

The Commercial

A Journal of Commerce, Industry and Finance, specially devoted to the interests of Western Canada, including that portion of Ontario west of Lake Superior, the provinces of Manitoba and British Columbia and the Territories.

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The Commercial certainly enjoys a very much larger circulation among the business community of the country between Lake Superior and the Pacific Coast, than any other paper in Canada, daily or weekly. By a thorough system of personal solicitation, carried out annually, this journal has been placed upon the desks of the great majority of business men in the vast district designated above, and including northwest Ontario, the provinces of Manitoba and British Columbia, and the territories of Assiniboia Alberta and Saskatchewan. The Commercial also reaches the leading wholesale, commission, manufacturing and financial houses of Eastern Canada.

WINNIPEG, MAY 22, 1893.

The Grand Trunk's Report.

The statement of the Grand Trunk Railway for the half year ending December 31, 1892, shows that the Canadian line has suffered in earnings from the same causes and to about the same extent as its American rivals. The fact that a heavy increase in tonnage has not been attended by any corresponding gain in earnings has naturally created a good deal of criticism among the English stockholders to whom the statement is addressed, which is naturally reflected in the London financial press. Examination of the figures, however, shows that the Grand Trunk Company, under exceptionally unfavorable circumstances, has been making substantial progress, and during the period in question held its own with its American competitors. The gross earnings of the six months stated in sterling were £2,155,183, a gain of £27,830, while operating expenses (which were 72.07 per cent of the gross against 71.98 per cent in the last half of 1891) were £1,553,330, an increase of £21,937, leaving in net earnings £601,853, an increase of only £5,698. Adding miscellaneous receipts, the net revenues were £615,061, or £6,560 less than a year before, so that the balance, after paying £497,551 of rentals and interest, was £117,509, against a surplus for dividends in 1891 of £144,050. A slight decrease took place in the number of passengers carried, but the freight tonnage of the company increased 7.23 per cent, with a gain of 6½ per cent in the number of tons hauled one mile. Under these circumstances the complaint of the management is a familiar one to the ears of American railway stockholders, namely, that rates were below their normal level, and that if the company had obtained the same average compensation for doing its business that it did in the six months ending December 31, 1891, the gross revenues for the half year just closed would have been £2,270,000 and the net £713,000, or over £100,000

more than the actual results. It is, however, noticeable that through business in competition with American roads constituted only 30 per cent of the traffic, against 31 per cent a year ago, and that a gratifying increase was shown in the amount of west-bound traffic. The management of the Grand Trunk furthermore share in the expectations of their American competitors of a heavy and lucrative traffic during the Chicago World's Fair.

The Cotton Goods Situation.

The cotton goods market at the present time presents a striking contrast to the condition prevailing at the beginning of the year. An unusually large business had been done during the last two months of 1892 at rapidly advancing prices, and the year opened with no sign of abatement in the demand. During January a strong tone prevailed, and the trade generally entertained the conviction that consumption had so expanded that production would be taken care of for many months ahead, and that prices would hold, even if they did not further advance, during the first half of the year. The progress made during January served to strengthen these convictions. February revealed some hesitation on the part of buyers, which was looked upon as but a natural result of the previous extensive operations, and caused no weakening on the part of sellers. March, however, showed a spread of conservatism in all directions, and the new demand fell below the current rate of production, so that while mills were rapidly working off contracts they failed to replace them by correspondingly full fresh engagements, and this led towards the close to some irregularity in prices. Each week since the close of March has shown a steady deterioration in the market. The demand has shrunk to disturbingly small dimensions; the tone has shown an all-prevailing weakness, and prices have made a considerable movement towards the low level from which they started in the fall of last year, with a break in most makes of gingham to the lowest point ever touched by them.

For so great a change as this few, if any, people in the market were prepared. The most conservative probably anticipated the operation of one or two factors of an unfavorable character as the year wore on; but even they could hardly have looked for such a combination of adverse influences, as is at present exercising its power, so early.

The market has had to stand the brunt of a very severe and unduly prolonged winter. Whether the consumption under normal conditions would have proved equal to early expectations is questionable; but as a result of the adverse weather it has fallen very far short of them, while production stimulated by rising prices has continued unchecked by the declining market. In the weather alone there can be found some explanation of current conditions, but besides the weather another unfavorable factor has been noticeable during the past few weeks. It may have been playing some part longer than that, but only recently has become prominent with the increased anxiety over the condition of the treasury and the unsettled and stringent money markets. Prudent merchants have been contracting their obligations, and getting into shape to meet with a minimum risk and inconvenience, the possibilities of an uncertain future. Still another influence at work against the market is the downward movement in the price of raw cotton and the prophecies of another large crop. To manufacturers, most of whom have contracted ahead for their supplies of raw material at a higher level of values, the recent decline is simply an aggravation of difficulties.

Buyers persistently seek to establish the price of cotton goods on a current raw cotton basis when that favors them; and when, as at present, there are more old engagements being worked off than now ones made,

agents find it difficult to resist these endeavors. In a depressed market there is always a tendency to multiply the contributing causes; and this is probably the reason why tariff legislation and possible cholera scares are spoken of as exercising a restrictive influence at this stage. They may be doing so on other branches of the textile trade, but they hardly affect cotton goods directly.

From this resume of the course of the market and the causes directing it, it will be seen that not one of the depressing influences is necessarily other than temporary. It is true that the loss in consumption so far is not likely to be recovered, but the weather which mainly caused it must surely change soon to summer conditions, when a brisker movement of merchandise may be looked forward to. The financial crisis, it is to be hoped, has passed its most intense phase, while the raw cotton market is too speculative to be invested with any permanency as an adverse factor. Thus, while there is much disappointment felt and expressed at the failure of the market to realize expectations, there is no cause for dispiritedness or uneasiness. Even as it is, the mills have done an unusually large business at good prices so far, and are in a much better condition to face the future than they were a year ago.—*N. Y. Commercial Bulletin.*

Organization of the Leather Trust.

The United States Leather Company, popularly known as the Leather Trust, was organized on May 1 under New Jersey laws, with a capital of \$120,000,000, equally divided between common and preferred shares. The company is organized for the purpose of controlling the output of sole and belt leather, and has taken over the properties and business of a large number of concerns which have been for years engaged in the manufacture of these grades of leather.

In addition to the capital stock there will be issued also \$6,000,000 in 6 per cent sinking fund gold debentures of \$1,000 each, dated May 1, 1893, and due May 1, 1913, principal and interest payable in gold coin. Except for this issue the company begins business, the prospectus states, free from debt. The assets of the company are said to be seven times the value of this issue, of which 40 per cent is real estate. This issue is made for the purpose of furnishing working capital. It is provided in the certificate of incorporation and in the by-laws that no further debentures or bonds (excepting the \$10,000,000 authorized amount of debentures), and no mortgaged bonds can be issued by the company unless by the consent of 80 per cent of the preferred stock outstanding at the time; and it is agreed in the debentures that if any mortgage is put upon the property this issue of debentures must be specifically and equally secured pro rata by it. It is expected that the proposed capitalization will, when all the properties are turned over and verified, consist of \$60,000,000 of 8 per cent. cumulative preferred stock, issued for actual property, exclusive of good will, and \$60,000,000 of common stock.

As regards the probable or possible earnings, the principal vendors state that, from their knowledge of their own earnings and the information which they have of the earnings of the other vendors, they are of opinion that the average annual net earnings of the past five years of the businesses which have been conveyed to the company have exceeded eight times the amount necessary to pay the annual interest and sinking fund charges upon the \$6,000,000 of debentures now issued. The above mentioned debentures are offered to the public at 103 and accrued interest. Application to list on the New York and Boston exchanges will be made. The usual rights to reject or allot smaller amounts than are applied for are reserved, and in addition it is stated that a preference in allotment may be made to the leather trade and to employees of the vendors.