Monetary Times

Trade Review and Insurance Chronicle of Canada

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PRINCIPAL CONTENTS

CROP FINANCING A PROBLEM FOR BANKS

WITH an unusually large crop and high prices now practically assured, the credit situation amply justifies the action of the banks in strengthening their position in preparation for the crop moving period. The situation is further complicated, at least in the United States, by the freight congestion, which may mean that bank credits may require to be extended for a longer time than usual. The National Bank of Commerce, New York, summarizes the position in a circular, issued on July 21, as follows:—

"The crop moving season, during which the country's credit requirements reach their maximum intensity, is now close at hand. Because of the difficulties of transportation, it may be expected that the volume of credit needed this year to finance crop marketing will be larger than usual. While the traffic movement has improved slightly, sufficient relief can hardly be expected to the extent necessary to permit of the clearing away of existing congestion and the resumption of a normal movement of agricultural staples in the fall. The crops, to an unusual extent, may have to be held this year. Recent experience has demonstrated fully the effect of any interference with orderly commodity shipments in tying up an enormous volume of credit.

"This prospect enhances the importance of the credit situation which, during the current period of June 16 to July 15, has experienced no relief from the tension of the past several months. Since last November, the federal reserve institutions and member banks have been seeking to curtail non-essential borrowing, to limit loans to necessary requirements and to reduce gradually the volume of outstanding credit. In the former of these aims, they have in large measure been successful and there can be no question of the underlying soundness of the general credit structure. There has thus far, however, been no reduction of the aggregate volume of credit outstanding. The efforts of the banks have simply limited further credit expansion and the volume of credit at the beginning of July exceeded that outstanding at the close of 1919. The failure to effect a normal credit liquidation before the commencement of the crop-moving demands, has in large measure been due to transportation difficulties which have obstructed free commodity movements and occasioned the credit stringency which became pronounced earlier in the year."

BRITISH LIFE COMPANIES IN CANADA

BRITISH fire and general insurance companies have always played a leading part in the Canadian field. The life companies, on the other hand, have been backward, and have been losing ground as compared with the Canadian and United States companies. Some evidence to the effect that there is no fundamental reason for this is presented by "The Review," an insurance weekly, of London, England. "In our view," says the article, "the amount of business done by British (as distinct from Canadian) offices is very far short of what, we think, they might do, having regard to their inherent strength and reputation in the insurance world. The bulk of Canadian fire insurance is done by British offices, but only about 2 per cent. of the life business, and we see no cogent reason why our competition in life business should not be as effective as in fire. Indeed, there are reasons why it should be more effective.

"Fire insurance, after all, is a temporary or short-term business. Most of the contracts are annual, and were any signs of weakness to be shown by the insuring office, the business could, and in many cases would, be quickly transferred. But life insurance is for a long term, running, we supose, mainly from 20-year endowment to whole terms of life, and the concrete stability of the office with which the business is done is a very much more important matter than it is in the case of fire insurance. We recall a case in which an insurance broker—a broker of British standard—told the manager of a very considerable office: "I've placed hundreds of thousands with you, but not a single life policy; you may make good—certainly you're good for some years—but you're not established yet for life business!" The manager was left, thinking deeply. The moral applies as between British