## PREFACE

THE MAIN purpose of this booklet is to present a summary of the facts brought out at the recent investigation into the Primary Cotton Textile Industry by the Royal Commission on Price Spreads. Nearly all the statistics used are taken from the report of the Royal Commission's auditors. In regard to the larger companies, these figures were obtained by the auditors from the companies' books. In regard to the other mills, the figures were tabulated by the auditors from the results of an investigation by questionnaire. A few of the figures used have been taken from the published reports of the Dominion Bureau of Statistics. All of these figures were prepared and tabulated independently of the companies themselves.

As a background against which these facts may be studied, a brief historical review of the industry as a whole and of its separate units has been included, together with some comments and explanations in regard to the policies and practices which characterize this industry.

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# *Introduction*

It is the natural objective of all countries to produce in so far as possible within their own borders the chief necessities of life, such as food and clothing. The establishment of the cotton industry in Canada nearly one hundred years ago, therefore, was based upon sound economics, and followed closely upon the establishment of this industry in the United States.

While the raw cotton was grown in the Southern Atlantic States, the manufacture of cotton goods in the earlier years was largely concentrated in the New England States, which from the standpoint of transportation and an available supply of workers, were no more advantageously situated than those localities in which cotton manufacturing was established in Canada. Even today when the growing of cotton has shifted largely from the Atlantic States to further west and south, Canadian mills are still well located in so far as their relationship to their supply of raw material is concerned.

The development of this industry in Canada is a much more logical development in this regard than the establishment of this industry in either Great Britain or Japan, the two largest producers of cotton fabrics in the world.

In 1844 the first cotton mill was established in Canada, at Sherbrooke, Quebec. In 1847 a small mill was established at Thorold, Ontario, but this mill was later closed. The first large scale mill was established at Merritton, Ontario, in 1850. This mill was equipped with 12,000 spindles and 260 looms. Gordon Mackay & Company of Toronto were their selling agents. This firm is still one of the largest distributors of cotton fabrics in Canada. In 1861 Parks Mill was established at St. John, N.B. In 1872 a cotton mill was established in Montreal, and the pioneer in this venture was Victor Hudon, who later founded the wholesale firm of Hudon, Hebert & Company, which is still one of the leading Canadian organizations in the grocery field. From this time on the industry grew quickly. The Census of 1881 lists 19 cotton mills, producing goods to the value of nearly four million dollars.

For a time the young industry was threatened with a state of over-capacity for the needs of the domestic market; but this was staved off by diversifying the output of some of the mills, by the production of finer goods than had been originally attempted, and by developing an export trade to foreign countries, especially to the Orient, in coarse grey cottons. This latter trade, which had the advantage of low export freight rates over the newly opened Canadian Pacific Railway, was at first surprisingly successful, and in 1889 a new mill of 12,000 spindles was built at Montmorency Falls expressly for export trade. By 1898 the total capacity in the Dominion was placed at 643,312 spindles. The Oriental trade proved unreliable, however, and the mills which had been devoted to supplying it transferred their output to the domestic market, which after 1897 was also increasingly supplied by British manufacturers. The first few years of the new century were years of extreme difficulty for Canadian cotton manufacturers, who were compelled to resort to price cutting on a ruinous scale in the effort to secure enough business to continue in operation.