

TRADE ACCEPTANCES IN UNITED STATES*

How Their Introduction and Use has Helped Nation in
Difficult War Period

IT would almost seem as though the Federal Reserve System came as a providential aid to this country to see us through the great war. As is always the case where the foundation is sound, the building proceeded rapidly, and it was a short time, indeed, until the benefits of the new system became apparent. Then the common sense and common judgment commenced to advocate it until now we wonder how we did without it so long.

With the coming of the Federal Reserve Bank came the campaign to extend the use of trade acceptances. Other countries had found them good; this country hardly knew them. Of course, in our dealings with foreign countries they were in constant use, because the foreigners were thoroughly accustomed to them, and sought the benefits arising from their use in their exchanges. Then a few of our more progressive business men began to use them. But it took a great deal of effort to obtain even a fair start for the trade acceptances, because in spite of our national boast that we are not hidebound by custom and tradition, and that we are always ready to "try anything once," merchants did not like the idea of departing from their usual methods of settlement.

Introduction Not Easy

It soon became apparent that an organized effort must be made if the trade acceptance was to become popular. Meetings were held all over the country under the auspices of the various credit men's associations, bankers' associations, boards of trade, chambers of commerce and other similar organizations.

Then money became scarce and credits were restricted on account of the war activities. Bank loans were shortened and contracted. It became more and more necessary to finance commercial transactions by the most efficient and up-to-date methods. The Federal Reserve banks were authorized to offer a preferential discount rate on trade acceptances offered for rediscount, and banks found in acceptances a means of keeping their assets very liquid and at the same time supplying their customers with credits and funds.

The retailer realized at once the benefit of having his customer agree to pay on a fixed day of settlement, instead of having an open account, the payment of which depended upon the humor of the debtor, and which frequently ran four, five, and sometimes six months. In the East trade acceptances were mostly used by merchants who sold staples in quantities or by those who gave long credit terms.

The decision of the New York Clearing House to handle acceptances payable in New York in the same manner as cheques had a stimulating effect, particularly on the banks, who gained greater confidence in the instrument that received this recognition by the clearing house.

Realizing the great importance to business of the movement and the rapidity of its growth, it seemed necessary to have some central organization to guide and regulate the general practices and customs that should be followed in the use of this new credit instrument. Accordingly, the American Trade Acceptance Council was formed, consisting of representatives from the American Bankers' Association, National Association of Credit Men and the Chamber of Commerce of the United States.

Increased Work for Banks

It is obvious that when a merchant changes his selling terms from the old open account basis to the new system, and obtains trade acceptances from his customers, he places upon the bankers the work that was formerly done by his own collection department. The merchant has been accustomed to personally correspond with his various debtors, and

unless the bankers collect, remit and advise promptly a very bad impression is given to the merchant.

Therefore, if acceptances are to be popularized, bankers must see to it that the machinery of collection works rapidly and accurately, and that information comes through promptly, particularly if there is delay of any kind or for any reason whatsoever.

Now, regarding the return to peace conditions. It has been demonstrated that the trade acceptance is a good thing. It has had a practical test. Facilities are increasing right along, making it easier to handle or dispose of acceptances and perfecting the collecting machinery. It is only a question of time when trade acceptances will have a wide market and will be bought and sold at low rates of discount.

Firms of high credit and large capital are at present less inclined to give trade acceptances than the smaller firms, which of necessity must consider "terms" when making their purchases. The large firms seem to prefer to pay cash and obtain all the advantages arising therefrom. However, the old practice of cash discount will never be entirely abolished, but will always continue as one method of settlement. Trade acceptances are reducing many business evils, such as taking of overtime, the unwarranted return of merchandise and other similar matters. In this respect they have been of great service.

In the agricultural sections, and wherever the livelihood of the population is derived from the crops or products of a season, it is quite likely that the acceptance will be used between the merchant and the retail customer. By their use the merchant finds it easier to carry his customer over the "between season" periods, and the customer, knowing that his acceptance is held by the bank and not by the merchant, makes much greater effort to settle it on due date than he would if he owed an open account to a merchant with whom he is friendly.

FOOD COMMODITIES IN STORAGE

A preliminary report of food commodities in cold storage in Canada on June 1st, 1919, has been issued by the Department of Labor. It gives the following figures:—

	Lbs. or doz.
Butter, creamery	2,026,671
Butter, dairy	146,980
Oleomargine	351,118
Cheese	2,983,438
Eggs, in cold storage	7,549,451
Eggs, other than cold storage	883,400
Eggs, frozen	237,922
Pork, frozen	5,080,413
Pork, not frozen	2,149,665
Pork, dry salted	2,222,825
Pork, sweet pickled	9,012,992
Pork, in process of cure	16,618,876
Beef, frozen	22,566,061
Beef, not frozen	2,525,074
Beef, cured	583,951
Beef, in process of cure	439,264
Mutton and lamb, frozen	2,004,892
Mutton, not frozen	25,156
Poultry, broilers	93,471
Poultry, chickens	578,603
Poultry, fowl	788,264
Poultry, ducks	22,054
Poultry, geese	84,999
Poultry, turkeys	206,644
Poultry, unclassified	176,297
Fish, in cold storage	14,987,983
Fish, other than cold storage	3,051,217

The Dominion Sheet Metal Corporation, of Hamilton, is offering to sell 8 per cent. preferred stock to employees at par. The shares are quoted in the market at 110 to 112.

*From the "American Banker."