

tee the type of information which it needed, that it might be helpful if we attempted to break up our indirect expenses on a product basis so that we could assess a certain proportion of the cost against our butter operations. To reflect that information we did use a unit basis. There are a number of ways that it can be done. It could be done on a dollar, or sales value basis, and in different ways but we did elect to do it on a unit basis. I will explain the process if you wish?

Mr. MONET: Please give us the information because I think it is important.

Mr. SILVERWOOD: Well, in the case of the indirect expense, one of our problems was to keep the proportion chargeable to the butter operation from looking too large because if we had taken it on a dollar sales value it would have been quite a bit higher than on a unit basis. This basis we worked out is quite arbitrary and it may be right or it may be wrong. We took as units, a pound of butter, a dozen eggs, a pound of melange, a pound of cheese, a pound of cottage cheese, and a pound of poultry.

On our milk products, we took 50 cents worth of sales as a unit. On our ice cream, we took half a gallon as a unit and for our milk department we took two quarts as a unit. We worked it out in that manner.

Mr. WINTERS: Do you allocate your overhead on the same basis?

Mr. SILVERWOOD: I am speaking now of indirect expenses.

Mr. WINTERS: Including overhead?

Mr. SILVERWOOD: Yes, but as I say, normally we are accustomed to dealing with gross profit on our various products; then, we look at the overhead at the bottom of our statement which is one amount. We do not spread it over all these products. This is simply an attempt to spread it in order to try to arrive at a net on butter so you would have a little better picture of the whole situation.

Mr. WINTERS: On that basis of allocation, Mr. Silverwood, what part of the plant overhead do you assign to each pound of butter?

Mr. SILVERWOOD: It worked out this way, that the units of butter compared to the total units were 9·58 per cent in the case of our Silverwood operation and 29·22 per cent in the case of our Lindsay operation. The reason it is much higher in the Lindsay operation, of course, is because Lindsay has not got the variety of dairy products we handle in our Silverwood operation. We took the 9·58 per cent of our total indirect expenses on our Silverwood Dairies Limited, plus 29·22 per cent of our Lindsay indirect expenses and added the two together. It is that figure we show, for instance, on statement 4, page 2 at the bottom, column N, for the eleven months, \$170,992, as the share of indirect expenses charged to our butter operations.

Mr. WINTERS: That includes plant overheads, too, does it?

Mr. SILVERWOOD: That is correct.

Mr. MONET: For those indirect expenses as listed in this exhibit commencing with the year 1939 up to the present, did you proceed in the same way?

Mr. SILVERWOOD: Yes.

Mr. MONET: It is the same process?

Mr. SILVERWOOD: The same process for all the years, but each year, of course, is on its own basis as to the number of units of butter as compared with the total units for that year.

The ACTING CHAIRMAN: That would mean that in 1940 when your indirect expense was \$195,849, you handled 4,735,000 pounds of butter?

Mr. SILVERWOOD: Pardon me, 1940, you say?

The ACTING CHAIRMAN: 1939 is the first figure shown?

Mr. SILVERWOOD: Yes.