

Alleged Profits of The William Davies Company in 1916 on Bacon, as Indicated by Department of Labor to be Five Cents per Pound, Untrue: Actual Profits Two-thirds of a Cent Per Pound

The statement issued by the Department of Labor concerning the business of The William Davies Company, Limited, has been given widespread circulation throughout the country and provoked public unrest.

Whatever the technical wording of the report was, the effect has been that the newspapers have published that "the profits on Bacon alone" of this Company "for 1916" were about "five millions of dollars." This interpretation of the official report is not surprising in view of certain statements that the Commissioner of the Cost of Living makes. The Commissioner is reported as saying that "There were two individual cases of profiteering in 1916, and that had these cases occurred since the passage of the cost of living Order-in-Council, he would consider it his duty to recommend that the facts be laid before the Attorney-General for consideration as to their criminality." The situation created by such erroneous and damaging statements is serious as emanating from a Government official, from whom one looks for not only accurate statements but correct conclusions.

The William Davies Company, being a private concern, has followed the practice of all private corporations, except when it made a bond issue in 1911, in that it has not published reports of its assets and liabilities or profit and loss. The present circumstance, however, in which a Government Official has led the public to false conclusions, makes it advisable for this Company, for both the public interest and its own interest, to publish particulars of its business as well as point out the error of the statement of the Government Official.

For the last fiscal year ending March 27th, 1917, The William Davies Company bought and killed 1,043,000 head of Live Stock (Cattle, Hogs and Sheep). This, plus purchases of outside Meats, produced 160,000,000 pounds of Meats. The Company handled 6,550,000 pounds of Butter and Cheese, 5,650,000 dozens of Eggs, and manufactured 28,500,000 tins of Canned Goods.

The net profits on these were .68 cents (or two-thirds of a cent) per pound on meats, 1.04 cents on

Butter and Cheese, 1.04 cents per dozen on Eggs, and .47 cents (or slightly less than one-half a cent) per tin on Canned Goods. These profits include profits on all By-Products derived from these accounts.

During the year the Company served at its retail stores 7,500,000 customers, the average purchase of each customer was 35c, and the net profit upon each sale was 5-8 of 1 cent.

The turnover of the Company from all its operations for the last fiscal year ending March 27th, 1917, was \$40,000,000. The net percentage of profit upon this turnover, after deducting war tax, was 1.69 per cent., or including war tax, 3.45 per cent.

The William Davies Company has assets of \$13,385,000, of which \$3,865,000 is tied up in fixed investments.

To provide the necessary facilities for the increased volume of business the Company expended \$750,000 in buildings and equipment during the year.

Companies of other character present no more reasonable statement of profit and loss based upon the investments made in the business.

The William Davies Company offered to the Imperial authorities, as well as to the War Office Service (which represents the Imperial authorities in Canada) to place the output of its Factory with respect to Bacon supplies, Canned Beef and Pork and Beans at the service of the authorities, on the basis of cost plus an agreed percentage. These offers were successively declined, as the authorities evidently desired to purchase in the open market, and on this basis The William Davies Company has secured War Office business by open competition with the world.

Respecting the Report of the Commissioner on the Cost of Living.

Last Winter the Commissioner, under authority of Order-in-Council, required packers to submit statements under oath for some years back and up to December 1st, 1916, of incoming stocks of Meats and the cost of such, as well as statements of outgoing product and the selling value. This Company represented in writing at the time that the information as specifically required was not in accordance with Packing House Accounting methods, and invited the Commissioner to send an Officer to the Head Office of the Company to examine the books for any information desired, and to secure a viewpoint as to the best way of collecting data which would be of use to the Government. This offer was declined, and there was nothing to do but fill in the information required as literally as we could determine it. For example, there was no recognition of the fact that a raw product may enter a factory under a specific classification and leave the factory as a finished product under some other classification.

We submitted a series of accurate figures based upon our interpretation of the official requirements which made no provision for charges of any description other than incoming freight and unloading charges to be included in the cost or to be deducted from the selling price. There was nothing in the report which could be read so as to determine a profit and loss statement. The very fact that with only a statement based upon cost of raw products and value of sales in Great Britain a Government Official has deduced "Large margin," "Profiteering" and "Criminality" if it had occurred since the passage of a recent Act, shows too dangerous a trifling and incapacity to be permitted to deal with any important situation. The statements of this Company have been treated by the author of this report as if the outgoing product was identical with the incoming product, and from the series of reports he has singled out two items—the Bacon and Eggs reports—and from them deduced an erroneous "margin" which the newspapers have interpreted as "profit." The author of the inquiry shows a strange lack of even a fundamental knowledge of simple bookkeeping and a dangerous inability to co-ordinate figures. The following are specific and outstanding errors in the report:

The principal item that is causing excitement deals with cold storage Bacon. The term "cold-storage" is not defined, and the public is allowed to make its own definitions. As all Bacon in a packing house is under refrigeration it is really all cold-storage, and therefore this Company's figures of cold-storage Bacon represent the complete quantity of Bacon handled in its entire Plant, whether in freezers or in process of cure for immediate shipment. That some Companies interpreted cold-storage product as "freezer" product only is evidenced by the smallness or entire lack of figures on the Bacon list for some Plants, indicating that many Firms did not submit statements of their complete stocks, as did this Company. An Official of this Company pointed out this cold-storage distinction to Mr. O'Connor and Miss McKenna in Ottawa a few weeks ago, and the failure to make the distinction after having had it pointed out evidences lack of desire for accuracy of the real information desired.

It is true The William Davies Company, in 1916, exported 97,791,000 pounds of Bacon, but we do not know how the margin of 5.05 cents per pound is arrived at by Mr. O'Connor, as there were no figures to justify such a conclusion. The probabilities are that the margin is arrived at by taking the average cost per pound of incoming product from the average selling price per pound of outgoing product. This may be a rough way of estimating the gross margin when dealing with small figures, but when dealing with figures the size that Mr. O'Connor has to deal with, a very small fraction of a cent per pound of error makes a very important difference in the total, and one must be careful to make sure that the outgoing product is the same finished merchandise of the incoming product reported on.