

Huge Flour Milling Profits

Immense Grists of Wealth Ground Out in War-time
for Shareholders---By Geo. Hambleton

SOME five months ago the Department of Labor issued a report on the war-time profits of Canadian milling companies. That report told a story which aroused interest the Dominion wide.

It related how millions had been piled up in profits, despite war taxation. It showed how unprecedented amounts had gone to swell surplus profits accounts, how new contingent accounts had been opened up, how unparalleled provision had been made for depreciation.

But, considered as an analysis of war-time profits, the story was necessarily incomplete. The period it covered was of financial years considerably previous, in some cases, to the date on which the report was published. It is now possible, partially at any rate, to complete the record, to indicate how the huge profits shown in the report have grown still more huge, how the merry dance of millions continues apparently without end.

The Enormous Ogilvie Profits

Take, first, the case of the Ogilvie Flour Mills Company. The net profits of this company for the financial year ending August 31, 1914 (including one war month only), was \$450,000. In the third war year, after providing the tremendous sum of \$750,000 for war tax the net profits of the Ogilvie Flour Mills Company grew to \$1,358,847.

Yet, astounding as was this increase, it has been more than eclipsed within the last twelve months, a period, by the way, untouched by the Labor Department's report. For, in the financial year, ending August 31, last, Ogilvie's net profit reached the amazing total of \$3,551,821, equal to a dividend of no less than 136 per cent. on its common stock.

The net profit for 1917-18, available for dividends, is shown by the company's balance sheet as \$1,955,414. But the balance sheet shows something further. It shows that the old contingent account of \$2,500,000 has been transferred to a new "rest" account and a new "special" contingent account, amounting to \$1,596,407 created out of the year's profits. Total net profits for the year 1917-18 therefore stand at:

Profits for the year after payment of bond interest and providing for war tax.....\$1,955,414
Special contingent account.....1,596,407

Total net profit for year \$3,551,821

According to W. A. Black, managing director of the Ogilvie Flour Mills Company, this special contingent account of \$1,596,407 has been created to ensure "proper provision . . . to take care of a sudden change in value." "With flour and wheat from two to three times normal values," Mr. Black adds, "it is only natural that there should be some anxiety in the minds of our shareholders in this respect." In other words, this sum of \$1,596,407 was set aside to meet any possible post-war slump in wheat and flour prices.

Fat War Years for Flour Milling

Now, according to its own inventory statement, the company's total stocks on hand on August 31, last, were valued at \$1,462,916 or \$1,174,093 less than the stocks carried on August 31, 1917. Therefore, the company provides \$1,596,407 to meet a possible decline in value of stocks valued in all at \$1,462,916. In addition, it must not be forgotten that the company has the old contingent account of \$2,500,000, now termed a "rest" account.

This, coupled with the new contingent account, makes a total reserve for contingencies of \$4,096,407. War years of plenty to provide for leaner years of peace!

One further feature of this extra-

ordinary financial statement should be noted. The total invested capital of the Ogilvie Flour Mills Company at the beginning of the last financial year was approximately \$7,200,000. A net profit of \$3,500,000 is equivalent to about 50 per cent. on such capital actually invested. How the company's net profits are growing will be realized when it is pointed out that for the year 1916-17, net profits on actually invested capital were 32 per cent.

And, by order-in-council, dated March 9, 1918, the government limited the profits of meat packing companies to 11 per cent. on actually invested capital!

All profits above that percentage go to the state. Had the order-in-council been made applicable to milling companies, the Ogilvie Flour Mills Company would have been liable to pay in war tax approximately another \$2,750,000.

Lake of the Woods Profits

Take again, the case of the Lake of the Woods Milling Company. For the financial year ending August 31, last, the net profits of the company were \$753,000, after making provision for doubtful accounts, war taxes, bond interest and depreciation.

For the previous year, allowing the same charges, net profits were \$465,747 or an increase of 61 per cent. On common stock, a dividend was paid last year of eight per cent; this year, the dividend is 12 per cent. In 1913, the surplus profits account totalled \$853,135; at the end of August last, the surplus profits account stood at \$1,178,797, an increase of \$325,662.

Further, these figures do not show profit from the Keewatin Flour Mills, which are owned by the Lake of the Woods. In 1917, the profits from the Keewatin Flour Mills were \$218,000 and its surplus profits account was \$392,000. Keewatin profits for this year are probably correspondingly high.

St. Lawrence Flour Mills

Returns of the St. Lawrence Flour Mills are still more remarkable. Common stock of this company has been issued to the extent of \$1,200,000. Of this, \$150,000 was paid for in assets. The remainder, \$1,050,000, is apparently "water."

Up to the end of the financial year 1917, no dividends were paid on common. This year, \$102,000 has been distributed in dividends on common stock, equal to eight-and-a-half per cent. In 1917, rate of profit on actually invested capital was 16.2 per cent.

This year, it is 29.6 per cent. From a debit of \$61,000 in 1913, the surplus profits account now stands at a credit of \$251,154.

What Will the Government Do?

With such tremendous profits from food in wartime, the question is naturally asked: "What course will be taken by the government?"

In a semi-official way, it was hinted some time ago that milling was likely to be placed on the same footing as cold storage companies, and their profits limited to 11 per cent. on actually invested capital.

In a press statement, Lieut.-Col. LaBelle, managing director of the St. Lawrence Flour Mills, has declared that: "As I have told the government so often, millers are making far less than many other trades," a declaration which makes one wonder what millions other trades are casually picking up by the wayside, while broken men are returning home to inadequate pensions.

The situation is one which demands vigorous enquiry along the lines of recent investigations by the Federal Trade Commission of the United States into American packing companies; and, once the full truth is known, rigorous action without delay.



NOTICE TO SOLDIERS ON HARVEST LEAVE.

Attention is directed to a recent announcement published in the Press by the Military Service Branch, Department of Justice, regarding extensions to be granted to men EXEMPTED AS FARMERS.

It is pointed out that this DOES NOT IN ANY WAY AFFECT MEN WHO HAVE BEEN ORDERED BY THE REGISTRAR TO REPORT to Depot Battalions and who have thereafter received leave of absence from the Military Authorities.

Once a man has been ordered to report for duty by the Registrar he leaves the jurisdiction of the Registrar and comes under that of the Department of Militia and Defence, and is to be considered as a soldier. This applies to men of the 20 to 22 Class who have been ordered to report by the Registrar in virtue of the cancellation of exemptions by Order-in-Council of the 20th April last, as well as to those ordered to report in the usual way on refusal of claim for exemption, or on expiration of exemption granted.

All men, accordingly, who have been ordered to report, and are therefore SOLDIERS, and who have subsequently been granted harvest leave by the military authorities, MUST, NOTWITHSTANDING THE NOTICE ABOVE REFERRED TO, REPORT ON THE EXPIRATION OF THAT LEAVE, unless they are notified to the contrary by their Commanding Officer or by general notice published by the Department of Militia and Defence.

DEPARTMENT OF MILITIA AND DEFENCE.

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