

Mr. MONET: Would you tell the members of the committee what you mean by the phrase, "current butter."

Mr. SILVERWOOD: The current butter account or the current trading account is the account to which all our make is charged plus all our purchases. In other words, we transfer the butter made from our creameries into our current butter account and that transfer is made on the basis of the Toronto solids market less three-quarters of a cent. We use that formula on the day of the transfer from the creamery to the current account. We do not hold butter in the creameries at all. We transfer it immediately it is made to the current account at the Toronto solids market for that day less three-quarters of a cent.

Mr. MONET: It is a sale; it is to be considered as a sale from your creamery department?

Mr. SILVERWOOD: It is an internal sale, if you like.

Mr. MONET: But it is a sale?

Mr. SILVERWOOD: It is an internal sale; that is right.

Mr. PINARD: What is the  $\frac{3}{4}$  of a cent?

Mr. SILVERWOOD: The theory of the  $\frac{3}{4}$  of a cent is that it covers  $\frac{1}{4}$  of a cent for brokerage and  $\frac{1}{2}$  a cent for delivery. Actually it is an arbitrary figure we use just for our own internal accounting, if you understand.

Mr. JOHNSTON: You would not have a brokerage fee if you were transferring it from one of your creameries?

Mr. SILVERWOOD: That is quite right. It is an arbitrary figure we use for the sake of our internal accounting.

Mr. JOHNSTON: Do you add that up to the expense of the butter?

Mr. SILVERWOOD: No.

Mr. PINARD: Is that practice followed generally?

Mr. SILVERWOOD: We are actually decreasing the profit of the creamery department to the extent of  $\frac{3}{4}$  of a cent by doing that, but it is all an internal matter, anyway. We show  $\frac{3}{4}$  of a cent less than Toronto solids as a credit to the creamery department, and the current butter account has the benefit to that extent. Do you understand?

Mr. PINARD: What is the purpose of that?

Mr. SILVERWOOD: It puts the creamery department to some extent on the same basis as if we were buying that butter from outside.

Mr. HOMUTH: It is all an internal matter?

Mr. SILVERWOOD: It is all internal.

Mr. HOMUTH: It does not mean anything in regard to the price of the commodity?

Mr. SILVERWOOD: It has no bearing at all.

Mr. HOMUTH: It is simply a matter of one department or another showing a profit or a loss in its operation?

Mr. SILVERWOOD: That is quite right.

Mr. MONET: But the current butter account represents butter coming from the creamery department, and is it also butter purchased?

Mr. SILVERWOOD: It is also butter purchased from outside at cost.

Mr. MONET: At cost?

Mr. SILVERWOOD: That is right.

Mr. MONET: Then we have storage butter?

Mr. SILVERWOOD: Butter we store is transferred out of current account to storage also at the same price, that is, at the Toronto solids price less  $\frac{3}{4}$  of a cent on the day of the transfer. If we decide to store butter it is transferred from our