

II.—*The Irish Export Trade in Butter, with special reference to the regulations of the Cork Market.* By C. F. Bastable, Esq., Professor of Political Economy, University of Dublin.

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AT a period like the present, when more interest than usual is felt in all inquiries as to the nature and amount of our industrial resources, I have thought that it would not be out of place to call the attention of this Society to the present condition and prospects of one of the most important industries of the South of Ireland, and in that connection specially to consider whether its organization is based on correct principles. A few facts will suffice to establish the importance of the subject, and to show that it is worthy of serious attention.

The amount of butter passed through the Cork Market alone in the course of the season 1881-'82, is returned as 356,612 firkins, averaging 72 lbs. net each, and worth each from 70s. to 75s., thus giving a value of £1,300,000. Now taking the highest estimate of the proportional receipts of the Cork Market, it appears that it only receives two-fifths of Munster butter; therefore taking the same valuation for other markets that I have done for Cork—and reasons will be given for thinking that this is below the truth—the total value annually appears to be £3,250,000. It is perhaps hardly necessary to supplement these figures by one or two quotations from the evidence collected by the Commission on Agriculture in 1880-'81, but they will lead to the same conclusion. Mr. D. J. Riordan says, Q. 13,385: "If it" (the Cork Butter Market) "were broken up, it would smash nearly the whole of Munster." Professor Baldwin being asked, Q. 20,801: "With respect to the butter trade, it is a very serious one for the tenant-farmers of Ireland, and for the landed interests in general." Answer: "Yes, and more especially for the South."

The vital importance of the proper organization of such an industry, involving as it does such important interests, and such a large amount of capital, will hardly be disputed. I may, therefore, proceed to inquire whether this proper organization does in fact exist; and in this respect there are two different branches of the subject to be considered, viz.—(1) methods of production, and (2) the system of exchange. On the former branch I can say but little; but I do not wish to omit it entirely. I certainly can appeal to current opinion in support of the view that the methods of producing Irish butter are not what they should be. A constantly increasing cry is raised that Irish butter is being driven out of the English market by continental and American competition, and that ordinary Irish butter will soon, as Canon Bagot puts it, only obtain the price of cart-grease, since it will be used for no more valuable purpose. Those who state most strongly the decline in the Irish butter trade do not attribute it to the want of suitable natural conditions. It is universally conceded that if there be any commodity in existence for the production of which Ireland possesses peculiar natural facilities, that commodity is butter. Whatever may be the merits of the produce sent in such

abundance to England from Denmark, Holland, and Normandy, those merits are given by the skill of the makers and not by the superiority of the natural agents employed. In sweetness, in substance, in delicacy of natural colour, Irish butter is absolutely unrivalled; and this being so, it becomes desirable to consider the causes which have for the present so much lowered its character. These may be enumerated as follows:—1st. The produce is not turned out in a shape suited to the tastes of English consumers. 2nd. The butter is fraudulently prepared for the sake of immediate gain. 3rd. The great mass of small producers are ignorant of new and improved methods of making butter. 4th. They are too poor to adopt improved appliances.

(1) The great mass of Irish butter is turned out in old-fashioned casks, bound with wooden hoops (the way prescribed by long-forgotten Acts of Parliament). These casks are for the greater part dirty to the last degree, and certainly their contents present such an appearance as to deter consumers. Foreign producers, on the other hand, adopt more suitable methods of packing, and send their butter in clean and tidy cases or tins, so as to present as inviting an appearance as possible. Where competition is at all close, such carelessness is alone enough to ensure defeat, and if it were not for the peculiarly favourable conditions under which Ireland competes, our export of butter would be now a tradition, not a fact. Were this all it would be bad enough; but worse remains.

(2) Want of honesty is a still more serious fault than untidiness. Unhappily for our national pride this also can be easily proved. Writing to the *Freeman's Journal* in May, 1881, Canon Bagot states that after buying a quantity of Irish butter he found that in every 100 lb. there were 10 lb. of water and 3 lb. of salt more than should be; the necessary consequence being, that over and above the loss the quality of the butter was very much lowered. The Agricultural Commission received evidence to the same effect. Mr. G. Hewson says, Q. 30,765: "The object of the farmers is to deceive the purchasers—they try to make up their butter fraudulently. We have had them before us at petty sessions for putting salt in their butter, and mixing water with it." And Q. 30,767: "I had an argument the other day with a tenant of my own, and he told me I was completely wrong. Canon Bagot was staying with me, and I went up to a farmer's house who is a tenant of mine: and while I was out inspecting the drainage, Canon Bagot began talking to the farmer's wife, and he learned from her how she worked up a certain quantity of water in the butter. When we came back, Canon Bagot accused the farmer of this, and he said 'Do you think I would be such a fool, when I can get so much a pound for the water, as not to put it in the butter?'" The obvious answer to this rather amusing statement was that the ingenious farmer was indeed penny-wise, but most decidedly pound foolish, since the general or even the partial adoption of this practice would put Irish butter in the same inferior position relatively to the produce of other countries that Irish flax formerly occupied owing to the fraudulent treatment it received. It is therefore of the greatest importance that all butterproducers should be made clearly to perceive that such fraudulent practices are inexpedient as well as immoral.

(3) Another great evil is the ignorance of the smaller dairy farmers. They are of course men who have not received sufficient education to enable them to readily understand new methods of production; in fact, until the monetary advantage of a new process is clearly brought home to them, they will not think of trying to imitate it. Something has been done in the way of giving instruction in proper methods by the establishment of the Munster Dairy Farm, which was started under the direction of Mr. Carroll (who has since succeeded Professor Baldwin as manager of the Model School at Glasnevin). This school, during the short time that it has been in existence, has turned out a number of young women trained in proper methods of making butter, and it is to be hoped that it will not be allowed to fail for want of local aid.

(4) Another evil closely connected with the last is the poverty of the small producers. It is vain to expect that men who derive nothing beyond a bare livelihood from their farms will incur the expenses involved in procuring proper dairy appliances. We may, however, hope that the advantages conferred by recent legislation on tenants will induce them to increase their savings, and to invest those savings in the most profitable and secure way, namely—by increasing the fixed capital on their own farms; this of course will be a work of time, but the sooner it is begun the better.

Before passing to the next branch of the subject, I may mention that many who are warmly interested in this question have thought that the establishment of butter factories (on the model of those on the continent) for the production of butter on the large scale would be a great advantage. On the other hand, competent judges have expressed doubts as to the success of any such institutions. Thus Mr. D. F. Leahy, in his evidence before the commission above referred to, says, Q. 23,107: "A manufactory is about starting in Midleton, in the County Cork, by Lord Midleton's agent, Mr. Fitzgerald; but I don't believe in its success." Indeed the general opinion of those conversant with the subject is much divided. This being so, there is but one way of clearing up the difficulty, that is actual experiment, as is being done. I will now cite the next question, and Mr. Leahy's answer in full, as it will conveniently lead to the other part of the subject. Q. 23,108: "Are there any factories already at work or that have been at work for some time?" Not that I know of. I have myself established, as Mr. Rice has let fall, a market in the town of Charleville, which is on the Earl of Cork's estate, introducing a small-sized and a perfectly manufactured cask, perfectly smooth inside, and beautifully hooped. I have induced the farmers *by offering them advantages in price* to turn out a very superior class of butter; but that is not a manufactory, nor do I believe that manufactories would be very likely to succeed in Ireland." To explain this it must be mentioned that Mr. Leahy is an extensive land agent as well as butter merchant, and that he used to receive in the Cork Butter Market the butter of the tenants on the estates over which he was agent. A general feeling of discontent had, however, been for some time in existence with regard to the management and regulations of that market. As the outcome of this discontent, several local markets,

unfettered by the restrictive regulations prevailing in Cork, were opened. Among other places, in Charleville, of which Mr. Leahy speaks; and to meet this feeling of discontent, Mr. Leahy set up the above-mentioned store. This introduces the method of managing the trade in butter as distinct from its production.

Under this head the system at present in existence may be briefly described as follows:—There are about thirty-one markets for the sale of butter for export in Munster; the principal one being Cork, and the next in importance being Tipperary, Limerick, and Waterford. Of these markets all but one are perfectly open. The single exception being Cork, which is governed by a peculiar system of rules, which are of so complex a character that they afforded the Royal Commissioners on Agriculture considerable intellectual exercise.

I will endeavour briefly to sketch the origin and nature of this curious system. It evidently took its rise from the rules laid down by the legislature, influenced by the ideas of the mercantile system. The earliest Act dealing with the Irish butter trade appears to be 10 William III. c. 2. This was continued and extended by a series of Acts passed during the 18th century; and it is curious to find that the last Act passed by the Irish Parliament (40 George III. c. 100) was one laying down a series of rules for the Cork Butter Market. Mr. Bence Jones, in his evidence before the above-mentioned commission, concisely describes their nature. He says, Q. 9,956: "The Acts prescribed every detail, appointed a weigh-master, and gave minute directions for weighing, branding, etc., the casks, the quantity of salt to be used, and the number of hoops upon the cask, and every other particular." In 1812-'13 two Acts were passed: one (52 George III. c. 134) laying down a series of rules for all towns and markets except Cork; the other (53 George III. c. lxx.) renewing the pre-Union Act for Cork.

The first period of economic reform in these islands, with which the name of Huskisson is honourably connected, as the names of Sir R. Peel and Mr. Gladstone are with the later periods, brought about a change. In 1827 (7 & 8 George IV. c. 61) the office of tasters in inland towns was abolished, and the export trade of Dublin freed. A previous Act (53 George III. c. 46) had freed the export trade of Waterford. In 1828 (9 George IV. c. 88) the rules about packing butter were modified. And finally in 1829, the complete emancipation of the butter trade, so far as legal restrictions went, was effected by 10 George IV. c. 41, which, apparently from the wording of the Act, was designed to make the Cork Market an open one, and provided compensation for the vested interests of the officers of the market.

The butter merchants of Cork, however, did not desire this open system. They had originally formed an association in 1770, with the object of preventing frauds in the butter trade. The first resolution then adopted runs as follows:—

"Whereas, the butter trade of this city and county has fallen into great disrepute, in consequence of the great frauds that have been practised in the manufacture of butter, resolved: that we will ship no butter which shall not be publicly inspected, marked, and branded."

After the passing of the Act of 1829, the merchants entered into an agreement by mutual bonds that they would continue to observe the rules of the market. It is probable that these rules were developments of the regulations of the earlier Acts of Parliament (40 George III. c. 100, etc.), and it is curious to note that the penalties to be inflicted under these bonds for most violations of the rules, viz., 10s. a cask, is the penalty for the most part prescribed by the Acts. In course of time, however, they increased in bulk. Mr. James Byrne, a leading butter merchant, gives a good idea of their present extent. Q. 31,403, "Can you produce a copy of the rules of the market?" "No, and I will tell your Grace why. The rules were first commenced in the year 1770, and they have been continued in manuscript from that date down to this, and there would be volumes upon volumes of manuscript rules." Q. 31,404: "Is the market now under rules so voluminous as you describe?" "Yes." At some period in the history of the trade the butter merchants of Cork divided into two distinct bodies, viz.—1st. the merchants or brokers who receive the butter from the farmers, and sell it to the other or second branch of the trade, who are the exporters who ship to England and foreign countries. The market is governed by a committee consisting of seven representatives of the merchants, and seven representatives of the exporters; but representatives of the merchants alone fix the daily prices. This daily price list is fixed as follows:—Every morning the exporters and brokers meet, and the former bid for the butter. At 11 o'clock the price committee, who have been listening to the bidding, retire, and then settle what shall be the price for that day. The butter is graded into different qualities, and of course a different price is issued for each quality; but one rule strictly observed is *that no price will be issued for any quality unless the whole of that quality will be taken by the exporters at that price*. Thus, if there be 400 firkins of second quality in the market, and 300 would be taken at 94s. per cwt., while 90s. only would be given for the remaining 100, the price committee would either declare no price for seconds, or declare 90s.—that being the price which would clear the whole amount of seconds; and all butter of second quality, if sold at all, should be sold at 90s. This rule applies to each quality. So much for the price.

The quality is also fixed, not by the consensus of opinion of buyer and seller, but by a sworn inspector. This is done as follows:—The butter is sent into the market early and arranged in five divisions, and an inspector is assigned to each division by lot. Each inspector is accompanied by a broker, to whom the butter is consigned when he is inspecting it: this is done by taste and smell, an augur being used for boring the butter: the quality is then called out, and is branded on the cask, which is next weighed.

Such are the leading features of the Cork system. The methods of other markets call for no particular notice—the buyer tasting for himself, and the buyer and seller finding the price. That this latter is the usual type of market transaction will be easily seen by a quotation from a celebrated analysis of the conditions of market price by one of the first of Irish economists.

“An intending purchaser enters the market, having previously obtained information respecting the stock in the country, or likely within a certain period to be forthcoming, and he then finds certain quantities offered for sale. He has also made himself acquainted with the demand for ordinary consumption. On these data he forms an opinion as to what the price ought to be. The opinion thus formed is not absolutely definitive. He allows it to be modified, more or less, by the opinions which he finds prevailing in the market. Under the influence of these considerations, he comes to a conclusion as to the price which he will, rather than go without the commodity, be prepared to pay. The seller goes through a similar process, with, of course, the converse object. Supposing the conclusion he comes to, be that the demand is capable of taking off the supply at a higher price than that which formed the conclusion of the buyer's calculations, there would be no transaction between them; and if their opinions represented respectively the opinions of all the buyers and all the sellers in the market, no transactions would take place. This, of course, rarely or never happens. Buyers and sellers in the same town or district, having mostly the same opportunities of information, will not differ very widely in their estimates of demand and supply, and when they differ but slightly, their opinions, coming within the sphere of each others attraction, are apt to issue in agreement—the exact price arrived at always depending, in some degree, on the firmness and shrewdness of individual men.” (Cairnes' *Leading Principles*, pp. 121-122.)

The process thus lucidly described does go on in these other markets, the maximum price being really set by the price to the English consumer—deducting cost of carriage and profits of intermediate dealers. In form the Cork method is widely different, and has been the subject of much complaint. Thus Mr. G. Hewson says, Q. 30,675: “You complain that the merchants sitting in their room should fix the price of the butter without seeing it? Yes, I think that my butter should be unrestricted as to the price that you or any other man coming in should give for it. It is just like corn and every other commodity that is taken into a market and bought according to its merits.” Several other witnesses echo this complaint. Mr. D. F. Leahy, however, who is conversant with the Cork system, states the direct opposite. He says, Q. 22,902: “It is a matter of supply and demand, and there is no more healthy mercantile process for obtaining the value of an article than that obtained in the buying room of the Cork Butter Exchange.”

Before entering on the other questions, and to render them more intelligible, it will be well to sketch the history of the Cork Market since 1829. Until the last few years that history was one of continuous growth. Under cover of protective duties, butter was largely exported to the West Indian Colonies of England; but though the adoption of free-trade broke up this special outlet, it gave far more than compensation in return. The rapid development of English manufactures, and the steady increase of a non-agricultural population that accompanied it, increased the demand for agricultural produce, while the facilities for importing corn and the increased cost of labour, turned Irish farming to pasture rather than tillage. The depreciation of gold resulting from the Australian and Californian discoveries aided the rise in price produced by the constantly extending demand, so that the export trade was in a thoroughly prosperous state, and large fortunes were rapidly run up in Cork and Waterford (the two leading ports of the south) based on this

business. Under such circumstances there was no chance of questions of management receiving much attention. There were, however, some dissentients from the system of regulation. Mr. Bence Jones was for several years a strong advocate of an open market, and some members of the County Cork Agricultural Society held a similar view. Personal ill-feeling, too, had led to several (five, I believe, in all) actions being brought to test the legality of the rules. One of these (*O'Shea v. Honan*) was brought by a servant of the Committee of Merchants, who had been dismissed, and then went to sell butter and get it branded. On being interfered with, he sought to establish his right to use the market, but the jury disagreed, and the question has never been settled. Attempts were made, as I have mentioned before, to start small local markets; but the powerful organization of the butter trade in Cork, aided by a circumstance to be presently adverted to, made such attempts fruitless.

The recent agricultural depression, and the rapidly increasing competition of foreign butter, brought the question into greater prominence. The year 1879 witnessed an extraordinary fall in the price of Irish butter: Cork first quality being only 72s. per cwt., second quality, 62s.; and the firkin of 70lb., fell in Limerick to 50s. the lowest prices known since 1850. Several high-class producers made arrangements for sending their butter direct to London, a thing previously unheard of, while Mr. D. F. Leahy has been quoted above as stating that he induced the farmers, by giving higher prices, to turn out better butter for direct export. In consequence of this state of things, evidence on the subject was taken by the Agricultural Commission, several days being devoted to a careful examination of the leading members of each branch of the trade as well as several producers.

I may now give a summary of the various objections made to the Cork regulations, which are:—1st.—the above mentioned one.—That the prices are not fixed by the free action of buyers and sellers, but by a private committee who may be influenced by private motives. 2nd. That the inspectors, whose duty it is to brand the butter, are appointed by the committee, and are liable to be influenced by the merchants. 3rd. That even with the uttermost fairness, the inspectors cannot retain their powers of discrimination, owing to the quantity of butter they have to test. 4th. That the regulations as to form of casks are injurious to the trade. 5th. That the brand is not dated. 6th. That there is no guarantee that the branded casks are not used fraudulently. 7th. That in certain states of the market premiums are actually given to inferior butter. 8th. That the system of loans in the Cork market is used to compel the producers to send in butter when they would not otherwise do so.

(1) The first count of this formidable indictment is supported by two lines of argument. The former, taken by Mr. Penrose Fitzgerald, objects to it as a violation of the general principle of free-trade, and an interference with free competition. It may be said in answer to this that such an argument in these days of fair-rent is antiquated; but consideration of an important but somewhat over-looked distinction will show its soundness. That distinction is the difference

between the laws of *exchange* and those of *distribution*; and I must hold that the doctrine of free competition is applicable in its entirety to the former, however it may require to be modified in its action on the latter. The second line of argument is more practical. It appeals to direct evidence of evils arising from fixed prices. It is asserted that the high-class producer suffers, since though there may be a considerable difference in quality between the different firsts in the market—all must go at the same price. Thus the producer who just gets into the class of first, with the minimum of trouble, comes off best. Mr. G. Hewson dwells on this grievance in his evidence. Another practical evil said to arise from this, is that the merchants pick out the best firkins in each quality for sale to local traders, getting a higher price for them: this the exporters are not allowed to do. It is also said that there are always some inferior lots in the first quality, and the price for all the quality is brought down to these. (2) This resolves itself into the second objection, for it is alleged that the broker uses pressure on the inspector to make him rate butter of his customers higher than he otherwise would. All the witnesses examined on the subject, with one exception, object to this practice, and it is proposed to remove all persons from the neighbourhood of the inspector. (3) The third objection is that an inspector, having sometimes to examine 700 firkins, cannot retain the power of taste towards the end. The evidence of the weigh-master, who had been an inspector, is relevant on this subject. Q. 31,324: "Would it be possible for the inspector to retain the accuracy of this taste and smell if he had to go over 800 or 900 firkins in one day?" "I think so, if he leads a regular life: I never felt any inconvenience." Q. 31,325, "Do they all do that?" "I cannot answer that question." (4) Strong objection is felt to the rule requiring all butter to be in firkins of a certain prescribed shape; there is a fine of 10s. per parcel for any other form. This is one of the leading causes of the falling off of English consumption, as has been mentioned above. To try and meet the evil some Cork exporters have had to open branches elsewhere under the names of employés. Mr. Dale's evidence is instructive on this point. Mr. Leahy's direct export trade has been mentioned already. The dirt and untidiness arising from the system of inspection may be referred to this head. The next two objections turn on the system of *indelible* branding, for (5) once a cask is branded, it may be held back and not sold for three months or more, while the butter is deteriorating; but as the quality is marked on it, it is always entitled to sell for the price of that quality. To obviate this it has been proposed that the brand should be dated daily; but this would present great difficulties. Again (6), it is extensively believed that the casks, when emptied, are filled with an inferior butter and sold in England under the brand; this is easy, as there is no provision for the rapid return of the empty casks. A practice of this kind would easily account for the bad name Cork butter has acquired in English markets. (7) It is also shown that when the prices of the different qualities are close to each other, it is possible to make, by mixing salt and water into first quality butter, and reducing it to



second quality ; for the small loss on the quality is more than made up by the weight, so that what is fraudulent in other markets is a legitimate trade speculation in Cork. (8) The last charge against the Cork system is that it is maintained by a custom of lending, which prevails at the beginning of the butter season. The merchants make large advances, amounting to nearly £500,000, to the producers, and are paid back by receiving butter in return ; a high rate of interest is charged for these advances, sometimes up to 25 per cent.—at least, so it is stated. This custom grew up before the general diffusion of banking in Ireland, and has outlived its time. Mr. O'Flaherty states, Q. 15,717—15,723, the nature of this lending. To it the great extent of the Cork market may be partly attributed.

To this series of objections, the defenders of the Cork system point to the very large amount of butter received there from even very remote districts, and to the very considerable prices received in that market. Above all, the view taken by Professor Baldwin is worthy of attention ; he says, Q. 20,806, "I say that the interest of the south of Ireland mixed up in that Cork butter market is so great, that I am certainly inclined to proceed with great caution and prudence in dealing with it."

It is interesting, from an economical point of view, to notice the analogies between this market and a more important institution in this empire, viz., the Bank of England. Each is in one sense abnormal as being the result of legislative creation ; each does a very considerable proportion of the whole business of their special industry, and each therefore, in strict accordance with economic principle, has considerable influence in fixing the price of the commodity in which they deal. We all know the bank of England's influence over the *value of money*, and a similar influence is exercised over the prices in Irish butter markets by the telegraphed Cork prices ; but in neither cases is this influence the primary power. If the bank rate is too high, few bills are brought for discount, and the rate must come down ; and in like manner, if the Cork prices be too low, the supply of butter to the local markets is increased, and as the profits of Cork merchants are partly made by a per-centage on their sales, they in consequence suffer.

The foregoing sketch is very incomplete ; but just now it is well before entering on new industrial enterprises to consider whether we have made the most of those which we possess, and to remember that the real question for a country is not the number of industries it has, but the magnitude of existing ones, and the amount of profit realised on them ; and believing that the trade in butter is eminently suited for Ireland, and perhaps the best investment for the spare capital of small farmers, I have given this hasty notice of some points connected with it.

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