☹️ Again, *our* Penna. Railroad, waiting in vain here for a foeman, comparatively deserted us to find a new field of glory in New York, and more “sinews of war” and life’s blood were drawn from us. See the beautifully illustrative maps, Letter I (of Committee’s Report),



and the colors, *sentimentally* representing the views of the Committee. On comparison of maps I with H, the flow of arterial blood (red), of the Pennsylvania Railroad *has considerably increased!!!!* and the puny arm to New York, and almost as puny leg to Baltimore, map H, show wonderful growth and strength, subsequently in map I.

See, by comparison, how lusty the leg has grown from kicking, and the arm, from striking. The Committee have sentimentally colored the "diversions," the *leg green*, as it is walking away from, and *has forsaken us*, and the *arm black*, as it funereally carries away their hopes of the "great vantage ground of Philadelphia" (page 8).

If the Pennsylvania Railroad Managers were arguing their interests with us, *which they won't!!!* and were illustrating by these maps, *they* would have painted the *arm and leg red*, and would tell us that it was *all arterial blood to them*, and *the arm and leg necessary to their aggressive policy*, completely demolishing the Committee's deductions on the *leg* (page 7), and the *arm* (page 8).

There are, however, in the maps, two other colored limbs—the *true blue*, to Baltimore, true, because she *has not yet had a chance to grow her arm and leg*; and a jealous colored (yellow) puny leg WITH US!!!!

Our Committee are evidently old school professionals; I would suggest to them, instead of their remedy of the knife (page 5), the trial of the homœopathic doctrine "similia similibus curantur." *Can our merchants not see* that this yellow colored leg *with us* will grow lusty with exercise here, on the same principle as the leg grew strong at Baltimore, and that *if they can* get an arm of that true blue here, it will do the same thing, and further that *then* the flow of the old arterial red to this city, will increase wonderfully, not because of the pleadings and differential supplications, but because of the *necessity created by competition*.

This is the whole secret, and will explain every mystery, and I propose to give some illustrations. Do our merchants remember when *The Baltimore & Ohio Railroad* had not created any elevators at Baltimore, but was about going into the grain trade in earnest, and were anxious to develop facilities? Do they remember how this city, with its natural advantages over Baltimore, was first looked at? Can any one assert that it would not have been a grand development for us to have had *all the capital, life and energy* she would have brought here, if she had developed here, instead of at Baltimore? *That was the time for us to strike hard*, and to *plead and beg* with dignity, to circulate

pamphlets and petitions, and organize committees for the expression of a healthy public sentiment. But *it was not done*. I have always believed that it was the original intention of the Baltimore and Ohio Railroad to come here and develop this trade, and that the reason it was not done, was the chilling Pennsylvania Railroadism, that silenced almost every merchant, our Board of Trade, our Commercial Exchange, and capitalists. Let us put the best construction we can on our weakness. *Were we all afraid of the Penna. Railroad?* Well, no—but fearful that the *competition would hurt the interests of our own Penna. Railroad*, and we lost our *first opportunity*. In my opinion, the Penna. Railroad *would never have gone to Baltimore had our merchants have made successful inducements to the Baltimore and Ohio Railroad, to establish her competition at Philadelphia*. The next step as has been stated, was that of *our Penna. Railroad to Baltimore*, and large investments for grain storage facilities to *compete there with the Railroad successfully driven from us*.

Do our merchants remember since the Pennsylvania Railroad grain developments at Baltimore, how we *pleaded and begged in vain* for some of that low rate grain, from St. Louis, that so persistently went down that "*diverted*" Pennsylvania Railroad Co. *leg*, and do they not know why? That it was simply because *we had no other leg to stand upon*,—and that *if the Pennsylvania Railroad Co. "hedged" the "cut freights" to Baltimore which competition forced her to make on our freight rates here*, where *no competition* prevailed, it was perfectly natural and defensible under the circumstances.

Now let us see what comparative value a "typically" aggressive Railroad places on competition. *To prevent the merchants of Philadelphia and New York from having the benefit of competing rates by another trunk line*, A WHOLE RAILROAD WAS PURCHASED at a seemingly big price, and the purchasers can doubtlessly justify the investment as a paying operation to them *for the interests of their road*, but I am arguing for the *merchants, and not the railroad or stockholder interests*. This *again* was the opportunity and it *is not too late yet* to plead, and beg with dignity to the *competing railroad, to try again*, and that she would have our sympathies for her successful entrance and establishment with us, and official pamphlets, petitions, etc., to that effect would be "in order."

Again, a "typically" aggressive railroad, in order to control the whole connection between the two largest cities of this country, *places*

*itself under enormous obligations for a whole network of railroads, supposing it could thereby BAR COMPETITION, and if it cannot since justify by figures that it was a paying operation, it is in my opinion only because of one reason—that competition was not barred out as expected.* Again taking a look at competition from the merchants, *not* the Railroad or stockholders' interest, see how that very unexpected *competition* produced *lower freights, lower passenger fares and reduced time* between the two cities in question.

We finally *did* get established in Philadelphia a COMPETING TRUNK LINE, starting under great disadvantages, and until the past few months, with no elevator facilities, but still, nevertheless, *competition*, and the *most important contributory element to our grain trade for the past few years* has been *derived from that very competition*, and yet our *Official Committee* although they occasionally use the word "competition" in their report, fail lamentably to apply it *to their own benefit*, for they refer their hopes and trusts to *one road*, as their "only remedy" with no past successful record as their reason for doing so, and wander into the labyrinth of "differentials,"—a subject, so enigmatical, that every man has the right to conjecture his own opinion of it, and even Railroad Managers can be lost in endeavoring to unweave its mysteries, or to conceal a hidden interest in explanations.

### 3. THE VALUE OF COMPETING LINES OF STEAMERS.

This remedy is so clearly in need of establishment, as THE MAIN ELEMENT OF OUR FUTURE SUCCESS AS A GRAIN PORT, as to hardly need more than the assertion. Our Committee ARE RIGHT, when they state (page 8), "The City of New York is a free port for steamers and for lines of steamers, and offers to them opportunities for the *fullest and fairest competition*, HENCE, the business in this important branch has in late years, increased in enormous proportions."

This statement is so clear that I will not combat the error of their immediately succeeding paragraph, for the "STEAMER LINE REMEDY," is of itself so necessary here on the *same competing* basis, that if the whole report of the Committee had been on this one subject alone, it would not have been treating it with too great an importance. It may be asserted as a positive fact, that OUR GRAIN TRADE WILL ONLY REGULARLY INCREASE IN PROPORTION TO THE FREIGHT STEAMER TONNAGE ESTABLISHED.

I would recommend as an important initiatory step in that direction, that our incoming administrations of the Commercial and Maritime



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Exchanges will ascertain whether our competitive Trunk line will not early establish suitable wharf and terminal facilities to afford opportunities for the establishment "for a full and fair competition" of another steamer line. With the needs of our city of a million of people, and for our "large import trade," (the last fiscal year, upwards of \$11,168,000 paid in customs revenue), we would, with our grain, be enabled to insure freights at once. As soon as the second line is fairly established let us look around for "opportunities for the full and fair competition" of a third line to *compete against the other two*, and so on.

What do the grain merchants of Philadelphia care for the "differentials," whether they are maintained or abolished—if we can establish plenty of steamer lines. *Under such conditions*, we could best afford to pay the Railroads *the same rates of freight as to New York*, as our *competing* rates of ocean freight would enable us to sell to the same markets at the same prices, and the tendency would be at once independent of any "differentials" to advance our "cheap grain" to its relative value with New York market.

4. *Reorganization of our grain interests in the Commercial Exchange*" organization so that the grain trade may obtain a unity of purpose and *power to alone control every question strictly relative to the grain interests*.

I do not pretend in the hurried course of a brief reply to attempt any more than the general suggestion.

In conclusion, I must state, that I have had no officious desire to interfere with regular official work, but have ventured to present views that appear to me necessary for promulgation and adoption, if we would control the "main element of success," and avoid the apparent necessity of "Committees on the decadence of the Grain Trade of Philadelphia."

The next public reports "in order" are from the Committee on the establishment of *competitive* freight steamer lines. "The Committee on encouragement of *competitive* Trunk lines," and "The Committee on the *competitive* development of increasing elevator storage and shipping facilities."

If these Committees are successful, the Philadelphia Grain Merchant has in my opinion all the required remedies.

FRED. W. TAYLOR.

Philadelphia, 1st Mo., 9th, 1882.

**Aaron Bldg.**



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