FORCES THAT SQUEEZE BOTH THE MIDDLEMAN AND THE FARMER

ARTICLE 6.

MOST farmers think that the "middleman" gets too large a proportion of the price that the farmer's products sell for to the consumer. **So he does. But he is unable to keep the money after he gets it: it is squeezed out of him in turn by influences that are working away quietly but effectively in the background. These influences are squeezing both the middleman and the farmer.**

We farmers sell our beef for 5 cts. and 6 cts. a pound. We see the best parts of that meat retailed in the cities at 18 cts. to 25 cts. a pound. We sell our milk in winter, if we can get the chance, for 4 to 5½ cts. a quart. We see it retailed by the milk dealers for 8 to 10 cts. a quart. We sell our eggs for 25 to 30 cts. a dozen: We see them resold for 40 to 60 cts. a dozen. And thus it is with practically all forms of our farm produce. Naturally we conclude that the middlemen who, as a rule, handle our goods for only a few hours, are getting too large a proportion of the final selling price. This view has been fostered and encouraged. Some farm papers as well as government officials, have repeatedly led in attacks on the middlemen. In Ontario, especially, a great deal has been made out of the fact that one large establishment was shown in the courts to have made profits that ranged over a series of years, from 30 to 120 per cent. This circumstance has been used for more than it was worth.

The large concern referred to is an exception. While it has succeeded dozens of others have failed. It is never safe to judge by exceptions. It has succeeded only because it has done an immense volume of business on a very low margin of profit on the cost of handling the goods it has sold. This margin of profit, while it is large on the relatively small paid-up capital of the company, is extremely small on the millions of dollars worth of goods handled by it in the course of a year. Let us illustrate:

HOW BIG BUSINESS IS DONE

Merchant A has a paid-up capital in his business of, say, $60,000. We will assume that he handles nothing but eggs and that his expenses, including rentals, wages, railroad rates, agents' commissions, cold storage charges, the cost of buying the eggs, etc., amount to $25,000 a year. Suppose, also, that it costs him 30 cents a dozen to buy his eggs, and that he is able to re-sell his eggs at 50 cents a dozen. **Thus he would have a margin of 20 cents a dozen on each dozen of eggs. But! he would have to sell 1,250,000 dozen of eggs to pay his expenses. He would not have a profit at all until he had sold that quantity. After that he would have to sell only 150,000 dozen eggs more at the same rate to enable him to make a profit of 50 per cent., or $30,000 on his paid-up capital of $60,000. But notice what a large amount of business he has to handle and the risks he has to run before he can make any profit.**

Let us now suppose the case of another merchant. We will call him Merchant B. His paid-up capital is $300,000. His expenses because he does business on a larger scale, although larger, are relatively not so large as those of Merchant A. **Merchant B's expenses are $1,000,000 a year. But he has worked up a trade which enables him to handle 10,000,000 dozen eggs in a year. Thus, all he requires is a margin of 12 cents a dozen on the large volume of business he handles to enable him to earn the $1,000,000 required to pay his expenses and leave him $200,000 a year profit. This is equal to 66⅔ per cent. profit on his paid-up capital of $300,000. But notice this fact: Because of the large volume of business he does he is able to make a handsome profit and still sell his eggs on a margin of 12 cents, or only 42 cents a dozen, while his competitor has to charge 50 cents a dozen to break even or make a profit. He makes his business grow and prosper, not, as many people suppose, by advancing prices to the consumer, but by lowering them until he is able through underselling his competitor by eight cents a dozen, to draw trade away from him, and thereby still further increase his own volume of business. Should his competitor strive to meet his competition—as many are forced to do—by dropping his selling price also to 42 cents a dozen, instead of making a profit on the 1,400,000 dozen eggs he handled, he would have a loss of $82,000 on the one year's operations. This is not a theory. It is a cold, hard business fact that has worked the ruin of hundreds and hundreds of business concerns. How long do you suppose the little fellow can stand up against the big fellow under such circumstances? Notice, also, that while the margin of 20 cents a dozen the first man has may seem large, his ability to make a profit handling eggs, even on that margin, depends on the volume of business he is able to do.**

RELENTLESS COMPETITION

The foregoing is a crude illustration. It serves to illustrate, however, the heartless "dog-eat-dog" principle that controls the commission and produce business in Canada and elsewhere. **Everywhere the big fellows are driving the little fellows out of business. They are doing it not by making a large profit off each hog, steer, case of poultry or dozen of eggs they handle, but by handling such an immense quantity of this produce at such a low margin of profit off each that the little fellows can't compete with them, in spite of their apparently large profits, and are forced to the wall. We doubt if there is any other line of trade in Canada where the competition is so merciless and unscrupulous, and where the margin of profit, off the goods handled, is so small, as in the produce business. Even were it granted, however, that some few of the large firms have made apparently excessive profits: What about the scores of little fellows that fail miserably every year, because they can't make ends meet? It is foolish to forget them. Because one or two succeed, we must not jump to the conclusion that all the rest are doing equally as well. They are not.**

There is practically only one condition under which the big fellows are likely to prove dangerous to the community. That is when, as the beef trust did for a while in the United States, they are able to gain control of the railways and other public utilities and by means of secret rebates and combines, drive the little fellows out of business. That such a condition exists in Canada has never been suggested. If it did, our Dominion Railway Commission would soon set things right. Another possible condition is that under which a few of the large concerns might eventually unite, and, by enhancing and depressing prices where competition appeared, thereby strangle such competition. There is no real indication that that condition has been reached in Canada. It would be particularly difficult to achieve in the produce and provision business where no great capital is required to buy and slaughter animals, or handle farm produce for local consumption.

THE STRUGGLE FOR EXISTENCE

Among the little fellows the competition is just as keen. In our towns and cities, small butcher shops and grocery stores, which re-sell most of the produce the farmer raises, can be found every few corners. **Because the volume of business they do is necessarily small, the competition between them is cruelly keen and failures numerous. This condition has been intensified during the past few years. The big packing concerns have established dozens of branch retail stores in our larger cities. These branch stores have ruined many of the small independent concerns. Again, they have not done so by getting large profits on the goods handled: Instead, they have forced the margin of possible profit so low the little fellows have been unable to compete and exist, and, therefore, have been forced to give up the unequal struggle.**

THE REAL CAUSE

Farm and Dairy holds no brief to defend the middlemen. We have only one object in view in doing so in this case. We believe that we farmers are being misled when we are told that the middlemen, as the term is commonly used to cover all classes of middlemen, are growing fat at our expense. **While it is true that they receive high prices for our products, they have to or they could not exist.** This, again, is because the cost of doing business in our cities is so enormous it makes the payment of high prices necessary. **The real "blood suckers" of the farmer are not the middlemen, for were their profits on the average excessive, the bitter attacks that have been made against the middlemen periodically for years, would have brought about an improvement long ago. Instead, they are mainly those economic forces concealed in the background that suck from us farmers and others the money we earn by forcing up land values in our towns and cities until in some instances they equal millions of dollars an acre. They include, also, excessive railway and express rates. These excessive land values and charges burden not only the middlemen, by increasing to them the cost of doing business, but all other classes of the community as well.** Next week we purpose showing more clearly how this is done.

How Much Milk Should a Cow Produce

(*Continued from page 3*)

way: It means that enough energy, enough man power, is being put into just that one operation of milking poor cows in Canada to equal the work done by horses plowing 375,000 acres of land. It is appalling that there should be this burdensome tax on human endurance, and the strangest part of all is that many view this matter so indifferently and complacently. Our energy, above all things, needs conservation and turning to profitable account. There is a limit to our natural resources, therefore we wisely seek to conserve them, but of infinitely more value is human energy (which we unthinkingly squander), because knitted with human ingenuity it has to guide and direct the wider conservation. Cow testing has been the first to point out this huge expenditure of muscular and nervous force. Such sheer waste must be stopped, human energy must be conserved. We want no spendthrift nation.

BEST PAYING PROPOSITION YET

Our results establish cow testing as one of the best time-saving and labor-saving propositions ever placed before Canadian dairymen. For the investment of one little dollar in scales men are now receiving $20 through the increased production, besides the intense satisfaction of knowing that they are milking none but profitable cows.

Farm and Dairy is the best dairy paper that I ever read. It is encouraging for young men to read and find out what others have done and how well they have gotten along with little or nothing to start with.—F J. Cook, Essex Co., Ont.