

CHAPTER VI

COLD STORAGE AND FOOD SPECULATION

THE cold-storage warehouse and the refrigerator-car are among the greatest devices of our age. Without these agencies our city population would be dependent upon the immediate local supply, while foods of distant lands would be unknown to most of us. They place the perishable food of every clime upon our tables all the year around. Even the poorest dines on foods that were unknown to the richest a century ago. The cold-storage warehouse also tends to equalize prices throughout the year. Eggs, butter, poultry, fish, and meat lose but little in freshness from months of storage, while seasonal products can be kept at a uniform price by reason of these facilities.

Yet, instead of being an agency of universal service and a means of cheapening the price of food, cold storage is one of the principal agencies of the speculator. The cold-storage plant is a warehouse. It offers easy facilities for a few men to buy up and store foods and thus control the market. The operators and owners are in close alliance with the food exchanges, which fix quotations, and with the packers, produce men, and jobbers in every large city. There are seventy-five of these cold-storage

warehouses in and about New York. They control the bulk of the city's perishable food supply, including fish and meat. There are forty-eight such plants in Chicago, the food centre of the country. Many of these cold-storage warehouses work in co-operation with or are owned by the refrigerator-car companies, which are owned in turn by the big packers of Chicago and the West. Here again is the combination of transportation, terminals, banks, and food exchanges, which fix the price to the producer at one season of the year and to the consumer all the year around.

The food exchanges speculate in prices of perishable food just as they do in wheat. The egg supply of the country, for instance, is controlled by the Elgin Board of Trade, the Butter and Egg board, and the Board of Trade of Chicago, which are price-fixing agencies. They establish prices day by day for eggs, butter, poultry, and other produce by sales between the members. They use the same methods described in previous chapters as to wheat and cattle. The price of eggs for April delivery is fixed by the speculators the previous November. Having fixed the price, the agents of the speculators travel about and make contracts all over the country for delivery by the farmer in Chicago the following spring. Having purchased and stored the eggs, they control the available supply. Day by day the speculators make the market quotation just as they

do the price of securities on the New York Stock Exchange. These prices are flashed all over the country and establish the prices even in the small town or summer resort.

An investigation of egg speculation in Chicago showed that one dealer and his associates held 43,200,000 eggs in storage at the end of 1916. He made no secret of the fact that he was holding them for 50 cents a dozen, which meant that they would sell at 55 cents retail. He even threatened to sue the aldermen and club women of Chicago for conspiracy when they threatened to fight his monopoly. These same eggs were acquired at $19\frac{1}{2}$ to 20 cents a dozen in November and delivered in Chicago and elsewhere the following April and May. During this period eggs had reached a very high price. The egg speculators claimed that it was due to scarcity. Yet their own figures showed that there were 3,686,533 cases in 1915 and 2,794,295 cases in 1916 in Chicago and other centres. Despite these hoardings the price of eggs advanced approximately 100 per cent. since they were bought for April delivery. One of the egg operators is said to have made a million dollars profits in a single year and retired from business. While speculation doubled the price of eggs, the cost of storage for ten months is only about 2 cents. Allowing .5 cents for the retailer, the price of eggs during the winter months ought not to exceed 30 cents a dozen at the outside.

In the spring of 1917 speculation went wild not only in eggs but in other produce. Prices advanced to exorbitant figures. An investigation made by the government showed that eggs had gone through fifteen or sixteen middlemen's hands in reaching a market, each one of whom took off a profit. Yet, while we were paying 50 to 75 cents per dozen for eggs, the people of England, after two and a half years of war, were buying the same eggs at from 32 to 35 cents a dozen. In England food speculation is prohibited.

The prices established in the Chicago Butter and Egg board do not represent buying and selling of actual eggs; they represent fictitious sales in "paper eggs" for the purpose of sending the market up or down, as the speculators desire. Yet these sales of eggs that do not exist fix the price of eggs to all buyers throughout the United States. As a result of an investigation in Chicago it was said that 4,000 car-loads of eggs that never existed were traded in by members of the Butter and Egg board. And each time the eggs were traded in the price was elevated from $\frac{1}{2}$ cent to 1 cent per dozen. By these means eggs which should have sold for approximately 22 cents, if the price had been fixed by legitimate supply and demand, were selling at from 34 to 35 cents a dozen in Chicago. The speculators took excess profits of \$6,000,000 on the Easter trade alone in the United States.

These manipulations of eggs, butter, and other foodstuffs would be impossible without the co-operation of the Chicago banks, which are an integral part of the system. The egg speculator is permitted by the banks to borrow money on his warehouse receipts on a valuation of only \$1.50 a case below the prevailing market quotations, which are almost always from 50 to 100 per cent. more than the price originally paid for the eggs. In other words, the speculator borrows on a valuation which he himself fixes rather than the price which he paid. This gives the dealer a big line of credit which he can use to buy more eggs, upon which he then borrows money at a fictitious valuation and uses the proceeds of his loan to buy other eggs. The co-operation of the banks makes it possible for the speculator to pyramid his holdings during the storing season and greatly to enlarge the scope of his operations and still further monopolize the market.

The attitude of the egg speculators toward the public has been arrogant in the extreme. Judge Landis, of Chicago, issued an injunction against market rigging and forbade any but *bona-fide* sales. The officers of the egg board met and worked out a plan by which they could continue their speculations but accompany each sale with bills, car numbers, and entries on their books, just as though an actual transaction had taken place. The attitude of the speculators toward the public is expressed in

the words of one of the speculators, who said: "Call it speculation if you will. It is, possibly, from the standpoint of the gentle public; but we call it successful merchandising in South Water Street."

The same practice prevails as to poultry, butter, sugar, and many other commodities. In fact, almost every article of food is under the control of middlemen and food speculators.

Mr. Herbert Hoover, commenting on the extent of speculation and its cost to the public, stated in a hearing, June 19, 1917, before the Senate Committee on Agriculture and Forestry:

"In our commercial distribution we are confronted daily and hourly with evidence of a large amount of rank speculation at every link of the distributing chain by persons not engaged in actual commerce of distribution. Thousands of men in this country who never owned a commodity in their life have bought canned goods, flour, wheat, and every food commodity to speculate for the rise, and these speculations have been prompted to a great degree by the increased field of forward contracts, which offer a basis for transfer of titles in commodities not much speculated in hitherto. Altogether we face the amazing situation of the country producing a surplus of foodstuffs and paying the highest prices known to its history.

"There can be no more vivid evidence of the desirability of food control in this situation than a comparison between our prices and the prices of foodstuffs in countries where there is some measure of food administration. I will not traverse the

prices of all commodities more than to say, as a general fact, the average prices to the consumer are lower in food-controlled countries than in the United States. Practically the entire wheat supply to Belgium is to-day imported from the United States, and, despite the extraordinary costs of transportation, the price of bread is 60 per cent. of the price in New York City. A large portion of the wheat in France comes from this country, and yet the price of bread is, again, 40 per cent. below our own. In England, where food control was started too late, the price is 30 per cent. below our price, and in Canada, again, we see a lower range of prices to the consumer than in our own country, although the producer realizes the same price."

Produce exchanges, similar to those described in Chicago, exist in New York and other large cities. The quotations which they make are directed by the distributors and are largely fictitious. Judge Jaycox, of New York, called their daily quotations of prices "untruthful, wilful, deliberate, intentional, systematic, and fraudulent," as a result of an inquiry into their methods. Honorable John J. Dillon, Commissioner of Foods and Markets of New York State, says of the food exchanges that they are "gambling dens."

According to the State food experts, New York City food speculators made profits of \$900,000 in the week preceding November 18, 1916, on the single item of eggs alone. The toll for the week of November 18 was estimated by the State officials at

\$1,000,000, with the prospect of a still higher extension the following week unless the power of price-fixing was taken out of the hands of the speculators.

Control of cold-storage plants is the key to the food situation, say food experts of New York. Because of private control speculators corner the supply of fresh foods and charge all they can get. At the time of the investigation practically all the available cold-storage plants in Greater New York and Jersey City were filled with eggs and other farm produce, purchased by the speculators during the months when prices were lowest. Eggs bought at 17 cents to 19 cents a dozen, says Mr. Dillon, were sold on November 17 at 60 cents to 70 cents a dozen, with even higher prices in prospect. The city consumes 100,000 cases of eggs so stored each week, which is the basis on which the profits of the speculators were calculated. Mr. Dillon says: "It costs only 2 cents a dozen for holding eggs for ten months. On that basis it is easy to see just how much is being made out of the manipulation of egg prices in the city. I estimate that the citizens of New York City would save from \$7,000,000 to \$10,000,000 annually by the establishment of such [municipal] cold-storage plants."

"The present cold-storage facilities," says Mr. Dillon, "are not sufficient for New York City. In consequence, a large part of the storage goods consumed in the city are held in Chicago, Buffalo,

and other outlying points. The facilities for handling supplies are grossly inadequate. The dealers manipulate what there are, and the individual grower is in a position where he must sell his fruit or let it waste on the farm."

Speaking on another occasion of the cold-storage facilities of New York, Commissioner Dillon said:

"Our cold-storage facilities are equally inadequate. Such as we have are controlled by the speculators in foods. Neither the producer nor the consumer has access to them, with the result that in times like these the speculator is in a position to exact any price that his greed may dictate for the food products that he controls through his monopoly of cold-storage facilities.

"At least \$7,000,000 a year can be saved in the wholesale handling of live poultry in New York City, \$10,000,000 on eggs, and a similar amount on dressed poultry. Ten million dollars can be saved on the distribution of butter, and besides these savings in the necessary cost of the physical handling of these products at the present time, an efficient system of marketing would save the people untold millions in the speculative prices that they are now paying. In the one item of milk alone, \$15,000,000 can be saved to the people in the distribution of it."

In its search for reasons for the high price of milk and the sky-rocketing advance in eggs, the Wicks legislative committee of New York State brought out two facts: one, that the New York Central Railroad paid \$25,000 a year to the estate of Westcott,

the express man, for the "supervising" of milk shipments to New York from the districts in the northern part of the State, and, two, that a car-load of Indiana eggs, sold by the Decatur Produce Company the preceding June (that is, June, 1916) to a New York wholesaler at $24\frac{1}{2}$ cents a dozen, was resold nine or ten times without leaving the cold-storage warehouse, until the St. Regis Hotel paid 43 cents a dozen for part of the lot on November 18, 1917.

While the price of sugar was mounting in 1916 great quantities of this commodity were held in storage warehouses. On October 4, 1916, there were 427,185,758 pounds so held in raw sugar in New York alone. The stock was held in the government warehouses under bond. Refined sugar jumped from \$6.75 to \$7 per hundred pounds, in spite of the fact that Great Britain was no longer so large a consumer as in the preceding year. The 1916 sugar crop in the United States was the largest in its history. The Porto Rico crop was also larger by 137,000 tons than ever before. This more than made up for the loss of the German and Austrian supply. In spite of the unprecedentedly large crops, the 1916 range of prices in the United States was from \$4.51 to \$6.52 for 96 per cent. centrifugal. In 1915, when England bought up great quantities, the range was only from \$3.64 to \$5.20. Speculation alone is the cause for the prevailing prices.

The cold-storage evil and with it food speculation can be corrected by the public ownership of the cold-storage plants, and it can probably be corrected in no other way. Any one familiar with the attempt to regulate the prices of public-utility corporations knows how futile the whole proceeding is. So satisfactory is regulation to the railroads and public-service corporations that they would probably fight as hard now to retain the public-service commissions as they fought to prevent their creation. They are the best possible guarantee of existing rates and charges. The difficulties in the way of rate regulation, even when the utility commissions are intelligent and free from control, are so insurmountable, and the contests in the courts are so costly and prolonged, that decisions favorable to the public have ceased to be expected. And the regulation of food agencies by price control, etc., or by criminal proceedings is so vastly more difficult than the regulation of public-utility corporations, where responsible officials can be found and the property is in sight, that it is utterly beyond the power of the government successfully to attempt it. Other countries more courageous or less controlled by these interests than we recognize the unpracticability of private distributing agencies and do not permit them in this field. In Germany, Denmark, and Australia, the countries where the food supply is successfully controlled in the public interest, the cold-storage

plants, food warehouses, and other distributing agencies are owned by the cities or the state, and in consequence monopolies, corners, or speculation are either difficult or impossible to maintain.