

### IMPORTANCE OF COLD STORAGE.

Money can be borrowed on butter, eggs, cheese, chickens, and farm products of all kinds that will keep, as easily as on diamonds and watches. Not only is this so, but there is a great deal more money loaned on ordinary products than in all the pawnshops in New York. This is a business which is growing every year, and which has now assumed such an enormous proportion that it makes up a large part of the discount line of several banks.

Cold storage and the development of the storage-warehouse business in New York have made this possible. Most of the warehouses, especially the storage warehouses, are to the banks what the pawnbroker's safe is to him, only the banks act through some one else, while the pawnbroker owns the warehouse and the capital both. Until recently it was not possible to keep long in good condition dairy products, eggs and many small fruits, they would spoil if not used within a few days after they were placed on the market. The cows and the chickens do not adjust themselves to the demand of the public, which requires in the winter an extra amount of butter and as many eggs as in the summer. As cold weather comes on, the effects of the cows and chickens are largely directed to keeping themselves warm, with the result that their contributions to the public food supply are diminished.

In the summers before cold storage warehouses existed, the farmers had to send their milk, butter and eggs at once, so that they would be sold before they spoiled, with the result that the prices fell to such a low point that at times the shipments to the commission merchants did not realize enough to pay the freight. There is a minimum price below which it would not pay the railroads to transport, and commission dealers and retailers to handle farm products, and that price the consuming public must pay for their benefits, no matter how plentiful the supply is. So in the summer the farmers made little money, and the New York public got only a small part of the benefit. In the winter the supply was so much less, that while the public had to pay high prices the farmers had not enough milk and eggs to sell to reap much benefit.

Then came the introduction of cold storage and the cold-storage warehouse, which is so recent that the big men in

the business are still young or middle-aged, while the acceptance of butter and eggs as good collateral is so recent that young note-dealers easily recall the first paper which came in with butter and eggs security.

The first effect of this innovation was to make a great deal of money for the men who had capital and relied on their own judgment and the possibilities of cold storage. They are rich men to-day, for they anticipated the future by two or three seasons. Some of the first men to take advantage of the cold storage business in this manner were produce commission dealers.

In the summer when butter and eggs were low, they bought up all they could carry and pay for, and put them into cold-storage warehouses. In January and February they unloaded, and made over 200 per cent profit. They made their purchases direct from the farmers, who shipped to them, and put the butter and eggs in the warehouse at once, so they came out almost as fresh as they went in. The only reason they did not make more money was that they had insufficient capital, and the business of borrowing money on butter and eggs was in its beginning. Butter and eggs were not then regarded as good collateral.

The next year the men who had made the big profits the year before went to their banks and used their personal credit to secure the money to carry their purchases. More butter and eggs were carried over to the winter season that year than the season before. Though the total amount of profit was larger than that of the first year, the per cent. of it was not so high. Their purchases stiffened the prices in the summer, and their unloading made a weaker butter and egg market in the winter.

It occurred to some of the storage warehouse men that there should be some way by which they could make a profit out of the business over their storage charges. They found it when they got the banks to accept storage warehouse receipts for butter and eggs as good collateral for loans. When this was accomplished almost every produce man took to speculating on butter and eggs. The possibilities of the storage warehouse business developed to include chickens, game and meat of all kinds. When chickens were low a wholesale chicken man could buy them in thousand lots, and store them until the market quotations on them were higher.

The big creameries and butter factories

were among the first to take advantage of this new state of things, demanding higher prices for their butter in the summer, or storing their surplus product until winter. The farmers then profited by the facility with which the summer surplus could be disposed of, while the public for the first time had good butter at a low price in the winter, and cheap eggs the year round, irrespective of the weather or the feelings of the cows and the hens.

Now the banks will accept storage certificates for collateral as readily as they would United States bonds, when the application for a loan comes to them through men whom they know. Every month the value of the collateral increases, and about the only possibility of loss is an earthquake or a fire, and the cold storage warehouse is regarded as an excellent insurance risk. The owners can protect themselves by insurance.

A man needs very little capital now to go into a butter, eggs and cheese speculation. He buys from the farmers and at once has the butter, eggs and chickens sent to the cold storage warehouse. He goes to the owner of the warehouse and gets a loan of 86 per cent. of the value of his storage certificates on payment of the storage and the brokerage fee for getting the loan. He gives a note for the loan, which the warehouse men endorse, and deposit with the storage certificates in their bank. With this money the buyer can go back and get more butter, eggs and chickens until he has enough stored to feed a country town for six months. The bank carries the loan on until winter.

Then when the rural supply of butter, eggs and chickens begins to diminish and the market prices increase, the produce man gradually unloads his holdings, making sale from samples. As fast as he makes a sale he gives an order for the goods on the cold storage warehouse man, receives the money and takes up the storage certificates from the bank. When all the loans are taken up the produce man owns absolutely the rest of the things he has stored, and he can do with them what he pleases.

Some produce men enlarge this speculation by making contracts with their customers by the year. They agree on a price from month to month, and at those prices they agree to furnish a fixed quantity. The market quotations may be higher or lower than the agreement. The produce man's profits come in the