

DEPARTMENT OF LABOUR

SUMMARY OF THE REPORT OF THE LAKE OF THE WOODS MILLING COMPANY.

The Lake of the Woods Milling Company at the beginning of the period which this investigation covers had stock, common and preferred, issued amounting to \$3,600,000; of this \$800,000 was good-will. The original amount of this account was one million dollars. It was reduced at the end of the fiscal year 1917 to \$550,000. Dividends are paid annually on such of this watered stock as is still outstanding. The common custom is followed of paying off this account from the surplus profits account each year. In this way, all the stock issued will finally represent full value in either cash or tangible assets. It does not do so at present. As explained above the rate of profit has been worked out on actual capital, exclusive of good-will.

The total net investigated capital of the company, 1913 to 1917, was: \$3,617,000 in 1913; \$3,703,000 in 1914; \$3,789,000 in 1915; \$3,886,000 in 1916, and \$3,889,000 in 1917. The total net profits for each year, before deducting \$50,000 to validate watered stock and before deducting war tax in 1916 and 1917, were \$385,766 in 1913; \$343,988 in 1914; \$525,025 in 1915; \$544,579 in 1916; and \$700,513 in 1917. The depreciation reserve was somewhat too low previous to 1917, but the unusually large reserve for depreciation and reconstruction in 1917 of \$161,000 was deducted from 1917 profits thus making the total depreciation reserve, covering this period, more equitable.

The net profit per cent on the total investment, calculated on the above figures, was 10.7 per cent in 1913; 9.3 per cent in 1914; 13.9 per cent in 1915; 14 per cent in 1916, and 18 per cent in 1917.

The surplus profits account was \$853,135 in 1913; in 1917 there was \$831,883 to the credit of the Lake of the Woods account plus \$392,361 to the credit of the Keewatin surplus account. In addition to this, \$550,000 of bonds were redeemed during this period; \$250,000 watered stock was redeemed and \$71,703 reserve was made for war tax. Thus after all dividends were paid and all charges made, the surplus profits were increased from 1913 to 1917 by more than one million dollars, although \$800,000 of those surplus profits went for redemption of bonds and good-will account.

This company is the second largest milling company in Canada but its sales and production have not increased so rapidly since the war as the first company dealt with. Its growth has been more intermittent. The number of barrels of flour produced was approximately:

	Barrels.
1913	1,900,000
1914	2,000,000
1915	1,800,000
1916	2,600,000
1917	2,100,000

The receipts from all sales were slightly less than \$12,000,000 in 1913 and almost \$23,000,000 in 1917, that is they have nearly doubled, while those of the largest company have nearly trebled.

The profits from sources other than the manufacture of flour, chiefly wheat dealing, form comparatively small proportions of the net profits of this company except in 1917. Dealing in wheat for the purpose of making profit on the re-sale of such has not been an important feature of the operations of this company. The profits from option dealing in wheat and from sources other than the manufacture of flour were \$50,000 in 1913, \$35,000 in 1914, \$60,000 in 1915, \$78,000 in 1916, and \$194,000 in 1917. In the latter part of 1916 and the early part of 1917, this company, as was the case with most of the wheat dealing companies made very large profits through the rise in the price of the wheat which they held.

The profit per barrel of flour has increased from 15 cents in 1913 to 20 cents in 1917, while the production has also increased. In 1913, there were 1,900,000 barrels of flour and other cereals produced at a profit of 15 cents a barrel; in 1914, there were 2,000,000 produced at a profit of 13 cents a barrel; in 1915, there were 1,800,000 barrels produced at a profit of 23 cents a barrel; in 1916, the maximum production of