

Mr. PINARD: Would you tell us what happens to the $\frac{3}{4}$ of a cent? Is it taken care of?

Mr. SILVERWOOD: It is just internal.

Mr. PINARD: Is it taken care of in the profit mentioned in the last column?

Mr. SILVERWOOD: I do not know whether or not I can make that clear. If we take the $\frac{3}{4}$ of a cent off our transfer price from creamery to current, or say from current to storage it simply means that there is that much more profit in current and that much less in creamery. It is entirely an internal matter.

Mr. PINARD: It is applied to one or to the other?

Mr. SILVERWOOD: That is right, but it is internal. It washes itself up.

The ACTING CHAIRMAN: I should like to know if the witness can tell us what is the average mark-up or spread you try to obtain from the time you get your milk until you get it into butter and the butter distributed?

Mr. SILVERWOOD: Well, the mark-up we will say on print butter is—you sell your butter, Mr. Mayhew, on the basis of market price, whatever it happens to be, the private market. The only difference is that you get 2 cents more for prints because of the cost of printing.

The ACTING CHAIRMAN: I want to ask you now about your profits, what you make—

Mr. SILVERWOOD: You mean, the spread between the price of fat and the price we get for butter; is that what you are referring to?

The ACTING CHAIRMAN: Take milk as the raw material and let us know what your cost is for producing butter.

Mr. SILVERWOOD: I think I can answer that question. As a matter of fact, that question is answered in statement No. 4, on page 1. If you would like to make one or two little notations on the page I think it will help to explain it. Just take now these last eleven months, just to avoid confusion. Column E, gives you—you will see the figure of \$3,122,847. If you divide that \$3,122,847, by the number of prints sold it gives you 48·26 cents per pound. I would like you just to make a little notation of that on your sheet. The cost of that fat is 48·26 cents for the eleven months.

Mr. LESAGE: That is per pound of butter?

Mr. SILVERWOOD: 48·26 cents per pound of butter.

Mr. LESAGE: Per pound of butter?

Mr. SILVERWOOD: That is right. The purchasing expense, column F, is 1·15 cents per pound of butter. The production expense is 3·27 cents. On the next page, the selling expense, column J, is ·93. Now, you want to get the complete picture. By adding purchasing expense, production expense, selling expense and indirect expense of 2·64 cents, it means that we would have to have a mark-up of 7·99 cents, practically 8 cents, between the cost of the fat and the selling price of the butter to break even.

Mr. JOHNSTON: What would you consider a good profit? What mark-up would there have to be in order for you to make a reasonable profit?

Mr. SILVERWOOD: It all depends on what you consider a reasonable profit. If you consider a reasonable profit we will say 1 cent a pound you would have to have a mark-up there of 9 cents between the cost of fat and the selling price of butter.

Mr. JOHNSTON: Would you consider 1 cent to be sufficient?

Mr. SILVERWOOD: Well, of course, 1 cent profit would be considerably better than what we have been accustomed to in the past 9 years.

The ACTING CHAIRMAN: Do you not set an objective on the cost?