

Mr. MONET: Now could you tell the members of the committee, Mr. Silverwood, whether the manufacturing of butter was a profitable operation before control and if so to what extent?

Mr. SILVERWOOD: Well our experience in the butter business, Mr. Monet, was that the butter business was unprofitable before control. It has been unprofitable with us for every year until the period 1947-48.

Mr. IRVINE: Is that comparatively unprofitable or actually unprofitable?

Mr. SILVERWOOD: That is actually unprofitable.

Mr. MONET: You are talking about the period before control?

Mr. SILVERWOOD: That is right.

Mr. MONET: Was it always unprofitable before the period of control?

Mr. SILVERWOOD: Well some years were better than others. All the years were not the same, but we have not found butter to be a profitable operation for a good many years.

Mr. IRVINE: How can you explain then why you continue in the butter business?

Mr. SILVERWOOD: I think that is a good question. We started out as a produce business. We started buying poultry and eggs from the farm but we soon got into the creamery business and I think the date was about 1907. Our whole business had been developed from that beginning. We set up with buying stations as we have listed them here at Thamesville, Melbourne, Zurich, Neustadt and Uxbridge. We have our warehouses and so on, and we are in the position that while the butter end of the business helps to carry the overhead—it carries a share of the overhead—yet it is a most difficult matter to calculate what savings we could make if we were out of the butter business. As a matter of fact if we got out of the butter business we would have to get out of some of the other lines. We would have to forget about poultry, eggs, melange, and I would say all our produce products. It is a most difficult question but we have considered it as a matter of fact.

Mr. IRVINE: That being so—the fact that you have to make butter in order to stay in the general produce business—would mean that whatever profit you might make out of the business as a whole would have to be partly credited to butter since that business is necessary to enable you to carry on the other parts of the business?

Mr. SILVERWOOD: I would not say that we have to carry on with butter in order to carry on our business.

Mr. IRVINE: I understood you to say that.

Mr. SILVERWOOD: I do not know whether I made myself clear. We could not very well discontinue butter without discontinuing other lines. I think that is a fair statement. We may go back home after this inquiry is over and again go into the question of whether we should be in the butter business?

Mr. IRVINE: May I ask a supplementary question? In your opinion would the same answer apply with respect to all producers of butter in Canada?

Mr. SILVERWOOD: No, I do not think so. I would answer the question in this way. Butter is a product that lends itself to small operation. Many creameries are located in small towns and are operated probably by a father and perhaps his son—sometimes father and sons—and a creamery can be operated in a very modest way. However, when you get into a big organization such as ours, and when you get involved in time and a half for overtime, and pensions, and so on, your overhead is considerably higher than if you were operating in a little town or a village. We mentioned yesterday competition in setting butterfat prices.