The Truth About the Current Rubber Price

By SHERMAN ROGERS

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Who is to blame for the present inexcusable inflation of rubber prices?

The American rubber manufacturer says, with a great deal of sincere vigor, that the inflexibility of the British Restriction Act, backed by the British Government, is the cause.

But the Plantation Owners' Association and the Stevenson committee, with Sir Eric Miler, rubber leader, as spokesman, are just as vigorous in their contention that the American manufacturer is mostly to blame for being suddenly caught in a situation where the rubber plantation owner and British trader is in control of a runaway market.

They claim they gained this control because the tire manufacturers in the United States failed to take long term contracts at a time when the price of rubber hovered between 24c and 37c a pound.

The American manufacturer replies: "Why should we load up on two-year committments when the very spirit of the Stevenson Act was to stabilize the market and thereby make long committments unnecessary.'

Back of the present controversy is a story of geographical changes in Rubber production. The enterprising British colonial developers in a short period of years switched the production center from Southern Africa and the Para section of Brazil to the British East Indies.

In 1920 the East Indian plantations produced and marketed over 300,000 tons from 3,000,000 acres, while Brazil and the remainder of the world produced less than 38,000 tons.

And at this time, the development in the East Indies showed that from a plantation standpoint, the British produced 75 per cent. of rubber grown, the Dutch 22 per cent, with the balance of the world 3 per cent.

And at this same time, the United States of America imported 75 per cent of all the rubber grown in the world.

But in the fall of 1920 the great rubber market demands ceased on the heels of the American commercial depression.

The plantation owner now faced a crisis. The entire English investing public faced a crisis.

The rubber investors of Great Britain walked around with grave faces. The storm was on, and they hadn't the slightest idea when it would stop. The condition became critical.

Critical because a rubber plantation will grow back into jungle in less than one year, if not cultivated, and the enterprise ruined.

The Englishmen now got busy. A few far seeing leaders developed. Sir Eric Miller rapidly loomed as a storm center in the rubber world.

The land under cultivation in the East Indies had now grown to the tremendous area of over 4,000,000 acres, with a total investment of nearly $1,000,000,00.

In 1920 the price of rubber was 48c. In 1921, 19c a pound. In 1922 it had dropped to 14c a pound, or 9c under the estimated cost of production. In December, 1923, due to various causes that we will describe later, rubber jumped to 27c, but it dropped back by March, 1924, to 22¾c.

A recognized crisis faced plantation owners in 1921. A committee was formed of prominent Englishmen interested in rubber production.

This committee recommended to the colonial secretary a scheme to be enforced in Malaya, Ceylon, and the Netherlands East Indies. The Dutch, producing around 25 per cent of the world rubber, had become the fly in the ointment. The British leaders importuned both the Dutch government and the Dutch investors, to co-operate with them, but the Dutch refused.

After this refusal the committee was again called together and recommended a concrete scheme to apply to Malaya and Ceylon only. The suggestions of this committee were viewed with favor by the colonial secretary and brought into force in November, 1922.

While the Colonial Restriction act that followed only applied to Malaya and Ceylon, most all British plantation interests adhered to it.

The government edict was vigorously enforced on the following basis:

Taking the 1920 production as a 100 per cent basis of calculation, only 60 per cent of that capacity was allowed to be shipped. Ia was figured that this rigid restriction of exportation would, in a short time, clean up the stocks on hand and create a condition that would bring back rubber production to a profitable basis. If the price of rubber went over 36c a pound—the Government would release 10 per cent more rubber at intervals of every 90 days.

At the present time the amount of rubber that each plantation is permitted to ship is only 75 per cent of its rated capacity.

Of course, it takes more than one man to fight. When the restriction proposition was broached in America it had both friends and foes among the rubber consumers—warm friends and vigorous foes.

At this time Mr. Eric Miller took the spotlight with its full glare.

He made a trip to America—he put up his proposition as strenuously as possible to the American manufacturers of rubber.

He called on our spirit of fairness. He requested faith in British fair play. And here was a case where faith was necessary. Mr. Eric Miller said so, and there wasn't any doubt about it in the minds of anyone at that time.

He wanted the American Rubber association to endorse the idea.

Our tire producers pondered over this because of commercial pride.

They had consistently lowered tire prices year by year, at the same time turning out a product of a much higher grade.

They didn't want to jeopardize their well earned reputation for playing fair with the American automobile owner. So they questioned Sir Eric quite pointedly regarding the stabilization of a rubber price at an amount that would grant a reasonable profit to the plantation owner and the British trader as well, at the same time protecting our own customers.

They were entirely frank in these discussions and were perfectly willing to help protect the East Indian planter. It meant their own protection in the long run to do so.

However, the Rubber association officials pointed to Sir Eric that they were not favorable to the principle of the Stevenson act. But as long as the British were going ahead on that idea, there was nothing more to be said on that subject.

But they wanted to know how rigidly the restriction act was going to work in emergencies. They wanted to know if there would be a flexibility in the 10 per cent quarterly increase in exportations under emergency conditions.

At this time the American rubber people pointed out to Sir Eric that if there was no flexibility in the releases, it would mean that rubber traders in London could juggle the market to suit themselves pretty much in a case of emergency shortage. And their contention regarding the flexibility was based on this danger.

According to several of the leading tire manufacturers in this country, whose integrity I believe is beyond question, representations were made that if the British restriction caused rubber prices to mount too rapidly past the 36c a pound, the 10 per cent release in the restriction clause would be augmented to throw more rubber on the market and stabilize prices.

Harry Firestone bitterly fought the whole arrangement, declaring that the government interference plan was fundamentally unsound; that it flew in the teeth of the age old law of supply and demand

"But the vast majority of American manufacturers had confidence and faith in the British sense of fair play. They had Sir Eric's wordand they endorsed the proposition," declares a prominent rubber manufacturer.

And then the shoe began to pinch. A queer turn of affairs caused the pinch. William O'Neil, president of the General Tire company in Akron, brought up an interesting phase of the situation. He said this:

"Under normal conditions the Stevenson act may have worked out all right, but all of a sudden the balloon tire came into being. It was accepted as a new signpost of progress; and almost immediately every tire distributor throughout the country found himself in a position where his customers were calling for balloon tires—and they were calling vigorously. They didn't want to use old size tries any more.

"As a result: tire prices started up and the 10 per cent increase allowance under the Restriction act each 90 days was not heavy enough to stabilize the market, and rubber has jumped nearly 500 per cent in twelve months. In other words the flexibility verbally promised was not forthcoming.

I think Mr. O'Neil's point is well taken. I believe that the balloon tire had a great deal to do with the situation. Be that as it may, Sir Eric, when importuned by the American tire manufacturers who saw prohibitive tire prices in the offing, refused to recommend a flexibility of 10 per cent increases. Even in the face of 60c rubber in July, he obdurately refused to do so.

Now the American manufacturer charges Sir Eric with broken faith, and they make their charges in no uncertain language.

The British plantation owners are in a position to dictate a rubber price, and they will be in that position for some time if they desire to force the issue, although I personally believe that the continued 10 per cent increase in importations every 90 days will more rapidly bring us back to normal than we have any idea of at the present time. In fact the high market is breaking now.

What is the next step? That's the question that is burning in the minds of many leading American tire men. They are not asleep but the public and the American manufacturer must remember one thing. Regardless of all talk, we cannot grow rubber commercially in large quatities in Mexico and compete with the East Indies. We cannot grow it in South America and compete with British and Dutch owners. It carot be produced in the Philippines under present laws in competition for two reasons, first, a Philippine law that only permits a corporation to own but 2,500 ocres of land, and second, labor restriction laws that prevent the importation of Chinese coolie labor into the Philippines. These two restrictions place the Philippine Islands beyond the pale of competition at the present time.

Sumatra, the most fertile section of the tropics for rubber cultivation, is only a short distance from Java, a country smaller than the state of Texas, that contains 35,000 people, industrious workers who are deeply concerned in making enough money to keep body and soul together.

And all of the British East Indian possessions lie in close proximity to the 400,000,000 people of India and the hordes of coolie labor in China. Therefore, they will always be in a position to command tremendous supplies of extremely cheap labor, labor that only demands a fraction of the amount of wages commanded by people of any section of either Central of South America, where rubber can be produced.

In the meantime—what? Some of the well informed believe that America tire manufacturers will go into Sumatra where millions of acres of fertile rubber lands can be obtained and develop a reserve supply of their own that will stabilize the market. This can be done and if the American rubber manufacturers feel that they are going to be taken advantage of, there isn't the slightest question but they will protect themselves adequately.

However, my own personal view of the whole affair is that there exists in London and Singapore a misconception of the spirit that actuated American endorsement of the restriction arrangement.

When the British public, the East India planters, and responsible British political leaders become thoroughly acquainted with the truth of the situation, cool heads that have always been friendly and fair will cause reason and common sense to prevail.

It is incomprehensible that Americans who consume 74 per cent of world's rubber, and British interests who produce 75 per cent of world's rubber should prolong a controversy that must eventually bring grief to both sides.

We know that Englishmen are fundamentally honest. We know that they are noted for being fair sportsmen in business. The rubber leaders of America are both honest and fair sportsmen.

My opinion is that before many weeks have passed, a new leadership will have been obtained in the Rubber Planters' association of the British East Indies. Such action will create lasting confidence and mutual faith between them and the rubber manufacturers of the United States that will spell continued prosperity and re newed progress in one of the world's greatest industries.

BUS CARRIES ORCHESTRA

A new role for the flexible motor has been found by Arnold Johnson and his Hollywood, Florida, Golf and country club orchestra who are touring the country this summer in a specially designed White double-deck tally-ho bus. Johnson and his musicians left Chicago June 1, for an extended tour to fill concert and dance engagements in the principal cities of Illinois, Indiana, Ohio, Pennsylvania, Michigan, Kentucky and New York.

NEW SALES PLAN ASTOUNDS NATION

Durant Motors Inaugurate Policy to Enable Everyone to Have Car

During the past week the Durant Motor company throughout the western territory inaugurated one of the most revolutionary yet practical sales plans ever devised by any automobile factory, and the overwhelming response as reported to the factory from the northwest dealers is a clear reflection of the instantaneous public approval for the Star Gold Certificate Save and Earn Plan.

Thousands of people over the west have enlisted under this new plan a factory report shows which has just been received by Salem Automobile company, local Star and Durant dealer.

In discussing the plan that promises to create a new method of selling automobiles, Mr. Delano, local Star and Durant dealer pointed out the following remarkable features:

"This newly created plan gives every man, woman and child an extraordinary opportunity of becoming an owner of a Star car without the outlay of any money. By putting forth a certain amount of effort—devoting a portion of one's spare time to the interest of the Durant organization, anyone may earn an automobile with a wide choice of the various models included in the Star line.

"This Gold Certificate plan is not limited to present Star owners. It is not limited to districts, but is open to all who may wish to become owners of an automobile.

"Details of the plan have been carefully worked out and it is amazing how even the most skeptical people have given their enthusiastic cooperation for the plan after all details have been carefully explained."

In the entire western territory which is under the general supervision of Norman De Vaux, active head of the Star and Durant organizations in the west, this new plan promises to create sales records which will shatter the sensational sales records of June and July which were the largest in the history of the western organization. This plan is in accord with the sales drive recently started by the entire Star and Durant organization and has already added an empetus to sales which will cause the factory to step up production which is now running at record making capacity and will continue on this basis for many months to come.

Several weeks of careful planning and checking of the results of the plan after it had been in effect at the company's branches in California where sales plans and ideas are tried out, definitely show the advantages of the plan for the dealers and the invaluable assistance to those persons desiring a Star car. Every phase of the plan is carefully explained in the literature prepared for the prospective Star car owner and will prove of considerable assistance.

Twenty-six sawmills are operating in territory tributary to Cottage Grove.

BEACH NEWS

(Continued from page 3)

W. Mann.

Mrs. George McNalley of Portland, is spending a few days in the McNally cottage on the ridge.

Mr. and Mrs. George Bassendale and Mr. Bassendale's mother and sister, Mrs. H. H. Bassendale and Miss Ruth, of Portland, are vacationing in the Minnehaha cottage this week.

Mr. and Mrs. F. M. Cole of Dallas and W. H. Prunk of Salem were guests of Mr. and Mrs. Joe Glath in the Pocahontas cottage, over last week end.

Mr. and Mrs. E. A. Dunham and family of Klamath Falls and their guest, Mrs. Anna A. Dunham of Elynia, Ohio, were guests at the Driftwood Inn for several days last week.

In the Neth-er-lands cottage for two weeks are Mr. and Mrs. C. Howard Knapp and daughter, Jean, of Portland.

Mr. and Mrs. H. B. Ingram of Portland, visited last week with Dr. and Mrs. Chandlee at the Wallula cottage.

A. J. Butler and two daughters, Miss Ethel and Miss Veri of Portland, are domiciled in one of the Astman cottages.

In the D. W. Mann Sacajawea cottage are Mr. and Mrs. L. S. Kirchner of Multnomah.

MANHATTAN

Otto Dennison and Noah Toates of Portland are staying at the Aspirin cottage for a few weeks with Mrs. N. H. Toates of Milwaukie.

Alex Steensen of Jelly Station, Mr. and Mrs. C. J. Ham and family Portland.

Harry Rustard and wife, Portland, Mr. and Mrs. Wm. Echlamd.

Mr. and Mrs. Brubell.

Evelyn Seitzinger.

Doris Barkstrom and Arnold, Alice, Frank, Wayne, Hugh and Melba are spending the week at the Iowa.

Mr. R. H. Warren spent the week end with his family at the Welch cottage.

Mr. and Mrs. Weather and son Kenneth spent the week end at Manhattan.

Mrs. William H. Witt and children Dorothy and Wilma are spending the remainder of the season at their cottage Wilwet inn.

Mrs. Spieker of Hillsboro and Mrs. Koethe of Lacrosse were week end guest at the Wilwet.

Arthur Wm. Parkhurst, Miss Margery Charette, Miss Francis Wright and Miss Ruth McDonald, are staying with Mrs. Helen McDonald for a week in the Oregon cottage.

Mr. and Mrs. P. E. Day.

Mr. and Mrs. John Tunzat.

Mrs. W. P. Smith are staying at the Walklay cottage.

William Steinhauser and Miss Alice Cook spent the week end at the Mir-a-Mar.

Mrs. Irene Spence spent a week at the Daylight inn.

Mr. A. E. Graves has gone to Portland for a few days on business.

Mr. and Mrs. H. Warren and daughters Marian and Verna, have returned to Portland after spending three weeks in the Welch cottage.

daughter Lois of Hoqluam, Wash., spent the week end at the Welch cottage.

Roy Switzer spent the week end with his family at the Ocean Way cottage.

cottage.

M. A. Welch spent a week with his family at the Welch cottage.

George Welch motored down for the week end to join his family.