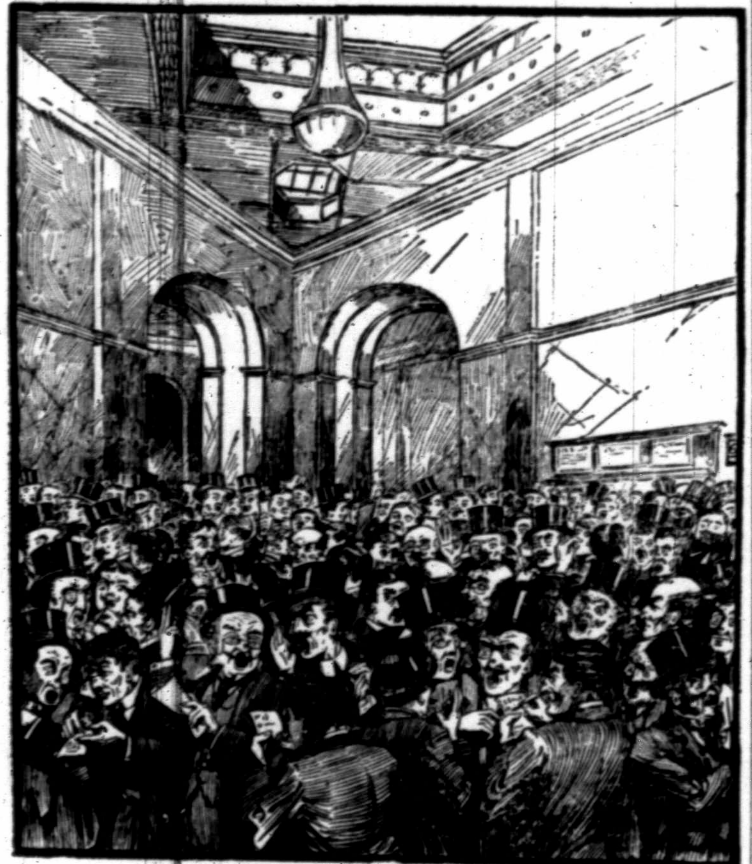
RUBBER BOOM

In London Produces Some Astonishing Statistics—Basis of the Craze and its Dangers.

Five hundred and six rubber companies have been put on the London market since January 1st, with an authorized capital of $529,000,000. The rubber boom in England and the excitement on the London Stock Exchange — attracting wide attention. That sum does not represent the total amount invested in rubber this year, as two-shilling shares in one company, for instance, are selling at eight shillings. This case is not isolated. London takes periodical fits of speculation. The South African boom was at its height in the late spring last year, although it was not as big as that attracting investors and gamblers to-day.

On Tuesday the strength of rubber shares will be well tested, most of the dealings being for special settlement and the first special settlement day of importance is May 5th. The accounts between clients and brokers will be adjusted in respect to several important companies. Afterwards special settlements will be frequent. Many flaws should then be detected and the collapse of the boom seems inevitable.

A table has been drawn up by a reputable Mincing Lane firm showing what big profits are likely to be earned by well-established companies, even if the present price of rubber be regarded as purely artificial. Ten companies are comprised in this list, and their estimated dividends for 1910 show percentages ranging from 95 to 528, these percentages



London Stock Exchange and Rubber
An Impressionist Sketch of the famous floor during the present rubber boom, the most phenomenal market of modern times.

being based upon the production of rubber at a cost of 18d. a pound, and on a selling price of not over 12s., as it is now, but of 9s. 6d. Only those companies which declared dividends for 1909 are included. The lowest dividend paid by any one of them was 20 per cent., while the highest was 283¼ per cent.

While these figures may constitute a firm foundation for investment and speculation the danger is in unscrupulous company promoting and market gambling. Mr. Herbert Wright, a recognized authority on rubber subjects, states that during last year the industry actually consumed 80,000 tons of raw rubber at from 9s. to 12s. a pound, and adds:

"Well-managed companies, capitalized at a fair valuation, will continue to prosper long after the present excitement dies out, even if the price of rubber falls to one-fourth the present value. Such a fall I do not anticipate, because the demand for rubber is unquestionably greatly in excess of the supply. If we could get the price down to one-half, we could easily sell double the quantity now demanded by the rubber trade."

The other day there was a sharp decline in the market in rubber shares. The rapid rally which followed, while showing the vitality of the market, has not minimized the danger. It is questionable, too, whether the setback will act as a warning to speculators. The Financial Times, from which the accompanying illustration by Mr. Hatfield is reproduced, thinks that this reaction has actually been welcomed by dealers, who were beginning to fear that the market had got altogether out of hand and was degenerating into a wild and very risky gamble. "There is no doubt that in the last week or so there has been an immense amount of speculation of a type which furnishes the real elements of disaster, in that the operators concerned knew little about the shares they were dealing in, and, moreover, were trading far beyond their means. It was perhaps, a fortunate circumstance for everyone concerned that the mechanical and clerical difficulties in the way of carrying through the enormous number of small transactions have caused dealers to restrict the amount of new business by refusing orders in many cases.

"One of the secrets of the success of the rubber boom was the fact that the first plantation companies to make their appearance were of so sound a character that their performances far outbid the prospectus promises, while the unexpectedly rapid advance in the price of the raw material turned profits which would otherwise have been remarkably good, into figures which were sensationally brilliant. The natural consequence was a fresh rush of promotions, during which the pick of all the developed or partly developed estates in the Middle East were quickly snapped up. Most of these were, also, very sound promotions, but when the best properties had been secured and the boom still continued, third and fourth-rate properties were taken in hand by men less scrupulous, and the character of the prospectuses correspondingly depreciated. To use a military simile, the vanguard of the rubber army was of first-class quality, the main body was, for the most part, sound, but the rabble of camp followers which came, and are still coming, after form a very mixed assembly."

MERGERS WITHIN MERGERS.

One Proposed Amalgamation Drops for the Present—Ottawa Bakers Combine—Fish Company's Officers.

For the present, negotiations regarding the proposed amalgamation of the Hamilton Steel and Iron Company, the Canada Screw Company, the Canada Bolt and Nut Company and the Montreal Rolling Mills, have ceased. For several months, the officials of these four companies have endeavored to agree on a basis of amalgamation, and although the matter has been discussed in considerable detail by those interested, the individual companies will continue as hitherto. The avowed objects of the merger, which, it is understood, would have been capitalized at $30,000,000, were to minimize management and operating expenses, to save time and to lessen the cost of production.

The Hamilton Steel and Iron Company is capitalized at $3,000,000. There are no bonds or preferred stock. All the materials necessary for production of the company's products have to be brought from a distance. This fact is counterbalanced by the excellent rail and water communications enjoyed by the City of Hamilton. The directors of the company are: Charles S. Wilson, president; Robert Hobson, vice-president and general manager; William Southam, John Milne, George Lynch Staunton, Chas. E. Doolittle, H. H. Cham, E. B. Osler, M.P., and W. D. Matthews.

The Canada Bolt and Nut Company is itself a merger of recent date, being an amalgamation of several companies with works at Toronto, Gananoque and Brantford. The final touches to this amalgamation awaited only the decision regarding the big merger of the Hamilton Steel and the other companies. The Canada Screw Company some time ago absorbed the Ontario Tack Company. The Montreal Rolling Mills is a well-known industry.

Little is known in Quebec of the report that Quebec and Ontario tanners are preparing a ten million dollar merger. Several leading firms in that province were questioned and stated that they had not been approached in relation to the scheme. Despite this, there is good reason to believe that the matter is being discussed.

The latest merger is that of the bakers of Ottawa, where it is proposed to consolidate the A. E. Slinn Company and the G. W. Shouldis firm. It is estimated that these two houses supply about seventy-five per cent. of the bread used in that city. More modern machinery will probably be purchased. To economize expenditure is the reason given for the proposed amalgamation.

The final meeting in connection with the organization of the Maritime Fish Company was held in Montreal this week, and the following officers elected: President, Lieut.-Col. Charles A. Smart; vice-president, C. E. Archibald; general sales manager, A. H. Brittain; directors, Lieut.-Col. Chas. A. Smart, James W. Pyke, C. E. Archibald, L. E. Geoffrion, W. B. Converse, F. C. Whitman, Canso, N.S.; C. W. McLean, Brockville, Ont.; H. B. Short, Digby, N.S. The company is capitalized at $1,000,000. The principal objects of the consolidation of the firms taken over by the new company is to develop the fisheries of the Atlantic coast.