

## CHAPTER VI

### GROWTH OF A GREAT ENTERPRISE



VERY reader of the preceding chapter must be aware that the United Fruit Company started its career without any of the advantages which conduce to monopoly. It was the owner of no patents. It had the benefit of no tariff favors. Its land holdings in the tropics were insignificant compared with the total of banana tracts available for cultivation. It held no exclusive concessions from any of the governments of the tropical countries in which it operated.

It had no contracts — and never has entered into contracts — with steamship or railway lines giving it any advantages over its competitors. The Gulf of Mexico and the Caribbean Sea were open waters to all of the ships of the world which cared to engage in the banana trade. The ports of the tropics and of the United States were open to such ships.

There was nothing to prevent other groups of investors from entering the field against the newly organized United Fruit Company. Such interests might have purchased the properties of the companies which were already in competition with the United Fruit Company, or they could have acquired most of the lands on which now are located the banana plantations which give to the United Fruit Company the bulk of its supply.

The United Fruit Company was formed in the year when the American public was possessed of a mania for risking its money in new and vast undertakings. Any plan of reorganization or consolidation of industry which could be so

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presented as to offer a reasonable chance of success had its securities snapped up by thousands of investors who besieged the offices of the underwriters and deluged them with letters containing remittances. It was a period when billions of dollars were turned into the coffers of the "New Industry." It goes without saying that the newly formed United Fruit Company had no prestige, advantage or financial backing which would deter promoters from organizing an even more powerful company along the same lines and for the purpose of entering the same broad field of enterprise.

No, it was not fear of the competition of the newly launched United Fruit Company which prevented the great captains of finance and industry from bidding for popular support for a corporation which would rival and possibly supplant the one then in the field. They made no move because they lacked faith both in the success of such an undertaking and in the support of the investing public.

There was another reason. It was impossible to draft a prospectus which would convince an intelligent investor that one banana producing concern would have any marked natural advantage over another. The investing public was in a frenzy to escape the effects of a system of cut-throat competition which had brought ruin to producer and consumer alike. The most popular of the new stock and bond securities were those which gave assurance that their holders would be immune from profit-destroying competition. No industry based on agriculture offered that inducement. What had bananas to offer? The public had been educated to believe that bananas flourish in most parts of the tropics, and careful investors knew that the price of bananas would ever be fixed by competition. Competition was very unpopular in



The modern fruit ship

1899, and the average investor and underwriter looked with suspicion on any security based on the alleged possibilities of the banana industry.

The blunt truth of the matter is that the United Fruit Company was forced into its present leadership in the banana industry because of the ignorance and indifference of the investing public of the United States concerning the tropics at their southern gates.

The United Fruit Company to-day has certain assured advantages, and these advantages must be taken into account by any new rival which bids for its trade and business. How did the United Fruit Company obtain these advantages? By what right does it exercise these advantages?

The great wholesale dry goods firm of Marshall Field & Company has certain decided advantages over all of its competitors in the United States. How did this corporation obtain these advantages and by what right does it exercise them? Here is the answer: Marshall Field & Company created these advantages by the exercise of constructive business genius in a field open to the investment capital of all the world. Marshall Field & Company holds these advantages by the right of honorable business conquest.

The same thing is true of hundreds of other corporations, concerns, and individuals who have reared great business enterprises in fields where monopoly is impossible, and who now possess the legitimate advantages which come from good will and prestige honestly won and fairly exercised.

The annual reports of the company during the thirteen years of its corporate existence form an interesting study. President Preston has condensed in these reports a frank and lucid history of a progress which has been halted at times by climatic disasters, sweeping calamities which would have spelled ruin to a concern not fortified by a wide distribution of its sources of supply.

The reading public has always associated the United Fruit Company solely with the banana industry, and there prevails a popular belief that its success has been due en-



**SCENE ALONG THE SEA WALL IN PUERTO LIMON, COSTA RICA**  
This was a wilderness before the founders of the United Fruit Company developed the coast lands and harbors of Central America

tirely to a mastery of the production and distribution of that tropical fruit. This is not so. From the very beginning the company was engaged in other forms of activities. It was a carrier of freight and passengers. It was a raiser of cattle



AFTER A TROPICAL FLOOD  
Repairing a bridge on a banana railroad

and other live stock; it was an owner and builder of railroads; it was preparing to engage in the extensive production of sugar in Cuba, and it was cultivating many tropical products besides bananas.

On August 31, 1900, we learn from the first annual report

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of the United Fruit Company that it owned 212,394 acres of land in Costa Rica, Cuba, Honduras, Jamaica, San Domingo, and Colombia. It had leased lands in Costa Rica and Jamaica to the extent of 23,807 acres, making its total holdings 236,201 acres. Of this area 66,294 were under cultivation of some sort, and 169,907 acres were unimproved. Much of this unimproved land was unfitted for cultivation, and belonged to tracts which had to be purchased intact in order to secure an acreage suitable for bananas or other purposes. All save a small portion of the lands then owned by the United Fruit Company had been acquired by purchase from the Boston Fruit Company and from the interests headed by Minor C. Keith.

The company had 38,463 acres planted to bananas, as is shown in the following table which is of interest as showing the agricultural resources of the enterprise in its initial year of operation:

STATEMENT SHOWING THE LOCATION AND THE ACREAGE  
OF THE UNITED FRUIT COMPANY'S FRUIT, SUGAR  
CANE, AND MISCELLANEOUS CULTIVATIONS,  
AUGUST 31, 1900

DESCRIPTION	COSTA RICA	CUBA	HON- DURAS	JAMAICA	SAN DOMINGO	COLOM- BIA	TOTAL
<b>Fruit:</b>							
Bananas	10,626	5,841	400	5,749	3,300	12,547	38,463
Oranges	.....	.....	.....	315	.....	.....	315
Pineapples	.....	.....	.....	17	.....	.....	17
<b>Sugar Cane</b>	.....	7,803	.....	.....	.....	.....	7,803
<b>Miscellaneous:</b>							
Cocoanuts	.....	.....	.....	1,830	.....	12	1,842
Coffee	46	.....	.....	10	.....	2	58
Cocoa	.....	.....	.....	115	.....	140	255
Rubber	65	.....	.....	79	.....	163	307
Para Grass	2380	.....	.....	.....	.....	78	2,458
Guinea Grass	3,417	.....	.....	.....	.....	.....	3,417
Vegetables	.....	.....	.....	.....	.....	12	12
Other lands	3,276	3,539	100	4,151	200	81	11,347
<b>Total Acreage</b>	19,810	17,183	500	12,266	3,500	13,035	66,294

## CONQUEST OF THE TROPICS

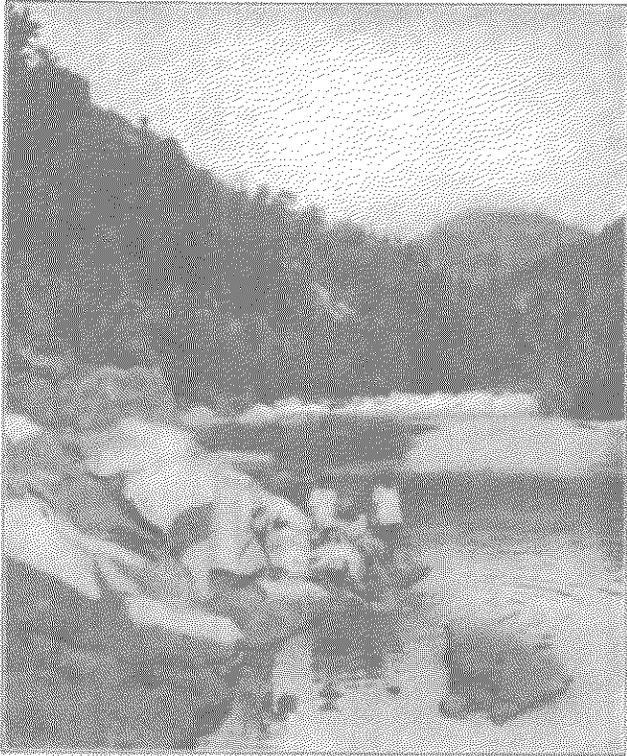
On these plantations were 13,932 head of live stock, apportioned to the various countries as follows:

STATEMENT OF LIVE STOCK OWNED BY THE UNITED FRUIT COMPANY ON AUGUST 31, 1900

DESCRIPTION	LOCATION						TOTAL
	COSTA RICA	CUBA	HON-DURAS	JAMAICA	SAN DOMINGO	COLOMBIA	
Cattle:							
Cows	2,907	12	.	611	..	132	3,662
Bulls	43	1	2	26	..	5	77
Oxen	46	783	24	1,290	13	..	2,156
Steers	3,416	5	6	482	..	37	3,946
Calves	1,357	.	..	281	..	24	1,662
Heifers	.	.	..	442	..	.	442
Total	7,769	801	32	3,132	13	198	11,945
Horses and Mules:							
Stallions	8	2	..	..	..	5	15
Mares	166	1	2	66	..	3	238
Geldings	120	51	2	51	..	38	262
Colts	109	..	..	29	12	7	157
Mules	271	104	1	774	96	36	1,282
Asses	..	..	..	19	..	4	23
Total	674	158	5	939	108	93	1,977

The cattle were used for three purposes: Stock cattle were raised in Costa Rica and Cuba, and were killed for consumption on the plantations or for shipment to the markets of these and other countries. Dairy cattle furnished the milk, cream, butter and cheese supplied to the employees from the commissary stores which the company maintained and conducted at prices strictly regulated to meet the mere cost of maintenance. The oxen, steers, horses, and mules were employed mainly in the transportation of the fruit and other products from the fields to the railroads or to the wharves.

The newly formed company came into possession of several small railways which served as the foundation for the comprehensive systems now in operation in all of the countries of its activities. Speedy and adequate railway trans-



Washday in Costa Rica

portation of bananas from the great plantations to the docks, and rapid steamship transportation from the tropics to the markets of the United States and Europe is the expensive but imperative prerequisite of a modern banana enterprise. The banana is the most perishable of all tropical products, and one of the vital problems is to provide sure and swift transportation from all parts of the plantations to the awaiting ships. How scantily equipped was the United Fruit Company at the end of its first corporate year may be judged by a glance at the following table:

RAILROADS OWNED BY THE UNITED FRUIT COMPANY  
ON AUGUST 31, 1900

LOCATION	MILES OF ROAD	EQUIPMENT	
		Number of locomotives	Number of freight cars
Costa Rica	13.18	3	49
Cuba	28.50	4	104
Jamaica	8.12	2	32
Colombia	37.73	6	76
San Domingo	4.50	2	28
Total	112.03	17	289

The utter inadequacy of these diminutive railroad lines to penetrate the tropical jungles and convert them into productive banana plantations is apparent when it is stated that the United Fruit Company now owns and operates more than 1,000 miles of well-constructed and finely equipped railroads and tramways, and that banana transportation from the fields to the wharves requires the service of more than 100 locomotives and 2,500 freight cars!

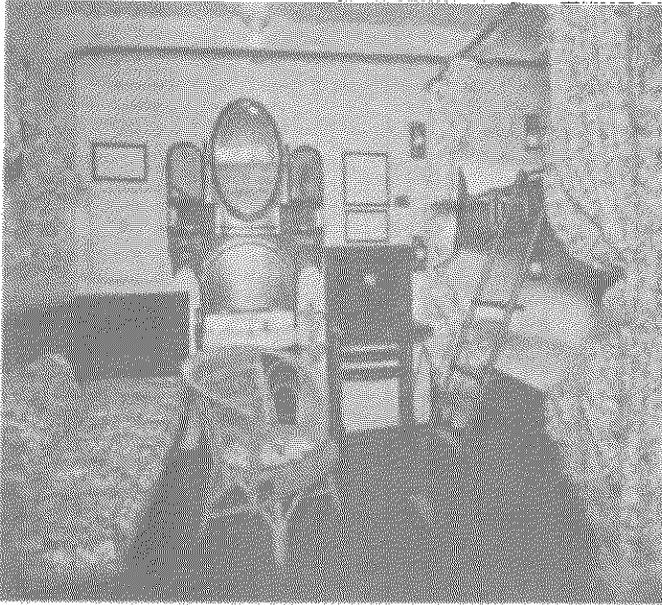
This is a giant step forward from the year of 1900 when 112 miles of poorly laid track and less than a score of light locomotives were forced to serve as best they could. At that time the patient ox and the impatient mule did much of the work now done by steam and electricity.

But the tropical assets of the United Fruit Company in 1900, crude and small as they were compared with those of the present day, were much superior to those of any other fruit company in the American tropics or in the world. The greatest single asset of the company was its plan of self-insurance against the effects of the devastation of a plantation or all of the plantations of a district.

During all of the years of the corporate existence of the Boston Fruit Company no destructive hurricane had swept Jamaica, its chief source of banana supply. More than average good luck had attended its operations in San Domingo and Cuba, but Mr. Preston was alive to the fact that

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climatic disasters would break sooner or later. It is rather a remarkable coincidence that all of the districts of banana production of the old Boston Fruit Company were smitten in the very year following its purchase by the United Fruit Company. The season opened with the first hurricane in twelve years in Jamaica, the blasts of which levelled a large percentage of the growing banana plants on that island and



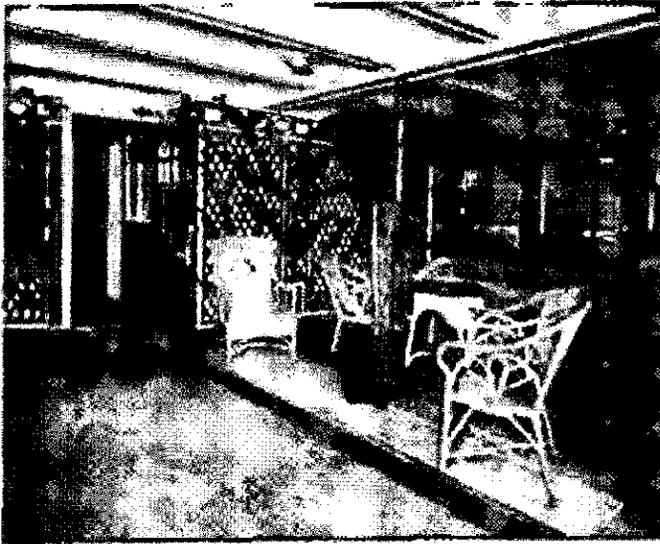
Stateroom of modern fruit boat

seriously crippled its supply. A few months later San Domingo was swept by a hurricane which did great damage to the plantations formerly owned by the Boston Fruit Company. To make the coincidence complete, a deadly and very unusual drought simultaneously afflicted Cuba.

Not a district formerly depended on by the Boston Fruit Company was exempt from these afflictions. It is pos-

sible that the company would have survived these blows of misfortune, but its losses in money, trade, and prestige would have been enormous. Banana importers from Central and South America would have invaded its field and derived large temporary profits by taking advantage of the plight of consumers.

But how fared it with the newly organized United Fruit Company and the public it served? The company lost the



A nook on the United Fruit Company's *SS. Calamares*

bananas destroyed by the hurricanes and the drought and was compelled to meet the expense of bringing new plantations into bearing, but the bananas raised by the company in Colombia and Central America were still at its command and there was no delay in shipping them to Boston, New York, Philadelphia, Baltimore, and other ports formerly dependent almost entirely on the islands of the West Indies. Prices to the jobbers or retailers continued low and reason-

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able, and the public was not called on to pay an excessive price for bananas on account of these climatic disasters.

It will hardly be denied that this was a desirable outcome for the public. There was a time when each section of the United States was compelled to depend on the wheat and corn raised within easy reach of the individual consumer. It naturally followed that a disaster to local crops meant famine or abnormally high prices. The development of transportation and methods of storing grain products insured consumers against the worst of the effects of local crop disasters. This progress put an end to the activities of those who are eager to derive unfair profits from calamities.

The sensible and logical plan initiated by the United Fruit Company performed for the banana exactly the same service that improved methods of transportation and handling wrought for wheat, corn, and other grain products. It removed the banana from the list of speculative products and elevated it to the grade of a fruit and food staple.