INTERNATIONAL HARVESTER, MOLINA Y COMPAÑÍA, AND THE HENEQUEN MARKET:
A Comment

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In the first number of Volume 17 of *LARR*, Gilbert Joseph and Allen Wells offered an intriguing and provocative analysis of the henequen industry in Yucatán.[1] Their dual purpose was to wed dependency theory to the collaborator model and then to apply this hybrid to an analysis of International Harvester's alleged indirect control of the Yucatecan economy. Whatever attractions some may find in their theoretical amalgam, their substantive historical analysis is both simplistic and based on a questionable interpretation of the primary documents. The authors offered a single price series (from Askinazy) for the period 1880 to 1914 and assumed that the sharp drop in the price of raw henequen between 1902 and 1911 is proof positive that some sinister, conspiratorial force was driving down the price. Joseph and Wells argued that they had identified this force and they specified the mechanisms and agents through which International Harvester operated. Remarkably, however, the authors simply ignored Thomas Benjamin's insightful and persuasive arguments that pointed to the changing world market for hard fibers, the business cycle, monetary reforms, and other identifiable external influences to account for changes in sisal prices.[2] A look at available American price data strengthens Benjamin's conclusions; and despite the uncompromising certitude of the authors' rhetoric, the documents that they cited suggest a complex set of relationships among the principal actors. International Harvester, Peabody, and Molina did try to influence the price of sisal, sometimes trying to force it down, but on occasion trying to keep it up. Among themselves, they displayed varying degrees of cooperation, hostility, suspicion, and bruising competition. It is an interesting and complicated story, but one that should be told bearing in mind that their collective actions apparently had a marginal impact at most on the price of sisal.[3]

Joseph and Wells suggested that the precipitous decline in the price of sisal between 1902 and 1911 can be traced wholly or largely to

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Price Series for Imported Sisal, Manila, and Binder Twine: 1887–1912

	Sisal / lb		*Manila / lb*	*Difference*	*Binder Twine*
	Askinazy	*U.S.*	*U.S.*	*(Manila-Sisal)*	*/ lb*
1887	3.68¢	5.12¢	5.87¢	.75¢	—
1888	4.29	7.43	6.90	−.53	—
1889	5.72	7.87	8.21	.34	—
1890	2.63	7.20	10.94	3.74	—
1891	2.80	5.68	8.80	3.12	—
1892	3.25	5.40	7.48	2.08	—
1893	3.30	5.52	7.05	1.53	—
1894	2.52	3.45	5.09	1.64	—
1895	2.25	2.57	3.61	1.04	4.9¢
1896	2.51	2.93	3.41	.48	5.9
1897	2.64	2.71	3.29	.58	5.8
1898	6.23	3.33	2.89	−.54	8.1
1899	6.16	5.72	5.21	−.51	10.0
1900	6.33	6.84	7.51	.67	8.5
1901	6.21	5.10	7.26	2.16	7.6
1902	9.84	5.96	8.35	2.39	8.3
1903	8.12	6.82	8.61	1.79	8.8
1904	7.47	6.51	7.77	1.26	9.8
1905	6.96	6.80	8.75	1.95	8.8
1906	6.35	6.96	8.39	1.43	9.2
1907	5.60	6.74	8.91	2.17	9.0
1908	4.33	6.03	7.63	1.60	8.8
1909	4.79	4.99	5.16	.17	7.3
1910	4.25	5.11	5.03	−.08	n.a.
1911	3.71	4.58	5.18	.60	6.3
1912	4.73	4.86	5.97	1.11	6.8

Sources: Siegfried Askinazy, *El problema agraria de Yucatán* (Mexico, 1936), pp. 100–1. U.S. Dept. of Commerce and Labor (and various other agencies), *The Foreign Commerce and Navigation of the United States for the Year Ending June 30*, annual. Also available in the executive document series, e.g., V: 2236, 2402, 2552, 2563, 2647, 2737, 2853, 2947, 3102, 3222. Data after 1901 available in Louis Crossette, *Sisal: Production, Prices and Marketing*, Trade Information Bulletin No. 200 (Washington, 1924).

Note: We assume that the Askinazy series is based on calendar years, so it is not strictly comparable to the U.S. data, which are based on fiscal years (July 1–June 30). There is also some uncertainty about the procedures used to measure weight. U.S. data give sisal and manila imports by tonnage and value, but tons were sometimes straight tons of 2000 pounds, sometimes long tons of 2240 pounds.

the machinations of International Harvester and its collaborators. Benjamin has already analyzed the other factors that can explain most of this price decline, and they need not be repeated here. Benjamin's basic price data, however, seem to show a similarly large swing in prices between 1902 and 1911, although it falls neither so consistently nor so far as does the Askinazy series. American price data tell a somewhat different story. Our table gives the average annual prices for imports of sisal, manila, and binder twine from 1887 to 1912. Contrary to Askinazy's series, the U.S. data show that the highest price for henequen came in 1889. More important, in every year but four, the price of sisal was below the price of manila and followed the same pattern of movement as the manila price. While time did not permit any statistical analysis of the correlation between these prices (in the event it would be preferable to use monthly or weekly data), it is clear that the relationship is close. Moreover, the four years in which sisal prices were higher than manila prices saw unusual conditions. In 1888 the National Cordage Company attempted to monopolize the binder twine industry by buying up nearly all supplies of fiber; the strategy raised sisal prices and sent the company into bankruptcy. In 1898 and 1899, the war in the Philippines led to speculative increases in the price of sisal. In 1910 the combination of a poor harvest and a possible effort by Montes to corner the market drove prices up.[4] Finally, the best five-year period for sisal growers came between 1903 and 1907, when sisal earned an average of 6.77 cents per pound.[5] With the additional confirmation offered by the price series for imported binder twine, it seems that the available trade data offer no evidence of a successful long-term effort to depress the price for sisal.

Joseph and Wells argued that from 1875 the McCormick Harvesting Machine Company and then its successor, International Harvester, attempted to and ultimately did control the henequen industry. Space permits us to consider only the critical period 1902 to 1910 in some detail, but we would interject a brief comment about the earlier period. The twine binder was not commercially viable until 1880 and was not sold in substantial numbers until 1883. Until at least 1887, the leading manufacturer of binders was Deering, not McCormick, and there were several other strong competitors. The McCormicks did operate their own twine mill from 1886 to 1894 and also provided financial backing for the Peabody brokerage house to trade in henequen from about 1890 to 1903. But the various files and boxes of McCormick Company documents that Joseph and Wells mentioned (but did not cite) to our knowledge offer no evidence that McCormick controlled or even had detailed knowledge of Peabody's activities.[6] Similarly, we have seen no direct evidence that the McCormicks invested in La Industrial. This firm, which was organized not in 1896 but in 1898, did have a contract with McCormick in 1900 and 1901, after the McCormicks were already committed to developing their own mill in Chicago and were planning to supply most or all of their needs internally.[7] In sum, there is as yet no documentary support for the argument that McCormick, Peabody, or any other American firm controlled the sisal market before 1902 or that McCormick had any direct investments in Yucatán.

After 1902 there is clear evidence of attempts to influence the sisal market. Joseph and Wells presented only part of that record, pointing to four primary facts as evidence of International Harvester's control of the henequen industry. First, the authors argued that the "notorious secret contract of 1902" fixed the relationship among the parties for the following ten years. But there is no corroboration for the belief that this document was ever signed, let alone implemented. In late September and early October 1902, meetings were held in both Chicago and Havana to discuss how Plymouth, Peabody, International Harvester, and Molina could depress fiber prices, although the objective was not to capture windfall profits. It was, in the opinion of Peabody, to avoid raising or even maintaining the current price of twine to farmers, developments that would exacerbate public hostility to the new harvester trust. In any event, Peabody "refused absolutely" to participate in an agreement that would have committed it to controlling the price, primarily because it "would not trust Montes." The result was that Plymouth and International Harvester did agree to buy sisal only at or below a fixed price. But Peabody continued "to pay more for sisal in behalf of other buyers if growers would not sell at the agreed limit." Surprisingly, despite this uncooperative attitude, Peabody got to handle nearly two-fifths of the Plymouth-International Harvester order; Molina got barely a quarter.[8] Even this limited agreement was short-lived. The market came down, but International Harvester already had bought most of its fiber for the 1903 season at higher prices. Its policy thus seemed to be providing competitors with fiber at a price below what it had paid, putting it at a competitive disadvantage. On 7 November, company officials decided to try to put the market price back up by a quarter cent or more. The original decline, however, was more likely the result of declining manila prices, and International Harvester acknowledged that it might be powerless to raise the price of sisal because of the continuing "low and declining price of manila."[9] By February 1903, Edward Bayley of Peabody was delighted to report that the attempt to manipulate the market had been "an utter failure." He expressed the hope that the experience would teach International Harvester that the Molina company, which had promised that the scheme would succeed, was not to be trusted and thus that International Harvester should give Peabody the lion's share of future sisal orders.[10]

Second, Joseph and Wells claim that between 1903 and 1907, International Harvester made a "concerted attempt to purchase the

Yucatecan-owned, casta-controlled railroad system." All that is known, however, is that in late 1902, R. G. Ward, a railroad contractor with experience in Cuba, came forward with a scheme to buy up all the railroads in Yucatán. Such a scheme, Cyrus McCormick noted, might be highly advantageous to International Harvester; but he wanted the opinion of George W. Perkins, a Morgan partner, on the virtue of the investment as a railroad venture per se, as well as a thorough investigation of the condition of the properties. It is unclear whether such an investigation was ever completed, and there is no evidence known to us that the possibility of an investment was given any further consideration during the next four years.[11]

Third, the authors claimed that International Harvester provided "a line of credit up to $600,000 for the purpose of controlling fiber production." The company did provide this credit, but its purpose was very different. The Molina company had been relying on the New York banking house of C. Amsinck & Company for the money to finance its sisal purchases. International Harvester had paid for its orders only when the fiber was actually delivered at the mills, advancing no monies to Molina even for fiber already in transit. But in 1909, Amsinck was winding up its business following the death of the senior partner, and Molina therefore needed a new source of credit to provide the necessary working capital. At the same time, Montes was inducing many of Peabody's long-time suppliers to switch brokers, a strategy that effectively required Molina to pay Peabody for numerous advances that the latter firm had made to these growers. International Harvester agreed to change its policy, paying Olegario Molina when he took possession of fiber destined for the company. This change was only temporary, however, and the company told Molina that it planned to return to its former policy "as quickly as circumstances change."[12]

Fourth, Joseph and Wells argued that International Harvester's campaign to control the Yucatecan market culminated in that "extraordinary year" of 1910, when the company "exercised its leverage over 99.8 percent of the trade!" The percentage itself is misleading because it combines purchases of Molina and Peabody under the unsupportable assumption that both firms conducted all of their buying under orders from International Harvester. But even if International Harvester dominated the industry in that one year—or in the previous eight—it was hardly a successful effort. The presumed purpose of such efforts was to make profits, but in 1910 the company earned a wafer-thin profit of 2 percent on its twine sales, a margin of profit far worse than on any other line of its products. Broadly speaking, twine was never a strong profit-maker, making its best showing in 1914, when devaluation of the peso gave all sisal purchasers an unanticipated windfall.[13] Moreover, because of the comparatively high price of sisal in 1910, its use in binder twine dropped dramatically by nearly a quarter. Manufacturers shifted to manila and New Zealand hemp, which supplied the fiber for an unprecedented 49.2 percent of the American twine and rope market. Plymouth Cordage even began a systematic campaign attacking sisal twine and advocating a switch to the superior manila twine. Peabody worried that Plymouth might stop making sisal twine altogether, which would have stripped the broker of its primary henequen buyer.[14] If 1910 was an "extraordinary year," it was extraordinary because of the reversal of the traditional relationship between sisal and manila prices, the unprecedented shift by manufacturers to alternative fibers, and the near absence of profits for twine manufacturers.

International Harvester, perhaps inevitably, has loomed large in the history of the Yucatecan henequen industry because of its position as the leading purchaser of sisal. It is true, as Joseph and Wells argued, that the Yucatecan economy was largely dependent on foreign, principally North American markets well into the 1940s. But the belief shared by many Yucatecans and historians of the Yucatán that North American buyers also controlled the industry and that International Harvester conspired to drive down the price of sisal between 1902 and 1911 finds little support in the available data. During the whole period from 1880 to 1912, the price of sisal closely paralleled that of manila and rose above it only in unusual circumstances. There are neither documents in hand nor market data to show that International Harvester exercised a successful monopsony narrowly in sisal or broadly in hard fibers. It did attempt to influence the market, both up and down, but never earned the spectacular (or even good) profits that would presumably be the primary objective of any such control. Finally, while there were several opportunities to invest directly in the Yucatán, there is no evidence confirming that McCormick or International Harvester came close to making a firm offer for any property or making a direct investment. But for Olegario Molina, securing his connection (collaboration) with International Harvester, for which he served as primary broker after 1903, clearly was an important component (along with his government positions and familial-elite connections) in his effort to dominate Yucatán. If there was an empire, formal or informal, it strikes us that the available evidence points to Olegario Molina, not International Harvester, as the principal actor and the most likely beneficiary.

NOTES

1. Gilbert M. Joseph and Allen Wells, "Corporate Control of a Monocrop Economy," *Latin American Research Review* 17, 1:69–99.
2. Thomas Benjamin, "International Harvester and the Henequen Marketing System in Yucatán, 1898–1915: A New Perspective," *Inter-American Economic Affairs* 21, 3:3–19.

3. We have begun writing an article on the development of the American twine market and the parallel rise of the Yucatecan henequen industry.
4. For a general discussion of the twine market in the United States, see Diane Roazen-Parrillo, "U.S. Business Interests and the Sisal Industry of Yucatán, Mexico, 1876–1924," Ph.D. Diss., University of Chicago, to be completed circa August, 1982. On the possible 1909 corner, see E. Bayley to A. Pierce, 22 September 1909, H. W. Peabody papers, Baker Library (hereafter HWP), HL-3.
5. Using a five-year moving average, the best periods were 1903–7, 6.77¢; 1888–92, 6.72¢; 1887–91, 6.66¢; 1902–6, 6.61¢; and 1904–8, 6.61¢. Based on table.
6. We have seen no documents in the McCormick records showing that that firm knew for whom or in what volume Peabody was buying sisal. In 1931 Bayley stated that McCormick never asked for details and was given none during the period of the financial partnership (ca. 1890–1903). E. Bayley to G. McPherson, 23 April 1931, HWP, HL-3.
7. McCormick decided to build its own twine mill in Chicago in early 1899, but still had to contract for some outside production. La Industrial apparently did have a small contract during 1900 and 1901, although detailed information has not yet come to light. See Memo of Agreement, 20–21 September 1900, HWP, HL-3.
8. C. H. McCormick to G. W. Perkins, 26 September 1902. McCormick Papers, State Historical Society of Wisconsin, series 2C:30, File: IHC, Consolidation: 1901–1908. E. Bayley to A. Pierce, 14 October 1902, HWP, HL-3. Bayley's letter provides a specific breakdown of the weekly orders that each of the four brokerage houses were to handle.
9. C. Detzer to Executive Committee, 7 November 1902 (Report of Meeting of Twine and Fiber Committee, No. 1). International Harvester Archives (hereafter IHA), file 2395.
10. E. Bayley to A. Pierce, 18 February 1903, HWP, HL-3.
11. The letter of 29 October 1903 is reproduced in Bureau of Corporations, *The International Harvester Company* (Washington, 1913), pp. 149–50. The bureau believed some investigation was carried out, but no further action was taken.
12. H. L. Daniels to A. Legge, 16 July 1909, IHA, 2395.
13. Trading Profit Ledgers, IHA, 3014–15. The Bureau of Corporations investigation of International Harvester (see note 11 above) also observed the comparatively low profits on twine compared to other lines.
14. Analysis of sources of fiber from H. L. Boyle Economic Research Files, IHA, no file. Reproduced in Roazen-Parrillo. E. Bayley to A. Pierce, 22 September 1909, HWP, HL-3.