Millers Make Huge Profits

Enormous Dividends Piled up in Spite of War Tax. Increase in Tax on Profits Recommended

Ottawa, May 27.—A story of big war-time profits by large Canadian milling companies is revealed in a report issued today by the minister of labor.

The report is based on investigations covering the period between 1913 and 1917 and, therefore, for purposes of comparison, includes a pre-war year. It shows that in 1917, as compared with 1913, large milling companies heavily increased their net profits even after allowance had been made for war tax. It indicates further that the limitation of profits to 25 cents per barrel of flour does not effect the purpose for which it was intended in that "with increased production even were the profit per barrel of flour limited to say, 15 cents, still ample dividends might be paid and reserve set aside."

"It is clear," the report concludes, "that the only way to reach the profits of the milling companies is to increase the tax on net profits on total investment for the year."

The report covers over 60 typewritten pages. It aims to show in detail how profits have been derived and disposed, what proportion of a company's capitalization is represented by actual investment, what the profits per barrel of flour are and what revenues were derived from option trading in wheat before the price of wheat was fixed. Increased profits, the report indicates, are due largely to increased production and increase in turnover, which, in 1917, was two to three times that of the pre-war year, although in most cases there was some increase in the profit per barrel of flour.

Big Mills Make Most

While dealing more specifically with the larger companies the report, however, states that smaller companies, producing less than 100,000 barrels a year, would find difficulty in surviving on a profit of 25 cents per barrel. Companies producing between 100,000 and 500,000 barrels a year would probably make a moderate revenue on such a limitation, while the large companies would make an excessive profit. Large comies, proceeds the report, have on less than 25 cents per barrel, made net profits of unprecedented amounts. Therefore, the only equitable way of reaching all classes of milling companies is by tax on the net profits for the year.

How Profits Distributed

"The increased profits," the report continues, "have been disposed of in various ways. In some cases, as with the Maple Leaf Milling Company, dividends have been made on common stock for the first time. In other cases, already substantial dividends have been increased as in the case of the Ogilvie Flour Mills Company. The regular dividends on common stock of this company up to 1916 were 8 per cent. In 1916 they were increased to 12 per cent. and in 1917 to 25 per cent.

Big Surplus Profits

"The surplus profits account has been greatly increased. In 1913 the surplus profits account of the Maple Leaf Milling Company was about $250,000. In 1917 it was over 1,760,000. The surplus profits account on the Western Canada Flour Mills Company was approximately $445,000 in 1913. In 1917 it was $845,000. The latter is in addition to a sinking fund."

The surplus profits account of the St. Lawrence Flour Mills company, the report proceeds, increased from a debit of $62,000 in 1913, to a credit of $138,000 in 1917, in addition to a sinking fund.

The surplus profits account of the Robin Hood Mills in 1913 was $257,000. In 1917 it was $317,000, in addition to an accumulated reserve for war tax of $163,000 and very substantial dividends during the period.

Ogilvie's Big Jump

The surplus profits account of the Ogilvie Flour Mills Company in 1913 was approximately $473,000, in 1917 it had increased to $2,690,000 in addition to the immense reserves of $380,000 for war tax in 1916 and of $750,000 for war tax in 1917.

The surplus profits account of the Lake of the Woods Milling Company has materially increased. In 1913 this account was $853,000, in 1917 it was $831,000, plus $392,000 at the credit of the surplus profits account of the Keewatin Flour Mills Company, which the Lake of the Woods entirely owns. This is in addition to the redemption of Keewatin bonds to the extent of $350,000 in 1916, and the redemption of the bonds of the Lake of the Woods Company to the extent of $200,000 in 1917 and redemption of good-will account, $250,000. Eight per cent. dividends on common stock were paid throughout as well as the regular 7 per cent. on preferred shares.

Plenty for Depreciation

The report continues that in the years 1916 and 1917 substantial war tax reserves were set aside by the companies making the largest profits. Contingent accounts have been opened up. Depreciation accounts of unprecedented amounts were set aside in 1917, although, the report points out, increased production in 1916 and 1917 entailed a larger reserve for depreciation.

Dealing with flour production the report says that the Ogilvie Flour Mills company produced in 1917 about one-fourth of the total amount produced by the nine largest companies. "But," the report continues, "the Ogilvie Flour Mills Company is not, by any means, in a postion to monopolize the manufacture of flour as there are three other companies of the first rank producing over one million barrels of flour annually and five companies, of the second rank, producing between 500,000 and 1,000,000 barrels of flour per year. Nevertheless, the annual increase in production by this company has been so much greater than that of any other company that it holds a towering position among its rivals. The production for 1917 was about one and one-half times greater than that of its largest competitor and the receipts from sales in dollars were about twice as large as those of any other company."

Source of increased profits is given as:—

(a) Increase in sales, (b) increase in profit per barrel, (c) large revenues from dealings in wheat in the years 1915, 1916 and 1917.

"The increase in total receipts from sales annually is very striking," the report proceeds; "in nearly every case it has been doubled, and in some cases trebled. The increase in the number of barrels sold is also considerable and the price of flour has almost doubled since 1914. The profit per barrel of flour made by the various companies between 1914 and 1917 did increase."

Net Profits of Companies

Net profits per barrel on flour in 1914 are given as follows: Ogilvie Flour Mills, 15 cents; Lake of the Woods, 13 cents; St. Lawrence Flour Mills, 15 cents; Western Canada Flour Mills, 16 cents; Maple Leaf Milling Company, 11 cents; Robin Hood Milling Company, 22 cents. In 1917, the report states, profits per barrel of flour were: Ogilvie Flour Mills, 20 cents; Lake of the Woods, 20 cents; St. Lawrence Flour Mills, 17 cents; Western Canada Flour Mills, 19 cents; Maple Leaf Milling Company, 30 cents; Robin Hood Milling Company, a loss of one cent. The increased profit of the Maple Leaf Milling Company is attributed largely to dealings in wheat. The Robin Hood Milling Company netted on all its operations a profit of 25 cents per barrel of flour in 1917, but the sources of this profit were wheat dealings, elevator earnings, etc., and were not from flour manufacture.

"Contrary to the general belief," adds the report, "the profit per barrel of flour made by the various milling companies is comparatively very small. Eighteen to 20 cents per barrel seems an extremely small amount for milling companies to make, considering the high