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MORTGAGES ON WHEAT LANDS.

Where wheat growing does not pay, at present prices, a diminution of production may be expected at once to take place. In England, the average cost of production is above the ruling price; from India much less wheat has been exported, this year, on account of the decline in the price; in Michigan, U. S., wheat is produced at a loss of about six cents a bushel. If we go farther west, in the United States, we shall find the conditions of production different. The land from which the wheat is grown costs less, and rent is a smaller item; but rent is here measured in interest on mortgages, and the rate is often ruinously high.

"To-day," says Mr. Frank Wilkeson, of a letter in *Bradstreet's*, dated "on the line in the Kansas Pacific Railway," "in the wheat belt of Kansas, wheat is selling at 27 cents per bushel, 13 cents below the cost of production." He afterwards adds that "in the interior towns of Kansas, wheat is selling from 16 to 40 cents per bushel." Mr. Wilkeson recognizes that a wheat crop grown at a loss leaves nothing out of which rent can be paid, and as interest on mortgages stands in the place of rent where the farmer is his own landlord, the writer proceeds to make a minute enquiry into the position of the mortgagees, who have advanced upon the security of wheat lands. With wheat at present prices, he has no difficulty in concluding that "the producers cannot long pay the interest on their mortgages;" still, he goes too far when he says "the wheat farmers of America are to day practically bankrupt." But this proceeds on the supposition that a wheat farm is used exclusively for the production of wheat. Corn land, it seems, is good for wheat growing, but wheat land is not good for corn growing. This is true of Kansas, where periodically the rain-fall is deficient. Mr. Wilkeson describes a state of things which commenced years ago in Kansas: "Whole counties were mortgaged. Men eagerly assumed large indebtedness and paid 10 and 12 per cent. per annum interest, and in addition, paid the loan agents a commission ranging from 10 to 22 per cent. While this indebtedness was being assumed, business was brisk in the southwest. Wheat sold for from 80c. to \$1.20 in the interior market towns. Uplands that would produce twenty

bushels of No. 2 soft red wheat per acre, were considered good security for eastern money. It was good when wheat was selling for highly remunerative prices. The country was new. Improvements were needed. Taxation was high. The tools used in wheat agriculture were costly and short-lived. Few mortgages were lifted. They were renewed at a lower rate of interest. At present about four-fifths of the wheat lands of the southwest are mortgaged. These securities bear 8 and 10 per cent. interest, and the mortgagor paid 10 per cent. for the renewal. The interest actually paid by these impoverished farmers on their real estate mortgages, is from 11 to 13 per cent. instead of from 8 to 10 per cent. This indebtedness was assumed on a basis of 80c. to \$1 wheat. The decline in the value of the grain has increased the indebtedness from three to four fold. The land is suitable for small grain only. The peculiarities of the climate and soil of the semi-arid belt forbid that the farming be diversified. The upland farmers are forced to raise wheat or allow their lands to be idle. No other grain can bear the high transportation charges over dishonestly built and fraudulently stocked railroads." Those farmers, when they found themselves in distress, borrowed on chattel mortgage at three per cent. a month to pay the most pressing demands; tools, teams, grain and live stock going for security. Many farmers have paid this ruinous rate to secure money to pay interest which fell due on their land mortgages, since harvest, while some of them are keeping back their crops in hope of higher prices. Not one sixth of the money borrowed on land went in improvements; the balance was spent in living expenses and transportation charges.

The experience that Kansas has gone through, Dakota has begun. What is going on in Dakota Mr. Wilkeson describes:—"The apparent prosperity of Dakota," he says, "has been strongly dwelt on by interested persons. An examination shows that the present prosperity of Dakota is based on the expenditure of capital procured by mortgaging the farm lands. In other words, the entrymen and homesteaders of northern Dakota were unable, after two years and five years respective residence on, and cultivation of, their farms, to accumulate sufficient money to pay the government fees necessary to secure patents for their lands and to settle their outstanding accounts. They have been forced to mortgage their farms to meet their living expenses. This course has brought a large sum of money into the territory, and until it is exhausted, there will be an apparent prosperity in Dakota and the interest on the farm mortgages will be promptly paid. But it must be remembered that the northwestern farmers are now spending their farms. When they have expended the money received for their mortgages, the real struggle for success will begin in the northwest, and the actual value of the northwestern wheat-farm mortgages will then be speedily determined." This is a gloomy view of the situation, no doubt, but is it true? If it be true, the prospect for the mortgagees is not hopeful. What is likely to happen to them, we are told, "if direful disaster does not overflow the foreign grain

fields, is that the value of the wheat land mortgagee of the west can be safely stated at one or more semi-annual coupons," that is a year's interest at most. Even with a large allowance for exaggeration, the case is bad enough and the prospect not much better. It is certain that high interest cannot long be paid on money borrowed on land the crops of which are produced at a loss.

But producing at a loss is a game that cannot be universally played. India is already producing less wheat for exportation, or, if she produces it, is exporting less. Production of wheat where the price is too low to return the cost, must decline, and with the decline must come a rise in price. The real question for farmers and mortgagees is, what is the cost at which wheat can be grown in sufficient quantities to supply the world's wants? And even when this is determined, profits will vary according to the conditions under which the crop is grown. Growing wheat below cost is not an occupation which can ever be permanent; its occurrence is accidental and it belongs to the economical phenomena which of necessity proves evanescent. For once over production has invaded the field and a glut of wheat is the consequence. But all the great forces which here come into play tend to a restoration of the equilibrium; though it will not be restored till great mischief is done and many are ruined. Meanwhile, the time is one for anxiety, not less for farmers than for mortgagees who hold heavy mortgages on lands, the chief value of which has hitherto lain in their wheat-producing power.

THE NICARAGUAN TREATY.

The convention lately entered into between the United States and the Republic of Nicaragua has for its object the construction of a canal from the Atlantic to the Pacific ocean, by the river San Juan and Lake Nicaragua. Of this canal the United States undertakes the construction with all possible despatch; and over which it is to exercise ownership and control and to direct the management. Nicaragua grants the right of way, retains certain rights of police regulation, and bargains for a share of the tolls. On the strip of land, six miles wide, to be conceded for the uses of the canal, the United States will be at liberty to build forts. The trade between the two contracting powers is to be put on a footing of reciprocity.

Whether the United States Senate will ratify this treaty and grant the money necessary to build the canal, is at least doubtful. Nicaragua had previously granted concessions to private parties, some of them citizens of the United States, of certain franchises, rights, and privileges, with the object of securing the construction of a canal. The owners of the Menocal concession, as it was called after one of the promoters, were required to begin the work of construction in the autumn of this year. General Grant was one of the promoters, and the failure of Grant and Ward put an end to all hopes of anything being done by private enterprise. The concession had previously been offered to the United Government, and accepted, subject to Congress voting the amount