

AMERICAN TRADE: SHORT CREDITS.

Mr. Shaw, the United States Consul at Toronto, has made a report to his government upon the commercial interests of Ontario, in compliance "with the instructions contained in the departmental circular of August last," which well deserves the consideration of our wholesale merchants. We cannot make room for the whole of this report, which embraces the lumber wool, and barley trade, short horn breeding, horses, cattle and sheep, &c., but we copy below what is said regarding exports and imports, and the general observations. On the statement in the first extract we would remark that the returns of imports into, and duties collected in Ontario afford no reliable guide as to the course of trade. The eastern portion of Ontario does a large business in Montreal and, even to approach to accuracy, it would be necessary to include the trade returns for Quebec with those of Ontario. We specially commend to our readers Mr. Consul Shaw's advice to his countrymen to persist in the policy by which they have secured prompt payment for their exports at the cost of the Canadian or English wholesale merchants. It is but too true that the country merchants in Ontario depend in a great measure upon the credits which the wholesale dealers grant them. The rule seems to have been to start business without capital, the consequence of which is that the wholesale merchant has to run the entire risk, and he has of late been subjected to the grievance of witnessing the payment to his American competitors of money in which he at least was entitled to share. We shall endeavor to give further extracts from Consul Shaw's report hereafter.

EXPORTS AND IMPORTS.

I herewith give the annual statement of the value of exports, the value of goods imported, and the amount of duty collected at the ports of Ontario during the fiscal year, ending June 30, 1875, the latest date available. The same is taken from the best Canadian authority:—

Exports.....	\$19,896,833
Imports.....	43,508,554
Duty.....	4,811,489

The following are the imports of Ontario for the fiscal year ending June 30th, 1875, with the countries from whence imported:—

	Dutiable Goods.	Free Goods.
Great Britain.....	\$14,609,178	\$ 763,357
United States.....	10,679,477	15,776,209
France.....	384,160	7,425
Germany.....	108,106	4,706
Other countries.....	320,224	10,435

Total value.....\$26,201,145 \$16,562,132  
Total amount of duty.....\$4,808,288 10

Comment on this official statement is unnecessary, as it speaks for itself, but the large balance in favour of American manufacturers will give general satisfaction to our people, and it is conclusive evidence of the increasing popularity of their goods in this market.

No complete and accurate date is at hand from which a minute statement can be made up

containing a detailed statement of the various manufacturing establishments in this Province. It can be truthfully stated in the outset, however, that the manufacturing interests of Ontario are not generally as successful as those having capital invested in them expected they would be when established. Various reasons are given for this lack of success, among which are:—1st. The heavy customs duty of the United States, which effectually shuts out their manufactures from American markets; 2nd. The circumscribed Canadian markets; and, 3rd. The increasing popularity of American goods. Doubtless these reasons are in the main good as far as they go; but Ontario is so situated that foreign manufactures can be laid down cheaply everywhere, and agricultural interests largely engross the attention and occupation of the people.

When the recent confederation of all the British North American Provinces took place, under the belief that a new era of rapid development was to follow, manufacturing enterprises were started to such an extent that, failing to realize promptly all the benefits expected from the new political relations, over-production resulted, and failures and disappointments were the chief fruits of this hopeful period. It was found that trade has little sentiment, on this continent especially, and also that small and isolated manufacturing establishments cannot, as a rule, successfully compete with older and larger enterprises of a similar character.

Experience and skilled labour developed in a long series of years, in great manufacturing centres outrivals all comparatively small competitors. This rule applies to Ontario, for recently American manufactures have become popular on account of their superior style, finish, and low cost. The charge has been made here that American goods are sold at slaughter prices, *i. e.*, below cost, so as to close out surplus stock. This, however, is not true in the great majority of cases. Occasionally, no doubt, special lots are thus disposed of, but this is a peculiarity of trade common in all countries. The enterprise shown by American manufacturers in adopting new and attractive styles, and in the use of labour-saving machinery, combined with great natural advantages for manufacturing cheaply, all contribute to the success which their productions are meeting with in Ontario and elsewhere.

GENERAL OBSERVATIONS.

In reviewing the trade of Ontario, it will be proper to call attention to several subjects of more or less interest and importance to American manufacturers.

Former prejudices, mainly due to differences in political opinions and foreign associations, are rapidly dying out, and, as a consequence, large sales of American goods are now finding their way into this country. Machinery, furniture, and fancy cotton goods are now meeting with great favour. The demand is so great that Canadian manufacturers are complaining loudly of the present Canadian tariff and clamouring for an increase in the import duties for the avowed purpose of shutting out American goods. The present tariff averages about 17½ per cent. *ad valorem*, and yet so desirable are American styles in manufactured articles generally that they can be profitably exported to Ontario, and after paying duty compete with native manufactures. This results from the superior style and finish, as well as quality of all cotton goods, and the neat, compact, and ingenious character of manufactured articles in general. From being the exception American articles have become the rule, and now, in every portion of this province, American dry goods and manufactures are sold in large quantities. It is important, therefore, to all who are desirous of extending American trade with Ontario, that a full knowledge of the method of doing business should be obtained in order that a safe course may be followed in cultivating the same. As a basis the following statement from the annual circular of the Mercantile Agency may prove to be valuable:—"The failures in Canada for the past two years number nearly 4,000. At this rate (the number

of traders being 50,000) every business man in Canada may succumb in ten years. The gross liabilities of failed estates during the two years are over \$50,000,000, a sum barely equalled by the entire exports of grain in that period."

This of course refers to the trade of the whole Dominion, but when the fact that the total population of the country is a little short of 4,000,000 is considered, the enormous ratio of losses will be self-evident proof of the unhealthy and uncertain state of financial affairs generally. A large proportion of the trade of the country is centred in Ontario, and consequently the losses to foreign manufacturers and merchants are very great. And yet, owing to the cash system which American dealers with Ontario have adopted, in the main a very small percentage of the losses above referred to have fallen upon them. The English system of giving extensive credits here has induced over-trading in Ontario, and the evils of their long-time credits are now engaging the attention of the best capitalists and merchants in the Province. The only safe rule, therefore, for Americans to adhere to in the future, is *hold firmly to the cash system*; close prices and ready pay is the only sound system in selling goods to Canadian merchants who are doing a long credit business with English houses, and, moreover, Canadian merchants having got into the habit of making cash or prompt payments for American manufactures, they are content to follow this plan. They get liberal credits for goods in the "Old Country," and arrange to pay cash for goods purchased in the United States, and thus it happens that when failures overtake them the losses fall almost wholly on the long-credit adherents. Nor is this all. Many of the soundest business men in Ontario, dissatisfied with the English credit system, discourage recruits in the already over-stocked wholesale trade on small capital, prefer the close cash dealing with Americans, and appeal to English dealers to put on the brakes and adopt the cash system also. \* \* \* The Canadian system of "commercial agents" closely resembles that so extensively employed in the United States. Some of the wealthiest and oldest houses in Ontario employ no "runners" and disapprove of the system.

They claim that constant importunities and special inducements made by the persuasive agents tend to demoralize trade and encourage over-purchase. The credit system has made it possible for country merchants to order large stocks of goods on long time, and, in too many instances, due caution is not exercised in their purchases. Communication with all parts of Ontario is now so easy and cheap, that country merchants can readily visit the chief centres of trade and select such lines as are needed in their immediate localities. This fact suggests the propriety of bringing American manufacturers and merchants into confidential relations with the reliable wholesale merchants of Ontario, and then to allow no sales to be made to the retail trade. The reason for this will appear more clearly when it is known that country merchants in Ontario, as the outgrowth of a long established custom, depend in a great measure upon the credits which the wholesale dealers grant them. If, therefore, American manufacturers sell small lots of goods to retail dealers, even when prompt payments are made, the tendency is to cut into the regular business of the wholesale merchants and ill-feeling and dissatisfaction is the outgrowth of this policy. If, on the other hand, the wholesale dealers in the United States confine themselves exclusively to the wholesale trade in Ontario, the same amount of goods will be sold and better relations will exist.

This point is one of more importance than many at first thought may acknowledge, but frequent and forcible criticisms have convinced me of its great weight. Those who do not fully agree with this observation will do well to take a trip through the Province and carefully consult the best authorities on this subject.

I am, sir, your obedient servant,  
ALBERT D. SHAW,  
U. S. Consul.