

# Food Monopoly in Canada

Report of the Cost of Living Commission—Sir Joseph Flavelle's Reply.

Mr. W. F. O'Connor, the Labor Department's Cost of Living Commissioner, after months' investigation of cold-storage companies in a report tabled in the House of Commons on Friday, July 13, states that the bacon industry will stand some explaining, being in a class by itself.

In concluding his report, the Commissioner gives his findings to the effect that there has been no illegal combination nor any excessive accumulation of goods on the part of the companies. There were, he says, "two individual cases of profiteering in 1916." Had they occurred since the passage of the cost of living order-in-council, he says, he would consider it his duty to recommend that the facts be laid before the Attorney-General for his consideration as to their criminality. He finds a tendency on the part of some companies to exact seemingly excessive margins on beef and butter. Whether these margins are excessive, he says, only a criminal prosecution or a declaration by the food controller as to what shall be a fair price or a fair margin, can determine. He considers that the profits of most companies on certain lines while not high as compared with before-the-war prices, might well be less. Their business has so enormously extended during the war period that the before-the-war margins of profit ought not to be considered fair tests of fair profits.

"My enquiries enable me to pronounce with emphasis," says that commissioner, "that there is no 'food trust,' and I have failed to discover any instance of the destruction of fit food. Again, there is nothing like combination among the various companies. There is lively competition instead. A few of the cold storage companies, however," adds the commissioner, "have so centralized the business in certain lines that, as respects particular commodities, particular companies are able to exercise a practical monopoly, especially of export business. In some instances this practical monopoly has been fairly administered; in others, concerning which I shall have to specifically report, it has not. As to the matter of over-accumulation, all the evidence is against it. The popular conception is unquestionably wrong. It is surely not open to contradiction that the reasonableness of the amount of stock in trade carried by a person, firm or company depends upon the volume of business transacted, by which I mean the turnover." Mr. O'Connor shows later in the report that in proportion to the expansion of business the quantities of goods held in cold storage on certain dates showed a decrease in 1916 as compared with 1915.

The commissioner points out that all food prices are ruling high. "As respects cold storage products," he continues, "it seems to me that extensive buying for export has contributed most to the advances in prices of cold storage commodities. The domestic price has followed the trend of export prices upward. And I humbly suggest that the figures will disclose that the Canadian farmer has not been blind to his opportunities. It will be noted that the cost to the various companies of the various cold storage commodities has been climbing and that a direct relation has been maintained between the cost to the companies and sale prices. In stating this I do not wish to be understood as stating that the relation has been invariable or as contending that there have not been cases of undue profit-taking. Quite the contrary, as will appear when I shall express an opinion concerning certain seemingly excessive charging, which in my judgment is none the less open to criticism, because for the most part the commodities affected were destined for export to Great Britain and the Allies overseas."

Canada's export trade in cold storage products, Mr. O'Connor states, is practically limited to four or five large meat companies and three or four export houses handling cheese and dairy products. "In the face of tremendous and insistent export demand," he says, "the matter of the prices payable by the companies to their vendors was one practically immaterial and seems to have been so regarded. The unfortunate domestic consumer, though living in a land of plenty, was thus constituted a competitive buyer as against a hungry world. Export prices reacted upon domestic prices and raised them until foodstuffs were selling, as they are, at prices ordinarily associated with periods of famine. The food consumer has suffered as a result; the food purveyor has not."

## OPERATIONS OF COMPANIES.

Mr. O'Connor's report is filled with tables showing the operations of the companies during the past four

years. He shows that the companies in 1916 purchased 46,561,063 pounds of butter at an average of 30.83 cents a pound; 76,806,324 pounds of cheese at 18.11 cents a pound; 28,122,683 dozen of eggs at 26.05 cents a dozen; 189,952,154 pounds of beef at 10.75 cents a pound; 158,848,834 pounds of pork at 15 cents a pound; 124,605,834 pounds of bacon at 15.76 cents a pound; 14,384,485 pounds of ham at 19.20 cents a pound; 13,609,605 pounds of mutton and lamb at 16.80 cents a pound.

They sold 43,867,729 pounds of butter at an average of 32.73 cents a pound; 72,638,890 pounds of cheese at 18.88 cents a pound; 26,410,119 dozen of eggs at 30.36 cents a dozen; 170,472,195 pounds of beef at 11.45 cents; 123,686,256 pounds of pork at 16.85; 151,309,429 pounds of bacon at 20.34 cents a pound; 14,390,367 pounds of ham at 21.32; 12,666,380 pounds of mutton and lamb at 17.41 cents a pound. The margins between purchase prices and selling prices were thus: Butter, 1.98 cents a pound; cheese, .77 cents a pound; eggs, 4.31 cents a dozen; beef, 70 cents a pound; pork, 1.85 cents a pound; bacon, 4.58 cents a pound; ham, 2.21 cents a pound; mutton and lamb, 61 cents a pound.

Mr. O'Connor is careful to explain that by the word "margin" he means the gross profit on a commodity from the time it is laid down, all costs and expenses paid, in the storage warehouse. It is thus the difference between the cost price and the selling price and includes cost of storage, loss, interest on investment, overhead charges and any other expenses from the time the commodity enters the warehouse until it reaches the purchaser. He indicated the "margins" on commodities for export during the year as follows: Butter, .57 cents a pound; cheese, .43 cents a pound; eggs, 6.56 cents a dozen; pork, 2.37 cents a pound; bacon, 2.68 cents a pound; mutton, .01 cents a pound.

On beef there was an apparent loss of .81 cents a pound and on ham an apparent loss of 2.38 cents a pound.

The explanation was that much of the beef and ham was purchased in 1915, when cold storage costs were less than those of 1916.

On goods for home consumption the "margins" were: Butter, 2.35 cents a pound; cheese, 2.52 cents a pound; eggs, 3.79 cents a dozen; beef, .50 cents a pound; pork, 2.13 cents a pound; bacon, 3.09 cents a pound; ham, 3.73 cents a pound; mutton and lamb, .59 cents a pound.

Coincidentally prices charged by the companies increased as follows: Butter 5.61 cents a pound; cheese 5.65 cents a pound; eggs 5.43 cents a dozen; beef, 1.43 cents a pound; pork 2.38 cents a pound; bacon 2.25 cents a pound; ham 2.40 cents a pound; mutton and lamb 4.06 cents a pound.

The Commissioner considered that an unjustifiable profit is being made on bacon of which sales by the companies since 1913 have increased twelve fold. The disproportionate increase received by the companies for eggs and bacon, he says, would be justified if storage costs had correspondingly increased. But he says, the figures submitted by the various companies for the last four years do not evidence a sufficient rise in storage costs to bridge the gap. The rise in the price of bacon in 1916 he finds was clearly the result of a practical monopoly brought about by a huge and unprecedented export trade demand.

He points out that the domestic prices for eggs, bacon and pork have ruled lower than export prices, but generally he declares "we have been paying more for most of our food for domestic consumption than the Allies to whom we are exporting. This is not the result of patriotism, but something far different."

Mr. O'Connor says that there is a danger of over-centralization of control of foodstuffs, pointing out that an amalgamation of three or four of the largest dealers might secure control of more than half of the total quantity of a specific commodity which passes through cold storage. He deals at length with the operations of eleven of the largest cold storage companies in Canada in 1916. For instance two Montreal firms handled fifty million out of seventy-two million pounds of cheese sold by all the cold storage companies of the country and three companies sold 70,500,000 pounds.

Three companies sold 53 per cent. of the total storage output of eggs. Seven abattoirs sold 124,000,000 out of 170,000,000 pounds of beef and four of them sold 113,000,000 pounds.

## DAVIES CO. BACON PROFITED.

One company No. 9 (which is understood to be the William Davies Company) sold 97,000,000 pounds of bacon out of a total of 151,000,000 at a margin of

5.05 cents a pound. Companies No. 9 and 5 sold 140,000,000 out of the 151,000,000 pounds.

The total exports from all Canada according to the Trade and Commerce returns were in 1916, 169,000,000 pounds.

Four companies exported 85 per cent. of the butter sent out of the country by the cold storage concerns.

Turning to the question of margins in certain instances, the commissioner says that company No. 9 sold 566,505 dozen eggs with a "margin" of 7.27 cents a dozen. Certain other Ontario cold storage companies sold eggs at a margin of 5 to 5.5 cents a dozen. The average margin of all companies, with the exception of No. 9 was 3.6 cents, and this, in view of the enormous turnover, Mr. O'Connor says would seem excessive.

Speaking of the sale of 97,000,000 pounds of bacon by company No. 9, with a margin of 5.05 cents a pound, the commissioner points out that the margin of the same company in the previous year was 3.67 cents on 57,500,000 pounds. There is, he says, no evidence of corresponding increase in storage or other costs. The margin of 3.67 cents was sufficient, satisfactory and profitable in 1915. "Why not in 1916?" he asks. Company No. 5 again in 1916 sold 42,500,000 pounds of bacon at a margin of 3.56 cents a pound.

Sir Joseph Flavelle President of the Wm. Davies Co. sends us the following:

TORONTO, Ont., July 13th, 1917.

The Journal of Commerce, Montreal, Que.:

The following telegram has been sent by the President of the William Davies Co., Limited, to Sir Robert Borden, Prime Minister for Canada, with respect to a statement published by the Department of Labor concerning the business of the William Davies Co., Limited, July 13, 1917:

Sir Robert Borden, P.C., K.C.M.G., Prime Minister, Ottawa. The statements given to the press by the Department of Labor, and which appear in the morning papers covering the business of the William Davies Company are grotesquely untruthful both in the mass and in detail. They evidence a curious mixture of ignorance and malice. I deeply regret the injustice of this attack. I regret it naturally on personal grounds, but even more on public grounds, bitterness and anger and suspicion are being stirred up against public men, against labor and capital and corporations which, in many instances have no better support than flippant impudence and ignorance. The pity of it in this case is that an authoritative statement was available and was not consulted. The Department of Finance is furnished with a balance sheet and profit and loss sheet annually of each firm in Canada given under the provision of the Business Tax Measure.

The statement of the William Davies Co., Limited, is and must continue to be furnished to the Department of Finance. These statements are not only audited on behalf of the company, but are verified by the accountant of the Department of Finance and are final in authority. The Department of Labor could have consulted these statements and could have procured such further information as they might have desired by application to the general manager of the company and could thus have avoided the grave injustice of an attack based upon absurdly untruthful statements. During its entire history, the Williams Davies Co. has sought for no trade advantage or profit other than could be secured through the diligence and attention to its business if much volume of business has been secured in contrast to others it has been secured in open competition free from combination or arrangement or understanding with other packers or merchants. The company offered to the Imperial Authorities at different periods since the outbreak of the war to operate to its capacity in bacon products, canned meat products and pork and bean products, on a cost and percentage basis, but each time the offer was declined, first for bacon and later for canned meats and pork and beans. The Imperial Authorities expressed the desire to purchase in the open market. All army purchases of bacon are made in London. All army purchases of canned meats and pork and beans are made in Canada. Both are made in open and untrammelled competition with the world. The world during the period of the war is confined to the United States, the Argentines, Canada, Australia and New Zealand. If it is wrong to secure a share of this and other business under these competitive conditions, the company has been guilty of such wrong and of no other.

As the statement was issued by the Department of Labor I ask you to take such steps as you may think necessary whereby the truthfulness or untruthfulness of these statements can be established.

J. W. FLAVELLE, PRESIDENT,

The William Davies Company, Ltd.