

ROACHES IN THE CORNMEAL

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Many of you have had the revolting experience of opening a container of flour, cornmeal, rice, cereal or other food item, and finding insect activity within. Weevils, roaches and small cocoons in kitchen items remind you of the unpleasantness of having the wrong people in public office. Kind of makes you inclined to throw the whole thing away, since you aren't being fed in some third world jail. Let's relate this to physical silver investments. Hopefully silver holders paid heed to a recent warning to be in the right kind of silver---what you own and took delivery of--- rather than unbacked certificates from unprincipled issuers overseas.

Having assured yourself of possession of your silver and other precious metals, realize that some unwary investors will fall short of their expectations when silver flies. They hold physical silver but when they go to cook their celebration feast, they find roaches in the cornmeal. Believe it or not, some naïve investors will find they made the following mistakes, which vary in severity, from dampening profits all the way up to neutralizing hoped for gains.

DEVASTATING ERRORS

Did you know that some 100 ounce silver bars have only skin-deep beauty, and feature several millimeters thickness of real silver over a lead core? A pawn dealer in Arlington Texas has one of these frauds, sawn into halves on display atop a safe. Before I say any more, understand that your chances of having one of these fakes is zero if you deal with honorable dealers which most are. Especially very large dealers possess near halos on their heads concerning what they sell, as any charges concerning their good reputation would send clients flocking elsewhere. We are speaking of small con men types and fly by night operators. How many of the lead adulterated bars are around is uncertain.

Fortunately silver and lead have known specific gravity sufficiently different from the other as to leave only the very trusting at risk of such fraud. Lead is about 8.1% heavier by volume than silver and has no resonance, so weight and a tap-together test are diagnostic. When the run-up in silver happens, the reverse of this fraud may be expected to occur on the part of shady metals dealers---the kind lacking a permanent physical address. Some elderly person will bring in a perfectly good Johnson Matthey or Englehard bar, and be told it's fake---a counterfeit with a lead core. Misleading "testing equipment" will "confirm" the bars to be fake, but the buyer will offer to pay the seller a slight sum for the thin layer of real silver over the (nonexistent lead) core! I don't know of any branded bullion with serial numbers that has a lead core; however, cover all bases when you buy. Start with a specific gravity test---weigh it, a 100oz. bar weighs about 6.86 pounds on your bathroom scale.

MORE FINANCIALLY CRIPPLING SCAMS

There was a case of elderly folks at a retirement village of upper income status where a con man went in and sold Indian head cents as gold coins. He merely bought a plating device available from any jewelry supply house. A dealer I heard from told me of a man who brought in a \$1000 face bag of quarters to sell. A note was slipped to the dealer from an employee who saw the man exit his car with an out of state plate. A subtle nod from the dealer to the employee

conveyed the message to call the police to the premises. After stalling the seller to delay him till police arrived, it was requested to do a spot check of the coins to insure that no clad quarters were in the batch by accident.

The seller opened the canvas bag, whereupon 90% silver quarters were seen, but exhibited resistance to dumping the coins into a rectangular aluminum container for spot-checking. The police arrived, detained the man, and found 158 silver quarters on top of 3,842 clad quarters. After the arrest, other sacks were found in his trunk and motel room. All his cornmeal sacks contained roaches, so to speak. Later it was discovered many of the clad quarters were stolen in a robbery of a vending machine company employee. I bought quarters from a big web based dealer this year and found a little roach in the cornmeal---one quarter dated 1967 (which was like looking at the gates of hell) and an 80% Canadian quarter. However, the other 2,000 coins were 90%. Sometimes a bug in the cornmeal is "acceptable." Just cull it out and spend it for face value.

CON ARTISTS NEVER QUIT

Along with other scams such as altered dates and fake mint marks sometimes found in numismatics offered by shady operators, care must sometimes be taken to avoid getting less than you justly pay for. For instance, the same dealer told me of a sad lady who brought in 650 one ounce silver rounds to sell him. She had avoirdupois, rather than troy ounce, coins. The mail order operator may not have broken the law, since they were described only as "1 ounce." However, she received 9% less than what she anticipated because she thought she had troy ounces. On the subject of getting what you pay for, I high graded my half bag of 2000 quarters by culling the 40 most worn coins and replacing them with better ones.

This isn't to disparage the dealer I bought from, as that only represented 2% of the coins. Unless you're paying a premium price to get better coins, you can reasonably expect some minor percentage of overly worn quarters, halves or dimes. Another ripoff, however, involved a victim who received 10,000 dimes and found they were all extremely worn Mercuries and Barbers, most without legible dates. An attempt to rectify the deal revealed the "dealer" had left town after burning several trusting victims. Of the 40 quarters I culled from my first half bag, they added up to a stack equal to 34 quarters with slight wear. So if you get over 5% of your deal like that, you could have done better elsewhere. In the case of the 10,000 very smooth dimes, the victim probably got 20% less silver by weight than a typical bag.

BAIT & SWITCH AND OTHER FRAUDS

As with scams in precious metals, their parallels exist in their diamond cousins. Diamond parcels have been "salted" with extremely inexpensive CZ's which add disproportionate weight, so buyers were cheated on more than just a piece by piece basis. More common is the grade-bumping in which better whiteness and clarity is claimed than the stones actually possess. Have some numismatic dealers lowballed a coin's condition to pay less for it, then grade-bumped it upwards in their own in-house appraisal? Bet on it! Numismatics is the trickiest and least straightforward way of investing in physical precious metals.

Jewelers and pawn dealers have been attempted victims of the new proprietary product, Moissanite, when it was misrepresented as diamond. The double refraction of this synthetic

silicon carbide variety is diagnostic in separating it from diamond, as is the lower specific gravity---about 91%---similar to the avoirdupois/troy ounce ratio. Then there are real diamonds manufactured as gem grade synthetics, and color and clarity enhanced diamonds sometimes sold as all natural. In connection to the widespread rumors of fake sterling silver jewelry offered as real 92.5% silver, and the many 50% off sales of those items this fall, are that the same outlets may misrepresent some of their precious stone offerings.

A large department store had a really stunning ruby item with 60 extremely well matched 4-millimeter stones---matched by clarity, hue, tone, color saturation, intensity and proportion, for the impossibly low price of \$875. The grinning sales lady assured me the rubies were all natural, and not even heat-treated, as are nearly all mined rubies! Synthetic rubies, rightly so, go for an enormous discount off high quality untreated naturals---over 98%! More roaches in the cornmeal, like the gemologist at another store who told me a 1.34 carat diamond was totally eye clean, when I easily spotted a dark inclusion on the pavilion between the prongs. Speaking of diamonds, I hope you haven't invested in them versus silver---your results are likely to be pathetic unless you found some super resource stock.

WEEVILS IN THE FLOUR & SUCKER BAIT

I trust you didn't commit the profit-neutralizing mistake of viewing a purchase of sterling tableware or collectables as a silver investment. On a lesser scale, some people failed to take advantage of the sales tax abatement for spending \$1,000 and up on precious metals per transaction. They have added weevils to their flour. Back in 2000 when a lot of companies were offering 1 ounce silver rounds along with remitting payment for charges owed, the asking price for such coins ranged up to \$39.95 per coin. A fellow I discussed silver with showed me an offering for \$39.95. I explained why that was sucker bait. Placing colored enamel on silver coins adds nothing to their metal content value, but some fall for a gimmicky way of being overcharged.

On a lesser scale, some have made the mistake of not shopping the dealer market for their 90% coins and bullion. Buy and sell prices of dealers vary. Some dealers report more buying interest when the silver price has been below \$4.50, others notice more sales when the price has been closer to \$5. Unfortunately for many investors, the only time they're motivated to take action is when they see a rising price. Without objective validation of rising prices, they are paralyzed by indecisiveness. The same applies if they're buying shares, except in the case of shares, they may have half as many shares as they could have by buying on chart dips because they were only energized to buy in a sharply rising price environment.

\$10,000 in a certain silver share last summer would only have gotten half as many shares as several weeks after that, and less than half what they could have had in April. With three \$1,000 face value 90% bags, the same timing might result in \$500 more expense. Timing is therefore of much importance, and the psychology of acting only on rising prices is amusing to smarter investors, especially when it's the same kind of people who try to catch a supermarket sale of a \$1 item for 79 cents. Then comes the other end of the tunnel---the time to sell, to take some profits. This will be the subject of another commentary and possibly subscription-based advice. But selling too early, in silver, will prove more of a risk than selling too late, because the only thing which will finally alleviate the coming years of shortages, will be ocean mining---at

much higher expense than any silver user wants to think about. As unpleasant for them as the old British sea custom of keelhauling!

ROACHES CARRYING OFF THE CORNMEAL

Now that you have your silver holdings, for which hopefully you have paid competitive rates and bought in a timely manner on price declines given to you by the COMEX shorts, you must be careful to not let vermin make off with your valuables. A true story from my boyhood will illustrate a point. I was at a washateria in spring 1965 with an older relative. I took keen notice of the new clad quarters, halves and dimes. With instinct equal to that of any animal in the wild, I---an eleven year old boy--- understood full well that we needed to take all possible action to secure as many of the then still circulating silver coins as possible. Unfortunately I was under the supervision of the older, and less sagacious, relative, who assured me that the new coins would operate the machines just as well.

Yeah, and a skateboard will get you a mile down the road just as well as a Rolls Royce! My suggestion was overruled, and I was chagrined at the stupidity so brazenly on display. I nearly cried watching all those silver coins slipping away, and the new bastardized coins being treated with equal reverence by fools. However, that summer I went with my parents to a job related convention in Amarillo, Texas, having saved \$30 in allowance and being given an extra \$20 to amuse myself with while my parents were tending to their business. I was told to go see as many movies as time allowed. I did go to the movies, but stopped at the ticket booths, where I asked to trade dollar bills for Mercury dimes. I was never denied, and I also recall finishing my business at a vending company after visiting several gas stations.

I returned home with 500 Mercury dimes, and no cull coins among them. All had gone well, but a turn for the worse sadly awaited. I will tell you of my misfortune in that episode, to convey a principle you need to adopt if you haven't already done so. I was understandably proud of my Mercury collection, and showed those dimes, so clearly superior to the new clad dimes, to kids in my neighborhood. It seems you need never look far for someone willing to obtain things without honest effort. The next-door neighbors were freeloaders and left owing three months rent to the preacher who owned the house. Also, their corrupt riff-raff son took opportunity to enter our dwelling while we were away at church, found my Mercuries, and stole them. Naturally they left no forwarding address. That event crushed my spirit!

LOWLIFES WANT SOMETHING FOR FREE

So I've said that to say this---don't boast to neighbors, friends, relatives or acquaintances about your silver holdings. You never know who will be tempted, or that they in turn will unwittingly pass along the details to the unprincipled. As for concealing your metal, do so. Don't make it easy for a thief to steal from you. I suggest a take off on the old Japanese warrior strategy called "hiding behind the light." If you're looking at a spotlight at night, you cannot see what's behind it, understand the concept? Perhaps the inside of a wall or the hollow inside of a bathtub frame might be suitable, or an off the premises location. The next issue is, when going to buy more, or to sell, take care who may be watching. Look right, left, behind, and not only straight ahead.

As with silver deposits where some lead occurs, maybe you should have something containing lead with you, as long as you do so lawfully. There are potential hazards, be assured! There was

a rash of robberies of dealers and salespeople in the diamond and colored stone trade in years past, in which Columbian drug associated gangs would identify vehicles driven by those carrying valuable loads at trade shows and gem and jewelry exhibitions. The thugs would cut slits on the sides of tires, such that after being driven for a few miles or hitting a slight bump, the tires would deflate suddenly; whereupon the driver stopped, and the thieves, who were following close behind, made their robbery away from the trade show.

I know a dealer who was followed to his motel room once in Houston, and robbed at gunpoint of an investment grade 3-carat diamond. The same dealer had another type of thief attempt a distraction theft in his store by swallowing a large diamond. The con man had to be taken to the police station and fed bran for 3 days. Do take all possible precautions to prevent roaches from carrying off your cornmeal! When you leave an establishment after buying or selling metal, make sure you're not being followed by someone who wants to ascertain where you live. You can do so by making an unpredictable, sudden turn and taking an out of the way route. Make several turns to see that a roach isn't following the scent of your "cornmeal!"

SILVER AT \$4.50 TO CEASE EXISTING

The now Republican controlled Senate is making noises about eliminating capital gains tax on stocks, possibly the 28% tax rate on collectibles sold at a profit will also be repealed. This brings us to the matter of availability of silver investments at the low prices that have prevailed for so many years. Silver shares may tighten up as to sellers being hesitant to sell, not only for fear of being shut out of the rally of the century, but due to waiting to sell till after the capital gains tax is set aside. It may take several months to see that enacted.

Meantime, reports of tight physical silver availability at the retail investor level are common, with buyers seeking metal but sellers holding back. Anyone who listens to voices like Butler won't want to sell in this environment. As the small to intermediate size dealers are depleted of inventory, this adds more pressure on larger dealers to acquire inventory; again, in an environment in which most holders don't want to disinvest.

With more money chasing smaller amounts of silver, silver becoming difficult to find locally and the price still not rallying, we stand shaking our heads at the spectacle of derivatives suppressing the price---and our Congress and media ignoring the issue. The silver and gold investing public isn't on a "just in time" delivery system, they are accumulators. Many industrial users will soon wish they had accumulated silver reserves, and their management should be sued by shareholders for not looking out for their interests, and by labor lawyers for not protecting jobs. Why worry about roaches in the cornmeal when there isn't any, and you're starving? Viva silver and the other noble metals!