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Address

By

HOWARD ELLIOTT

President

Northern Pacific Railway Co.



Delivered at the

Third National Apple Show

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The Third National Apple Show

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HOWARD ELLIOTT

The Third National Apple Show opens to-day in Spokane, and this city and the Inland Empire welcome the exhibitors and visitors.

The First National Apple Show in 1908 was good; the second one in 1909 was better, and the one that you will now see is the best up to the present time, but not the best that can and will be given.

Many politicians long to attain the position where "the office seeks the man." As your President, I am in that enviable position, for your trustees, after the last Apple Show, were quite insistent that I serve again! I felt then as I feel now, that rotation in office would be the better plan, but was glad to bow to the wishes of the trustees and do what I could to promote the apple business in the United States. I wish to express my thanks publicly to the trustees, and to those they represent, the apple growers and exhibitors, for the compliment paid in giving me a second term.

To the trustees, to the growers and exhibitors, to the efficient Secretary-Manager, Mr. Rice, and to the citizens of Spokane who support the National Apple Show, the thanks of all interested in apple growing should be given, for the time and energy spent in arranging for the wonderful exhibit now thrown open.

Production of Apples. This National Apple Show means much in increasing the use of the Apple all over the world, not as a luxury, but as an important element of daily food. As all of you know, the production of apples in the United States has fallen from 60,453,000 barrels in 1895, to 22,735,000 barrels in 1909, although the population of the country has increased during that

period from 70,000,000 to 90,000,000, and this great decrease in the production of a valuable food comes at a time when our growing population needs all forms of food in constantly increasing quantity. Fifteen years ago nearly one barrel per capita was produced and now only one-fourth of a barrel; there is no evidence here of over-production.

High Cost of Living. Much has been said about the high cost of living, and there are numerous causes for it, and some of these causes are within the control of each one of us. One cause is that we, as a nation, and as individuals, are extravagant, and we want all sorts of conveniences and luxuries that a few years ago were not thought of. There should, and must be, greater care and economy in expenditures by the individual, municipality, county, state, and by the nation, and there should be less waste and extravagance. Much can be learned about the question of saving and careful living from the old-fashioned New England man; the careful Dutchman from New York; the prudent Quaker from Pennsylvania, and the frugal people of Europe. Their habits of self-denial, industry and thrift are just as much needed now for the development of this country as they were 50 and 100 years ago. The national drift from these simple habits of living is one of the dangers now confronting the country.

Governmental Expenses. Mr. Hill, in an admirable address at the Minnesota Conservation Congress, gave the following figures for the United States which should be considered carefully by every thoughtful man:

INCREASES.

Wealth	1870 to 1890	116.0%	1890 to 1904	65.0%
Foreign trade.....	1870 to 1890	99.0%	1890 to 1908	85.4%
Value m'f'd products...	1870 to 1890	121.0%	1890 to 1905	58.0%
Net ordinary expense,				
U. S. Government...	1870 to 1890	1.4%	1890 to 1908	121.4%
Expenditures, 30 states.....			1890 to 1909	201.6%

These figures show that while our wealth, foreign trade, and manufactured products have increased handsomely, the expenses of

the United States government, and the 30 states for which figures could be obtained, have increased at an alarmingly rapid rate, and this great increase in public expenditure is one of the reasons for our higher cost of living. Every citizen can do something in his own community to cure this particular difficulty.

City and Country. Another cause is, that there is a greater proportion of people living in towns and cities and producing no food, than there used to be: for example, in 1790 3.4% of our population lived in cities and towns, and in 1900 31.1%, and the indications are that in 1910 this proportion will be at least one-third. The beautiful State of Iowa, one of the best agricultural States of the Union, according to the census figures just published, actually shows a decrease in population during the last decade. This is due, in part, to the drift to the large cities, and in part, to the movement of Iowa people to Canada. The great State of Missouri, that has within its borders almost everything that is needed for the support of a population, only shows an increase of six per cent. The increasing demand for food is making farm property more valuable: the last census shows that farm property in Iowa increased in value 117%, and what is true of Iowa is true of the agricultural States in the Mississippi Valley and west thereof.

The industry of raising apples will act as a check, in part, to this drift to the cities, and is furnishing and will furnish a healthful and profitable occupation for a great many people who apply intelligence and hard work to the business.

Food Value of Apples. The food value of the apple is not understood well enough, and this should be made plain by the grower and those interested in helping him to obtain the widest possible market. An examination of the cookery books and the periodicals devoted to food, shows that there are many ways in which fruit and fruit products can be cooked and served. At the Apple Show of the Berkeley County Horticultural Society, held at Martinsburg, West Virginia, November 4 and 5, 1909, detailed recipes were furnished showing 101 ways for using their apples. One most desirable exhibit of the National Apple Show is the department of domestic economy, where apples are served in various forms.

Apples, when dried, and therefore more concentrated than when fresh, compare favorably with bread, dried beans, and similar foods in the total amount of food material present, and the apple, either fresh or dried, or preserved, is a source of energy rather than of tissue forming material. On account of the great decrease in the total amount of apples produced in the United States, the fruit is becoming something of a luxury and is used rather for its pleasant flavor than for its food value. Very careful experiments have been made by the California Experiment Station, in co-operation with the nutrition investigation of the office of Experiment Stations (a subdivision of the Agricultural Department); by the North Dakota Agricultural College, and by Harvard College, as to the results to be obtained from different forms of diet. It seems very clear from the investigations that have been made that fruits should not be looked upon simply as a luxury, but should be considered as an economical source of nutrition for the average family. Fruits, especially cooked, are almost completely digested, and have a higher nutritive value than is popularly attributed to them. The result of experiments makes it clear that fruits are reasonably cheap sources of energy in the diet, and are well suited, on grounds of economy, for combination in reasonable quantities with cheap proteid foods to furnish a well balanced ration. Ten cents worth of fresh apples, used as food, furnishes 1467 units (calories) of energy to the body; ten cents worth of porterhouse steak furnishes 444 units (calories) of energy; ten cents worth of dried beans furnishes 892 units (calories), so that, in general, it may be said that the apple furnishes a wholesome, palatable and very attractive addition to the food supply of the family; and the increasing production of the apple should help to offset the growing price of meat and other forms of food.

Decrease in Production. The great falling off in the production of apples is probably due to the fact that in the older States in the East, the growing of apples was incidental to other forms of agriculture, and was not a business by itself. When the trees were young, the production was good, but gradually, as the trees grew older and orchard pests increased, the attention necessary for a crop of apples became greater, and the orchards not receiving it gradually failed.

Twenty-five years ago, in a small Michigan town, dependent for its principal business upon the handling and packing of apples, large warehouses were in use for handling the apples, and a large number of men employed to take care of the fruit. Now, only one apple warehouse remains, and other crops have taken the lead.

The Commercial Orchard. In the early days, scientific growing of apple trees was not much thought of. Now, the day of the commercial orchard has come, not only in the West, but all over the country, and men are giving the same careful and thorough attention to the production of apples that they are giving to the production of steel, and making of agricultural implements, or to any other business that is conducted with skill and intelligence.

The National Apple Show, by bringing together the best minds in the business, is a potent force in helping to place apple growing on a sound, scientific and commercial basis.

The study, attention and care given to the production of fruit, by the grower, must, as that production increases, be supplemented by efforts for publicity as to the use of the apple, combined efforts for seeking wider and wider markets, and additions to the facilities for storage and transportation of the fruit.

Storage. It is not an idle statement to say that in a few years there will be 100,000 carloads of apples marketed from Washington, Oregon, Idaho and Montana alone, and there is a growing production of apples in the states in the Mississippi Valley and east thereof. All of the increased production of apples cannot be placed within the 60 days of harvesting at the point of ultimate destination, and it would be an economic mistake to try to do so. Therefore, it will be necessary, for the apple grower to do what the wheat grower has done, namely: provide means for holding part of his crop near the primary market. So far the efforts of the fruit grower have been concentrated largely and very properly upon the production and upon the best methods of caring for the young and growing trees, and that work must still continue. Now, the best apples command a higher price in many of the great

cities of the country than do oranges, but to have the maximum use of the apple as food, commanding a reasonable price, means must be provided to prevent glutting of the market at consuming points in the few autumn months. No doubt there will have to be a combination of storage plans, just as there is about grain. Today, the producer of grain has more or less storage on his own farm, some at the nearby railroad station in a warehouse or elevator, and some at the large elevators and warehouses at great terminal points. In the same way, as apple production increases, the grower must have some means of caring for his crop at his home orchard, some co-operative storage at the nearby station, and larger plants at various points throughout the United States.

Fruit Growers Association. A good example of the benefits of co-operation is shown by the results obtained by Fruit Growers' Associations. It availed little to produce first class fruit unless it could be delivered to the consumer in first class condition, attractive to the eye as well as to the palate. Until a few years ago not enough care was given to the handling of fruit while being harvested and packed, and not enough attention to the manner of packing or the appearance of the package. Now, as a result of Fruit Growers' Associations, has come the keenest rivalry between the different fruit growing districts, not only as to the quality of the fruit, but as to its freedom from blemish, and the attractiveness of the pack and the package when it reaches the consumer. The brand of an Association that has established a reputation for honest packing is a valuable asset to every grower in the district it represents, and this explains the occasional instances we hear of where Associations have refused to allow their brands to be placed upon packages packed by some of their members because of poor quality, dishonest or inferior packing.

Not only in the handling and packing, but in the marketing of the fruit also, and in various other ways, such as the construction of storage plants, too expensive for the individual growers, are the Associations proving themselves of value to their members, and as time goes on they will become still more valuable.

**Transportation
and Its Effect
on Land Values.**

As the apple crop increases, the necessity for adequate transportation, as well as for adequate storage increases. Too often, the shipper by rail, fails to realize some of the conditions in this country today because of the construction of railways, and forgets the conditions that would have existed if there were none here. Take the Yakima and Kittitas Valleys, for example, because approximately accurate figures are obtainable. There are about 500,000 acres of land that ultimately will be under irrigation between Ellensburg and Pasco, and along the Columbia River. Of this, about 315,000 acres are under constructed canals, and 185,000 acres are now under cultivation, divided: 40,000 acres in fruit; 130,000 acres in hay, and 15,000 acres in other crops. Let us suppose, for example, that there was no railway in that section, and the only means of transportation was by team or river; what would be the value of the land, and how would the products from it be marketed? It is obvious that fruit and vegetable products could not be marketed, and the land would have to be used for raising stock that could be driven to some point where they could be transported to market. Today, that 185,000 acres of land is fairly worth on an average at least \$300 per acre, or \$55,500,000; without the railway, would it be worth an average of \$10.00 an acre? Perhaps so, or \$1,850,000, and it is not unfair to say that the existence of rail transportation has increased the value of that 185,000 acres of land at least thirty times.

In Central Oregon are plains and valleys where with irrigation and transportation there are thousands of acres that can be made as productive as the orchard land of Washington, but, to-day, the land is almost useless, and has only a speculative value, based on prospective transportation and its value in producing stock.

What is true of the Yakima Valley is true of the whole country west of the Mississippi River, between the Canadian and Mexican boundaries.

Without the great transcontinental lines and their branches, the country could not have achieved the development and consequent ability to support in reasonable comfort anything like the population that it now has. To market the increasing products of the great West, it is necessary to have wide distribution and low rates.

Rates and Service. The greater portion of the apples produced in the West must find a market east of the Missouri River and extending all the way to the Atlantic Seaboard, and even across the Atlantic some of this product has made its way. In this vast country of ours, we are so accustomed to great distances that we take them for granted without stopping to consider their significance; it means something and costs something, however, to transport a box of apples from Western points to New York, nearly 3,000 miles. For this transportation, and because of the perishable character of the product, first-class fast service is necessary. The railway receives 48 cents per box, or about half a cent per apple. When the grower hears that his apples are being retailed at 10 cents each in Chicago or New York, he should keep in mind how much the railroad received as its share, and look elsewhere for the difference. If he still thinks the transportation expense too high, he might do some figuring on what it costs to wagon haul his apples from his orchard to the railway station; he will find, if the distance is five miles and the roads are of the average character that prevails in the irrigated districts of the West, that it costs him about 10 cents per box, and he will doubtless turn his attention to something entirely in his own power to improve, and that is the wagon roads, for it is a fact that his fruit runs more risk of damage in a five-mile wagon haul over poor roads than in the 3,000-mile rail haul.

The apple grower, who at times feels that the railway does not do what is right, should remember the obstacles that have been overcome by the owners of the railways in the last forty years and not let small things blind him to the great work that has been and is being done, and should obtain full knowledge of all the conditions surrounding the railways before he condemns them and subjects them to unjust criticism and attack.

Not Enough Hard Work. Another contributing cause to the higher cost of living is the fact that there is a growing tendency in this country to insist that a living can be obtained with less and less work, so that the labor cost on a great many articles has increased very materially. Every man can do some good by pointing out that business can only pay such wages as will permit it to go on. There is a much misunderstood expression about railway rates, namely: that they are

made on the theory of "what the traffic will bear;" this does not mean *all* that the traffic will bear, but means that the rates are so adjusted that the business will move, the country grow, and give some margin of profit to the owners of the freight, and some to the mover of the freight. Without such conditions, railways will not be built. On the other hand, the man who works for wages must remember that he cannot fix his wages on the basis of "*all* that the traffic will bear," but must consider business as a whole, and realize that the owner must have a margin or he will give up his business.

**Necessity for More
Transportation Facilities.**

Mr. Knapp, Chairman of the Interstate Commerce Commission, made the following statement:

"The question of railroad rates, that is to say of railroad revenues, involves a great deal more than the direct interest of shippers or shareholders. Broadly speaking, it is a question of national policy second to none in its economic importance.

"Leaving out of account the comparatively small number of actual shippers and security-holders, I suggest three aspects of the question which are of general and intense public concern. The country, as a whole, needs and must have, if it is to grow and prosper as it ought, railway earnings sufficient for three things:

"(1) The payment of liberal wages to an adequate number of competent men * * * in service which is all the while becoming more exacting, and on which the safety and the convenience of the public constantly depend. * * *

"(2) A reliable return to railway capital sufficient to induce the construction without delay of hundreds and thousands of miles of new railroads to further develop the country and meet the transportation demands of the immediate future. * * * Must we not, in the public interest make railroad construction so attractive and profitable that the necessary capital will be forthcoming? Otherwise, must we not come measurably to a standstill and face a future of comparative stagnation?

"(3) The betterment of existing lines so as to greatly augment their serviceableness to the public, as can in varying degrees be done everywhere, without any increase of capitalization that can be fairly avoided."

Mr. Knapp has perhaps understated the number of those interested as security-holders and shippers. There are at least 1,000,000 security-holders, representing not less than 4,000,000 people, including many charitable institutions, women and children, and among the assets of every insurance company and savings bank are railway securities, so that a very considerable number of people are interested deeply as owners in the rates charged by railways. Then again, there are in the agricultural States a very large number of people who are shippers, and in the country as a whole a very large number who are users of the railway for travel.

Points two and three made by Mr. Knapp are very important to a new, growing and expanding country like that west of the Mississippi River. Every railway in that country must spend very large sums of money to provide facilities needed to keep pace with the growth of business.

What the Railway Owner Has Done. The demagogue often tries to give the impression that the railway owner is a rich man, and a non-resident, who is taking very much more from the country than he gives. This is not a fair, nor a true statement. I have the exact figures for the Northern Pacific for the ten years ending June 30, 1910. During that period the owner of the property has put back into this western country for improvements and additions to existing lines, for new equipment and for building new railways \$1.42 for every one dollar he has received in the form of dividends or 42% more than he has taken out. This additional money he has either borrowed or advanced voluntarily from funds belonging to him. Not a very lucrative return for the railway owner who takes all the risk of business with no guarantee of protection. What the Northern Pacific has done has been done by the Great Northern, Union Pacific, Santa Fe, and all of the big railways must continue to do the same thing if we are to avoid "coming to a standstill and facing a future of comparative stagnation," as suggested by Chairman Knapp.

Now, why did the railway owner invest this money? It was, of course, for the same reason that men embark in any business enterprise—in the hope of making a profit. It was not invested with the idea of getting a return of only 4%, 5% or 6%, because the owner better loan his money on farm mortgages and avoid the

risk of business if that is to be his limit. Recently, a Chinese loan of \$50,000,000 has been floated in this country, and why? Simply because the investors feel that there is a greater chance of profit in building and operating railways in China than there is to-day in the United States.

Higher Cost of Living for the Railways. All these elements that make for higher cost of living for the individual and for the ordinary business man, namely: increased governmental expenditure; greater proportion of people living in towns than in the country; higher wages, and a less quantity of work for a like amount of money; increased cost of materials, affect the cost of living of the railway, and in addition, there is an incessant and increasing demand of a prosperous people for more expensive facilities, causing an interest charge on the money for creating them, and greater expense for operating them, with no corresponding increase in the price obtained for the use of them.

Diminished Power of Railway Earnings. Mr. C. C. McCain has published a most careful book called "The Diminished Power of Railway Earnings," and he shows in great detail, and with many examples, how a dollar in 1907 would buy very much more rail transportation than in 1897. Since 1907, wages have increased still further, and prices of most materials are as high or higher so that the figures for 1907 can be used for the present day. In 1897, railway wages were \$465,601,581, and in 1907 \$1,072,386,427. Taking the pay of railway employes, as a whole, it is shown conclusively that a dollar of railway earnings in 1907 would not buy more than 84%, on the average, as much railway labor as it bought in 1897. In order to equalize this fall in the purchasing power of a dollar of railway earnings, there should have been an average advance in rates of 19.43%, instead of which the rates have fallen from 1897 to 1907, as follows:

	1897	1907	1909
Rates per ton mile (mills)	7.98	7.59	7.63
Rates per passenger mile (cents)	2.022	2.014	1.928

In 1897, \$1.00 had to be spent for locomotive fuel for each \$17.25 of gross railway receipts, while in 1907 \$1.00 for locomotive fuel was used for each \$12.93 of gross receipts.

The articles commonly used by railways, in ten years, have advanced in price all the way from 10 to 150%, and every item of operating expense is very much greater now than it was in 1897. This increase has been offset, in part, by the use of larger tools by the railway, but the end is in sight, because the gauge of the railways cannot be widened, a greater weight cannot be put upon the wheels than now, and the size and capacity of cars and engines is, therefore, limited. The increase in governmental expenditures is reflected in the fact that railway taxation per mile of line increased from \$235 in 1897 to \$382 in 1909, or 62%. The taxes for the Northern Pacific for the year ending June 30, 1910, were \$628.29 per mile of line, an increase of 42%, in one year.

Ability of People to Buy More Transportation for a Dollar. Higher wages, and higher prices for commodities traded in, and a lower average freight and passenger rate furnish all classes of people ability to buy more railway service for a dollar than formerly.

Dunn's Review has compiled statistics showing that the power to purchase railway freight service by the producers in various classes of commodities, as shown below, has increased in ten years, an average of 49.37% :

Class of Articles.	Relative Prices		Power to purchase railway freight services.		
	January 1, 1897.	January 1, 1907.	At the average rate per ton per mile of 1897, ton-miles.	At the average rate per ton per mile of 1907, ton-miles.	Increase Per Cent.
Breadstuffs.....	\$11.73	\$16.08	1470	2118	44.08
Meats.....	7.33	9.35	918	1232	34.20
Dairy and Garden.	10.46	14.97	1310	1972	50.53
Other food.....	8.17	9.76	1024	1286	25.59
Clothing.....	12.40	19.64	1555	2587	66.37
Metals.....	13.01	18.09	1631	2383	46.11
Miscellaneous.....	12.40	19.37	1553	2554	64.46
Total.....	\$75.50	\$107.26	9461	14132	49.37

The commodity figures represent the wholesale cost at the two periods, of the articles used in a year by an average inhabitant of

the United States. Similar figures for agricultural products are as follows :

Product	Value of crop of 1907.	Unit	Price			Increased Power to Purchase Railway Freight Service Per Cent
			1897	1907	Increase per cent.	
Corn.....	\$1,336,901,000.	Bushel	\$0.263	\$0.516	96.20	106.28
Wheat.....	554,437,000.	"	.808	.874	8.17	13.73
Oats.....	334,568,000.	"	.212	.443	108.96	119.70
Barley.....	102,290,000.	"	.377	.666	76.66	85.74
Rye.....	23,068,000.	"	.447	.731	63.53	71.94
Buckwheat	9,975,000.	"	.421	.698	65.80	74.32
Potatoes...	184,184,000.	"	.547	.618	12.98	18.79
Hay.....	773,507,000.	Ton	6.62	11.68	76.44	85.51
Cotton....	613,630,436.	Pound	.066	.104	57.58	65.68

	Jaunary 1, 1908.	Average price, each.			Increased Power to Purchase Railway Freight Service Per Cent
		January 1, 1897.	January 1, 1908.	Increase per cent.	
Horses.....	\$1,867,530,000.	\$31.51	\$93.41	196.45	211.69
Mules.....	416,939,000.	41.66	107.76	158.67	171.97
Milch Cows.....	650,057,000.	23.16	30.67	32.43	39.24
Cattle, except Milch Cows....	845,938,000.	16.65	16.89	1.44	6.65
Sheep.....	211,736,000.	1.82	3.88	113.19	124.15
Swine.....	339,030,000.	4.10	6.05	47.56	55.14

These figures prove that by reason of the higher price he received for his product, together with the decrease in freight rates, the farmer producing a bushel of corn could purchase a little over twice as much freight transportation with the proceeds in 1907, as he could have purchased in 1897, and so on with all other agricultural products to the extent shown in the tables.

The average power of all commodities to purchase railway freight service has increased 51.79% ; on the farm, production as a whole 69.19% ; lumber and building materials, 70.85% ; food, 41.22% ; house furnishing goods, 38.74% ; metals and implements, 74.10% ; labor from 10% to 60%.

Efforts of the Railway. Now, the railway is working hard to do its part, but it cannot accomplish the impossible, and it needs the careful thought, judgment, and help of men in business life who need to have the railways grow and improve. The

railway system of the United States is a great piece of commercial machinery, essential to every one in this complicated, modern civilization; without this piece of machinery, there could not be the volume of business—agricultural, manufacturing and commercial—that there now is. The magnitude of these transactions is so great that this piece of commercial machinery must be kept in the very best order, and its capacity must be increased all the time. Without this, much business could not exist. On the other hand, without the business, this piece of commercial machinery would be idle and rust, and the relation between the two is very close. Injustice and unfair treatment of either by the other is sure to react, and this fact is a much safer insurance against any injustice on the part of railways than attempting to manage by legislation all of their affairs in great detail.

American Railways the Best. The owners and managers of the American railways are, as a whole, today, furnishing the best and lowest priced transportation, and paying the highest prices for labor and material of any nation in the world. They want to give the public the very best service; they want to have their employes well paid, contented, and continuously employed; they want to pay their fair share of taxes; they want to add to their properties and to keep them up to the mark. There are, however, only 100 cents in a dollar, and they cannot do all of these things unless they have some help from the intelligent, thoughtful men of the country.

Duty of the Farmer and Business Man. Business men and the farmers must add to their own facilities, adopt improved methods for handling freight so that every car is loaded and unloaded promptly, and so that the greatest use can be made of each car and each track. Business men and farmers should post themselves about this great question, and call a halt in the continuous stream of hostile and repressive legislation, and should serve notice on the investing public all over the world that money put into American railways is absolutely safe, both as to principal and fair return on the fair value of the property.

Today on all important questions but one the railway owner is directed by Acts of Congress, of State Legislatures and by the orders of Commissions and Bureaus. He has little control over the rates—over the hours of labor—over the rules for the conduct of the business in which his money is invested, over the taxes he shall pay. There is reserved to him the one duty and responsibility of finding money to pay the bills.

The Congress, the Legislatures, the Commissions and Bureaus may pass laws and issue orders and the railways will obey them when they understand them and if they are constitutional and until they are exhausted. But there is one great fact that cannot be changed by legislative fiat or commission decree—and that is you cannot make a man invest his money in railways unless he wants to. You apple growers are fair men and you use brains, industry and energy in developing your business. For your own interest, and for the interest of your children who must have an increasing amount of safe and adequate transportation, use some of those brains, industry and energy in helping to form a temperate and sensible public opinion about the railway business of the United States so that justice will be done by those you select for the Legislature and for the numerous commissions, and to whom you give over the enormous power of control over the transportation system of the country, but with no responsibility as to financial results.

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