

SUMMARY AND CONCLUSIONS.

I

The above report shows that the profits of the large milling companies have tremendously increased since the war. The increased profits have been disposed of in various ways:

NOTE.—The figures below are given in most cases to the nearest thousand.

(a) In some cases, as with the Maple Leaf Milling Company, dividends have been paid 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 1915 were 8 per cent; in 1916, they were increased to 12 per cent; and, in 1917, to 25 per cent.

(b) 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 \$1,750,000. (Subsequently \$65,116 war-tax was paid on profits for the fiscal year 1917). The surplus profit account of the Western Canada Flour Mills Company was \$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 has 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 were paid during the period. The surplus profits account of the Ogilvie Flour Mills in 1913 was \$173,000; in 1917 it was \$2,390,000, 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, it was \$853,000; in 1917, it was \$832,000 plus \$392,000 at the credit of the surplus profits account of the Keewatin Flour Mills which the Lake of the Woods Company entirely owns. This is in addition to the redemption of Keewatin bonds to the extent of \$350,000, in 1916 and the redemption of 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.

In the years 1916 and 1917, substantial war-tax reserves were set aside by the companies making the largest profits. The amount of this is shown individually for each company. Contingent accounts have been opened up. As these, however, are really another form of surplus profits account, they are reckoned as such in the above calculations. Depreciation accounts of unprecedented amounts were set aside in 1917. But it may be said that, generally speaking, the depreciation reserve set aside by the various companies, which amounted on an average to about 2 per cent, was too small. This was mitigated, however, by the fact that the surplus profits account was able, in most cases, to take care of depreciation. In 1917, generally, the depreciation account was increased from about 2 to 5 per cent. In some cases it was not so increased. Some companies made no depreciation reserve until 1917. The unusually large depreciation reserve made by the majority of the companies in 1917 very greatly decreased their apparent profits. But, with increased production in 1916 and 1917, a larger reserve for depreciation than in previous years was necessary.

Except in the case of the Western Canada Flour Mills Company and the St. Lawrence Flour Mills Company, the surplus profit account does not provide for sinking funds.

II.

Production of flour by the nine largest milling companies in Canada has greatly increased since 1914. This production in 1914 was approximately ten million barrels; in 1917, it was approximately fourteen million barrels. The largest flour milling com-