NECESSITIES, DEENCIES, LUXURIES:

ESSAYS IN 18TH-CENTURY INTERNATIONAL COMMODITY TRADE.

The Cochineal Trade:

Hope & Co., Baring Brothers & Co., and the Cornering of Cochineal.

By

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Essay: Master Original.

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A brilliant red dye derived from the dried bodies of female cochineal insects, *Coccus cacti, Dactylopius coccus*, which grow on cactus plants in Mexico and Central America. The insects are gathered off the plants at the end of each growing season, then heated in stoves or boiled and dried. The pure coloring matter of the cochineal is named CARMINE. . . . Generally, it is applied with a mordant of alum or tin to produce shades of good fastness. Formerly, its primary use was to produce bright scarlets and reds on wool.

American cochineal, which is undoubtedly a far superior pigment, was in later times made an article of commerce, was sent to Europe in large quantities for Dyeing, and because it could be procured at all times, and in abundance, at a price which, if not small, was at least moderate, considering its excellent quality, from Mexico, where labour was cheaper, and where it was cultivated in plantations formed, on purpose, the French and Spanish kermes were entirely forgotten, as appears by a French ordinance of 1671 respecting dye-stuffs.

Hope & Co. of Amsterdam and Baring Brothers & Co. of London were the most powerful merchant banking institutions in the world during the latter decades of the 18th century and the early years of the 19th century. Their ledgers and correspondence reveal their commercial and financial risk-taking activities in Europe, Latin and North America, the West Indies and East Indies, and Russia. There was not a major international commercial or financial venture which Hope or Baring did not initiate, participate in, or refuse. The effective demand for the cochineal dye in Great Britain, Europe, and Russia encouraged Hope & Co. and Baring Brothers & Co. to corner the market of this Mexican export dye. The story of that attempted venture follows.

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Merchant entrepreneurs are by nature risk takers who would argue that the greater the risk the greater potential profit. At the same time, they would not deny that big risks could result in big loses. Moreover, while market intelligence and timing are fundamental to any investment, they are absolutely critical in a speculative operation. However, in August 1787, Henry Hope, the prominent and ambitious Amsterdam merchant-banker, was not only confident he had the temperament to pursue a cornering operation in cochineal but also it was the right time to make a killing in cochineal, one of the most valuable exports of Mexico.

* * *

During the 18th century, the indigenous Indian peasants of Oaxaca in southern Mexico produced virtually the entire world’s supply of the finest domesticated grana cochinilla – a red dye, superior to all other reds used in the coloring of textiles, crafts and arts. Depending on the mordant used, cochineal produces with alum – magenta; with alum and cream of tartar – bright scarlet; and with iron (copperas, green vitriol) – purple-grey.¹

Oaxaca Indian peasants commanded knowledge of the land, plants and

insects but not the production and marketing of cochineal. To do this, Indian peasant producers required access to credit which was not readily available to them. Historians continue to debate whether the Indian producers were obliged or willing participants in a controversial credit system, Repartimiento (1751-1786), which was administered by local Crown Magistrates (Alcaldes Mayores), who acted like moneylenders in collaboration with local and peninsula merchants in providing Indians with cash, equipment, and commodities in return for the finished product. Moreover, they also profited from the interest on the loans made to grana producers. Moreover, historians continue to debate the degree to which this system led to abuses and exploitation of Indian peasant producers.³

During the spring and early summer of every year, Indian peasant producers collected and packaged dried insect bodies into containers – zurrones – and delivered them to merchants in payment for their repartimiento debts. The merchants transported the cochineal to Veracruz whence it was transported on

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Spanish ships destined primarily to Cádiz.\textsuperscript{4}

The importance of Veracruz and Cádiz in Spain’s commercial empire cannot be overstated. During the period 1782-1796, Cádiz garnered 84 percent of the total value of imports from Spanish America. Veracruz alone provided about 16 percent imports but when listed as the first port combined with another such as Havana, its share rose to about 32 percent. Of the total value of Cádiz’s imports, cochineal represented 4.4 percent, behind gold and silver (56 %), tobacco (14 %), cacao (7.8 %), sugar (5.4%), and indigo (5.4%). About 83 percent of the cochineal entering Cádiz was re-exported to Amsterdam, Hamburg, London, Marseilles, Rouen, St. Petersburg, and Moscow (which re-exported it to Astrakhan, Orenburg, Central Asia and China). The cochineal trade was, indeed, a global phenomenon.\textsuperscript{5}

Spain and Great Britain measurably affected the flow of commodities and

\textsuperscript{4}See Baskes (2000), 144-155 \textit{et seq}. For Veracruz, see Booker, 61-64.

cochineal from Spanish America to European markets by freeing up their respective overseas trade regulations. The British Free Port Acts of 1766 and 1787 opened certain British West Indian island ports to imports from New Spain thereby circumventing Cádiz’s monopoly trade system. The Spanish Crown’s decrees of 1765, 1778, 1789 and 1797 opened dozens of ports in Spain and Spanish-America to international commerce.6

Nevertheless, the trajectory of registered cochineal production in the City of Oaxaca pointed downward during the latter decades of the 18th century. Extant archival data beginning in 1758 show ten years when the quantity exceeded one million pounds; in 1774, production peaked to slightly more than 1.1 million pounds. However, in 1783, it declined to slightly more than 700,000 pounds. Thereafter, registered cochineal production fell to an annual average of slightly more than 300,000 pounds.7

Historians have long debated the causes for the decline in production and have focused on the general weakening of the domestic economy of Oaxaca and the

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7Tejada (1858), III, Numero 55. One Libra of cochineal was equivalent to 0.712093 lbs.
immediate effects of the abolition of the *repartimiento* in 1786. However, Professor Jeremy Baskes has provided an alternative explanation:

Because it was the sole producer and exporter of *grana fina* in the eighteenth century, output in Oaxaca determined entirely the world’s supply. If demand were constant, then a sharp drop in production would push prices up, since consumers would be bidding for scarcer supplies. In the 1780s, however, this did not happen. A steep drop in output was accompanied by a similarly significant decrease in the price. *What this suggests is that demand also dropped after 1784, so much so that it more than offset the 50 percent decline in supply.* This observation is evidence for an alternative explanation for the initial catalyst of the late-colonial commercial depression in Oaxaca.

*Production dipped in the 1780s because of an economic downturn in Europe.*

However, as we shall see below, extant contemporary archival data do not support this assertion. This is especially true regarding Great Britain’s increasing and dominant position in the importation of cochineal from Oaxaca.

Until late in the 18th century, Great Britain had not been a major producer of printed cottons. This was owing to the fact that from the middle of the 17th century, England was inundated with Indian cottons, commonly called *piece goods*, calicoes, calicos.
and muslins, which generally were finer in quality and cheaper than imported French printed cloths. However, fashions of women’s and men’s clothes were rapidly changing and the English wanted lighter and more elegant clothing. By the fourth quarter of the 18th century, English legislative prohibitions on the domestic manufacture of calico prints were repealed which had the effect of not only stimulating British productivity – from wood block printing, to copper plate printing, to cylinder machine printing – but also marketing entrepreneurship (exemplified by Robert Peel) to meet the growing consumer demand for British printed textiles. In the final decades of the 18th century, tens of millions of yards of printed cottons sold in Great Britain.9

By the end of the 18th century, Great Britain had become the leading European importer and the largest consumer of cochineal dye, a valuable input in the country’s

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expanding textile manufacturing industry. Several years prior to the outbreak of the American War of Independence Britain’s cochineal imports averaged annually about 150,000 pounds, that is, about 15 percent of Oaxaca’s registered output. But in 1785-1786, Great Britain’s worldwide cochineal imports averaged about 258,000 pounds, that is, about 45 percent of the declared amount of cochineal registered at Oaxaca, and it re-exported an annual average of about 66,000 pounds. In 1787, imports increased to about 300,000 pounds, that is, about 67 percent of the declared amount registered at Oaxaca, and it re-exported about 23,000 pounds. In 1788-1792, Britain imported an annual average of about 229,000 pounds, that is, about 52 percent of the declared amount registered at Oaxaca, and it re-exported an annual average of about 42,000 pounds. Even during the wartime years of 1793-1802, Britain imported an annual average of about 218,000 pounds of cochineal, that is, about 49 percent of the declared amount registered at Oaxaca, and it re-exported an annual average of about 79,000 pounds of cochineal. Overall, during the period 1785-1802, Great Britain’s worldwide cochineal imports were equivalent to about 50 percent of Oaxaca’s registered output (see Table I.).
Table I. Oaxaca’s Cochineal Registered Production and Great Britain’s Imports of Cochineal.\(^{10}\)

(Minimum Estimates in Libras/English Pounds).

<table>
<thead>
<tr>
<th>Annual Average</th>
<th>Registered in Libras.</th>
<th>Imported in Pounds.</th>
<th>Percentage of Imports.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1771-1775</td>
<td>1,013,486</td>
<td>149,891</td>
<td>14.79 %</td>
</tr>
<tr>
<td>1785-1789</td>
<td>479,107</td>
<td>247,763</td>
<td>51.72 %</td>
</tr>
<tr>
<td>1790-1802</td>
<td>453,591</td>
<td>223,194</td>
<td>49.21 %</td>
</tr>
</tbody>
</table>

\(^{10}\)See Tejada (1958), III, *Numero* 55. One Libra of cochineal was equivalent to 0.712093 lbs. Great Britain. Parliament. House of Commons: “Accounts,” in to the 5\(^{th}\) of January 1799,” Nos. 5 and 6, 179 and 182; “Accounts,” in 1802-1803 (138(1), 6-7; 1808 (337)(1), 100-101, and 194-195; 1826-1827 (395), “Indigo, cochineal, lac lake and lac dye and madder,” 5; and 1830 (545), “Imports and exports,” 7. During 1796-1798, the port of London imported an annual average of 8,020 fewer pounds of cochineal than did Great Britain. The imported cochineal came from: France; Germany; Gibraltar; Guernsey; Holland; Portugal; Russia; Spain; USA; and the West Indies. See “An account of the quantity of free goods imported into the Port of London, in the years 1796, 1797, and 1798; distinguishing the countries from whence the same were imported,” in *Second Report from the select committee upon the improvement of the Port of London*, 11 July 1799, 374.
In northern Europe, Hamburg was home to a bustling calico printing industry.\textsuperscript{11} Ralph Woodford, the British Resident, wrote to his superiors in London soon after the end of the Seven Years War, noting the growing importance of Hamburg’s importation of dyestuffs for its calico printing industry. “The Exportation of \textit{plain} India Callicoes [\textit{sic}] to this Port continue to increase, as They are arrived at great Perfection \textit{in printing them here}; which occasions large Demands for them in Germany.”\textsuperscript{12} In the 1790s, the calico industry experienced significant prosperity and cochineal and other dyestuffs were in greater demand.\textsuperscript{13}

The Amsterdam market, however, told a very different and more complicated story. Spain supplied nearly all of Amsterdam’s cochineal imports during the period 1742-1797, with modest amounts coming from France, Great Britain, and Germany.\textsuperscript{14} For several years prior to the outbreak of the American War of

\begin{footnotesize}
\begin{enumerate}
\item See Pfister: (2012), 7-9, 22-23, 46, 49-54, 58 and 61; and (2015), 175-221.
\item Woodford (Ham.) to Conway (Lon.) 6 Feb 1767, PROSP 82/85, 19. \textit{Italics added.}
\item See Hamburg Custom House in PROCO 388/95; PROSP 82/84-98; PROFO 33/1-9 and 97/240; SA. Hamburg 371-2, Admiralitäts-Kollegium F9, F10 Bd 6-7 and F11; Köncke; and Hope (Ams.) to Baring (Lon.) and to Berend Roosen (Ham.) 11 Sept 1787, GAA 735/1363, 137-139 and 139, respectively. See also, Mary Lindemann, \textit{Patriots and Paupers. Hamburg, 1712-1830} (New York: Oxford University Press, 1990), 40-41.
\end{enumerate}
\end{footnotesize}
Independence, the annual average monthly price of “Mexican Cochineal” on the Amsterdam market had drifted lower from a high of 14-15 guilders per Dutch pond to 10.28 guilders, in 1775, and to 8.62 guilders, in 1776. During the early 1780s, the average annual quantity of cochineal imported into Amsterdam remained essentially at the same level it had been during the previous seven years. In 1786, the monthly average price fluctuated between a high of 8.35 and a low of 7.35 guilders, and in each of the first eight months of 1787, the price remained at 7.80 guilders.\(^1\)

In August 1787, Henry Hope of the Amsterdam merchant banking house of Hope & Co. determined that the cochineal market price point of 7.80 guilders was attractive enough for him to venture into a speculation with the ultimate goal of cornering the cochineal market in Europe. However, despite how problematic it would be, Hope was persuaded he could do it. It was apparent that Hope had not learned any valuable lessons from his past participation in Sir George Colebrooke’s failed cornering attempt of the alum market.\(^2\)

Hope reasoned that, because the annual harvest from Mexico had already


reached Cádiz, no more cochineal would arrive until sometime in 1788. Therefore, he could take advantage of this brief window of opportunity to buy at relatively low prices all the available cochineal inventories in Europe which he estimated to be 1,750 zurrones (about 350,000 Amsterdam ponds). He would then take control of the market and, when prices once again rose to an attractive level, resell the cochineal for a significant profit. But he was also cognizant that he alone could not successfully execute this speculative operation from Amsterdam and, therefore, he sought out trustworthy collaborators in Cádiz, London, Marseilles, Rouen and St. Petersburg.\footnote{Cochineal shipped to Spain was usually denominated in arrobas and zurrones: with 1 arroba = 25 Spanish pounds = 25 English pounds, and 7 to 9 arrobas = 1 zurrón, the equivalent of between 175 and 225 pounds. See Baskes (2000), pp. 144-148. However, Hope fixed the weight of 1 arroba delivered in Amsterdam equal to 23.125 Amsterdam ponds: therefore, 8.65 arrobas = 1 zurrón = 200 ponds. Hope’s fixing is just about the expected net weight of an arroba of cochineal after shrinkage during shipment from Oaxaca to Europe. See Hope (Ams.) to Thomas Littledale & Co. (Rotterdam), 16 and 18 Apr 1788, GAA 735/1364, 347 and 349-350, respectively.}

The month of August 1787 witnessed a flurry of communications among the principal traders in cochineal. On the 7th, Hope wrote to Francis Baring, of Baring Brothers & Co., a leading merchant banker in London: “We have for some time past kept our attention to the article of Cochineal as an object . . . of a well grounded speculation . . . we know the state of the article in the hands of the consumers in this & other places on this continent that the whole of the last years récolte has been shipped off to Europe & that we can have no farther supply by this year.” Hope was
confident that three fourths of the inventory could be purchased at the current low price, and he wanted to know the state of the cochineal trade in London, how much cochineal Baring Brothers & Co. already possessed and “what sum you would incline to invest in it either in the general concern or in the quantity we may be able to secure at your Market . . . what proportion of it you might be able to secure without any effect on the prices.”\(^{18}\)

Baring replied promptly that “the projected speculation in Cochineal is well founded on the actual Data & that the Chapter of accidents is in our favour,” and that Baring Brothers & Co. would become an active partner with one-quarter interest in the venture.\(^{19}\)

Hope requested Thomas Ryan & Co. in Cádiz to transfer its current cochineal inventory to Hope & Co. and authorized it to purchase on behalf of Hope & Co. “all the Cochineal you can secure in your place of the usual current merchantable quality fitted to this market [and] the finer qualities adapted to the French & English markets.” Hope enclosed letters of credit on banks in Paris and on Baring Brothers & Co. If need be, Thomas Ryan & Co. could also draw on Hope & Co. direct. Also, Hope sent letters of instruction and credit to Veuve Councler et Fils Ainé, in

\(^{18}\)See Hope (Ams.) to Baring (Lon.) 7 Aug 1787, GAA 735/1363, 79-81.

\(^{19}\)See Hope (Ams.) to Baring (Lon.) 17 Aug 1787, GAA 735/1363, 97-99.
Marseilles, and Bournissien Despreaux et Fils, in Rouen, to undertake coordinated purchases of cochineal.\textsuperscript{20}

The locus of authority in the speculation would, of course, remain in Amsterdam with Hope who entrusted “our little man” Robert Voûte, a well-known commodities broker in his own right, to supervise purchasing operations and prevent putting upward pressure on prices. On 21 August, Hope wrote confidently to Baring: “We have very sanguine hopes of the Success of the speculation if as well executed as conceived.”\textsuperscript{21}

Yet, immediate success eluded Hope and his colleagues. Thomas Ryan & Co. reported that it could not meet the precise schedule for buying up the cochineal in Cádiz; Berend Roosen could find only a meager amount of cochineal for sale in Hamburg; and the orders to Marseilles and Rouen were suspended.\textsuperscript{22} By September, Hope and his colleagues recognized that the volume and the quality of cochineal

\textsuperscript{20}Hope (Ams.) to Ryan (Cádiz) 17 Aug 1787, GAA 735/1363, 92-95.

\textsuperscript{21}Hope (Ams.) to Baring (Lon.) 7, 17 and 21 Aug, and 11 Sept 1787 (for quotes), GAA 735/1363, 81, 98, 100-101 and 137 (for quote), respectively. For details of Robert Voûte’s business history and his relationship to Henry Hope and Hope & Co., see Kaplan (7 June 1798).

\textsuperscript{22}See Hope (Ams.) to Baring (Lon.) 23, 28 and 31 Aug, 4, 7, 11, 18, 21, 25 and 28 Sept 1787, GAA 735/1363, 106, 114-116, 126-127, 130-133, 134-135, 137-139, 146-147, 148, 152-153 and 158-163, respectively; Hope (Ams.) to Berend Roosen (Ham.), 11 Sept 1787, GAA 735/1363, 139; Hope. (Ams.) to Bournissien Despreaux et Fils (Rouen), 20 Sept 1787, GAA 735/1363, 147; Hope (Ams.) to Veuve Councler et Fils Aîné (Marseilles) 24 Sept 1787, GAA 735/1363, 148-149.
they had believed would be readily available at stipulated prices had not materialized. The number of zurrones they had thus far purchased came to only 63 percent of Hope’s original estimate of 1,750 zurrones.²³

An added complication undermining the cornering operation was the rumor that Turkey would soon declare war on Russia. Hope opined that such an event would “add to the heat of Speculation,” since the Dutch market was already “for some days past in a state of total suspense.” Hope wrote Ryan & Co. to anticipate paying higher prices for the cochineal that had thus far remained out of reach.²⁴

When, in September 1787, Turkey did in fact declare war on Russia, Catherine II responded by dispatching her land forces to the south and part of her northern fleet into the Mediterranean to shore up the recently established Black Sea naval squadron. If Sweden seized this opportunity to attack Russia in the hope of regaining Swedish territories previously lost to Russia, commerce on the Baltic Sea would be seriously disrupted and force up international commodity prices.

In October, it clear to Hope and his colleagues that the original intelligence informing the cornering operation was seriously flawed, and the consequences could be financially disastrous for them. They now calculated that they had, in fact, taken

²³Hope (Ams.) to Baring (Lon.) 28 Sept 1787, GAA 1363, 160.

²⁴Hope (Ams.) to Ryan (Cádiz) 28 Sept 1787, GAA 1363, 163.
2231 *zurrones* of cochineal off the market, that is, about 500 *zurrones* more than had originally been estimated.\(^{25}\)

Hope and Baring had made a fundamental mistake in not having gathered credible intelligence directly from Oaxaca and Veracruz prior to engaging in a high-risk venture and had allowed their intuition to guide their decision-making process. Therefore, it is reasonable to surmise that, if Henry Hope and Francis Baring had an effective mercantile agency network in Oaxaca and Veracruz and in other ports of Spanish America, they might have averted further downside risk. Moreover, there is no evidence in their correspondence that they were aware of the internal economic conditions of southern Mexico, of the serious nature of the famines that overtook the Valley of Oaxaca in 1785-1787, or the establishment of the *Intendant* system in 1786 in the Viceroyalty of New Spain which, taken together, had negatively affected the production of cochineal.\(^{26}\)

Moreover, Francis Baring and Henry Hope must have surely known that the Spanish Crown’s decrees of 1765 and 1778 had freed up commerce between the

\(^{25}\)See Hope (Ams.) to Baring (Lon.) 30 Oct 1787, GAA 735/1363, 223; Hope (Ams.) to Ryan (Cádiz) 4, 10, 16, 18-19 Oct and 1 Nov 1787, GAA 735/1363, 170-172, 193-195, 199, 207, 200 and 225, respectively; Hope (Ams.) to Baring (Lon.) 4, 9 and 12 Oct 1787, GAA 735/1363, 177-182, 189-191 and 195-197, respectively; and Hope (Ams.) to S & B & Co. (StP.) 5 and 19 Oct 1787, GAA 735/1363, 176-177 and 203, respectively.

\(^{26}\)See Hamnett (1971), 60-61; Booker; and cochineal registered in the City of Oaxaca, in Tejada: (1853), *Numero* 14 and (1858), III, *Numero* 55.
ports of New Spain and Spain; that the British Free Port Acts had opened certain
British West Indian island ports to the importation of New Spain’s cochineal and
thereby undermined Cádiz’s monopoly trade system. Hope and Baring must also
have known that smuggling activities had effectively by-passed the regulatory
authority of the Spanish government. This knowledge was absolutely indispensable
to anyone attempting a speculation let alone a cornering operation of the cochineal
market.27

At the end of October, Henry Hope sought to reassure Francis Baring that he
and Robert Voûte, his broker confidant, would immediately turn their “thoughts to
the realisation” of a plan to “remove every doubt you may entertain in regard to the
final success of the undertaking.”28 What exactly was the plan that Hope and Voûte
were contemplating was unclear because within weeks Hope would again declare
“this Situation enforces the necessity of establishing a plan of proceeding.”29 By
December 1787, the cornering operation had surprisingly purchased in excess of
1,000 zurrones above Hope’s original estimate of available cochineal – “more than
we had any Idea of” – and it was now necessary “to fix the Equilibrium of the prices

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28Hope (Ams.) to Baring (Lon.) 30 Oct 1787, GAA 735/1363, 223.
29Hope (Ams.) to Baring (Lon.) 27 Nov 1787, GAA 735/1363, 282-283.
. . . between the four great markets Cádiz, London, Amsterdam & Marseilles.”

Hope was particularly troubled by his business dealings with Thomas Ryan & Co. in Cádiz. The Spanish firm had accumulated more than 800 zurrones of cochineal in its own warehouses on Hope & Co.’s account but it had not provided Hope with details on the safety of the warehouse buildings and descriptions of the inventory thereby preventing Hope from purchasing the needed insurance. Moreover, details were wanting on the different qualities of cochineal best suited for different markets. Finally, Hope emphasized the need “to have the best intelligence from your colonies in regard to the article, the quantity of the old on hand, that of the new recolta with every circumstance relative to the expeditions of it thence & to any regulations that may be made.”

It is material to us to know every whisper on the subject and particularly the reports respecting new supplies and the exportation of the article from your city to different places in Europe . . . our last letters from London mention the arrival of a ship there from your place with Cochineal; we have heard nothing of such export from you, Gentlemen; we learn also a report that 1000

30Hope (Ams.) to Baring (Lon.) 4 Dec 1787, GAA 735/1363, 304-305. Italics added.

31Hope (Ams.) to Ryan (Cádiz), 1, 15, 22 and 29 Nov 1787, GAA 735/1363, 226 (for quote), 244-245, 260-262 and 288, respectively. See also, Hope (Ams.) to Baring (Lon.) 27 Nov, 11 and 14 Dec 1787, GAA 735/1363, 282-283, 335 and 337-339, respectively; and 1 and 4 Jan 1788, GAA 735/1364, 1-4 and 12-15, respectively.
[zurrones] are expected with you from V. Cruz in Jany: . . . we shall however be glad to learn your opinion in this respect.³²

By the end of 1787, Henry Hope and associates had accumulated nearly 3,000 zurrones of diverse qualities of cochineal, much more than they had assumed would be available.³³ In December 1787, even though the Amsterdam market price of cochineal had risen to 9.3 guilders from 7.8 guilders in November, the demand for cochineal was much weaker than Hope and his associates had anticipated. For example, in Cádiz, buyers were not aggressively bidding for cochineal but instead patiently awaiting ships to arrive from Veracruz carrying the latest harvest of cochineal which they hoped to buy for less than current prices.³⁴ The advisories Hope received from Cádiz estimated that in the year 1788 no less than 2,000 zurrones of newly-imported cochineal would come to market. How Hope would deal with this new challenge to his speculative operation was not immediately made clear when he declared: “It makes no alteration in our plan.”³⁵

³²Hope (Ams.) to Ryan (Cádiz) 17 Dec 1787, GAA 735/1363, 339. See also Hope (Ams.) to Baring (Lon.) 21 Dec 1787 and 4 Jan 1788, GAA 735/1363, 364 and 1364, 13, respectively; and Hope (Ams.) to Ryan (Cádiz) 7 Jan 1788, GAA 735/1364, 18.

³³Hope (Ams.) to Baring (Lon.) 18 Dec 1787, GAA 735/1363, 356.


³⁵Hope (Ams.) to Ryan (Cádiz) 7 Jan 1788, GAA 735/1364, 18.
In the first week of January 1788, Henry Hope made the striking decision to reduce Thomas Ryan & Co.’s commission and employ Bohl Brothers & Co., another Cádiz merchant house, with whom he had for many years done business. Hope wrote candidly to Bohl Brothers & Co. of what he thought of Thomas Ryan & Co.: “we have experienced with these gentlemen very little real mercantile knowledge, their information defective & in general that they have not conceived the spirit of the speculation nor acted consistent with it.” Implicitly, Hope went so far as to indict Thomas Ryan & Co.’s business ethic by insinuating that it was running a parallel competing operation: “they have hurt the concern by being interested in a [another] speculation formed under & in consequence of the above important one.”36

In apprising Bohl Brothers & Co. of the status of his cornering operation, Henry Hope claimed that he and his colleagues had purchased almost all the cochineal that had been made available. Of a total 3,000 zurrones, Thomas Ryan & Co. alone had purchased 1,100 zurrones, half of which was the fine quality suited for the London market. What worried Hope was the inadequate information he had on the eve of new supplies arriving from Veracruz: “the advices in this respect are vague, & it is astonishing how little dependance can be made on any mercantile information from your place which varies according to the interest & connections of

36Hope (Ams.) to Bohl (Cádiz) 7 Jan 1788, GAA 735/1364, 19-20.
the persons who give it.” He urged that no pain or expense should be spared in obtaining reliable intelligence regarding the quantity of cochineal that would be forthcoming from America after the recent harvest and “also of what may remain of old years in the hands of the rich natives, many of whom are in the custom of laying it by when the prices are low in order to profit of any revolution.”

Hope informed Bohl Brothers & Co. that it was imperative that his instructions remain secret and that no one should suspect that Hope & Co. was associated with any transaction. He intended to proceed on two principles. The first centered on the new supplies of cochineal expected to arrive at Cádiz from March through June; and, the second, “on the moral certainty” that supplies would arrive earlier, in January and February. Hope enclosed his instructions in separate letters, each to be opened and executed depending on when the ships from Veracruz would be expected to arrive at Cádiz. According to his best intelligence, Hope provided the names of several ships expected in January and February with 400 to 500 zurrones, and that an additional 1,000 could be expected by June. Underlying these varied instructions, Bohl Brothers & Co. was to purchase the cochineal on the best terms possible and “to keep in view that our grand object is to advance the price & buy as

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37Hope (Ams.) to Bohl (Cádiz) 7 Jan 1788, GAA 735/1364, 21-22.
little Cochineal as possible.”

However, there were other issues that Henry Hope and his colleagues were unable to control. In January-February 1788, in London, “an underhand speculation” was discovered, similar to the one allegedly conducted in Cádiz by Thomas Ryan & Co., whose “defective conduct” Hope declared: “has laid us open to much inconvenience & retarded full two months the effect of our speculation.”

Moreover, small diverse supplies of cochineal had also entered the market, and several ships laden with an estimated 500 zurrones of cochineal had already arrived in Cádiz from Veracruz. These events surely influenced an already precarious and fluctuating Amsterdam market price of cochineal: in December 1787, it was 9.3 guilders; in January 1788, it was 10.8 guilders; and, in February, it fell back to 9.6 guilders.

Hope pondered the quandary in which he found himself. Without having

38Hope (Ams.) to Bohl (Cádiz) 7 and 11 Jan 1788, GAA 735/1364, 23-24 and 39-40, respectively (italics added); and Hope (Ams.) to S & B & Co. (StP.) and to Baring (Lon.) 1 and 5 Feb 1788, GAA 735/1364, 120-121, 121-125 and 131-135, respectively.

39Hope (Ams.) to Baring (Lon.) 22 Jan 1788, GAA 735/1364, 97.

40Hope (Ams.) to Baring (Lon.) 15 and 22 Jan 1788, GAA 735/1364, 60-63 and 96-101, respectively; Hope (Ams.) to Bohl (Cádiz) 21 Jan, and to Ryan (Cádiz) 21 and 31 Jan 1788, GAA 735/1364, 90-91, 86-88 and 117-119, respectively; and Hope (Ams.) to S & B & Co. (StP.) 29 Jan 1788, GAA 735/1364, 113-115.

cornered the market in cochineal and without having sold off the huge quantity he
had accumulated, he confessed to Baring that “we cannot become compleat
monopolists in either London or in Cádiz.”

we should be sorry to be obliged, to keep so large a capital employed in any
one branch which we could not do without prejudice to others . . . we should
therefore hope that in the conduct of this business, our sales to be double of
our purchases. . . . We have a great advantage in the durability of this article,
& its being one of those which the chapter of accidents most favours.

Finally, in late February 1788, Henry Hope acknowledged defeat to Bohl
Brothers & Co. but made it out to be something different from what it actually was:

we have the satisfaction to acquaint you that the undertaking is not a mere
speculation but rather an investment of money in a branch of trade which will
be continued . . . & the motive we presume for the preference of this article is
its intrinsic value durable quality . . . that must inspire confidence everywhere
in the article when it is perceived that the large quantity bought is not returned

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42Hope (Ams.) to Baring (Lon.) 22 Jan 1788, GAA 735/1364, 97.

43Hope (Ams.) to Baring (Lon.) 1 and 5 Feb 1788, GAA 735/1364, 121 and 132 (for
quote). See Hope (Ams.) to Ryan (Cádiz) 31 Jan 1788, GAA 735/1364, 117-118; Hope (Ams.) to
Bohl (Cádiz) 31 Jan and 21 Feb; and Hope to Baring (Lon.) 18 Mar 1788, GAA 735/1364,
119-120, 189-190 and 271, respectively.
again upon the Market but laid away & produced only as the Market require it with a moderate profit.44

Compounding Hope’s difficulties was Robert Voûte’s departure from Amsterdam in March to devote himself solely to the tea market. In his absence, Hope was dependent on market reports from Bohl Brothers & Co., which he could trust, and those from Thomas Ryan & Co., which he could not.45 On his return to Amsterdam, Hope informed Voûte of important “advices” he had received from Baring and other agents abroad of “a kind of suspension in the demand for Cochin[ineal] in every place . . . excepting at Cadiz” where prices have been sustained “by Speculators rather than by orders from the consumers.” Hope believed that “In this state of extreme uncertainty . . . we do not think we can adopt any plan but that already laid down of selling all we can to profit & when we cannot continue to do so to join in the depression of the prices” to preserve market share. “Our opinion therefore is reduced to this that we must neither abandon the speculation nor go deep into it.”46

44Hope (Ams.) to Bohl (Cádiz) 21 Feb 1788, GAA 735/1364, 190-191. Italics added.

45Hope (Ams.) to Baring (Lon.) 26 and 29 Feb, and 4, 7, 18, and 25 Mar 1788, GAA 735/1364, 205, 214, 226-229, 238-241, 270-271, and 288, respectively; Hope (Ams.) to Bohl (Cádiz) and Ryan (Cádiz) 3 Mar 1788, GAA 735/1364, 220-224 and 224-225, respectively.

46Hope (Ams.) to Baring (Lon.) 28 Mar 1788, GAA 735/1364, 296-297. See also, Hope (Ams.) to Baring (Lon.) 1, 4 and 8 Apr 1788, GAA 735/1364, 311-313, 321-322 and 330-332, respectively; and Hope (Ams.) to Bohl (Cádiz) 3 Apr 1788, GAA 735/1364, 317-318.
In effect, Henry Hope admitted that the cochineal cornering operation failed and that it would leave a significant debit on the balance sheets of both Baring Brothers & Co. and Hope & Co.

* * *

The details of what transpired during the subsequent years remain murky because the sources for the historical narrative and statistical data underpinning Henry Hope’s and Francis Baring’s continuing involvement in this failed speculation are wanting. Hope’s extant archive of “Private Correspondence,” which from the beginning of the speculation provided a coherent narrative of decision-making, abruptly ends in April 1788 and does not reappear until the mid-1790s.47 The archival sources for Francis Baring’s cochineal activities and transactions during these years remain fragmentary.48 The extant sources for the international trade in cochineal are also wanting. While there are reliable official data for the quantity of registered cochineal during the latter decades of the 18th century and also for the cochineal exported from Veracruz for the years 1796-1802, the summary of published archival data for the importation of cochineal into Spain are in terms of value only not quantity. Moreover, the market price of cochineal

47See GAA 735/1363-1364 et seq.

48See NP 1.A. 1/4, 1/8, 1/9, 1/28, 1/34, 1/36, 1/39, 1/43 (marked “C.”), 15, 16/4, 16/8.
depreciated during these latter years of the century.49

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Faced with the challenge as to what to do with the cochineal they had stored, Hope and Baring decided to off-load their abundant inventory onto the Russian market about which they had insufficient knowledge. It was generally known that Russia was a significant exporter of domestically produced coarse linens, an importer millions of yards of foreign linens, cottons, silks, and woolens, and also an importer of a variety of dyes and mordants that were employed in the coloring of textiles, crafts and arts.50 During 1766-1776, the annual average quantity of imported cochineal declared at St. Petersburg/Kronstadt was 654 poods (that is, 23,616 pounds avoirdupois); but, in 1783, cochineal imports nearly doubled to 1,240 poods (44,777 pounds). In 1787, when the cornering operation was initiated, Russia’s cochineal imports increased to 2,336 poods (84,353 pounds): a quantity equivalent to about 18.7 percent of the cochineal registered at Oaxaca or about 24 percent of what Henry Hope had originally estimated to be stockpiled in Cádiz, Amsterdam, and London. Cochineal was a valuable commodity: in the latter decades

49See Tejada, (1858), III, Numero 55; and Fisher (1985), Table C2. Commodities Imported into Cádiz 1782-1796, 115-116.

of the century it was among Russia’s top 10 most valuable imports.\footnote{Data compiled and computed from the records of the St. Petersburg Custom House, in PROSP 91/73, 75, 78-79, 94, 96 and 107; PROCO 388/54 and 95; PROBT 6/231-233; PROFO 65/3 and 16, and 97/340; and Kaplan (1995), chap. XIII, “The Material of Culture.”}

However, Hope and Baring needed to know how much cochineal was currently available in Russia and at what price it was selling for. Hope wrote to Richard Sutherland, a notable British merchant residing in St. Petersburg who was a partner in Sutherlands & Bock & Co. and the Court Banker to Empress Catherine II. However, in 1787, Sutherland’s trading practices became suspect, and merchants refused to accept his paper. At that very crucial moment, Hope did, and on a very large scale.\footnote{See Hope & Co.’s Grootboeken (1770-1787) and Journalen (1787), in GAA 735/988-1015 and 1152, respectively. See also, Cross (1972) and (1997), 79-82.} Hope informed Sutherland that he had offered Sutherlands & Bock & Co. a “speculation formed in the Cochineal,” a commodity “of considerable consumption” in Russia, and “a very important commission which requires a great phlegm skill activity & secrecy to execute in the manner intended without eclat [\textit{sic}] or with as little of it as possible & above all that the source of it remains unknown.”\footnote{See Hope (Ams.) to RS (StP.) and to S & B Co. (StP.) 21 Aug 1787, GAA 735/1363, 99 and 103, respectively.}

Henry Hope had learned that the last quoted market price of cochineal at St. Petersburg was 180 rubles per \textit{pood} on twelve-month credit. Therefore, he instructed Sutherlands & Bock & Co. to buy on Hope & Co.’s account good quality cochineal
at 180 on credit or 160 ready money, and superior quality at 183 on credit or 165
ready money. Thomson, Peters, Bonar & Co. held the largest store of cochineal, and
Hope instructed Sutherlands & Bock & Co. to buy it all, and also all it could from
“other great holders of the article” in St. Petersburg and in Moscow, “enjoining
secrecy to them till you have secured the bulk of what can be had. . . . above all
secrecy.”

This was easier said than could be done. Sutherlands & Bock & Co. reported
that prices in St. Peterburg had “run up so high & the holders so tenacious that
nothing could be done & no regular price quoted.” Further, Thomson, Peters,
offered to pay upwards of 200 rubles per pood ready money (some 35 rubles greater
than Hope’s original price point), Thomson, Peters, Bonar & Co. and nine other St.
Petersburg firms sold their cochineal. Moreover, the estimated 400 poods of
cochineal that were supposed to be available in Moscow had already been
dispatched to Astrakhan in exchange for raw silk, and, therefore, very little

54Hope (Ams.) to S & B & Co. (StP.) 21 Aug 1787, GAA 735/1363, 103. See also, E. I.
Indova, et al, eds. Vneshniaia torgovlia Rossii cherez Petersburgskii port vo vtoroi polovine
XVIII-nachale XIX v. Vedomosti o sostave kuptsov I ikh torgovykh oboratakh (Moskva: Akademii
Nauk, 1981), for the year 1787.

55See Hope (Ams.) to S & B & Co. (StP.) and to Baring (Lon.) 7 Dec 1787, GAA 735/1363,
310 and 326, respectively.
cochineal remained available in Moscow for purchase.56

Bolstered by this report, Hope wrote Sutherlands & Bock & Co. that:

we think you must be compleat Masters of the article & you will of course do your best to advance the prices & increase the vent & as Mosco is totally unprovided it may be adviseable to send such quantity there . . . in time we wish to establish a staple trade in this article & you cannot be supplied by any at this place on so good terms as with us.57

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The ensuing complexity of the European market in cochineal cannot be understood without knowing about the continuing involvement of Henry Hope and Francis Baring in Russia. In the process of reducing their inventory of cochineal stockpiled in Amsterdam and London, Hope and Baring off-loaded a very considerable amount onto their corresponding merchants in St. Petersburg and Moscow. But cochineal was not selling profitably in Russia and those merchants had difficulty liquidating their stocks of cochineal. Thus, they remained indebted to both Hope & Co. and Baring Brothers & Co. for many years to come.

56See Hope (Ams.) to S & B & Co. (StP.) and to Baring (Lon.) 7, 18, 21 and 25 Dec 1787, GAA 735/1363, 310, 326, 349-355, 358-359 and 370-373, respectively.

57Hope (Ams.) to S & B & Co. (StP.) 8 Jan 1788, GAA 735/1364, 29.
In late September 1789, a frustrated Henry Hope complained to the now Baron Richard Sutherland that he and his colleagues had suffered by the want of intelligence, inactivity, and ineptitude of Sutherlands & Bock & Co. Hope feared that the cochineal annually transported to Astrakhan, Orenburg, and to other lands in Central Asia, where it was bartered for silk and other commodities, would not find a good market. Hope intimated that Sutherlands & Bock & Co.’s cochineal commission would be given to another merchant house in St. Petersburg, one that had more experience in the import trade. That warning not only coincided with but also may have contributed to the reorganization of Baron Richard Sutherland’s mercantile holdings. Sutherland dissolved his partnership with Sutherland & Bock & Co., and reorganized, first as Sutherland, Browne & Rigail, and later as Sutherland & Co. However, in October 1791, Baron Richard Sutherland died.\textsuperscript{58}

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By the end of 1793, Hope & Co.’s cochineal account showed a loss of more than two million guilders, or one-third of the original purchase price. Hope & Co.’s debit cochineal account comprised slightly more than 3,368 zurrones (about 673,600 pounds) valued at about cfl. 6,128,341 (including warehouse rental, freight, 

\textsuperscript{58}Hope (Ams.) to RS (StP.) 29 Sept, 2 and 13 Oct, and 10 Nov 1789, GAA 735/82; Hope (Ams.) to S & B & Co. (StP.) 1, 15 and 22 Feb, 4 and 18 Mar, and 11 Apr 1788, GAA 735/1364, 120-121, 152-154, 193-196, 251-252, 269 and 336-338, respectively; and Hope (Ams.) to Baring (Lon.) 22 Feb and 11 Apr 1788, GAA 735/1364, 197 and 339-341, respectively.
insurance and other costs). Sales accounted for slightly more than 2,435 zurrones (about 487,000 pounds) valued at about cfl. 4,010,748. Thus, there remained unsold slightly more than 911 zurrones (more than 182,000 pounds) valued at about cfl. 1,603,400. Hope & Co.’s three-quarter share amounted to about cfl. 829,760 and Baring Brothers & Co.’s one-quarter share amounted to about cfl. 276,578. In warehouses in St. Petersburg and Moscow, there were 628 ½ zurrones (about 126,000 pounds) of cochineal, that is, about 69 per cent of the total estimated 911 zurrones of unsold cochineal with an estimated value of about cfl. 1,106,338.59

Moreover, Hope & Co.’s 1789 Grootboeken reveal that the Moscow house of G. Thomson Rowand & Co. already had substantial cochineal on account valued at cfl. 206,280. In 1791, however, it rose to cfl. 766,290. In January 1796, while Baring Brothers & Co. was still showing significant “outstanding dependancies in Cochineal” with Sutherland & Co., the sum attributed to G. Thomson Rowand & Co. of Moscow was even far greater.60


60For Hope & Co., see GAA 735/1017 and 1019, respectively. For Baring Brothers & Co., see Hope & Co. (Ams.) to Baring (Lon.) 28 June, 12 and 26 July 1793, and NP1.A.1/4, 1/8, and 1/9, respectively; Robert Voûte (Mos.) to John Williams Hope (Ams.) 19 Aug, and to Baring (Lon.) 22 Aug/2 Sept 1793, NP1.A.16/8 and 16/4, respectively; Joseph Waugh (Lon.) to Baring (Lon.) 26 June 1795, and Baring (Lon.) to Joseph Waugh (Lon.) 30 Jan 1796, NP1.A.1/28 and 1/34 (Cochineal Account); Baring (Lon.) to Hope & Co. (Lon.) 30 Jan 1796, NP1.A.1/36; and related accounts of Messrs. Porter Brown Wilson & Co. (StP.) 30 June 1796, NP1.A.1/39 and 1/43, (marked “C.”); for G. Thomson Rowand & Co. (Mos.), GAA 735/1264 and 2493.
Contrary to their vaunted reputation as skilled and shrewd merchant bankers, in this cochineal cornering operation, Henry Hope and Francis Baring revealed their ineptitude which led to failure.

END OF ESSAY