

when the products were not actually in storage, and that products have been delivered from the warehouse with the receipt still outstanding in the hands of the depositor or perhaps the banker to whom it was passed as security for a loan. Receipts have also been passed to bankers for loans when as a matter of fact the particular commodity had never been placed in a warehouse, but was lying on the ground outside the warehouse and exposed to the elements.

What is back of a Warehouse Receipt?

Without attempting to draw any invidious distinctions or make any unjust comparisons, it behoves every banker to know what is actually back of a warehouse receipt when he accepts it for collateral to a loan. To say what a warehouse receipt is issued under a certain law means nothing. To say that it is issued by a certain warehouseman may mean still less, particularly when the warehouseman is located in a part of the country quite distant from the banker to whom the receipt is offered. It is a known fact that under certain State laws warehousemen have been licensed without any inspection being made prior thereto to determine whether there was even a warehouse in existence, much less to say anything of the qualifications of the warehouseman. It is also common knowledge that under certain laws which provide for a licensing system the inspection service following licensing is a mere paper service. It is also known that under at least one State law warehousemen have been authorized to issue warehouse receipts, representing themselves to be licensed, when as a matter of fact regulations had not even been drafted for the conduct of the warehouses, to say nothing of the lack of an inspection service. It is also common knowledge that under certain laws warehousemen are permitted to deliver the products from storage prior to the return of the receipts. It is not at all uncommon to see letterheads and warehouse receipts which represent the warehouseman as licensed and bonded when all he has done is furnished a personal surety bond under some State law.

Effect of such Practices.

Practices such as these are too well known. They are becoming so generally known that expression with a view to defeating them is taking form in the introduction of Bills in Congress which would place the Government in the warehousing business. These Bills are introduced unquestionably with just as genuine and sincere desire to correct certain conditions as the banker, referred to at the beginning of this article, who proposed such legislation. A general knowledge of the Federal Warehouse Act, what has been accomplished under it, and the way it has met the needs for a sound piece of warehouse collateral, and an insistence on the part of the bankers of having the best that is obtainable will go a long way to head off the Government being placed in this field of business.

Warehousemen who have had experience with the law recognize its virtues. The following extract of a letter from a cotton warehouseman, who has operated under the law the past two years, shows that the law is not burdensome or meddlesome and that it really means business to a warehouseman:—

Several of our friends have asked the question whether or not our business has shown any increase since joining the system. The following data will perhaps answer this question better than the writer can express in so many words:

We applied for admittance into your system in August, 1922, and on the 14th September we were granted a license covering our entire capacity of 25,000 bales. Immediately it became known that our warehouse was under Government supervision, our business grew so rapidly that we were forced to increase our capacity. The following figures will in a small measure indicate the rapid growth of our business since entering the system: 14th September, 1922—License issued for capacity, 25,000 bales; 31st October, 1922—Increased to 32,000 bales; 18th September, 1923—Increased to 36,000 bales; 16th November, 1923—Increased to 55,942 bales.

From the above figures you will note that we have more than doubled our capacity in the last eighteen months. These figures, to say the least of it, prove beyond any shadow of doubt the advisability of a warehouseman issuing a receipt that is more than acceptable to any bank or bankers in the United States. To be perfectly candid, at first we were very dubious as to the advisability of entering your system, due to the prevailing idea that there was too much "red tape" as to the manner in which you compel all cotton to be stacked in order that the tag on each bale may be visible. From actual experience we find absolutely no trace of red tape; on the contrary, we have been extended every consideration, courtesy, and co-operation. From actual experience, our capacity stacking in accordance with your rules and regulations has had a tendency to increase rather than decrease. If a warehouseman wishes to conduct his warehouse in a businesslike manner and be in position to know the location of any bale in any compartment, we strongly advise him joining the system. On the other hand, if it is his desire just to receive cotton regardless, overlooking any responsibility as to delivery, &c., we most assuredly admit the system is no place for him. The method of handling warehouse receipts is simple, but at the same time absolutely accurate, providing the records are kept in accordance with your rules and regulations, which by no means are unreasonable. The mere fact that it is compulsory to state the actual weight, grade, and staple of each individual bale is a feature that commands attention and respect from all bankers and insurance people at large. Each receipt calls for a specific bale or bales, as the case may be, and only on surrender of this particular receipt can that actual cotton be tendered for delivery.

We could write at length showing the advantages of the system. We will conclude by stating that an honest warehouseman has nothing to fear when joining the United States system of warehouses; however, the indifferent, careless warehouseman had better remain independent, otherwise he might be forced to take an extended holiday without pay.

Only warehousemen who do not wish to be supervised, but who want a free hand to operate as they please, and to continue loose and unbusinesslike practices, object. *The Federal law is permissive, not mandatory. It rests, therefore, entirely with the banker to say whether he will have a warehouse receipt which tells a complete story on its face and has back of it a disinterested supervision, or whether he will accept a mere memorandum on a piece of paper issued by a warehouseman who may indulge in the loosest kind of practices and who may or may not be responsible.*

When it is recalled that such an organization as the Mississippi Staple Cotton Co-operative Association has for the past three years financed itself exclusively on the basis of the Federal warehouse receipt, and that eleven of the other fourteen cotton co-operative associations are using the Federal warehouse receipt to do their financing; that the tobacco-growers associations in the Carolinas, Virginia, and Kentucky are using the same form of warehouse receipt; that millions upon millions