

## 'Up to our noses in smoke'

*Richard Schofield records the results of a project to explore how The Rothschild Archive can throw light on the often forgotten role of Rothschilds as traders in commodities - in this case, tobacco*



It is unclear exactly when the Rothschild houses first began to take a serious interest in the tobacco trade. The first mention found is in a letter from Harman and Co. of London, who write to N M Rothschild & Sons in 1810, 'Annexed we hand for your information an extract of a letter from our correspondent in Philadelphia to whom we committed your order for tobacco and cotton...'<sup>1</sup> However, it was probably not until the 1830s that any real push was made to develop trade in this commodity, and it was not until after 1840 that tobacco trading took on a great importance as a commercial activity. Indeed, James de Rothschild writes to Anthony in September 1839, 'For the moment I am not considering the tobacco business at all, because I think it is a little too much to spend 25 millions...'<sup>2</sup> Entry to the Cuban market was later still, as it is not until 11 December 1845 that Rothschilds' appointed agent, Scharfenberg, writes, 'I have been favoured with your letter of the 31 Oct.,... transmitting me the following order for a beginning in the tobacco business...'. The majority of the correspondence relating to tobacco dates from the 1840s and the greatest turnover

from the tobacco business seems to be in the mid-19th century. The 'Tobacco Account' that features in the Home Ledger series<sup>3</sup> runs, with breaks, from 1842-1891, with a turnover of £89,193.18.5 in 1846. This is in marked contrast to the final entries, for 1890 and 1891, which are for £3032.31.0 and £1545.49.0 respectively. By the beginning of the 20th century the trade appears to have ceased altogether.

The evidence would suggest that all the Rothschild houses were involved in tobacco trading, both privately and for various governments. This is unsurprising, as the 19th century tobacco market was potentially very profitable. The governments of many European countries, notably France, Spain and the Italian states, kept a tight hold on the trade through state controlled monopolies. Companies submitted bids to government bodies to win the contract as exclusive suppliers of tobacco to the state. This tobacco was then processed only in government owned factories. The French government had 'manufactures' in Paris, Havre, Bordeaux, Marseilles and Morlaix, while the Spanish government had five in the Philippines and several Royal Tobacco companies across Spain. The length of time for which successful bidders would hold the supply monopoly varied from country to country. The French Régie held tobacco auctions annually, whereas the Spanish would grant contracts for a longer period but would pay only a fixed price, often set very low. There were also strict guidelines as to the quality and quantity of tobacco required.

The Paris house, de Rothschild Frères, was often successful in securing the French monopoly. While there is frequent mention, in the correspondence of American agents, of other buyers acting for the French Régie, the Rothschilds' New York based agent, Belmont, writes in December 1840, 'The Paris House has fared very well indeed for its order for cotton and tobacco and must realise a very considerable profit on both.'<sup>4</sup>

It is felt that this is a fitting opportunity to record the words of genuine personal regard and affection in which you are held by the entire Jewish Community of which you have so long

From the mid-1840s, the Rothschilds also held for a time the monopolies for the Neapolitan and Sardinian Régies. It is likely that this was an initiative of the Paris House. In 1839 James de Rothschild writes to his nephews in Paris, 'I am most interested in the Italian Tobacco Monopoly, especially since I inspected the accounts and saw the large amounts of profit'. A letter to Hanau, in the American Letter Copy Book<sup>5</sup> series, of 11 March 1844, mentions the need for, '1000 to 1500 Hhds of Kentucky leaf tobacco for the supply of our transactions with the Naples Régie'. A contract from 1850 with C. M. Rothschild & Sons also exists for the supply of leaf tobacco to the Royal Manufactory in Naples and a letter of September 1848 refers to a contract with the Naples House 'to supply these quantities to the Sardinian government'.<sup>6</sup> A letter to Scharfenberg, Rothschilds' agent in Havana, again from the American Letter Copy Books, speaks, in November 1864, of a contract for a large sale to the Naples Tobacco Administration.

Another key area was Spain. Weisweiller and Bauer, Rothschilds' Spanish agents, obtained for Rothschilds a share in the Compañía Arrendataria de Tabacos, a company founded in June 1887 by the Banco de España to manage the revenue from tobacco products and stamps. This is borne out by an entry in the Share Accounts volumes<sup>7</sup> for July 1887, for Spanish Tobacco Shares.<sup>8</sup> The Home Ledgers series<sup>9</sup> contains an even earlier entry of 1845-1846 for 'Tobacco Spanish Co.'. A pencil note identifies this as 'Empresa de Tabaco Lign at Madrid' (*sic*).

There is also evidence of dealings with Austria and Gille<sup>10</sup> states that correspondence from the archives of the French House also makes mention of Austrian deals. Austria actually grew its own tobacco and banned imports. However, Corti<sup>11</sup> mentions a deal in the 1840s made by Salomon von Rothschild with the Austrian government, by which he imported and sold 10,000,000 Havana cigars and gave the state a large proportion of the profits. The venture was so successful that a repeat order for 17,500,000 was sent off immediately. There is also evidence to suggest that Rothschilds managed to obtain further concessions as, on 26 June 1849, Scharfenberg writes of '...samples which are directed as you will observe under the

cover to Imperial and Royal Manufacturers of Tobacco at Vienna...'. That these samples were part of a bigger undertaking is borne out in the volumes making up the Tobacco Invoices and Account Sales series.<sup>12</sup> Here, between January 1844 and February 1849, can be found accounts for contracts with the Austrian Tobacco Régie and the Imperial Royal Tobacco Administration of Vienna, the latter for 2,000,000 Manila Cheroots.



*Tobacco ledgers from The Rothschild Archive*

Aside from the more obvious destinations for tobacco cargoes, correspondence from the American Letter Copy Books shows that Rothschilds were trading further afield. The volume that spans 1847-1848 has a letter addressed to F. C. Gasser, Rothschilds' agent in St. Petersburg, dated 17 December 1847, which talks of a tobacco cargo destined for this city. Two later letters, dated 16 December 1864, addressed to Chieves & Osborne and R. Ragland (both of Petersburg, Virginia, U.S.A.), state, 'Our market is without change, but the advices from Australia are rather better, and we hope to make some sales of your tobacco'. Thus it would seem that the tobacco business spread beyond the confines of central Europe.

The profitable nature of the tobacco trade meant competition for government contracts was fierce and evidence gleaned from correspondence would suggest that the French banker Pescatore was Rothschilds' greatest rival in this respect. He is first mentioned in a copy of a letter out to Hanau in an American Letter Copy Book, which

mentions an order for 1600 to 1700 hogsheads of tobacco (some 2,206,000 pounds) ‘...for the contract with the French Régie...’. It goes on to state, ‘...from the nature of Pescatore’s engagement we think his operations are not likely to interfere much with us’. This does not seem to have been the case with the Neopolitan contract, Carl writing to his nephews in 1847, ‘I have received both your letters of July 15th referring to the tobacco transaction; I am going to wait for inspiration from God. Pescatore and Guillot can likewise be expected to make a bid...’.<sup>13</sup> However, cooperation appears to have been forced upon the two rivals by the Spanish administration. An outgoing letter of 18 April 1844 addressed to Hanau, regarding an order for the Spanish Tobacco Company, states that ‘...the orders of the said company are divided between us and Pescatores, and... Lanfear’s purchases will have to compete with those of Koch [Pesacatore’s agent]...’. Rothschilds’ desire for snatching the entire contract is also evident. Hanau is urged to buy the best tobacco he can as this ‘...will not only retain the present participation in the Company’s orders, but may secure the whole of the business which would give us great advantages in contracting your market’.

The biggest tobacco producers were found in Virginia, Kentucky and Maryland, U.S.A. and Havana, Cuba; the latter better known for its cigar manufacturers. Indeed, Carl Scharfenberg, Rothschilds’ agent in Havana, goes into considerable detail about the process for grading and selling tobacco for the production of cigars. He also writes that of the Cubans, ‘men, women and children’ all smoke cigars, keeping the best tobacco back for themselves. He continues, ‘...the second best qualities are sent to England and thirds to Germany and fourths to France’. This seems odd when he notes that France is importing 60,000,000 cigars a year, but he goes on to state, ‘the reason for this is because in Germany and France the light coloured cigars are preferred, but they are wrong in thinking the light cigars ‘the best’, because it is only the dark coloured...which is the best quality’. This variance in the type of tobacco demanded by different states was also evident in the United States’ market. Hanau’s reports make interesting reading in this respect. On 22 September 1843, he writes that ‘...in some

parts of Tennessee particularly they raise a fine sort of bright long and fine leaf just fit for the French Régie’. He goes on to say that he has induced the Paris House to bid for this crop. Later, on 17 October 1843, he writes ‘...the quality of the tobacco of the Saxony was not suitable at all for the French Régie; it contained only dark and heavy leaf and was only convenient for Naples’.



*A Cuban tobacco factory, 1873*

In order to ensure a reliable supply of tobacco to fulfil their contracts and to obtain the best prices it was necessary to have local agents, acquainted with the market, acting for the houses. To this end, Rothschilds appointed a number of figures to oversee the business for them. Some were established agents, whereas others were commissioned solely to oversee the tobacco business. They, in turn, commissioned local tobacco brokers to select tobacco and cigars for the house. As has already been demonstrated, all wrote to London and Paris on a regular basis, informing the Houses of the state of the crops and market and any cargoes sent. However, even reputable agents could do little if there was no tobacco to be bought and no means of shipping that which was available. Scharfenberg regularly had trouble chartering ships from Cuba and the interruption to trade by the American Civil War was significant. The firm of Chieves and Osborne write to N M Rothschild & Sons in May 1861, ‘We have a large quantity of tobacco for your House now ready, but cannot ship it and do not



know when it can be shipped. If you can or will send us a ship (small tonnage) loaded with salt, we will in return send you a cargo of manufactured tobacco...'<sup>14</sup> The same firm notes in June 1862, 'Our planters are making corn and meat instead of cotton and tobacco and until the war is over will not grow either'.<sup>15</sup>

The growth in Rothschilds' tobacco business would appear to be the motivation behind sending Hanau out to New Orleans. In 1842, Nathaniel de Rothschild writes to his brothers, 'If we are successful candidates at the adjudication... we shall in all probability send young Hanau to New Orleans. He will do very well to superintend the Tobacco purchases and can be trusted with money'.<sup>16</sup> This is confirmed in a letter to Lionel of December 1842, signed by James de Rothschild, which states, 'Our offer re American tobacco was too high and for this reason Brown, Shipley and Co. in Liverpool were successful. Taking this into consideration I think it is important for us to have someone in New Orleans, who could send us reliable information.... Had we had someone trustworthy there, on whose communications we could have relied, we should not have been so timid in our offer. I recommend sending young Hanau and would like your opinion'.<sup>17</sup> This letter shows clearly the highly competitive nature of the tobacco trade and the need for fine judgement when pitching prices for lots. Ironically enough, Rothschilds' problems seem to have been exacerbated by Hanau's own agent, Lanfear. Hanau remarks in July 1844 that Lanfear inadvertently causes prices to rise as it is known he is buying for Rothschilds. He therefore suggests taking on another agent to buy 'slowly and cautiously' so as not to affect the markets. By 1877, R. B. Mannion, another American agent, notes that buyers for the French market are by far the biggest contingent and other European buyers are unable to compete.<sup>18</sup>

Competition for the best tobacco was not restricted only to the United States. Scharfenberg, the agent in Cuba, notes that 'many London houses' are represented there. He goes on to say that this means local cigar manufacturers are fickle and hold out for higher prices and makes the recommendation that Rothschilds put their broker into competition 'with another or two or three' to

ensure they get the best prices. Indeed, Scharfenberg's advice seems to have been crucial to the development of Rothschilds' Cuban dealings and is further proof of the value of local knowledge. On 10 April 1847, following news that Rothschilds are thinking of pulling out of the Cuban tobacco market, Scharfenberg writes, 'Allow me to tell you that this plan is not the proper one to make money by this business; you ought to enter every year with an equal quantity and sell, even with a loss, that part of your former purchases, which might be exposed to deterioration'. He goes on to state that most Cuban tobacco will keep two or three years and thus when there is a bad crop any stored tobacco can be sold and '...the higher prices you then fetch will compensate your losses on former purchases'. The Spanish agents, Weisweiller and Bauer, were also key to the successful tobacco business with Spain. In January 1847, Weisweiller writes, 'The cunning and greedy director of the Spanish tobacco agency has advised several importers to bring in these cargoes in order to benefit from the concurrence, as regards the price. He has promised to give me preference...'.<sup>19</sup> Later, during the late 1880s, the agents keep Rothschilds apprised of the passage of Spain's Tobacco Leasing Bill and the ramifications of the increasing monopolisation of the country's tobacco trade.

While Rothschilds relied heavily on their agents in the localities, it is also evident that family members spent time investigating the tobacco trade in some detail for themselves. For example, Nathaniel writes to his brothers from the United States early in January 1844, 'We have been occupying ourselves with your tobacco calculations and are doubtful what we shall do. I think we shall make up our minds to bid only for the Maryland; perhaps for Virginia, but at a remunerating price only. We have also got the Hungarian tobacco man here, so that altogether we are up to our noses in smoke. It is a pity old Bill [Anthony] is not here, as he is really the baccy man'<sup>20</sup>. There are also letters concerning tobacco, in the American Letter Copy Books, from Mayer Alphonse de Rothschild of the Paris House, during his visit to the United States in 1848.

This survey of the documentary evidence for Rothschilds' tobacco business can certainly not be



viewed as exhaustive. There is scope for further exploration, particularly into the large amounts of, as yet untouched, agency correspondence, much of it in Spanish, German and Judendeutsch. Already, however, the project paves the way for research into what was, during the mid-19th century, a significant and profitable area of business and one into which was poured

considerable time, energy and resources. It also demonstrates the scope, in terms of surviving evidence, for a thorough investigation into Rothschilds' trade in commodities in general, a facet of their work which, perhaps overshadowed by their better known activities in the issue of government loans, has been largely ignored to date by historians.

## Notes

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| <p>1 T4/34<br/>         2 T35/61<br/>         3 VI/10/26-99<br/>         4 XI/62/1/1/233<br/>         5 II/10/0-111<br/>         6 XI/4/13-14<br/>         7 I/32/1-2<br/>         8 There is also an entry for 'Turkish Tobacco Shares' from 1888-1889, but it is unclear to what this refers.<br/>         9 VI/10/26-99<br/>         10 Bertrand Gille, <i>Histoire de la Maison Rothschild</i> vol. I: Des origines à 1848 (Geneve, 1965), p. 417</p> | <p>11 Count Corti, <i>The Reign of The House of Rothschild</i> (London, 1928), p. 232<br/>         12 II/81/0-7<br/>         13 T7/126<br/>         14 T6/346<br/>         15 T6/378<br/>         16 T24/157; XI/109/43A/2/154<br/>         17 T24/158; OXI/109/43A/3/52<br/>         18 XI/38/172<br/>         19 T6/189<br/>         20 T18/226; XI/109/46/1/67</p> |
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## Sources

### Accounts

Share Accounts, 1870-1916 I/32/1-2, 2 volumes

This series records the shares in government and railways stocks held jointly by N M Rothschild & Sons and de Rothschild Frères. Volume 2 is of interest as it contains an account for 'Spanish Tobacco Shares', from July 1887. This account only shows movement of stock until 1889.

Volume 2 also has an account for 'Turkish Tobacco Shares', running from 1888-1889, which were bought in Berlin. This is duplicated in the Home Ledger series (below).

American Accounts, 1831-1918 II/3/0-50, 51 volumes

Although there are 51 volumes in this series, the two that are of significance for tobacco business are 9 and 11, concerned with British companies dealing with American imports.

Tobacco Invoices and Account Sales, 1844-1891 II/81/0-7, 8 volumes

There are a number of companies represented within these volumes although trade seems to have been dominated by a few key brokers. Most notable among these are George Scholey and Clagett Brachi & Co. Scholey's name also appears in the correspondence from various agents, American and Cuban (see below), as a trusted tobacco broker.

Home Ledgers, 1836-1918 VI/10/26-99, 74 volumes

This series is a continuation of the General Ledgers series, beginning in the year in which the foreign series was established separately. There is a separate index to each volume.

## Correspondence

American Letter Copy Books, 1834-1918

II/10/0-111, 112 volumes

Copies of outgoing letters relating to American business survive from 1834, with an index of correspondents within each volume. The earliest volumes relate to just a few agents and concern routine remittance business. After 1837, letters to August Belmont, initially in German, appear frequently. There are also letters to Tolmé, the agent in Havana. As with the other correspondence series, the numbers of letters to those agents dealing chiefly in tobacco fall away during the 1850s.

Tobacco Business, 1844-1853

XI/4/13-14, 1 box

This is a gathering of miscellaneous documents relating to Rothschilds' tobacco trading, chiefly with France and Naples.

Hanau, J. N., 1843-1848

XI/38/130, 2 boxes

Hanau was based in New Orleans, from where most of his letters were sent, apart from a few from Memphis or Louisville. Hanau reports on the tobacco trade and advises N M Rothschild & Sons accordingly.

It seems that Hanau instructed Lanfear (see below) on tobacco purchases. There is also evidence to suggest that Hanau was in contact with N M Rothschild & Son's Spanish agent Weisweiller (see below), through the London house. It is therefore possible that he was buying, on Weisweiller's instruction, for the Spanish market.

Lanfear, Ambrose & Co., 1841-1855

XI/38/164, 1 box

This firm, mentioned frequently in the correspondence of J. N. Hanau, bought and shipped tobacco and cotton on account of N M Rothschild & Sons from its base in New Orleans. Lanfear comments on the market and the condition of the crops and gives general financial reports. It can be inferred from his correspondence that he was undertaking to fulfil Spanish contracts for the Paris House. He was also shipping tobacco to Antwerp and charging to the Paris House through N M Rothschild & Sons, and it would seem he had dealings with the Frankfurt House too.

Mannion, R. B., 1867-1873

XI/38/172, 2 boxes

A firm based in New Orleans, whose services to N M Rothschild & Sons included shipping tobacco. The letters include details of transfers to the Paris Rothschild account and comments on the quality of tobacco, although the main dealings are in cotton and bills of exchange.

Scharfenberg, Tolmé & Co., 1845-1873

XI/38/217-19, 6 boxes

The correspondence to 1845 is from Carl Scharfenberg alone, the former clerk in the Paris House and Rothschild Agent in Havana. From 1855 the letters are from Scharfenberg, Tolmé & Co. Scharfenberg describes the Cuban sugar business in great detail and, in less detail, the tobacco business. However, these are by far the most informative of the letters series that concern trade in tobacco, outlining the process by which tobacco is graded and sold. There is also information on the production of cigars.

Weisweiller and Bauer, 1881-1892

XI/92/0-5, 13 boxes

This series of private letters is full of political and social comment, providing a vivid description of life in Spain during the period. All of Rothschilds' business interests in Spain and the Spanish colonies – railways, quicksilver, government bonds and tobacco – are discussed.

T Files (XI/109)

The so-called T Files are, chiefly, transcripts of correspondence between Rothschild family members, those from the XI/109 series being the private correspondence of the five brothers. This series is central to an understanding of Rothschilds' business in the 19th century. The series also contains letters from Weisweiller and Bauer, Scharfenberg and other agents. Consequently, there is also some discussion of the tobacco trade, although this does not feature as frequently as one might hope.