1-2-1915

Statement letter regarding Mission Canal Company, Shary land and organization dealings, and Granjeno Development Company

D. W. Glasscock

E. A. McDaniel

Follow this and additional works at: https://scholarworks.utrgv.edu/johnshary

Recommended Citation
John H. Shary Collection, UTRGV Digital Library, The University of Texas – Rio Grande Valley
January Second,  
Nineteen Fifteen/

Mr. Herbert Ellis,  
10 East Street, Leicester, England.

Dear Mr. Ellis:

I am writing to give you a general summary of the year's progress etc. You will receive in due course statements showing exact figures, and I will merely outline conditions etc herein. This will be a rambling letter as I will mention the points as they occur to me in dictating same without attempting any logical arrangement.

We all regret very much that you cannot be with us in person this year, that we might enjoy a visit with you, and have the opportunity of going over all matters in detail; and we hope nothing will interfere to prevent your visiting us next year, or sooner if you can so arrange.

We are all in good health and up to the mark in that respect, and we hope you can give us the same good report as to your health. The continued improvement in Mr. Swift's condition is very gratifying, and we can almost say of him now that "Richard is himself again". Mr. Briggs was looking about ten years younger and in fine condition, on the occasion of his recent visit here. Evidently life in California agrees with him. Judge Taylor continues to work too hard but keeps up in good shape. Mr. Shary is a picture of energy.

The year 1914 has been a difficult one, of course for the world at large, and for us in our affairs. Our problems have been large and complicated, serious obstacles have arisen from time to time, and we have doubtless made a number of mistakes; but, on the whole, we feel that we have made substantial progress, and that the present outlook is reasonably good for the coming year.

Mission Canal Company.

Of course the entire structure of our affairs depends upon the irrigation end, as the foundation. Naturally, this has absorbed a great part of our time and energy.

The problem is not only a complete reorganization of the legal, business and financial affairs of the canal company, including the abolition of impractical contracts for watering on the Mission tract and a readjustment of rates, the collection of these rates, and bringing expense within income; but the almost complete rebuilding of the physical properties.
Mr. Herbert Ellis, #2.

As you know this work was begun, and the receivership procured for that purpose, in 1912. At that time the canals reached only about 12,000 acres on the Mission tract, were not adequate to water that acreage, the company had no funds, owed about $50,000, had been unable to collect its rates, and under its outstanding contracts and rates provided therein could not have operated if it had been able to collect all its rates.

The receivership was procured, the Bankers Trust Company advanced funds from time to time aggregating $200,000, with which new machinery was installed, the main canal rebuilt, reservoir constructed, and the canals constructed to cover about ten thousand acres additional on the Mission tract. Then the contract to extend the system over the Granjeno tract was entered into.

Out of the monies advanced by the Trust Company all the old debts of the canal company were paid, and it was attempted to make same self sustaining. However, in June of the present year the operations of the receiver showed a deficit of approximately $25,000, debts which had accumulated against the receiver.

Beginning the construction of the canals on the Granjeno tract the present year, same were completed to a certain acreage on that tract and a number of Mr. Shary's purchasers planted crops, several hundred acres needing water in May and June. But these Granjeno canals were connected merely with the ends of the old laterals on the Mission tract, and the widening and rebuilding of these old laterals to make these connections had not been completed. Accordingly, when the heavy demand for water came in May and June, a sufficient supply was not furnished and practically all these crops on the Granjeno were lost. Likewise, a number of crops on the Mission third lift were either lost or badly damaged for lack of sufficient water.

These results were due partly to the fault of the farmers on the Mission tract in failing to cultivate their lands properly and conserve the moisture, and to the fact of early rains having carried the large corn acreage up to a certain point when dry weather set in, that nearly all the farmers hoped for more rain and wishing to save expense of irrigation waited until the last moment, and then all demanded water at the same time, and all could not be supplied in time with the facilities as they existed. But the principal reason was in the type of construction of the canals and laterals on the Mission tract.
Mr. Herbert Ellis #3.

These were, and except wherein rebuilt are, all of the old type first adopted herein the Valley, taking all the dirt from outside the levees, creating deep borrow-pits outside and near the foot of the levees, making a narrow canal, with the slope of the dirtwork too steep to stand up. With the lapse of a short time the dirt sliding down from the inside of the levees with a certain amount of silt deposit largely fills the inside of the canal and raises the bottom above grade; this, with the growth of weeds and grass and aquatic plants, practically obstructs the carrying capacity of the canal. The levees weather to a thin edge on top, leaving little if any crown, and this wears down below grade. With the top grade or possible water line getting lower, and the bottom grade higher, they eventually approach so near that no water can be carried. The thin levees, with deep borrow pit at the outsidebase, cause a very heavy loss in seepage.

I have gone into this detail to explain our reason for adopting an entirely new type of construction for all the Granjeno canals; and the rebuilding of many of the Mission tract canals. We take all the dirt from the inside, building a much wider canal and deeper, with heavier levee, giving the dirt a greater slope, and with a good broad crown on top the levee. Of course this construction costs more, but it is incomparably better in every respect. The truth is that we are building, for the first time in this Valley, a real irrigation system.

We are all greatly anxious for you to see the fine canals on Sharyland, as we believe you will be pleased therewith. It is the one saving point that has enabled Mr. Shary to proceed with his sales. When so much cheaper land is offered on other tracts, and people from these other tracts meet his purchasers with stories of failure and discouragement, Mr. Shary always has an answer by pointing out the difference between the canals on those tracts and on his.

To get back to the conditions in June, mentioned above, Mr. J. L. Malone resigned as receiver; and it became necessary for me to assume that responsibility.

Coincident with this, certain parties, including Mr. Hoit and others having interests adverse to ours, from motives and to accomplish ends too complicated and tangled to trace in this letter; taking advantage of the conditions mentioned and of the feeling on the part of the farmers on the Mission tract who had not received sufficient water etc.; stirred up quite an insurrection and a strong opposition among the Mission people against my acting as receiver, and against the Granjeno proposition. The theory was, that we had all entered into a scheme to take the water away from the Mission people and give it to the Granjeno tract, etc.
The most preposterous stories were told, wild rumors circulated as fact, I was accused of many high crimes and misdemeanors, such as that I had misrepresented or changed the terms of the Granjeno contracts etc etc, too absurd to repeat. During my absence in Houston mass meetings were held, incendiary speeches were made by the designing leaders, and public opinion greatly inflamed. They actually discussed my lynching and the use of force to prevent any water being furnished to the Granjeno farmers etc. They appointed a committee who visited all Mr Shary's purchasers then farming on his tract and told them that the Mission people would prevent their being furnished with any water etc etc. They appointed a committee who retained attorneys and appeared in court to oppose my appointment as receiver, etc., the grounds alleged being my interest in the Granjeno contracts etc. The court heard them very patiently and overruled all their contentions; taking occasion in his statement from the bench in passing upon these matters to express approval of the Granjeno contracts etc., saying in substance that same had been entered into upon the faith of the court and must be and would be carried out; and, further, that if then presented to the court as a new matter the court would then approve same.

When I returned to take charge as receiver I found the community almost an armed camp. We lived a strenuous life for a time. However, the excitement soon subsided, and within a short time good feeling was restored all round. I am happy to say that, with the exception of only a very few irreconcilables of no consequence and now keeping entirely quiet, all the people of Mission are now friendly. Nearly all engaged in the insurrection have explained to me how they were misled and mistaken etc. I think they are beginning to appreciate the advantages arising to them in so many ways from the Granjeno contracts, and the very liberal treatment and just policy of the Bankers Trust Company to which they owe so much.

Soon after my appointment as receiver, the Bankers Trust Company advanced an additional $25,000 on certificates with which to pay the debts of the receiver mentioned above.

We have operated the canal system since the middle of June and made same nearly self sustaining. We have succeeded in decreasing the expense somewhat (not enough yet), and are doing very well with collections. It seems clear that we will not have to call upon the Trust Company any further in connection with operations.
I believe the situation of the canal company will improve from this time forward. I think the expense per acre of irrigation reached its maximum last year. The acreage watered increased last year, but it was an "unbalanced" and badly proportioned acreage in relation to the cost of supplying the water. Not enough of the Granjeno acreage was watered to cut any substantial figure. On the Mission tract the acreage in cultivation on the first lift was small, nearly the whole of the second lift was in cultivation but the total of this is not great, and much the largest acreage was on the third lift. The greater part of the acreage was under the old laterals of the type mentioned above. Thus the conditions involved a maximum of expense, per acre, for operation.

All the underlying defects of the irrigation system as related to the Mission tract alone, the disadvantages sought to be overcome by the addition of the Granjeno lands, were really intensified and fully developed in last year's operations; and before the benefits to be derived from the addition of the Granjeno acreage came into effect. Thus the bad proportion between the acreage in cultivation on the respective lifts on the Mission tract, was really worse than the proportion between the full acreage on these respective lifts if all had been in cultivation.

The canal had no income from flatrate on the Granjeno lands last year, and the total amount received for water from that tract was not large. It had no income, that is no cash actually received, from flatrate on about 5000 acres of the unsold lands on the Mission tract to which the canals have been constructed; nor from about 2000 acres involved in certain litigation now pending known as the McHenry suit; nor from a considerable acreage involving particular tracts where the owners have let a large amount of rates accumulate and their lands lie idle without development etc. Thus its current collection of flatrate was confined to only a part of the lands under its system.

The coming year it will receive some flatrate from the Granjeno. Probably 4000 acres on that tract will be in cultivation and its income from water furnished those lands will be a consideration. The acreage in cultivation will be better "balanced", as we are decreasing the acreage in cultivation on the third lift and increasing that on the first and second. But most important of all, the acreage under the new type of canals will be much larger and that under the old type much less than last year. The difference in the cost of furnishing water through the old canals and the new is very large.
Mr. Herbert Ellis # 6.

We have instituted suits against the owners on the Mission tract in arrears on rates, and are beginning to make collections. No doubt the coming year will see an adjustment of a considerable part of this acreage.

Some 24 different owners of particular tracts on the Mission first lift aggregating about 2000 acres, lands which have never been developed or paid any flatrate and the owners whereof have been claiming under contracts alleged to have been made with Mr. Conway before the canal company was organized the right to be furnished with water without the payment of any flatrate etc., nearly all of whom are speculators who purchased their lands at the beginning for $25. an acre and up, have filed in the receivership case what is known as the "Intervention of S A. McHenry et al", in which they seek to enforce the above alleged contracts; and, incidentally, have included in their petition a paragraph making the Southern Land and Water Company a party defendant and attacking its contract with the canal company etc.

I do not think we need suffer any uneasiness on that point as I do not think the effort against the SLW Co. is made very seriously, and if so, I do not think there is any danger in it. I think the whole plan a scheme to get somebody to purchase their lands etc. In reply to this suit we have answered denying that these lands are entitled to any rights under the system and asking the court to enter decree to that effect. The case has been set for hearing and postponed from time to time and is now set for Feb 22nd next.

The canals are now constructed to reach about five thousand acres on the Granjeno tract, and the work is steadily progressing. The two main connections across the Mission tract north of the railroad supplying the Granjeno second lift acreage are completed, for the present, and to give capacity for at least two years. Within that time some additional work will be done to bring same to final capacity. The connection between the railroad and main resaca is nearly completed and we are now working thereon. The connections on first lift south of the resaca are yet to be made.

We are also beginning work to extend the reservoir back to the flumes which will increase capacity of the latter. During the year we must install additional syphon in main canal under the railroad.

With the consent of the Bankers Trust Company the court has devoted all the cash thus far received by the canal company from the Granjeno contract, to the construction work on the Mission tract necessary to comply with that contract and enable the water to be furnished.
In this connection, and concerning all our matters here, I cannot speak too highly of the attitude taken and material assistance rendered by the Bankers Trust Company, its officers and attorneys. Our relations have been most pleasant. Not only has the Trust Company advanced funds to the canal company, and permitted the use of funds it might have required to be applied upon the indebtedness due it, pursued a liberal policy in respect to the notes held by it and aided the farmers in every manner; but its officers and attorneys have devoted a great amount of time and attention to all the complicated details constantly arising and given invaluable advice and direction at all times.

There are yet a number of serious problems to be worked out on the irrigation end:

The condition at the river plant which you have seen, caused by the change in the channel of the river throwing a sand bar in front of the plant, continues almost as bad as when you saw it. The river is cutting out a bend above the plant and may eventually come back to the plant, but the process is slow and uncertain. This is probably our most serious question.

The wooden flumes will not last more than another year, and we will do well to carry them through the coming year. We must soon incur the expense of new flumes or of underground syphons.

As mentioned above, we must increase syphon capacity under the railroad above second lift plant.

Nearly all the old type laterals described above must be rebuilt as soon as we can. This applies to substantially all the third lift acreage. I do not think it practical to supply the Granjeno third lift acreage, nor the eastern part of the Mission third lift acreage, from the present third lift plant, main canal and laterals - the service will not be adequate and the cost of operation will be prohibitive.

We have all these matters under consideration and will work them out as rapidly as we can.

Another problem directly connected with the irrigation end is, that we must get the unsold acreage on the Mission tract, and the undeveloped lands on that tract mentioned above, into the hands of purchasers who will develop same and who will pay currently the flatrate and water rentals. The difficulty is, the lands cannot be sold until proper canals are built, and these canals cannot be built until the lands are sold.
Mr. Herbert Ellis 8.

Under existing financial conditions we cannot borrow any more monies, certainly not the sum required to make all these necessary improvements; so we are remanded to the necessity of getting along the best we can, and doing the work piecemeal as we are able to find the wherewithal.

In stating the above problems I do not wish to discourage you we are in so much better condition than ever before that we should really feel encouraged. I am merely attempting to get the situation before you in its true aspects. I do not wish you gentlemen at a distance to get the idea that Judge Taylor, Mr. Shary and myself, carrying the immediate burden of the work, have nothing to do to keep us interested and busy.

Mr. Shary's sales organization.

Mr. Shary has had to contend with one difficulty after another all of serious nature, and but for unusual ability and large resources could not have lived through same; much less accomplished the results he is now showing. Knowing the conditions with which he has struggled, I am inclined to regard him as a worker of miracles.

To begin with, he had no organization and was under the necessity of building up an entirely new organization. It is always difficult and expensive, and requires time, to do this.

The conditions under which he began the building of this organization were not favorable because the sales companies then operating in the valley had so conducted their affairs as to be in a more or less desperate situation. The competition for business was keen. These concerns were on the one hand offering extremely high commissions and inducements to agents, such that a legitimate company conducted on sound business lines could not afford to meet. On the other hand these flattering promises to agents were not being complied with and the better class of agents had become wary and inclined to look upon all valley proposition with suspicion. In addition to this feeling among the agents a large part of the territory had been "poisoned" by men who had purchased in the valley and been disappointed in their investments. Much of this was due to the unscrupulous transactions of the sales companies. There was a feeling among the land men, running through all the channels of that business that the game in the valley was about played to a finish and that it was time to turn in a new direction.

Further, in beginning his organization, Mr. Shary had on hand to be first sold the Brooks tract under the Pharr ditch, and the Hammond tract under the Closner ditch and in respect there to his proposition was no different and no better than those of the other companies. At that stage his prospects on the Granjeno tract were all talk.
The land sales business runs in well defined seasons. The principal harvest being from November to March. The concerns are satisfied if they can pay expenses and live the remainder of the year. The better agents always have their seasons arrangements made before November. Thus Mr. Shary began at a bad time in the year.

Mr. Shary began to bring small crowds down in November but many of these were prospective agents. What purchasers he brought were placed on the Brooks and Hammond tracts; it being necessary for him to wind up those old contracts. The net result was that Mr. Shary derived little advantage from last Winter's season on his Granjeno tract. However, he began to show the tract from the first and made a few sales thereon. The showing of the different tracts at the same time was really a disadvantage to his organization because experience has proved that a sales company must concentrate its efforts to be successful.

By the time Mr. Shary had finished the Brooks tract and sold a certain acreage on the Hammond tract and a small acreage on his Granjeno tract the Mexico situation begin to cause uneasiness.

This uneasiness increased until the point was reached where it seriously interfered. There was never any real danger of trouble or disorder here but the most wild and sensational stories were published and circulated throughout the North. The people up there had the impression that life and property were unsafe here. Relatives of those living here, in large numbers sent letters and telegrams advising return and offering money to leave the Valley with.

The Governor sent the State Militia to the valley and gave out alarming interviews. The Washington authorities seemed as uneasy about what the Governor would do as they were concerning the Mexicans, and ordered Federal Soldiers to the Valley. The political clash between our State and National administrations over the Mexican situation furnished the newspapers with much scarehead material and served to magnify the situation. Then the water situation developed as described above. Mr. Shary says that the loss of the crops on the Granjeno tract cost him directly and indirectly not less than $50,000.00. Of course, we had some explanation to offer purchasers by showing the unbuilt connections etc., but excuses are always lame.

All crops on the Hammond tract were lost and there was no explanation to make. Those lands were not adequately watered and no provision was being made therefor. Mr. Shary refused to make further sales on that tract and undertook to protect all purchasers to whom he had sold lands on that tract by either returning their money or selling them other lands, etc., and this cost him a large amount. Of course the greatest injury was to future business caused by the failures of these purchasers.
Mr. Herber Ellis, No. 10.

Mr. Shary cancelled his contract with Hammond. This resulted in a large suit being filed by Hammond, Closner, Fernandez and Chapin against Shary in the State Court at San Antonio seeking to hold Shary liable and to recover against him on notes amounting to more than $65,000.00 which had been executed by Langley in the purchase of San Juan Townsite. It was claimed that because of the existing contract between Langley and Shary that the latter was liable for these notes. We removed this case to the Federal Court and upon trial thereof won same. However, the expense, annoyance and uncertainty caused Mr. Shary much inconvenience and interfered both with the time to devote to his business and the making of his plans therefor. He had to conserve his resources against a possible judgment.

Thereupon the European war brought all big business in this country to a standstill. Financial lines had begun to tighten up before the war and when war was declared no money could be obtained on any terms. This situation continues until now, although some improvement is shown and this country is gradually adjusting itself to the war situation.

The effect on Mr. Shary was two fold, he could not borrow money or market his own securities. His purchasers could not realize upon their properties in the North, not even farm mortgages and found it difficult to finance their purchases here.

Of course most of the above conditions applied to all the sales companies as well as Mr. Shary. The Standard Land Company and the Jackson-Vreeland Co., selling on the Edinburg tract suspended and left the Valley. The Parkhill organization we were trying to build up on the Mission tract failed, wound up and quit. The Star Land Company, from running special trains, was reduced to bringing a few scattering prospects on excursion dates. All sales companies in the lower valley suspended operations, except for the Star Land Company operating in a small way as mentioned and a few small agents bringing in a small number of people. Mr. Shary's was the only organization operating in the Valley and the only one attempting to carry on its regular business.

It was under these conditions that Mr. Shary took up the deeds for his two thousand acres by November 1st. In order to deliver deeds to that acreage it was necessary for him to cash out a number of trade deals for his purchasers. That is, in lieu of cash payment from the purchaser, to accept property in the North and furnish himself the cash to take up deeds here.

Up to November 1st, Mr. Shary had sold under contracts about three thousand acres. I think this amount of sales under the conditions mentioned above, practically all made in the off season of the year, was a really remarkable showing.

In the last two months November and December Mr. Shary has sold under contract about three thousand acres more. He has
Mr. Herbert Ellis, No. 11.

been taking up a number of deeds recently and will have more than three thousand acres deeds by the first of March.

His organization is now in excellent condition, he is not only bringing large crowds but finds it necessary to hold back the people. His excursion this week will be a ten car special train. His sales have gone far beyond our ability to keep up with the canals and on lands sold last excursion, we promised water not earlier than Spring crop 1916.

Our relations with Mr. Shary have been more than pleasant. No friction has arisen on any point. His transactions have all been clean and litigable and very satisfactory.

There has never been in this valley a proposition to compare with Sharyland. In my opinion it was not only a good deal for us when we interested Mr. Shary but marked the turning point in the development of the valley, and Sharyland is today, not only the leading proposition in the valley but it is the foundation and the hope of the valley as a whole.

Outside of his stock in the Development Company and the improvements made by the latter, Mr. Shary has expended in connection with Sharyland over $60,000.00 of his own money and in addition has tied up in his organization more than $100,000.00 for handling this tract.

Mr. Shary has sold all the land of $200.00 per acre except "Sharyland Orchards" and "Shary Lake". He has made some resales of close in land on his tract at $250.00 and $300.00 per acre. Last trip forty acres one mile out resold at $300.00.

Mr. Shary has subdivided about three hundred acres next the railroad into tracts of one to five acres, "Sharyland Orchards". These tracts he sets to Citrus Fruit and cares for two years at his expense. He imposes a building restriction of house to cost not less than $1,000.00 and other requirements. These tracts are sold at $1,000.00 per acre. While opened only a short time more than one-half the acreage is already sold. Citrus Fruits in the valley have developed a wonderful showing. Of course, protection against cold is necessary but this is true of both California and Florida.

Three and one-half miles North of the railroad we are constructing "Shary Lake", taking advantage of a natural depression to create a reservoir for canal purposes and Mr. Shary is adding thereto a resort proposition. Water will cover about one hundred acres. He is surrounding this lake with a driveway, trees, etc., has subdivided the lands fronting thereon into one acre lots and is selling these at $1,000.00 per acre. He plans a club house and other attractions, bathing, boating, fishing, hunting, etc. We are just getting this on paper, not yet opened on the ground. Last trip he sold seven acres and obtained $2,000.00 subscription towards the club house.
Mr. Herbert Ellis No. 12.

From present prospects, except for scattering tracts and resales, Mr. Shary will complete the second lift acreage about the First of March. We will then open the first lift acreage.

In round figures, Mr. Shary has sold under contracts between six and seven thousand acres; about three thousand five hundred acres is now cleared of brush and this will reach around five thousand acres by Spring; a considerable number of houses and improvements have been erected and more are building.

Granjeno Development Company.

Thus far we have assessed 62% of the capital stock, all paid in except $500.00 by myself. In order to meet the taxes and other requirements we will likely have to assess the remainder of the Capital stock very soon.

Judge Brooks has been carrying the canal construction account on payment of 50%. Mr. Shary's sales have so far out run the construction of the canals and there is so much acreage that will demand water for Spring crop and to which the canals must be constructed in order to supply the water; in advance of the taking up of the deeds for the land and making the cash arising therefrom available to the Development Company; that the latter is having hard financial sledding. But for the assistance rendered by Judge Brooks we could not have kept the outfit at work and it appeared vitally important to do this.

We are preparing statements showing the situation in detail and will forward you copy in due course.

This letter is so long that I will not undertake to cover the McAllen situation herein. We are running very nicely and I will write you later in connection therewith. Knowing your interest therein, I would like to summarize the status of the various other propositions here in the valley but I will not undertake to do so in this letter.

With kindest personal regards from all of us here,

I am

Very truly yours,