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SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 19

MONDAY, MARCH 8, 1948

WITNESSES:

Mr. Charles M. Ruttan, Director, Ontario Bakers' Association Toronto;

Mr. A. V. Loftus, President and General Manager, Canada Bread Company Limited, Toronto;

Mr. W. S. Antliff, Assistant General Manager and Treasurer, Canada Bread Company Limited, Toronto.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

MONDAY, March 8, 1948.

The Special Committee on Prices met at 11.00 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, McCubbin, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

The Chairman read the following telegram dated March 5, addressed to him by John B. Parent, Dionne Ltd., Montreal, viz:

"Due to a reduction of ½ cent on our cost of bread and also to the request of your Committee we have changed our selling price on bread to-day from fourteen to thirteen cents in all our stores."

Counsel filed,—

Exhibit No. 43—Statement by Dominion Bureau of Statistics showing wholesale price index sub-group weights *re* fish.

Mr. Charles M. Ruttan, Director, Ontario Bakers' Association, Toronto, was called, sworn and examined.

Witness retired.

Mr. A. V. Loftus, President and General Manager, Canada Bread Company Limited, Toronto, was called, sworn and examined. He filed,—

Exhibit No. 44—Copy of brief and of various other statements submitted for information of the Committee. *(Printed in afternoon Minutes of Evidence).*

At 1.00 p.m. witness retired and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., the Vice-Chairman, Mr. Maybank, presiding.

Members present: Messrs. Beaudry, Fleming, Harkness, Irvine, Johnston, Lesage, MacInnis, Maybank, Mayhew, McCubbin, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Mr. Loftus was recalled and, at the same time, Mr. W. S. Antliff, Assistant General Manager and Treasurer, Canada Bread Company Limited, Toronto, was called and sworn, and both were examined.

Mr. Loftus filed,—

Exhibit No. 45—Annual Reports of Canada Bread Company Limited for the years 1938 to 1947 inclusive. *(1947 Report printed as an Appendix to this day's proceedings).*

At 6.00 p.m. witnesses retired and the Committee adjourned until Tuesday, March 9, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

7800—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
MARCH 8, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: The meeting will come to order, please.

We are glad to see Mr. McCubbin back following his illness and trust that he will be here now continually. We are glad to have him back.

Mr. MCCUBBIN: Thank you.

The CHAIRMAN: I have a wire here from Dionne Limited, John B. Parent; reading as follows:

March 5, 1948,
10.43 a.m.

Montreal, Quebec

Hon. Paul Martin,
Special Committee on Prices, Dominion Government,
Ottawa, Ontario, Care TC

Due to a reduction of half cent on our cost of bread and also to the request of your committee we have changed our selling price on bread today from fourteen to thirteen cents in all our stores.

DIONNE LIMITED,
JOHN B. PARENT.

Mr. IRVINE: Who said we were not reducing prices?

The CHAIRMAN: I am circulating a mimeographed proposed questionnaire, proposed by Mr. Beaudry for the scrutiny of each member of the committee. It is a suggested questionnaire for witnesses when we come to butter, but the thought is that members of the committee might have other questions which they think we should have some additional information on and I would ask each member of the committee to take this matter under consideration right away.

Now, the intention of counsel is that we might complete this stage—and I use this phrase properly—of the inquiry by Wednesday night. The steering committee will have certain other matters to take under consideration and it might be just as well for us to call a meeting of that committee for tomorrow.

Mr. IRVINE: Might I ask what you mean by "this stage"? Do you mean this stage of the bread inquiry or this stage of the main inquiry?

The CHAIRMAN: No, no; of the bread inquiry. There are certain other things counsel will want to discuss with the steering committee in connection with the proposals which should be made to you tomorrow or the next day.

Mr. JOHNSTON: When will the steering committee meet?

The CHAIRMAN: It will be meeting tomorrow. The meeting probably cannot take place before then because we are awaiting certain information.

Now, Mr. Dyde, I believe you have a witness?

Mr. FLEMING: Mr. Chairman, I would like to draw your attention to one matter before Mr. Dyde goes on. On the cover of No. 13 of the minutes of proceedings and evidence, dated Friday, February 27, 1948, Mr. Arsenault shows on

the cover as witness Mr. Charles M. Ruttan, Director, Ontario Bakers Association, Toronto. That is Colonel Ruttan's occupation, but the capacity in which he appeared before the committee on that occasion was as former administrator of the bread and bakery division of the Wartime Prices and Trade Board. I should think that would be the proper description to appear on the cover of our minutes of proceedings and evidence on that occasion.

Mr. MACINNIS: I don't think it should.

Mr. FLEMING: That is not the capacity in which he was called, only his present occupation.

The CHAIRMAN: The clerk tells me the usual practice is to show the occupation of the witness as of the date on which he appeared as a witness. That is what Mr. Arsenault tells me now.

Mr. MAYBANK: I suppose if you were listing him today it should be what he is at the present time, his occupation at the moment of being called.

Mr. WINTERS: It is clear in the evidence as to what he was when he appeared.

Mr. FLEMING: It is clear in the evidence but the cover is misleading.

Mr. DYDE: I have one or two exhibits to put in. On page 27 of the evidence there is a request for a breakdown on a fish item, and while perhaps this is not the completely appropriate time, nevertheless I think I should exhibit this statement supplied by the Dominion Bureau of Statistics.

EXHIBIT No. 43: Wholesale price index Sub-group weights—fish.

WHOLESALE PRICE INDEX SUB-GROUP WEIGHTS—Fish

—	Unit	Commodity	Sub-Group
	Quintal	Weight	Weight
Dry shore cod fish	(100 lbs.)	450,000	
Cod, fresh steak	lb.	175,000	
Smoked fillets of cod	lb.	6,000,000	
Haddock, fresh, heads on	lb.	18,000,000	
Fresh fillets of haddock	lb.	1,000,000	
Finnan haddie, standard	lb.	5,000,000	
Sole, fresh	lb.	1,500,000	
Kippered herring	box (20 lbs)	500,000	
Salt spring mackerel	barrel	100,000	
Halibut, B.C.	cwt.	300,000	8·2
White fish, fresh and frozen	lb.	20,000,000	
Canned Fish			
Salmon, sockeye	case	300,000	
Cohoe	case	150,000	
Pinks	case	500,000	
Chums	case	400,000	
Lobster	doz ½'s lb. tins	1,000,000	

(Furnished by D.B.S. in reply to question on page 24 of "Minutes of Evidence.")

Mr. DYDE: While that is being distributed I might mention also page 47 of the evidence, reference to a breakdown of indirect taxes; and the Dominion Bureau of Statistics have supplied a table with regard to that matter which I would like to exhibit.

EXHIBIT No. 44: Statement of indirect taxes, 1940 to 1947.

(Later withdrawn)

I am now calling Mr. Ruttan.

Mr. MAYBANK: Are we to understand Exhibit 43 in this manner: Take any one of them, say the top one, you arrive at the imports of dry shore cod fish by adding up all of these weights and you say that that particular kind of fish is important in relation to all the fish as that 450,000 is to the total; is that the understanding we are to give to this?

Mr. IRVINE: Would you ask the fishermen who asked for it?

Mr. MAYBANK: 450,000 set down as a ratio to the total, whatever the total is; is that what the understanding is?

Mr. WINTERS: I imagine if you look at this on a total product basis, 450,000 dry shore cod fish would be about the same as 10,000,000 pounds of haddock, fresh with the heads on. That is why they took it on that weighted basis.

Mr. MAYBANK: It says—the weight has to be understood because it is important. It is important in relation to the cost of living.

Mr. WINTERS: Yes.

Mr. IRVINE: Who asked for this? Ask him and he will be able to explain?

Mr. MAYBANK: I was wondering—I didn't ask for it.

The CHAIRMAN: Did you ask for it, Mr. Winters?

Mr. MAYBANK: I do not know where it came from.

Mr. WINTERS: I am not clear as to that. Does that refer to page 24, Mr. Maybank?

Mr. DYDE: The discussion starts on page 23, I think.

The CHAIRMAN: May I suggest that we must not spend too much time on that.

Mr. MACINNIS: We could get that information from the Bureau.

Mr. DYDE: I think that if information is needed on any of this the best way to do would be to recall one of the officials of the Bureau for a few minutes, and if you want those questions asked at any time I will arrange to have a representative here.

The CHAIRMAN: Now then, Exhibit 44 is a rather important one and just going into the record like that without any explanation seems to me a rather dangerous thing unless we can relate it to something, because we do not want any false deductions from that statement on indirect taxes. Unless it is properly explained I think that might happen.

Mr. DYDE: I think also, Mr. Chairman, that we should ask an official of the Dominion Bureau of Statistics to appear with regard to that exhibit.

The CHAIRMAN: Yes.

Mr. FLEMING: Mr. Chairman, could we have the reference to the question on which this particular statement arises? I asked a question the other day about indirect taxes entering into the price of those commodities which appeared in the cost-of-living index but I do not think the exhibit in this particular form is quite an answer to my question.

Mr. DYDE: We may not have got it for that particular question of yours because this came to us, I think, in answer to a query that was raised as far back as page 47 of the evidence.

Mr. JOHNSTON: Could we not have a breakdown of taxes as they effect bread, because that is the thing we are dealing with now, and I would like to see just to what extent taxes direct and indirect enter into the cost of a loaf of bread, because that is what we are dealing with now and I think it would have a very material bearing on the selling price of bread to the consumer. We have been delving into the other factors that affect it, ingredients and distribution and all that; but there is an amount of taxes which goes into that which might have a material affect on the selling price.

The CHAIRMAN: We will make inquiries about that. We had better clear it up. This is evidence.

Mr. MAYBANK: I do not know exactly what counsel would say at the moment as to where these figures came from or how they come to be before us, but the idea that I had in my mind was this: there are 50, 60, 70 items named in the cost-of-living index and I thought it would be desirable to have a statement on the indirect taxes on each of them. Now, it might be discoverable from the evidence or from this Exhibit 44, but I doubt that it can be done by way of a statement; but I think there ought to be some evidence on each of these items with relation to each of these items.

Mr. JOHNSTON: Referring to butter, meat and so on.

Mr. MAYBANK: Yes. They all come into the cost-of-living index.

Mr. JOHNSTON: I was going to suggest that the Dominion Bureau of Statistics prepare a statement such as I asked for just a moment ago in relation to bread; that we might very well ask for a further investigation and see what they can do in regard to giving us information in regard to indirect taxes as they affect these other commodities which we are going to investigate and probably they could be produced at the time we get to them.

The CHAIRMAN: Yes.

Mr. HOMUTH: Mr. Chairman, let's be sensible about this thing. You are asking them to get all the indirect taxes for some 50, 60 or 70 items. It would take a thousand people a year to get that worked out.

Mr. IRVINE: Oh, no.

Mr. HOMUTH: All right, now let's have an understanding as to what we are going to do. If we take the general taxes per capita per person across this country there you have a pretty good picture as to what taxes they pay. But to stop to figure it out in relation to each individual item—there are cases where the sales tax, for instance, enters into the transaction a number of times, and so on.

Mr. WINTERS: Not on commodities like bread.

Mr. HOMUTH: But here you have 50, 60 or 70 commodities.

The CHAIRMAN: I think there may be something in what you say. We will see what the Bureau says and have a report later on in the day.

Mr. HOMUTH: Let's be sensible about it.

Mr. WINTERS: When we are talking about taxes are we to consider them as percentage rates or dollar amounts?

Mr. MAYBANK: If there are no insuperable difficulties the information will no doubt be available. In the meantime it is desirable to see to what extent indirect taxes may affect prices. Now, if the terms are too difficult and go into too great detail, as Mr. Homuth suggests, that may present a difficulty.

Mr. WINTERS: You want it broken down to the number of cents going into a certain commodity.

Mr. MAYBANK: If it can be done.

Mr. FLEMING: On page 47 there is this question by Mr. Harkness:

> There is one other list of statistics which I think might be useful to us. On page 36 you have here No. 6, indirect taxes less subsidies, 1947, a total of $1,538 million. Can you give us a breakdown of that as to what those indirect taxes are?—A. I am afraid we will not be able to give you a complete breakdown, but we will do the best we can.

Presumably that is the question answered by this but I point out that the revenue yields here are shown to be about one billion dollars, not the $1,538 million referred to in the previous exhibit. This as it stands does not give us the breakdown yet, that was asked for on page 47 by Mr. Harkness.

The CHAIRMAN: We had better get a complete explanation of this from the Bureau of Statistics and report back this afternoon if we can.

Mr. HOMUTH: Mr. Harkness was not asking for individual items as much as the general tax burden.

The CHAIRMAN: The secretariat will note these things and get this information quickly.

Mr. FLEMING: Is this an exhibit in the meantime?

The CHAIRMAN: I think perhaps it should not be an exhibit. In view of all this I think we ought to withhold it at this stage.

Mr. JOHNSTON: Which one is that?

The CHAIRMAN: No. 44.

Mr. FLEMING: Either that or mark it for identification in the meantime.

The CHAIRMAN: I do not think it ought to be an exhibit at this stage.

Mr. MAYBANK: Just have it in everybody's hands on the understanding it will be brought up later and brought into the record in proper fashion.

The CHAIRMAN: Yes.

Mr. JOHNSTON: You will not identify that as exhibit 44?

The CHAIRMAN: No, but we will keep it for personal use.

Mr. HOMUTH: I want it to be understood I am not opposed to getting this information but—

Mr. MAYBANK: You want to be reasonable.

Mr. HOMUTH: I think we have got to be reasonable in trying to get it, and to try to break down all these various items I think is an impossible task.

Mr. MAYBANK: I think Mr. Homuth wants to be commended for being reasonable and I think he ought to be.

Mr. HOMUTH: I do not want to be commended for anything, and I do not want any commendation from you or anyone else.

Charles M. Ruttan, Director, Ontario Bakers Association, recalled

By Mr. Dyde:

Q. Mr. Ruttan, you have already given evidence before the committee. Your evidence is at page 562 of the proceedings. During the course of that evidence you told the committee that until the end of October, 1947, you had been administrator of bread and bakery products, Wartime Prices and Trade Board?—A. Yes.

Q. And at page 582 you explained that you became an officer of the Ontario Bakers Association on January 1, 1948?—A. Yes.

Q. Then on Wednesday, March 3, Mr. G. W. Bird, gave evidence in which you were referred to, the page being page 712. Have you had an opportunity of reading Mr. Bird's evidence, and have you done so?—A. Yes.

Q. The evidence is, Mr. Ruttan, that you called on the general manager of the A. and P. Tea Company in January, 1948, Mr. Beebe, and represented to him that his company was demoralizing the baking industry, and also that you called on Mr. Capstick, sales manager of the A. and P., and made some very similar representations on a subsequent date, which Mr. Bird could not give exactly. What have you to say to the committee with regard first of all to the conversation with Mr. Beebe?—A. Perhaps if I relate the circumstances leading up to my visit to Mr. Beebe, the president of the A. and P. Stores, the situation can be presented in its proper prespective, and you may save some valuable time.

For many years past, but particularly since the removal of the subsidy on flour last September, there has been a firm conviction on the part of the baking industry in Ontario that the A and P were using bread as a loss leader. We consider it would be unfair to mention any particular firms within the industry as holding this opinion, as it is the opinion of almost every baker who knows his production and operating costs. This opinion is so strongly held that at a recent meeting of the executive committee of the Ontario Bakers Association—

Q. When was that held?—A. March 3, 1948, to be exact the regular agenda of the meeting was brushed aside to allow time to discuss A. and P. selling policy as it affected bread. That meeting was taking place while Mr. Bird of the A. and P., presumably without any sinister intention, was giving your committee the impression that the Ontario Bakers Association had at different times, and recently through myself, their director, ventured to object to what was regarded as their loss leader policy.

Mr. HOMUTH: He said their meeting was on March 3. On what date did Mr. Bird give evidence?

The WITNESS: The same date exactly, sir. I wonder how many of you gentlemen got the impression that the bakers were guilty of a more or less serious misdemeanor in so doing. Certainly much of the press did, and quite logically, for having been heard before the bakers the A. and P. have apparently established their viewpoint so strongly that anyone who dares to question their policy must be wrong.

The CHAIRMAN: Oh well—

The WITNESS: That is our attitude.

By Mr. Johnston:

Q. For clarification—

The CHAIRMAN: Let him finish his statement. We will examine him on that later. I think he should be allowed to make his statement.

The WITNESS: At this particular bakers' association meeting I was instructed to proceed to Ottawa forthwith and consult with the executive secretary of the national council of the baking industry and arrange for a meeting of that council executive, and to engage legal counsel to ensure the proper presentation of the facts concerning the A. and P. competition as regarded by the bakers to your committee, or such other competent authority as would be fit and proper. Please note I was not aware of Mr. Bird's testimony or mention of my name until after I had purchased my ticket for Ottawa.

As Mr. Bird has told you I did see Mr. Beebe and I advised him at the outset that it would be improper for us to discuss price, but that the bakers considered, by reason of their knowledge of their own costs of production, that he must be selling bread at a loss. Mr. Beebe replied that they were not selling at a loss, and

added that even if they were, in view of a further recent drop in the price of flour, there was nothing that could be done about it. In fact, he smilingly asked me what I would do under such circumstances.

Mr. LESAGE: I do not want to interrupt but I would like the witness to repeat what he has just said and do it more slowly.

The WITNESS: I will be glad to. I agreed with him that there was nothing to be done under such circumstances but—

Mr. DYDE: He wants the earlier part, Mr. Ruttan.

Mr. HOMUTH: The previous paragraph.

The WITNESS: Mr. Beebe replied that they were not selling at a loss and added that even if they were, in view of a further recent drop in the price of flour, there was nothing that could be done about it. In fact, he smilingly asked me what I would do under such circumstances. I agreed with him that there was nothing to be done under such circumstances, but that he would find it difficult to convince the bakers that he was not selling bread at a loss.

You have heard Mr. Earwaker say to your committee on Friday last:

> The small baker today is in a very difficult position. I will make this prediction, if the large bakers and chain store operators continue to sell ten-cent bread there will be very few small bakers left in the country.

By Mr. Maybank:

Q. That is a quote?—A. That is a quote. You have heard Mr. Earwaker say that. Let me also quote to you from the report of the investigation into an alleged combine in the bread baking industry in Canada dated February 5, 1931.

> Chain store competition, even though much of it has been below cost, supplemented by the competition of smaller low cost bakeries all over the country, has made itself felt.
>
> The one object at that time seems to have been to keep the price of bread down regardless of wage scales or anything else, as no action apparently was taken against selling at a loss.

That is 1931. Presumably an organization like A. & P. has a very exact accounting system, but apparently it is not set up to show the actual profit or loss on an individual item such as bread. It is axiomatic that if an average hauling charge is 42 cents per 100 covering a number of lines, where the hauling charge is above 42 cents on any one line then that line earns less than the average. It is a fact that the express charges on bread run much higher to certain points than 42 cents, and where the over-all profit is less than 1 per cent it seems to the bakers beyond the bounds of reason that bread at ten cents can be anything but a loss in itself, although a tremendous trade getter as a loss leader. It is understood—

By Mr. Homuth:

Q. Say that again, please.—A. It seems to the bakers beyond the bounds of reason that bread at ten cents can be anything but a loss in itself though a tremendous trade getter as a loss leader. Again it is understood that in the United States the A. & P. stores sell bread at two cents under the price of the nationally advertised brands. For instance, where an advertised brand might sell for 16 cents for a 16-ounce loaf A. & P. would probably sell for 14 cents. Why then in Canada do they sell at four cents under the 14-cent price for a 24-ounce loaf? While it might be considered that in selling bread at an abnormally low price the A. & P. are rendering a service to the 5 or 6 per cent

of the population buying chain store bread, what will be the effect on the 30,000 bakery employees and their families? Is it reduction in wages or loss of jobs?

Again why should the products of our farms, wheat, lard, milk, that are necessary in the production of bread, be depressed beyond their proper value to enable any store to sell other products, some imported, at a profit? Those are a few of the questions that are puzzling the bakers and which in their opinion are worthy of your consideration.

As you will understand there has not been time to assemble representatives of the baking industry from coast to coast to study the situation in the light of recent publicity and submit definite recommendations to you, but it is hoped to make those recommendations in the very near future. In the meantime it will be understood that the Ontario bakers at least are convinced that 10-cent bread is a loss leader and they consider that they are justified in protesting against it.

Mr. IRVINE: I would suggest to you—

The CHAIRMAN: Just a minute. You have finished your statement?

The WITNESS: Yes, sir.

Mr. IRVINE: I would suggest to you that from now on you see that the witness answers the questions you put.

Mr. FLEMING: Surely there is no objection taken to anyone making a statement?

Mr. IRVINE: I am not taking any objection to it.

The CHAIRMAN: Let us not spend time like this.

By Mr. Maybank:

Q. I have a couple of basic things about which I would like to inquire. It is then a fact that the evidence given respecting the interviews by you with the A. & P. officials is substantially correct?—A. Yes.

Q. And your organization was and is interested in keeping bread up to a certain level, not interested in seeing the price go down? That is true?—A. They are certainly interested in seeing that bread is not sold below cost. How otherwise can they operate?

Q. Your organization is interested in keeping the price up to a certain level and you would respond that that level is the level of cost?—A. I would say that level is the level determined by competition. That is what determines it. In this case competition with the A. & P. is apparently determining that level at a loss.

Q. What was the price to which you were at that time directing your attention in the conversation with the A. & P. people?—A. I did not even mention price to the A. & P. people.

Q. I know, but there was a certain price they were charging, against——A. They were charging 10 cents.

Q. Against which you were registering your complaint?—A. Ten cents.

Q. What were they selling at 10 cents?—A. What were they selling?

Q. All— —A. A 24-ounce loaf of bread.

Q. All bread at 10 cents at that time. Were you directing your attention and their attention in that conversation to the sale of bread by them at 10 cents?—A. Yes.

Q. All kinds of bread?—A. That was their price at that time that I went to protest the fact that it was regarded as a loss leader.

Q. And at that time they were selling all bread at 10 cents were they, all 24-ounce loaves?—A. 24-ounce loaves, so I understand.

Q. At any rate, that was your understanding at the time of the conversation, whether or not it was right?—A. Right.

Q. That was your understanding?—A. Right.

The CHAIRMAN: You said right, but I do not think the reporter heard you. Would you speak a little louder, Colonel?

The WITNESS: Yes.

By Mr. Maybank:

Q. Sometimes your voice does not come back as loudly as the question is put and that is not good for the reporter.—A. If I understood your question you were asking me if the A & P price at that time was 10 cents?

Q. Yes.—A. Yes.

Q. Yes, their price was 10 cents a loaf, straight across the board for all kinds of loaves, that is what you said?—A. Yes.

Q. Mr. Ruttan, I would like to ask you something about the people who were present at that meeting on the 3rd, I think you said it was the 3rd of March. Who were there?—A. There would be 18 or 20 members of the executive of the Ontario Bakers' Association. There were representatives from North Bay, Windsor, London, Toronto, the complete executive of the Ontario Bakers' Association.

Q. The complete executive?—A. There may have been a few absent members.

Q. But it was a well attended meeting of the executive?—A. Right.

Q. It was?—A. Right.

Q. You say they interrupted the general business of the day for the purpose of discussing A & P policy?—A. They hurried it through.

Q. They hurried through other matters to discuss A & P policy?—A. Right.

Q. Did you know at that time that A & P were on the stand?—A .They knew they had been on the stand, yes.

Q. I see.—A. Yes, because quite clearly reference was made to the price of 8·7 which I believe A & P quoted. I am speaking now from memory as to the price on their platform.

Q. Was that a regular meeting or a special meeting of the executive?—A. I believe that was a regular monthly meeting.

Q. As a result of your discussions at that meeting you say you were sent down here?—A. Yes I was ordered to proceed at once.

Q. At that meeting were you able to report the conversations you had already had with A & P?—A. Yes, I imagine I was.

The CHAIRMAN: Speak a little louder, Colonel, please?

The WITNESS: I am just trying to think whether I mentioned that at that particular time. I may have, I would not be too sure.

The CHAIRMAN: I want you to speak a little louder because I see certain members of the press are having difficulty hearing.

The WITNESS: That question was not in my mind. I did not know Mr. Bird was going to make the statement regarding me having met their company.

By Mr. Maybank:

Q. You were discussing their policy?—A. Yes.

Q. Would it not be natural for you to say I have had such and such a conversation with these people and describe it to the executive?—A. Yes.

Q. Is that so?—A. Yes.

Q. But you do not remember whether you reported or did not report?—A. I had mentioned it before.

Q. At other meetings, do you know?—A. I do not know whether at a full meeting or just to numbers of the bakers.

Q. The fact you had had such a conversation would be known to the various executive members present?—A. Yes.

Q. Whether you had told them about it at an open meeting?—A. Yes.

Q. Or whether you had told them or several of them individually?—A. Yes, they had no reason not to know of the statement.

Q. I would like to ask you if you could give the committee a statement as to the names of all of the members on this executive? Even if you cannot do it at the moment you could make it available soon?—A. I would be glad to do it.

Q. Can you go a little further and state who was at the meeting?—A. I would not like to trust my memory.

Q. I am not suggesting that you trust your memory but there should be some record?—A. Yes, I would be glad to get it.

Q. The first question was "Who are the executive members", and the second question is "Who, of the executive members, were present?"—A. I would not like to rely on my memory.

Q. I am not suggesting that you rely on your memory.—A. I thought you said memory instead of members.

Q. Now you know of course that the chain stores are all selling a 10-cent loaf?—A. Yes.

Q. Is that regarded among your members also as a loss leader?—A. It is regarded as a loss undoubtedly from the point of view of the value of a loaf of bread.

Q. Well, what other point of view might there be besides the value of a loaf of bread?—A. The point of view of the individual purchaser who might buy it for a loss if he actually sells it to meet competition.

Q. Well to go back to that question you are aware that the chain stores are selling a 10 cent loaf?—A. Most of them are I think, yes.

Q. The next question is that I ask you if that is regarded in the industry as a loss leader also?—A. I think you have Mr. Earwaker's statement there on the subject, which I just quoted to you.

Q. Yes.—A. "If the chain store and large bakeries continue to sell bread at 10 cents—"

Q. Mr. Earwaker's statement was in effect that if the chain stores and others went on selling that 10-cent loaf and enlarged their sales, a large number of the smaller bakers would have to go out of business. Is that about the sense of it?—A. Words to that effect and I can quote it if you want.

Q. As long as there is no disagreement about that having been correctly expressed there is no need to add any words. At any rate the attitude of your membership towards the 10-cent loaf in the chain stores is just about the same as your attitude towards the A & P sales policy as expressed here this morning?—A. Yes, I mean it should be discontinued as a loss leader from the point of view of the baking industry.

Q. Well, your attitude, or the attitude of your organization towards A & P policy is that they are selling bread at a loss and, secondly I presume, that is what you call demoralizing the industry?—A. Quite.

Q. And that it will drive a number of bakers out of business?—A. Yes, quite, because the others must meet their competition.

Q. Yes, and your attitude, and the attitude of your organization towards the chain store policy generally and its 10-cent loaf is substantially the same as in the case of A & P?—A. If I follow your reasoning it is.

Q. I am not reasoning, I am asking questions.

Mr. HOMUTH: Do not admit that you are not reasoning.

By Mr. Maybank:

Q. I am asking your attitude, and the attitude of your organization, towards the chain store 10-cent loaf? Is it the same as your attitude towards A & P policy?—A. Yes. I can put it this way. They certainly are opposed to bread being sold at a loss no matter by whom. That is the general answer.

Q. Well, is it held in your industry that the 10-cent loaf of the other chain stores is a loss?—A. I say—do you mean a loss to the individual who purchased it?

Mr. LESAGE: No, the person selling it.

Mr. MAYBANK: I am holding you to your own expression, a loss leader, or sold at a loss.

The WITNESS: From the viewpoint of the industry it is a loss leader but from the viewpoint of the individual purchaser it might not be.

The CHAIRMAN: Mr. Maybank, before you go on, are you satisfied the evidence before us is that there is a loss on the 10-cent bread?

Mr. MAYBANK: No.

The CHAIRMAN: Are you going to pursue that?

Mr. MAYBANK: No, that is something—

The CHAIRMAN: This witness is assuming that is the evidence.

Mr. FLEMING: He is not assuming that is the evidence, he is assuming that is a fact. He assumes that to be the fact.

Mr. HOMUTH: Who does the witness refer to as the purchaser? Does he mean the store that purchases it or the ultimate consumer?

The WITNESS: The store that purchases it.

Mr. HOMUTH: Mr. Maybank, had you not better clear this point up. He says the purchaser may buy at less than sale price—

The CHAIRMAN: Well, Mr. Maybank your questioning is important, and Mr. Fleming talks about facts and evidence. All we are concerned with is the evidence. The evidence before us was that the A. & P. 10-cent loaf is making a profit.

Mr. JOHNSTON: Yes, Mr. Chairman, that is quoted at page 698 in the record. It was in answer to a question which you asked Mr. Bird.

Mr. FLEMING: Just a moment, please. You say that is the evidence. I do not say it is not but this witness says in fact it is not correct.

The CHAIRMAN: Well that is a blank denial. If he has got evidence that what A. & P. says is not true well then let us have it. However, Mr. Fleming, a blank denial that they are not making a profit is not sufficient.

By Mr. Maybank:

Q. I think I might be able to clear that up. The actions of your organizations, and your actions, with reference to A. & P. policy, are based upon the conviction existing in your mind that they were selling at a loss?—A. Correct.

Q. You were not then and you are not now under any misconception that A. & P. had admitted in this committee that their policy was a loss leader policy?—A. No, no.

Q. You never had that idea?—A. No, no, they did not admit it.

Q. In fact you know they took the position that they did not sell at a loss?—A. That is what they told me.

Q. Yes, at the time you spoke to them?—A. Yes.

Q. They were making a profit?—A. Yes, but the bakers cannot agree. They cannot agree that can possibly be the case.

Q. The bakers cannot agree with that?—A. No.

Q. The bakers cannot agree that could possibly be so?—A. No, that is why they sent me down here to consult with the executive of the national council and to appear before your committee. It was an endeavour to get the real facts. They could not possibly see how they could sell bread at 4 cents lower.

Mr. JOHNSTON: Mr. Chairman, are you through, Mr. Maybank?

Mr. MAYBANK: No, I am not through but do you want to ask a question to clear something up?

Mr. JOHNSTON: Yes, I am asking the witness to clearly define what a loss leader is? You have referred to that several times.

Mr. MAYBANK: I was going to go into that.

The WITNESS: A simple definition would be a product that is sold at less than cost.

By Mr. Johnston:

Q. Then in the trade a loss leader necessarily means an article which is sold at less than the cost price of it?—A. We would not think of it as an inividual article sold occasionally.

Q. You say occasionally, what do you mean by that?—A. Perhaps once a month or twice a month, something that somebody wanted to get rid of—

Mr. FLEMING: Let him finish.

The WITNESS: But where it is a staple product such as bread and it is constantly sold every day at a loss—

By Mr. Johnston:

Q. You mean at less than cost?—A. Less than cost.

Q. But there are occasions when a loss leader is considered to be an article upon which the price is reduced below the regular selling price?

Mr. HOMUTH: That is not a loss leader.

Mr. JOHNSTON: Well just a moment, I am not asking you.

Mr. HOMUTH: You are not asking me but let us get it cleared up.

Mr. JOHNSTON: Let the witness answer me.

Mr. HOMUTH: A man might have certain things in his inventory which he feels he has to get rid of, and which he will sell below cost once a month or every two or three months. He will sell it below cost, but that is not a loss leader.

Mr. JOHNSTON: We are not talking about that article.

Mr. HOMUTH: Well, you are getting all mixed up.

Mr. JOHNSTON: And you are not clearing it for me.

By Mr. Johnston:

Q. The witness did refer to an occurrence where the price was reduced below the regular selling price, not necessarily below cost, and yet you occasionally classed that as a loss leader?

Mr. HOMUTH: No, he did not.

The WITNESS: The other gentleman expressed it clearly.

Mr. JOHNSTON: I am asking the witness to express it. He has used the words "loss leader" on two different occasions.

The WITNESS: As it was explained a moment ago that a merchant might have some articles in his inventory which he felt he might have to dispose of at a loss. That I would not regard as a loss leader, but where he constantly sells a staple article at lower than cost, it is what I would call a loss leader.

The CHAIRMAN: You are sure that is clear.

The WITNESS: I suppose you know the A. & P. get rid of their surplus bread which is not likely to be sold in any one day at approximately 5 cents?

Mr. JOHNSTON: That has not been brought out in evidence.

The WITNESS: It is a fact.

Mr. JOHNSTON: You may be able to give us further information on it.

Mr. IRVINE: There is this questioning and answering with people all talking at the same time and it is very difficult.

The CHAIRMAN: I know.

By Mr. Maybank:

Q. I would like to ask you this question upon the same point. Let us take any article, and we will say it costs 8 cents to get it on the shelf of the retailer ready for sale to the consumer. If the retailer were to sell the article at 8 cents, the only thing he would get out of the transaction would be the pleasure of handling the article. He would not get any money into his own pocket which he could spend on Coca-Cola, beer or chewing gum or anything for himself. If he sells such an article as that at 8 cents, would you say that it was being sold as a loss leader?—A. I would say, undoubtedly—supposing he sold all his merchandise on that basis, he still has his wages to pay.

Q. This is only for the purpose of fixing our terms clearly. Let us stick to the question. I have described the sale of a certain commodity under certain conditions and I have said if that article were sold regularly at 8 cents, the same amount that it cost the merchant to get it on his shelf, is that regarded by you as a loss leader?—A. By me, personally, it would be, if he constantly sold a staple article at that price.

Mr. HOMUTH: Let us just clarify this—

Mr. MAYBANK: I quite realize Mr. Homuth has every right in the world to make certain clarifications, but I would rather not be interrupted.

Mr. HOMUTH: I am doing this to clarify your question.

Mr. MAYBANK: As our Minister of Labour would say, I know Mr. Homuth is approaching this in all kindliness.

Mr. HOMUTH: There is nothing kind about anything I do.

Mr. MAYBANK: I would rather be left alone for a minute or two because we will only have to come back to the point at which I was a moment ago. What I want to get is exactly when the word "loss" is appropriate. You have stated that would be regarded as a loss leader, although the individual got as much as the article cost him to get on his shelf?

The WITNESS: That would be my own opinion; if he did not take any profit, he is selling at a loss because he has wages, overhead and everything to consider. He has a definite loss.

By Mr. Maybank:

Q. My only purpose is to get the term fixed. If something is sold, then, at anything below what is considered a normal profit, would you say it is being sold as a loss leader?—A. I do not say that I would; I do not know.

Q. You do not know where the breaking point is between the loss leader and what might be termed a legitimate sale?—A. Yes, sir.

Q. You do not know where the breaking point is?—A. No.

Q. You would say if anything is sold without some profit, that is a loss leader?

Mr. HOMUTH: No, he did not say that.

The WITNESS: I have tried to say that if a staple article were constantly sold in that manner then, in my opinion, it is a loss leader.

Mr. MAYBANK: We will understand that we were both talking about a staple article, regularly selling at that price; is that clear?

Mr. HOMUTH: No, I say it is not. Supposing a man running a chain store has a certain number of his customers who demand a certain type of sweet pickle. His selling policy is such that, if he purchases those pickles he cannot make a profit selling them against other stores. He would have those pickles on his shelf and he would sell them. He may lose money on them, but he loses money on them simply because people go into the store to purchase other things and demand the pickles. They are not a loss leader, are they. That is

a service he gives to his customers. They do not come in particularly to purchase that item, but the item is available to them and the merchant suffers a loss on the sale of it. Loss leaders, in themselves, are something which you advertise and sell in order to get people into your store and, when they buy the loss leader they buy other things; is that not true?

The WITNESS: I think your definition is much better.

Mr. MAYBANK: It doesn't make much difference what the thing is called, so long as we understand the term.

Mr. HOMUTH: It is a bait, the same as putting a squirming worm on the hook to catch a fish.

Mr. MAYBANK: The only purpose of the question is to understand what the witness means when he uses the term, "Loss leader".

The CHAIRMAN: The A & P say they make a profit and this witness says they have not. Could we not get from this witness what evidence there is to show that A & P has not made a profit?

By Mr. Maybank:

Q. I want to ask this question relating to the evidence given by the A & P They indicated that on the 7½ cents, when they were selling at 7½ cents—no, I will leave out the 7½ cents and only deal with the 10 cents. They indicated that they made a 13 per cent gross margin to selling price on that. They did not indicate that, they told us that as a fact; that that was their gross margin. Have you any evidence to the contrary?—A. I think, in arriving at that, they also said their carrying charge averaged 42 cents.

Q. Their carrying charge?

Mr. HOMUTH: That is the express charge.

The WITNESS: Transportation.

By Mr. Maybank:

Q. What is that again?—A. For some points, for instance, to a point like Windsor, the rate runs about ·66 cents a pound, or for a pound and a half loaf, it would be ·99.

Q. You are in this position that, the A & P statement with regard to a profit is disputed by you?—A. Yes, the Ontario Bakers Association as represented by myself.

Q. What evidence in this respect you have been giving is representative evidence, representative of your association and not merely your own opinion?—A. I hope I am expressing the general opinion of the members of the association. As I have told you, they instructed me to come down here and make the necessary arrangements to call on you to see how to approach—

The CHAIRMAN: We know about that. Our time is valuable. What is the evidence, that is what we want to know. You dispute this statement. Mr. Maybank has pointed out that the A & P have said they made a profit. You dispute that, but a mere denial is no evidence; it is no help to us.

Mr. MAYHEW: May I say a word on this subject?

The CHAIRMAN: May I get an answer to my interjection?

By Mr. Maybank:

Q. Is there any evidence you can offer in contradiction of the evidence supplied by the A. & P. stores that they made a profit on this operation?—A. The bakers believe they have evidence in the actual statement of production costs, as quoted, and transportation charges to the various points.

Q. Did you say, "we believe we have evidence"?—A. Yes.

Q. The question is, have you any concrete evidence to offer to this committee in contradiction of the evidence of A & P as to their own profits?—A. I have no evidence that I can put before you this minute. The idea in having this meeting was to make the necessary preparation to submit orderly evidence.

Q. That was on March 3rd?—A. Right.

Q. You have not made the necessary arrangements to submit concrete evidence as yet?—A. No, sir; as I say, I got on the train and read this report—

Q. That is all right; the answer is, no, you have not had the opportunity?—A. No, we have not. I waited all day Friday, here.

Q. May I draw your attention to this piece of evidence on page 698 of the minutes of proceedings and evidence. The chairman asked:

Q. And you are still making a profit at 10 cents?—A. Yes.

The question was then asked,

Have you any knowledge at all of what your gross sales are?—A. If the committee wishes I would be very glad to give them, but the figures have not been disclosed, I might say, to date. This is for the fiscal year ending February, 1946. Sales were approximately $39,000,000, gross profit rate ·1367; and net profit after taxes ·0099; our expense rate, ·1170.

Q. And have you found that with the lower price you have had an increase in sales?—A. A lower price of bread?

Q. Yes.—A. Yes, sir; our sales have increased.

I do not know whether you have seen that evidence before or not. From that, you will see clearly, that the man who appears to know best about the A. & P. business, discloses a profit?—A. Yes, sir. However, all the way through he says it is an average profit. On page 717 of the evidence there is a question by Mr. Merritt.

Q. You do not think it costs more than the average?—A. No.

Q. Have you ever worked that out?—A. No, we have no accounting system that does that. This is a figure based on all groceries and bread shipped and actually to try and break down the cost of shipping bread would be highly improbable or impossible as far as we are concerned, because certain items take up more room, certain items are heavier and harder to handle and certain items turn over more slowly.

Well, the bakers maintain there should be an accounting system which would show exactly whether or not they are selling bread as a loss leader.

By Mr. Johnston:

Q. I should like to go back to your question, Mr. Chairman. At page 698 of the evidence, I think that is the page to which you were referring, Mr. Chairman, and the question above the one referred to by Mr. Maybank.

Q. And you are still making a profit at 10 cents?

You were speaking of the 10 cent loaf, and the witness' answer is quite clear, "Yes". There is no misunderstanding that. The witness there stated he is making a profit on the 10 cent loaf. What has this witness got to say to that?

The CHAIRMAN: Exhibit 43 also indicates there is no doubt about the evidence of the A & P that they made a profit.

Mr. MAYBANK: And that they made a profit on bread.

Mr. MAYHEW: This witness is interested in the manufacture of bread, the bakers of bread. We are drifting here from the bakers of bread up to the retail operation. In the A & P retail operation they did make a profit, but they admitted before us that the price of 6·87 on their platform was without a profit;

that was the actual cost. Therefore, if the bakers of bread had to sell at 6·87 cents they would not make a profit and, therefore, most of them would go out of business. Is not that about what you are saying?

The WITNESS: I think so.

Mr. MAYHEW: There are two operations and this witness is interested in the manufacturers or bakers, themselves. He is not interested in what those bakers make in the retail end of the operation.

Mr. MAYBANK: That is right.

Mr. MAYHEW: His men cannot sell to these men unless they are getting—

Mr. MAYBANK: Unless they are getting above the 6·87.

The CHAIRMAN: We have evidence from the A & P that they are making a profit at 10 cents. They are bakers for themselves. Now, if this witness can show us what it costs to deliver bread from the baker to the consumer, allowing for a profit, and can show that would bring it beyond the 14 cents, that would be evidence.

Mr. HOMUTH: Beyond the 10 cents?

The CHAIRMAN: No, beyond the 14 cents, that would be evidence. We have the A & P making bread at 10 cents with a profit and we have the bakers making bread at 14 cents. If this witness can show us what it costs to deliver bread, allowing for a profit on that effort, then we would have some evidence. But I do not think that we should go on listening merely to ceaseless denials. This witness said they are going to produce evidence along that line. Perhaps we should get that. It might be more valuable.

Mr. HOMUTH: Mr. Chairman, might I interrupt? This witness was called here this morning or came here this morning to give evidence that the A & P are selling 10-cent bread at a loss, as a loss leader.

Mr. FLEMING: That is right.

The CHAIRMAN: He does not quite say that.

Mr. HOMUTH: He has made that statement here.

The CHAIRMAN: You have reference to the 14-cent bread?

Mr. HOMUTH: Yes. I do not think 14 cents really enters into this thing particularly.

The CHAIRMAN: No.

Mr. HOMUTH: Should he not show, or produce evidence, if it is going to be of any value at all, that the A & P are producing bread at a certain price and retailing it at 10 cents and as a result of that they are determining the price.

The CHAIRMAN: Exactly. There is a point I might offer for this witness or others who may come after. We have yet to have before us any evidence as to the cost of bread delivery and if we are going properly to ascertain whether the difference between 10 cents and 14 cents is a reasonable difference we have got to have that evidence. In 1931 there was a report made by Mr. McGregor under the Combines Investigation Act suggesting various costs of delivery. Now, I think we ought at some stage to get that information, and I was hoping that this witness could give it to substantiate his claim that bread cannot be made for profit at less than 14 cents. The point I am making, and I think as chairman I must point this out to the committee, is that we are not getting that evidence from this witness; that I think we ought to leave him alone on the point until such time as he can actually produce facts and figures as evidence.

Mr. MAYBANK: I think, too, we are in this position at the moment that one witness has come forward and said very definitely they made a profit on their bread at 10 cents per loaf. All we have this morning is substantially either a denial of that or else a statement from the bakers, we do not know how they do it.

The WITNESS: They could not believe it.

Mr. MAYBANK: This witness has not gone beyond that. It may be that there is evidence which can be brought forward to upset the statements that have been made to this committee, and I suggest that he do that if he can. Now, there is another question—

Mr. FLEMING: I would like to make an observation, if Mr. Maybank is done, Mr. Chairman. We all want to save time and I suggest we can. Here is an issue that has been definitely raised now and we have a condition of contradiction. Is this not a case now where we should, as we contemplated all along we probably would have to do, ask our accountants simply to go in there and make a report from the facts? After all, the question of the A & P making a profit on the combined operation—that is the baking and selling of bread—cannot be determined entirely by outside evidence; it has got to be determined by internal evidence. It seems to me, Mr. Chairman, that the only way we will get the facts isolated and determined is by having Mr. Wilson go in and make us a report following an examination of A & P operations.

The CHAIRMAN: Counsel is going to give us a suggestion on that point.

Mr. FLEMING: If that is the case we can save some time.

Mr. HOMUTH: Did not Mr. Earwaker the other day give us the cost of delivering his bread?

Mr. LESAGE: Yes, a little more than 4 cents.

Mr. HOMUTH: I think he gave us that information.

Mr. LESAGE: That is what I was quoting.

The CHAIRMAN: We want to verify that from the facts.

By Mr. Maybank:

Q. With reference to that meeting about which we have been told, would it be possible to get the minutes, Mr. Ruttan? Did anyone keep minutes of that meeting?—A. Yes, our secretary, Mr. Ackert.

Q. Are the minutes in his possession, as far as you know?—A. Yes.

Q. Are they in Ottawa at the present time?—A. No, sir; they are in Hamilton.

Q. The minutes are not in Ottawa at the present time?—A. Not as far as I know.

Q. But they are in his possession and I suppose could be produced?—A. Yes.

Q. Would it be possible to get those minutes?—A. I think so, yes.

Q. You can get them for examination by this committee if desired?—A. Right.

Mr. MAYBANK: It might be, Mr. Chairman, that it would be an advantage to see them, and I request that the witness be requested to submit them to the committee for examination.

Mr. MAYHEW: I think it would be a good thing now if we could have tabulated a statement showing the cost, selling price, delivery cost and so on—and the cost of the various ingredients—with respect to each company which has appeared before us. We could then make a comparison here and draw our own conclusions. Now they are scattered all through the evidence and it is difficult to go directly to one and say this is what they said. If we had statements of each of the companies before us in tabulated form their costs would be comparable.

The CHAIRMAN: I am convinced that Mr. Fleming is right, that there is only one thing for us to do. We have listened to witnesses and there are certain directions apparent from the evidence; but I think that our accountants have got to go in themselves and make a thorough study and report back to us.

By Mr. MacInnis:

Q. There is one question I would like to ask the witness while he is here. Does the witness maintain that any bread sold at 10 cents is sold at a loss? There are a number of bakeries which are selling bread to grocery stores to be sold at 10 cents. Is it his contention then that since A & P—he claims that A & P cannot sell at 10 cents without selling at a loss; that all 10-cent bread sold in grocery stores is sold at a loss?—A. Not necessarily, sir; because if you are cutting down the size of that loaf—

Q. As far as we know they are all 24-ounce loaves.—A. I can only speak for the opinion of the Ontario bakers.

The CHAIRMAN: You were asked a question, what is the answer?

Mr. MACINNIS: Do you think Loblaw's can sell Canada Bread at 10 cents a loaf, a 24-ounce loaf, and make a profit?

The WITNESS: No, sir, I do not; that is what I said orignally.

By Mr. Beaudry:

Q. You said, Mr. Ruttan, that any bread which was sold at 10 cents, in the opinion of the Ontario Bakers' Association, would be sold as a loss leader?—A. You have to consider the quality.

Q. We are discussing the type of bread that is sold either by the bakers or manufactured in this case by the A & P at a wholesale price ranging from 8·7 cents to 9 cents and retailing at 10 cents; is that in the opinion of the bakers considered as a loss leader?—A. I am sorry, I will have to ask you to repeat your question. I did not catch you.

Q. I said the opinion of the Ontario bakers is that on a 24-ounce loaf either baked and sold by independent bakers at a price ranging between 8·7 and 9 cents or baked by A & P at a cost of approximately 9 cents and sold at a retail price of 10 cents is a loss leader?—A. I did not say that A & P bread, if it is quality you are talking about, sold at 10 cents is—

Q. Let me amplify my question; the A & P, according to evidence, from the point of view of manufacturing costs translated into wholesale costs as against the retail price for sale, costs approximately the same amount that Loblaw's, Dominion Stores, and many other stores probably, pay for their bread from the baker and sell at retail, includes the same margin of costs in the bakers—the same margin of the same cost as related to the same retail price, exemplifies the definition given of a loss leader, of loss leader salesmanships and evinces it in all cases—

The CHAIRMAN: Mr. Beaudry, do you mind my saying this: I am not saying that this witness is not more intelligent than I am, but I assume he is rather intelligent, but I must admit that after having listened to your question I have not got it. It is a pretty long question.

Mr. HOMUTH: It is too involved.

By Mr. Beaudry:

Q. Then I will repeat my question step by step. Is it the opinion of the Ontario Bakers' Association—

The CHAIRMAN: Order, please.

Mr. BEAUDRY: —that 10-cent bread, or bread sold at a retail price of 10 cents produced at a cost of approximately 9 cents is considered by your industry to be a loss leader?

The WITNESS: You mean, if a dealer produces bread for 9 cents and sells it for 10 cents is that a loss leader?

Mr. LESAGE: For the bakers.

The WITNESS: That is a different proposition altogether.

By Mr. Beaudry:

Q. Is the retailer, selling at 10 cents a loaf of bread he buys at 9 cents, making an operation involving a loss leader?—A. The dealer makes a profit of 1 cent, you say could you apply the phrase "loss leader"?

Q. Is that true of A & P also?—A. Pardon?

Q. Is not that true of A & P, as to what they do?—A. They are making their own, sir.

Q. I appreciate that, but from the point of view of the store selling, the retail angle of it; they are still making that same margin of 1 cent, or a 10 per cent margin on the sale price, the wholesale price?—A. My submission is that we are just getting back to the same ground again.

Q. Yes, but for a purpose. I am asking you whether in the case of a retailer who produces bread at 9 cents and sells it at 10 cents, you would not consider that a loss leader for Loblaw's as much as you would in the case of A & P baking bread at 9 cents and selling it at 10 cents?—A. Do you mean, sir, in the interests of the entire baking industry and the consumer should these people have to discontinue that practice? I would say, yes.

Q. I am not asking you that.

The CHAIRMAN: That was not the question.

Mr. BEAUDRY: Would you consider that a loss leader in both cases, in your opinion?

The WITNESS: I cannot say that the dealer is using it as a loss leader if in manufacturing bread he makes a profit of 1 cent; can't see anything to it if he is making a profit of 1 cent. He is not making a loss leader.

By Mr. Maybank:

Q. Does it not come down to this, that the association of bakers are disturbed because they have found an organization, the A & P, apparently efficient enough that they can sell to their retail and that retail can make a profit of 1 cent, if they wanted to supply it that way, and also make a profit on their baking operation; the millers are disturbed about this individual efficiency? —A. I do not think so. I do not think they are the least bit disturbed about fair competition. I think you will find bakers who can make their bread just as cheaply, Mr. Chairman.

Q. This association was disturbed enough about the situation anyway that they sent you?—A. Quite.

Q. To go to see these people; or else you went because it was your duty.

Mr. HOMUTH: Now, wait a minute, Mr. Chairman. I think we have to qualify what Mr. Maybank has said. The Bakers' Association are not admitting any particular efficiency in A & P. The A & P have a policy of baking their own bread and taking it over to their retail stores where they sell it at 10 cents.

Mr. MAYBANK: That is right.

Mr. HOMUTH: As to the question of whether they are more efficient than other bakers in the province, there is no proof of that at all.

Mr. MAYBANK: Oh, no, no.

Mr. HOMUTH: The A & P may be just as efficient or inefficient as the other bakers, and they may be selling a loaf of bread at less than cost if it comes down to that.

The CHAIRMAN: Mr. Homuth, may I point out this: What we are interested in trying to find out is what can be done, if anything, in the way of lowering the cost of bread. Now, we have evidence before us that bread is being made by the A & P themselves and sold on their counters at a profit. That is the important fact, and it seems to me that when we bear that in mind there is nothing improper in Mr. Maybank's question.

Mr. BEAUDRY: I do not like to interrupt Mr. Maybank but I have a couple of questions to ask the witness. I take it from what this witness has said that he considers all bread sold at 10 cents is a loss leader.

The WITNESS: I do not think I made that statement.

Mr. BEAUDRY: I believe you did, but if you would like to qualify it now—

The WITNESS: I do not think I made it.

The CHAIRMAN: What do you say about the question now? Then we will know where we stand.

The WITNESS: That all bread sold at 10 cents is a loss leader? I think my reply was that if bread produced at 9 cents and the dealer makes a profit of 1 cent, that from an industry point of view it is wrong to have bread selling in that way to compete with—

Mr. BEAUDRY: You are quite willing—

Mr. MAYBANK: Wait just a moment; the witness is trying to complete his statement.

The WITNESS: I wanted to answer your question.

By Mr. Beaudry:

Q. You were quite willing to grant, Mr. Ruttan, that a margin of 1 cent as between the cost price and retail price is sufficient to ensure a profit?—A. No, sir.

Q. For the retailer, the purchaser?—A. I am sorry, sir; I did not say anything about that.

Q. Then we are working at cross purposes. You will have to make another statement.

By Mr. Winters:

Q. May I ask a question there on your question? In dealing with loss leaders when you are referring to loss and profit are you considering net profit or gross profit?—A. You naturally consider your net profit.

Q. So this relationship of 9 to 10 cents may not necessarily determine a loss leader?—A. That was not the point.

Q. That is the point I am asking about.—A. Nine to 10 cents does not; of course, it does not.

Mr. MACINNIS: I think we should leave the matter of loss leader out of it and find out if they are selling at a loss.

Mr. WINTERS: That is why I ask the question whether it is net profit or gross profit involved.

The CHAIRMAN: I would simply say this, that apart from the question of the meeting, it did seem to me that the line of questioning that Mr. Maybank was pursuing could lead to something and was perhaps a worthwhile channel, but I repeat for the third time what we have before us is that the A & P Company bake and sell bread at a profit at 10 cents. You cannot offer us any evidence?

The WITNESS: Not at the moment.

The CHAIRMAN: I suggest we leave that alone. All we are interested in is evidence.

Mr. MAYBANK: We are asking the witness to come back with evidence of the incorrectness of the A & P evidence on that point.

Mr. HOMUTH: Well, now . . .

Mr. MAYBANK: I understand . . . .

The CHAIRMAN: Let us not get into an argument. Order.

Mr. HOMUTH: He said incorrectness . . .

The CHAIRMAN: Order, order, Mr. Homuth. We will not pursue this any further. This witness has no evidence. It may come in later. Can we not leave it at that? He knows what we want. He will get that evidence if he can and we will give it a proper appraisal.

Mr. FLEMING: I have one observation on that.

The CHAIRMAN: I think we are wasting a lot of time this morning.

Mr. FLEMING: I entirely agree with what you say as to that, but I want to say that even though further evidence does come in from the Ontario Bakers Association I do not see how that can establish the question conclusively. The only place where it can be established conclusively, whether the A & P in their operation of baking bread and retailing it is operating at profit or a loss, is by critical examination of the A & P Company's books.

The CHAIRMAN: We have already dealt with that.

Mr. FLEMING: I think we have to leave it at that.

The CHAIRMAN: We will get Mr. Wilson to make that examination and report.

The WITNESS: That is what I wanted to say myself.

Mr. BEAUDRY: The witness has stated that the difference of 1 cent between the baking price of the A & P and their sale price, retail sale price, involved in the opinion of the Ontario bakers such a small percentage of margin through added expense of transportation, etc., that in their opinion the operation represents that of a loss leader.

I should like to bring out that in earlier evidence at page 360 of the record we have had evidence from Loblaw's pointing out that on quite a few of the commodities which they sell the gross margin is considerably lower than that of 10 per cent which the A & P show as between their cost and retail price on bread, and in spite of that Loblaw's claim they make a profit. Therefore I do not think we should countenance at first sight or perhaps even at second sight that the A & P cannot make a profit on a 10 per cent margin whereas Loblaw's are in many cases with a 4 or 5 per cent margin.

The CHAIRMAN: All I can say is that the evidence before us—and we are only going to take evidence—in spite of what Colonel Ruttan said this morning is that bread is being sold at 10 cents with a profit. We are going to check that sort of thing, but that is the evidence to date. I suggest we drop this matter unless we have got further evidence. Does anyone wish to question Colonel Ruttan?

Mr. LESAGE: I have had some questions since 11 o'clock.

By Mr. Lesage:

Q. Was General Bakeries represented at the Ontario Bakers Association meeting on the 3rd of March?—A. I cannot answer you that offhand. I would have to see the record.

Q. Then I will make only one observation because they are selling Richmello bread at 9 cents—

Mr. HARKNESS: Ten cents.

Mr. LESAGE: Nine cents to retailers, Dominion Stores. At page 620 of the evidence Mr. MacDonald, the Secretary-Treasurer, shows by his answers they are making money on that bread at 9 cents.

The CHAIRMAN: Have you those questions and answers there?

Mr. LESAGE: It is page 620. I would like the witness to examine that.

Mr. FLEMING: What advantage is there in that?

The CHAIRMAN: Let us see. We do not know.

Mr. HOMUTH: How can Colonel Ruttan answer questions as to certain companies making a profit or a loss?

Mr. LESAGE: No.

Mr. JOHNSTON: He has been doing that with A. and P.

The CHAIRMAN: You see he has said that very thing.

Mr. HOMUTH: No, he said in a general statement they had but he has produced no proof of it. How could he do it for anything else?

The CHAIRMAN: I think this question is all right. We have dealt with the A. and P. situation. Mr. Lesage wishes to bring that forward in bold relief. I think that is all right. We will see what the answer is now.

Mr. HOMUTH: I do not think it is.

By Mr. Lesage:

Q. The witness has said that the opinion of the members of the association was that selling bread at 10 cents constituted a loss leader. General Bakeries are selling bread at 9 cents to retailers, and I can draw the conclusion from the answers to the questions given by Mr. MacDonald on pages 610 to 620 of the evidence that the difference in price between Richmello and the other brands arises only from the cost of delivery and other factors, and on the whole General Bakeries is showing a profit on its operations?—A. I think you will find General Bakeries are meeting the competition of the 10-cent loaf.

Q. If you read page 620 you will find there is more than that to it. There is something I do not quite grasp. You said in your brief that Mr. Beebe in answer to you said that they were not selling at a loss and that even if they were —would you read that sentence again?—A. I will tell you exactly what he said.

Q. I do not see any relation in the last part of the answer.—A. Mr. Beebe replied that they were not selling at a loss and added that even if they were, in view of a further recent drop in the price of flour, there was nothing that he could do about it.

Q. I do not see what the recent decrease in the price of flour has to do with the answer. Can you explain that to me?—A. I thought I saw it.

Q. Pardon me?—A. I thought it seemed a logical answer. I agreed with him at the time.

The CHAIRMAN: Just answer the question. Will you explain it to him?

By Mr. Lesage:

Q. Can you explain to me how it is logical? Explain it to me—A. I thought it was logical.

By the Chairman:

Q. Explain why you think it is logical. Why do you believe it is logical.

By Mr. Lesage:

Q. Why do you think it is logical? That is my question. Show me the logic in it, in other words.

The CHAIRMAN: I guess—

The WITNESS: Just a minute.

Mr. LESAGE: I do not see any logic.

The CHAIRMAN: That will be a matter for argument. If he cannot tell us we will have to draw our own conclusions.

The WITNESS: My conclusion was the general position he would be in at that time—

By Mr. Lesage:

Q. Pardon?—A. The position he would be in at that time. Suppose he was selling at a loss and he raised his price at that time; he felt presumably that the time was not opportune to do anything of the kind.

Q. There was no question of an increase in the price of his loaves in his answer?—A. Pardon?

Q. There was no question of an increase in the price of his bread in his answer to you?—A. No, but if he was selling as a loss leader, if he admitted he was selling bread as a loss leader would there not be a question—

The CHAIRMAN: I am finding it terribly difficult to listen to the evidence when there are conversations going on. I am going to ask members of the committee to listen to the evidence and carry on no private conversations. Carry on now.

Mr. LESAGE: Would you please explain to me the logic of the answer? I do not see any logic in it.

Mr. HOMUTH: Is there any logic in anything this committee has done?

The CHAIRMAN: Order.

Mr. LESAGE: No, not in what you have said up to now.

Mr. HOMUTH: Or you.

Mr. LESAGE: Not in your questioning because you are making statements all the time.

Mr. FLEMING: On a point of order, and in the hope of expediting things, I think in all fairness it is not a proper question to ask the witness the logic of something that somebody else has said. It is quite proper to ask him about the conversation and get every element of the conversation that occurred on this occasion.

Mr. WINTERS: The witness says it is logical.

The WITNESS: I said it seemed logical to me at the time.

Mr. LESAGE: Does it seem logical to you now?

The CHAIRMAN: Order. Mr. Lesage has asked him to explain his position, the reason why he said it was logical. This witness is not able to give you the answer and I think you ought to leave it there. We will have to draw our own deductions.

Mr. JOHNSTON: I have one request to make of yourself. You suggested, Mr. Chairman, that you thought the time was opportune now to ask our auditors to go in and check up on this company. I suggest to you we should not only proceed with that investigation with regard to A & P but we should also make preparations now—

The CHAIRMAN: Oh, yes.

Mr. JOHNSTON: —to have our auditors go into other companies.

The CHAIRMAN: Counsel is making a suggestion to the steering committee tomorrow. He will be ready to submit that tomorrow and we will let the matter rest now.

Mr. JOHNSTON: In regard to this question.

The CHAIRMAN: Regarding the procedure.

Mr. MAYHEW: May I make a suggestion regarding that. I said I thought we should have the evidence that is now before us in tabulated form. That can be put before us to give the rest of us a little chance to see it more clearly, but if in the meantime the auditors feel they want to go into these other places to get audited statements—

The CHAIRMAN: That is going to be done. We have already decided that.

Mr. MAYHEW: Pardon me, you have not. You have decided to send auditors in to get—

The CHAIRMAN: We have decided to get that statement mentioned a while ago. It was agreed we would do that. It seems to me that unless there are other questions there is no sense keeping this witness any longer. I would have thought there was a line of questioning that might have been very useful but it has not been touched upon with this witness.

Mr. IRVINE: I have one question but I do not know whether it is useful.

Mr. HOMUTH: Tell us what the line is.

Mr. IRVINE: May I ask one question before you make your final decision?

The CHAIRMAN: Yes.

By Mr. Irvine:

Q. Colonel Ruttan, am I correct in saying that in the earlier part of your statement made this morning you said it had been the opinion of the bakers for years that A & P had been selling 10-cent bread as a loss leader? Is that correct?—A. Yes, sir.

Q. You said that?—A. Yes.

Q. Were you aware of that yourself for years?—A. No, I was not so actively engaged in it at that time, but taking the quotation I read you from that investigation in 1931 it states that bread was being sold at a loss, and from then on—

Q. Did you have any suspicion that the A & P were selling this 10-cent loaf as a loss leader while you were an officer of the board?—A. The price of bread then was subsidized, flour rather—

Mr. LESAGE: The price of—

The CHAIRMAN: Order. Mr. Irvine has asked a question. I think that the interrogator ought to be allowed some freedom. He is asking a very important question. I do not think he should receive any interruption. I am suggesting to the witness he has not answered Mr. Irvine's question.

The WITNESS: I did not have a chance, sir.

The CHAIRMAN: All right, now. Let us get the answer.

The WITNESS: Flour was subsidized, as you know, at that time. Flour was subsidized at that time, and I believe the A & P sale price in Toronto was two loaves for 15 cents, and I do believe there was a general opinion even at that time that the price was a very low price in view of their costs.

By Mr. Irvine:

Q. You say the opinion even then was that they were selling the 10-cent loaf as a loss leader.—A. I would want to consult more bakeries before I committed myself generally on that, but I think so.

By the Chairman:

Q. What is your answer? You think so in one breath and then you say you want to consult more bakers.—A. Yes, I think so, but I want to be sure.

Q. Do not say anything about which you are not sure? Now what is your answer to the question?—A. I think so.

By Mr. Irvine:

Q. You think so. Well, they are perfectly sure of it now, are they not? The bakers are perfectly sure now it is being sold as a loss leader?—A. The bakers feel satisfied that is the case and they desire government investigation to ascertain the facts.

Q. The bakers have been sure now for some years, many years?—A. Yes, I quoted you the actual evidence of the commission which stated they were selling bread at a loss.

Q. Which commission was that?

Mr. HOMUTH: The McGregor commission.

The CHAIRMAN: Yes, the McGregor commission.

The WITNESS: Of 1931. Investigation into an alleged combine in the bread baking industry in Canada reported by the registrar on February 5, 1931, in which he says:

> Chain store competition, even though much of it has been below cost, supplemented by competition of smaller low cost bakers all over the country, has made itself felt.

Mr. IRVINE: Would you not suppose the board, in that case, would have prosecuted them under the act for unfair competition?

The WITNESS: The board was particularly interested in seeing that the price of bread did not exceed the ceilings as they were established at the basic period, at September 1941.

Mr IRVINE: Have the bakers ever contemplated, or are they contemplating now, laying a charge against the A & P and the others who were selling a 10-cent loaf, on the ground they are selling that as a loss leader?

The WITNESS: No, that is not the attitude of the bakers. The attitude of the bakers is that they should appear before this committee to ascertain how the committee can go about making an investigation to see what the facts really are.

By the Chairman:

Q. I have several questions I want to ask you, Mr. Ruttan. First of all you mention in your evidence you had employed counsel?—A. No, I did not say we had; I said I was instructed.

Q. But you have not obtained counsel?—A. No, sir, but I—

Q. That is all right, you have not obtained counsel.—A. Well, wait a minute sir—

Q. You must not make a speech every time a question is put. Either you have or you have not. Now I have a telegram here which you may have heard me read out this morning to the committee. It is addressed to me as chairman of this committee and reads as follows:

> Due to the reduction of ½ cent on our cost of bread and also due to the request of your committee we have changed our selling price on bread today from fourteen cents to thirteen cents in all our stores.
>
> John B. Parent,
> Dionne Limited.

Now, would you have any comment to make about that telegram?—A. How much discount did he get, sir? How much was the price reduced?

Q. I have just read the telegram out to you and it says "½ cent in our cost of bread".—A. In what respect do you mean me to comment?

Q. What do you say about that? He is reducing his selling price of bread from 14 to 13 cents in all their stores, and, having in mind your experience in the baking business, I just want to know what you have to say? Is that demoralizing the industry, for instance?—A. A drop in his price of 1 cent?

Q. Well, obviously. Is that demoralizing the industry?—A. Not on the face of the simple assertion that he is paying less for it, but I do not know anything about the circumstances in Montreal and I cannot answer that.

Q. You were in the committee the other day when he gave evidence?—A. Yes, but I did not follow it very closely. I heard some of it, no doubt.

Q. You did not follow the evidence?—A. Not very carefully.

Q. You have no further comment to offer on that?—A. No.

Q. I understand that although you had been a witness and were present you now say that you did not follow the evidence closely. Well, I have another question. Some bread is being sold in the stores at 14 cents. That same bread is being sold at 14 cents when delivered by the baker to the consumer. Now can you tell this committee why the same, bread sold in the store at 14 cents when called for, should sell at 14 cents when it is delivered?—A. No, except that has been the constant practice always.

Q. That is the only answer you can give?—A. Yes, it is.

Q. That is the only answer you can give? Is that what I understand?—A. Yes, that is the only answer I can give.

Q. Now, I have another question Can you give us any figures as to the cost of delivery.—A. Not personally, but I am sure the bakers can.

Q. Well, you cannot give us any information now. I see. This morning you spoke about the desirability of a cost accounting system, or cost accounting technique, as applied to the cost of bread delivery. Do you know whether or not those costs can be obtained?—A. Delivery costs?

Q. Yes?—A. Yes, from each individual company.

Q. From each individual company, I see. Well, you did speak about the necessity of a cost accounting system with regard to delivery, and what did you mean?—A. I just do not follow you.

Q. Well, are there any other questions?

Mr. FLEMING: Yes, Mr. Chairman.

By Mr. Fleming:

Q. I have one or two questions prompted by Mr. Irvine's questions. He was asking you to talk as an officer of the government, namely the administrator of bread and bakery production, with reference to the retail sale of the 24-ounce loaf at 10 cents. Do you recall that the bread we are speaking of now, the loaf that is selling at 10 cents with perhaps some difference in quality, was selling at 2 for 15 cents up until late in September. I think in practically all cases that 2 for 15 cent loaf was advanced in price to 10 cents a loaf late in September. The date of the advance varied with the different producers but it was late in September.—A. I think so.

Q. How long did you continue as administrator after that date?—A. Until the end of October. I was through at the end of October.

Q. So this 10-cent price was in effect, on an average, for five weeks while you were administrator?—A. Yes, but remember decontrol took place about September 15 and after that the bakers established their own price.

Q. Well this cheaper loaf was selling at 2 for 15 cents during the war. Did you ever have complaints from the bakers then as to the adequacy of the price? —A. Yes, I said I believe I did, but I would like to look at the records to be sure of those things.

Q. Were complaints about the A & P sale price made then on the basis of a loss leader—with respect to the 2 for 15 cent loaf?—A. I believe they were for some time back.

Q. Now dealing with this last point the chairman has asked you about, this wire from Mr. Parent of Dionne Bakeries Limited in Montreal, I understand that your association is an Ontario association?—A. Yes.

Q. Did you ever talk to any of the Montreal bakers?—A. No, we have nothing to do with the Montreal district.

Q. Have you yourself had occasion to make any studies of the price situation in Montreal?—A. No, I have not.

Q. Since you ceased to be administrator?—A. I did in those days, yes.

Q. Since you ceased to be administrator?—A. No.

Q. Do I understand that you are not in touch with the price situation in Montreal in the last few months?—A. That is correct.

By the Chairman:

Q. If you were told for instance this afternoon that an Ontario company had changed its price from 14 to 13 cents what would you say?—A. I think we have got examples of that,—

Q. What would you say?—A. The Pickering Farms—and what would I say about that price?

Q. Yes.—A. I would think in view of the existing circumstances—

Q. I am not talking of Pickering Farms by the way.—A. I would think in view of the existing circumstances there was something wrong with anybody reducing the price.

Q. You would say that they could not do it.—A. I am not talking about anybody, if a dealer has reduced cost, or if somebody gives the dealer a greater margin, then of course the dealer can do it.

Q. Are you willing to make a distinction between the large bakers and the small bakers when you say that?—A. This was a question of a dealer and not a baker.

Q. No, I am talking about bakers, and I have been talking about bakers all along.—A. About bakers reducing the prices?

Q. Let us go back to the beginning. Just answer my question and nothing more. If you were told this afternoon that a baker announced he would reduce his price from 14 cents to 13 cents what would you say about that?—A. I would be very much surprised.

Q. Now when you make that reply do you distinguish between large and small bakers? Let me put it this way? In the case of the small bakers in some of these small towns, and even the larger cities, their cost situation is a different cost situation from that which attends the operation of bakers like Canada Bread, Christie's and so on?—A. Undoubtedly there are different conditions.

Q. All right. Well even if a large baker, let us say in the category of Christie's, without mentioning them particularly, reduced the cost of bread to a selling price of 13 cents, could they afford to do so?—A. I think you better ask Christie's.

Mr. HOMUTH: How can you ask him that?

By the Chairman:

Q. But you have already said in your judgment no baker could afford to lower the prices from 14 to 13 cents, having in mind the cost situation?—A. Sir, there is a difference because Christie's is strictly a wholesale concern.

Q. Yes.—A. If it were a baker delivering to the housewife who reduced that price from 14 to 13 cents that would be surprising. Christie's Bread do not sell to the housewife.

Q. I took a wrong example then in Christie's. I will take Canada Bread.

Mr. FLEMING: May I ask you, Mr. Chairman, following the questions and answers given, whether Christie's Bread is mentioned in the wire?

The CHAIRMAN: We have dropped the wire, and I am confining myself to an Ontario case.

Mr. FLEMING: Does the wire say whose bread is concerned?

Mr. LESAGE: What about G.B., General Bakeries?

By the Chairman:

Q. This is important, Colonel. Please forget Christie's and think of a baker that sells directly to the consumer. That baker's cost situation is different from the cost situation of the little baker in the small town or city. You have said that.—A. I presume there are certain conditions which would alter circumstances.

Q. Yes, volume and so on. Now when you say there could not be a reduction from 14 to 13 cents because of the cost factor, does your answer apply to both the large and the small baker?—A. I would say normally yes, but there may be exceptions to every condition.

Q. You would not say the large baker could afford to sell bread at say a cent less?

Mr. HOMUTH: Oh well—

The WITNESS: I would not like to make any such statement at all.

By the Chairman:

Q. What would be your reply to that question?—A. Whether he could afford to sell the bread at a cent less than the others?

Q. Whether the large baker could afford to reduce bread from 14 to 13 cents? —A. Again I would be very much surprised. He could not.

Q. You say he could not.

By Mr. Fleming:

Q. Colonel Ruttan, did you have any information about this reduction of price in Montreal, apart from what you have heard this morning or what you heard said in evidence the other day?—A. No, I have not heard anything at all about it.

Q. Do you know whose bread Mr. Parent of Dionnes handles?—A. No, I am sorry I do not know the first thing about it.

Mr. HARKNESS: Harrison Brothers bread.

Mr. FLEMING: There is reference in the evidence to Harrison Brothers but I wondered if that was clear. There is a suggestion in the wire there of a reduction of half a cent in our cost of bread, that is the cost to Dionne Limited, and he says he is reducing the price to his purchasers by 1 cent.

The WITNESS: I am not in a position really to comment on that. I do not know what the details are.

Mr. HOMUTH: If they reduced the price 3 or 4 cents they would be giving the bread away. He gets a reduction of ½ cent and gives the customer a reduction of 1 cent.

By Mr. Fleming:

Q. Do you happen to know how long Christie's have been on the Montreal market?—A. No, but it is quite recent.

Q. They are newly in the Montreal market?—A. Yes.

Q. They are strictly a wholesale business?—A. Right.

Mr. LESAGE: I have only one question. Did you not say while you were reading, and I would like you to check this, that "it seems to the bakers that bread at 10 cents cannot be anything but a loss leader".

The CHAIRMAN: He is trying to find out what you said.

The WITNESS: I am sorry, but I will have to go through the whole statement.

Mr. LESAGE: Let it go; the record will show what was said.

The CHAIRMAN: Are there any other questions?

By Mr. MacInnis:

Q. I should like to ask the witness one more question. I believe he referred to a statement made by Mr. Earwaker, that the bakers were selling below cost at present prices; something to that effect. I should like to ask the witness if he has examined or compared the delivery costs of Consolidated Bakers with the delivery costs of the A & P?—A. No, I have not.

Q. Supposing I draw to your attention that, in Exhibit 42, the Consolidated Bakers gave to this committee their delivery costs as, salaries and wages, 2·48 cents and other delivery expenses as 1·65 cents which makes a total of 4·13. On page 702 of the minutes of evidence, Mr. Burdon, I think it was, gave the A & P costs as ·42 cents?—A. Yes.

Q. Now, should that not make quite a difference in the sale price of the loaf, without necessitating selling it below cost?—A. It would make a great difference. The one has salaries and wages for the people—

Q. I suppose both have the same items. There would be transportation from the A & P bakery to the stores, and that is all their delivery charge?—A. Delivery to their stores only; this 4·13 includes delivery to the consumer.

Q. It includes all their delivery costs, the cost on a 1½ pound loaf of Wonder Bread. In making any comparison, you have to take into consideration the A & P method of selling and delivering bread?

Mr. HOMUTH: Again, I submit that this witness is in no position to give the costs of delivery of the individual companies; I do not think he can do it. I realize that the question is quite reasonable, but I do not think this witness can give that evidence.

Mr. MACINNIS: I agree that he may not have the evidence, but he made comparisons himself and pointed out that the A & P could not sell at the price at which they are selling without selling below cost; that is his statement.

The WITNESS: In the opinion of the bakers; we wish to make representations to your organization to see that that phase of the situation is thoroughly studied.

The CHAIRMAN: Unless there are further questions of this witness, Mr. Dyde is anxious to present a statement made up by the Canada Bread Company, so that the members of the committee can study it before the Canada Bread witness is called at 4 o'clock.

Mr. HOMUTH: What is it, a financial statement?

Mr. DYDE: It is a brief, with a breakdown of the figures similar to that presented by the Consolidated Bakeries.

Mr. FLEMING: Let us just take it quickly, now.

Albert Victor Loftus, President and General Manager, Canada Bread Company, called and sworn:

By Mr. Dyde:

Q. Mr. Loftus, will you give the committee your full name?—A. Albert Victor Loftus.

Q. Your address?—A. 21 Ava Road, Forest Hill.

Q. Your occupation?—A. General Manager and President of the Canada Bread Company, Canada.

Q. You have been asked to produce and have produced a brief with respect to the operations of Canada Bread, to put before this committee?—A. I have.

Q. I understand you have made a number of copies and they are available for the committee?—A. I have.

Mr. DYDE: I should like to accept that, Mr. Chairman, and it will be referred to more fully later on.

The CHAIRMAN: This will be Exhibit 44. The meeting is adjourned until 4 o'clock.

EXHIBIT No. 44: Canada Bread Company Limited brief and other statements.

AFTERNOON SESSION

The committee resumed at 4 o'clock p.m. The Vice-Chairman, R. W. Maybank, presided.

The VICE-CHAIRMAN: Come to order, gentlemen. I see a quorum.

Albert Victor Loftus, President and General Manager, Canada Bread Company, recalled:

Mr. DYDE: Mr. Chairman, I would like to have Mr. Antliff sworn. He is an officer of the company and I think it would be convenient.

The VICE-CHAIRMAN: All right, Mr. Dyde.

By Mr. Dyde:

Q. What is your full name, please, Mr. Antliff?—A. William Shaw Antliff.

Q. What is your address?—A. 23 Rochester Avenue, Toronto.

Q. What is your position with the company?—A. Assistant general manager and treasurer.

William Shaw Antliff, Assistant Manager and Treasurer, Canada Bread Company Limited, sworn:

Mr. DYDE: Mr. Loftus, in addition to this Exhibit 44, which you put in this morning, I understand that you are able to provide the committee with annual statements of the Canada Bread Company Limited from 1938 to 1947 inclusive?

Mr. LOFTUS: That is right.

Mr. DYDE: As these are all fastened together in groups, Mr. Chairman, I think we might exhibit them as one exhibit, which will be Exhibit 45, ten annual reports.

EXHIBIT No. 45: Annual reports of Canada Bread Company Limited, 1938 to 1947. (See Appendix)

The VICE-CHAIRMAN: Going back from 1947 for ten years?

Mr. DYDE: Yes. Mr. Loftus, I notice that in Exhibit 44 there is a statement addressed to the members of the committee and I understand that you would like to read that statement to the committee. Will you please do that.

The VICE-CHAIRMAN: Order, please gentlemen.

Mr. LOFTUS:

SCHEDULE I
February 28, 1948

To The Members of
The Select Committee on Prices,
House of Commons,
Ottawa, Ontario.

Gentlemen:

In this brief I shall present for your information a number of pertinent facts which I hope will prove helpful in assisting you to evaluate the reason for and justification of the increase in bread prices since September 1, 1947. These facts relate directly to the Canada Bread Company, of which I am president, but the trends reflected will probably apply in modified degree to the bread industry as a whole. In summarized form, the information which I would respectfully draw to your attention is as follows:

Background of Canada Bread Company Limited

(*a*) In existence since 1911—operates 19 bakeries in Ontario, Quebec and Manitoba.

(*b*) 99 per cent Canadian ownership—has 2,700 employees and an annual payroll of over $5,000,000.

(*c*) Fairness to public has been proven by small earnings per dollar of sales for many years past. This is corroborated by financial statements filed for the years 1938 to 1947. Exhibit "A" relates the annual earnings shown in these reports to volume of sales.

(*d*) Capital structure—$3,275,000 in preference and common shares on which annual dividends of $172,500 have been paid since September 1945. On issued capital this is equivalent to 5·27 per cent. On capital and surplus for the year ended June 30, 1947, it is equivalent to 4·08 per cent.

(*e*) Highly competitive conditions in the bread industry prevent undue profiteering. Last report on the bread industry issued by the Bureau of Statistics in 1947 shows that 2,230 bakery establishments are operating in the provinces of Ontario, Quebec and Manitoba.

Mr. IRVINE: Mr. Chairman, I am sorry to interrupt, but I think there is something lacking in the background of your company; and the question is whether I should ask questions now on that matter or leave it until after the statement is read.

The VICE-CHAIRMAN: I believe it would be better if you left it until the witness has concluded this statement which we asked him to give as a preliminary.

Mr. IRVINE: Yes.

Mr. LOFTUS:

Conditions Applicable to the Years 1939 to 1947

In August 1939, Canada Bread Company were paying $3.20 per barrel for 2nd patent flour. Bread prices on regular brands of bread were at such time 10 cents per 24 oz. loaf.

I would like you to get that, gentlemen; because later on there is an increase, that is previous to stabilization.

Prior to wartime control of prices being imposed in September 1941, flour costs had risen 95 cents per barrel to $4.15 with no change in selling price of bread. This increased flour cost was equivalent to one half cent per 24 oz. loaf and the profit margin on Canada Bread sales in the year ended June 30, 1941 dropped to 3·09 per cent from a margin of 8·03 per cent shown for the year ended June 30, 1939. Expanding volume over the years from 1942 to 1947 was sufficient to substantially offset higher ingredient and other costs (Exhibit "B") and maintain a profit per dollar of sales which fluctuated from a high of 4·85 per cent for the year ended June 30, 1944 to a low of 3·37 per cent for the year ended June 30, 1947. Around the middle of 1947 high costs were making it increasingly difficult to continue operating with a profit margin. In August 1947 the percentage rate of net profit to sales was less than 1 per cent (·9 per cent). Additional higher costs which were constantly being added as controls came off, made it apparent that the selling price of 10 cents per loaf which had stood since prewar could no longer be maintained and the bread administrator under the Wartime Prices and Trade Board was approached in July and August 1947 regarding an upward revision of prices. He requested, however, that the matter be left in abeyance as there was a possibility the subsidy on flour might be removed and the price ceiling on bakery products eliminated.

Justification for price Increase to 13 cents Per 24 Oz. Loaf at September 18-22, 1947
And in Certain Areas to 14 cents at January 27, 1948

(*a*) Immediately prior to September 15, 1947 bakery operations were unprofitable due to rising costs and fixed selling prices. Canada Bread margin of profit in relation to sales in August 1947 was ·9 per cent. An additional cent per loaf was justified and required without reference to subsidy removals.

(*b*) Removal of flour subsidy on September 15, 1947 increased flour costs from $4.10 to $8.15 per barrel. This increase added the equivalent of 2·13 cents to the basic cost of a 24 oz. loaf of bread. (Based on 190 loaves of 24 oz. bread per barrel of flour).

(*c*) Due to the pressure of rising costs of living, the company considered it unfair to its staff of delivery salesmen to reduce the rate of commission paid on sales. This added a further delivery cost equivalent to at least ·35 cents per 24 oz. loaf.

(*d*) Prior to the removal of wartime wage regulations the remuneration paid to bakery and office employees had of necessity been kept to a basis which inadequately reflected the rising cost of living. Loyal employees were under constant economic pressure to leave the company's employ and operating efficiency was as a consequence being seriously impaired by frequency of turnover. Modest wage revisions were an absolute necessity, thoroughly justified and given effect to in mid-September. The increased cost reflected in a loaf of bread was approximately ·10 cents per loaf.

(*e*) The rising trend of prices of ingredients and supplies entering into the cost of producing and distributing bakery products continued to move upwards during September 1947 and succeeding weeks. Examples might be cited as follows: Yeast up 16 to 17 cents a pound; arkady—

Mr. IRVINE: What is that?

The WITNESS: Arkady is a yeast improver.

—up 6½ to 7½ cents per pound; salt up $8.95 to $13.20 per ton; bread wrapping up 17·65 to 18·55 cents per pound; bread cartons up 17·99 to 18·91 cents per pound; coke up $15.50 to $17.25 per ton; fuel oil up 10·4 to 11·15 cents per gallon; hay up $22.00 to $26.00 per ton; gasoline up 26½ to 30½ cents per gallon; bran up $27.00 to $48.00 per ton.

That is all from September, I might say.

(*f*) As increasing supplies of fats, sugar and other ingredients became available in September 1947 and succeeding weeks, the formulae used for regular branded loaves was enriched. This produced a superior product but added from ¼ to ½ a cent to the cost per loaf.

The foregoing adjustments referred to in (*b*) (*c*) (*d*) (*e*) and (*f*) reflect a higher cost of at least 3 cents per 24 oz. loaf. Having in mind the reference in (*a*) to conditions prevailing in August 1947, it was apparent that an increase to 14 cents per 24 oz. loaf was justified at September 15, 1947 in order to maintain a small but reasonable margin of net profit of under 1 cent per loaf. We eventually decided, however, that a 13 cent price could be maintained on a temporary basis due to the advantage accruing from a 5 week supply of cheap flour in stock at September 15, 1947. As a consequence of this decision, a 13 cent price was established at all plants within a week of the lifting of the flour subsidy and the further revision upward to 14 cents did not take place until the last week of January 1948. The small average ratio of profit to sales over the six months to January 31, 1948 is reflected in the statement filed herewith (Exhibit "C").

Conclusion

Canada Bread Company Limited has been serving Canadians for 37 years. During this time it has been our aim to keep our reputation high. We believe we have been successful; we intend to keep it that way in the future. Our policy is to give the Canadian people the best quality bread at reasonable prices. As president of this company, I will say that we will never profiteer. We also wish to be fair to the men and women of our organization, who number close to 3,000 and the only way we can be fair to them is by being fair to the public.

The VICE-CHAIRMAN: I think, perhaps, this is the place at which Mr. Irvine wanted to ask some questions, unless that interferes with the course you had in mind, Mr. Dyde.

Mr. DYDE: I think you might put your questions, Mr. Irvine.

Mr. IRVINE: Then I should like to ask Mr. Loftus; is your company a subsidiary of the Maple Leaf Milling Company?

Mr. LOFTUS: Definitely.

Mr. IRVINE: It is a wholly-owned subsidiary?

Mr. LOFTUS: They have the controlling stock.

Mr. IRVINE: How many shares does the Maple Leaf Milling Company own?

Mr. LOFTUS: You will find that on Schedule 12.

Mr. FLEMING: Mr. Chairman, I think we had better leave that and take these sections as they come, otherwise we will be terribly confused.

The VICE-CHAIRMAN: Quite possibly, but it was not apparent until this moment that the matter Mr. Irvine had in mind is dealt with a little further back. You will agree that we might take that up when we reach it later on, Mr. Irvine?

Mr. IRVINE: Yes. I had not had time to go that far.

The VICE-CHAIRMAN: Quite right. I think the questions you wanted to ask are taken care, disposed of further on in this statement.

Mr. IRVINE: I think perhaps some of the other things I wanted to ask may not be disclosed here, but if they are not no doubt I will have a chance to bring them to attention.

The VICE-CHAIRMAN: Well, how about allowing Mr. Dyde to go along now, and then if there be something we will come to it.

Mr. LESAGE: I have only one question. I do not know whether it would be in order to ask it now or not, you will tell me if it is not.

The VICE-CHAIRMAN: You ask it and we will see if it is proper to deal with it now or not.

Mr. LESAGE: Mr. Loftus, you said that the issued capital, or I should say the annual dividend paid in September of 1945, was equivalent to 5·21. But if I look at your financial statement for 1947, your balance sheet as at the 30th of June, 1947, I see that your net profit for the year was $317,022.09 which would be very nearly 10 per cent on your invested capital. Is that correct?

Mr. LOFTUS: I think I would like Mr. Antliff to answer the question.

Mr. LESAGE: Yes.

Mr. ANTLIFF: Mr. Chairman and gentlemen, the statement speaks for itself.

Mr. LESAGE: I am asking you if that is correct. I am asking you if what I have just said is correct.

Mr. ANTLIFF: That the earned profit is approximately 10 per cent of the issued capital?

Mr. LESAGE: Of the invested capital.

Mr. ANTLIFF: Correct.

Mr. LESAGE: For the year ending June 30, 1947?

Mr. ANTLIFF: That is correct.

The VICE-CHAIRMAN: All right, Mr. Dyde.

Mr. DYDE: I think, Mr. Chairman, that for the moment at least we may go through the report page by page, and there are some pages I want to ask one or two extended questions on, but I will let you gentlemen know at once if there is anything I am not particularly going to ask about so that it will give members of the committee an opportunity to ask questions in that way.

The VICE-CHAIRMAN: There are two matters I want to mention. The first one is that you suggest that you will go over this page by page, and that if there is anything you have not covered and which relates to that page that should be dealt with by other members of the committee at that time.

Mr. DYDE: Yes.

The VICE-CHAIRMAN: That is that. The other matter is that Mr. Arsenault has pointed out to me it was not determined how this statement would go into the record. This is the sort of statement that I fancy you would want to go into the record as having been read entirely right now. Is that not correct?

Mr. FLEMING: Agreed.

Mr. JOHNSTON: You are classing it as exhibit 44.

The VICE-CHAIRMAN: The only question is as to whether it will be printed. If that is your view this will be printed as though it had been read into the record.

INDEX TO SCHEDULES ATTACHED

I. Report from Mr. A. V. Loftus, President and General Manager.

II. Exhibits "A" referred to in President's Report.—Statement of Profits, Sales and Percentage of Profits to Sales for each of the years ended June 30, 1938 to 1947 inclusive.

III. Exhibit "B" referred to in President's Report.—Comparison of Prices paid for principal bread ingredients and other supplies in August, 1939, 1941 and 1947.

IV. Exhibit "C" referred to in President's Report.—Breakdown of Cost Percentages embodied in each dollar of sales for each of the months August, 1947 to January, 1948, inclusive. (*a*) All Products (*b*) Bread (*c*) Cake and Sweet Goods.

V. Comparison of Costs and Selling Prices.—Applicable to 24 oz. bread sold in Ontario and Quebec in January, 1948.

VI. Volume of Bread Sales in Poundage and Value at Toronto, Montreal, Ottawa and all bakeries combined over each of the 13 months from January, 1947, to January, 1948, inclusive.

VII. (*a*) Names of brands of bread sold in Toronto, Ottawa and Montreal.
(*b*) Relative sales volume of each brand.
(*c*) Relative proportion of sales of the 24 oz. loaf sliced.
(*d*) The retail and wholesale selling price per loaf of each brand Produced.

VIII. Flour Cost Per Loaf at September 1, 1947, and subsequent dates on which a change was effected in the price of flour.

IX. Formula adjustment effected in October, 1947, applicable to regular 24 oz. 13 cent bread and based on formulae in use at Bloor Street Bakery, Toronto.

X. Prices of Flour Per barrel at September 1, 1947 and subsequent dates on which a change was effected in the price of flour.

XI. Flour Inventory Position at September 15, 1947.

XII. Share Capital of Canada Bread Company Limited at February 29, 1948.

XIII. Average Weekly Wage Paid to Delivery Salesman at Toronto and Montreal during February 1941, 1945 and 1948.

XIV. Analysis of Wage and Salary Expenditures For the Seven Months ended January 31, 1948.

SCHEDULE II—EXHIBIT "A"

CANADA BREAD COMPANY LIMITED

NET PROFIT REALIZED PER UNIT AND PER DOLLAR OF SALES
(Sales Unit—1 Loaf of Bread of 10c. Cake Volume)—1938 to 1947

Year ended June 30	Net profit exclusive of investment income and before income tax	Net sales value	Profit per dollars of sales	Units sold	Profit per unit of sales
			%		cents
1947	466,268	13,835,088	3·37	161,841,509	0·288
1946	480,858	12,481,077	3·85	149,132,641	0·322
1945	441,329	10,888,702	4·05	130,080,914	0·339
1944	518,971	10,703,068	4·85	128,369,071	0·404
1943	452,896	9,528,485	4·75	114,440,909	0·396
1942	302,875	8,048,095	3·76	97,965,786	0·309
1941	235,112	7,607,974	3·09	94,645,043	0·248
1940	277,796	6,911,631	4·02	87,077,747	0·319
1939	542,540	6,752,740	8·03	82,161,234	0·660
1938	329,257	6,689,244	4·92	76,561,248	0·430
Totals	4,047,902	93,446,104	4·33	1,122,276,102	0·361
Six Months to January 31st, 1948	218,100	7,767,503	2·81	81,712,490	0·267

SCHEDULE III—EXHIBIT "B"

COMPARISON OF PRICES PAID FOR PRINCIPAL BREAD INGREDIENTS AND OTHER SUPPLIES

August 1939, 1941 and 1947.

—	—	1939	1941	1947
Flour (2nd patent)	Price per barrel (196 lbs.)	$ 3.20	$ 4.15	$ 4.15
Lard	Price per pound	8·5¢	11·5¢	22·0¢
Milk powder	Price per pound	8·5¢	10·5¢	14·5¢
Sugar	Price per pound	5·2¢	7·2¢	8·2¢
Malt extract	Price per pound	6·5¢	7¢	8·75¢
Yeast	Price per pound	16¢	16¢	16¢
Arkady	Price per pound	6½¢	6½¢	6½¢
Hay	Price per ton	$12.00	$16.00	$22.00
Straw	Price per ton	$ 8.00	$10.00	$15.00
Oats	Price per bushel	34¢	53¢	65¢
Gasoline	Price per gallon	21¢	28·5¢	28·5¢
Bread wrapping (wax paper)	Price per pound	16·40¢	15·00¢	17·65¢

NOTE: Bread wrapping used in 1939 was of a superior quality of paper later discontinued due to war conditions. This superior paper was not in use in 1941 or 1947 and is not yet available.

SCHEDULE IV (*a*)—EXHIBIT "C"

CANADA BREAD COMPANY LIMITED

Information Covering Operating Results Over the Six Months—from August 1, 1947 to January 31, 1948

—	Aug. 1947	Sept. 1947	Oct. 1947	Nov. 1947	Dec. 1947	Jan. 1948	Average 6 months
	%	%	%	%	%	%	%
Breakdown of cost percentages embodied in each dollar of sales (all products)—							
Ingredients	40·1	36·0	38·2	44·5	45·4	44·1	41·4
Wrapping	6·2	6·0	5·0	5·8	5·2	5·4	5·6
Bakery wages	14·3	13·5	12·0	11·8	12·9	12·8	12·8
Bakery fuel, power, repairs, etc	3·3	3·2	3·2	3·5	3·4	3·6	3·4
	63·9	58·7	58·4	65·6	66·9	65·9	63·2
Administrative expenses—(Municipal taxes, fire and liability insurance, office salaries, unemployment insurance, telephone, stationery, advertising, etc.)	6·7	6·9	6·3	6·7	6·7	6·9	6·7
Depreciation of plant and equipment	2·4	2·5	2·2	2·5	2·3	2·7	2·4
	73·0	68·1	66·9	74·8	75·9	75·5	72·3
Delivery wages	18·7	18·1	17·4	17·3	17·4	18·4	17·9
Other delivery expenses	7·5	7·3	6·2	6·9	6·6	7·5	7·0
	99·2	93·5	90·5	99·0	99·9	101·4	97·2
Percentage of net profit	0·8	6·5	9·5	1·0	0·1	1·4	2·8
	100·0	100·0	100·0	100·0	100·0	100·0	100·0

SCHEDULE IV (*b*)—EXHIBIT "C"

CANADA BREAD COMPANY LIMITED—*Concluded*

Information Covering Operating Results Over the Six Months—from August 1, 1947 to January 31, 1948

——	Aug. 1947	Sept. 1947	Oct. 1947	Nov. 1947	Dec. 1947	Jan. 1948	Average 6 months
	%	%	%	%	%	%	%
Breakdown of cost percentages embodied in each dollar of bread sales—							
Flour	22·1	19·8	24·4	34·0	33·8	32·7	28·0
Other ingredients	15·9	13·5	11·3	11·0	11·2	11·3	12·3
Total ingredients	38·0	33·3	35·7	45·0	45·0	44·0	40·3
Wrapping	5·4	4·7	4·1	4·3	4·3	4·3	4·5
Bakery wages	16·2	14·3	12·6	12·1	13·3	12·4	13·4
Bakery fuel, power, repairs, etc	3·4	3·3	3·3	3·7	3·8	3·5	3·5
	63·0	55·6	55·7	65·1	66·4	64·2	61·7
Administrative expenses—(Municipal taxes, fire and liability insurance, office salaries, unemployment insurance, telephone, stationery, advertising, etc.)	6·7	6·9	6·3	6·7	6·7	6·9	6·7
Depreciation of plant and equipment	2·4	2·5	2·2	2·5	2·3	2·7	2·4
	72·1	65·0	64·2	74·3	75·4	73·8	70·8
Delivery wages	18·7	18·1	17·4	17·3	17·4	18·4	17·9
Other delivery expense	7·5	7·3	6·2	6·9	6·6	7·5	7·0
	98·3	90·4	87·8	98·5	99·4	99·7	95·7
Percentage of net profit	1·7	9·6	12·2	1·5	0·6	0·3	4·3
	100·0	100·0	100·0	100·0	100·0	100·0	100·0

SCHEDULE IV (*c*)—EXHIBIT "C"

Breakdown of cost percentages embodied in each dollar of cake and sweet goods sales—							
All ingredients	43·4	40·7	42·8	43·3	45·8	44·5	43·5
Wrapping	7·6	8·3	6·6	8·7	6·9	8·0	7·6
Bakery wages	11·3	12·0	10·9	11·3	12·2	14·0	11·8
Bakery fuel, power and repairs, etc	3·0	3·1	3·0	3·2	3·1	3·6	3·1
	65·3	64·1	63·3	66·5	68·0	70·1	66·0
Administrative expenses—(Municipal taxes, fire and liability insurance, office salaries, unemployment insurance, telephone, stationery, advertising, etc.)	6·7	6·9	6·3	6·7	6·7	6·9	6·7
Depreciation of plant and equipment	2·4	2·5	2·2	2·5	2·3	2·7	2·4
	74·4	73·5	71·8	75·7	77·0	79·7	75·1
Delivery wages	18·7	18·1	17·4	17·3	17·4	18·4	17·9
Other delivery expense	7·5	7·3	6·2	6·9	6·6	7·5	7·0
	100·6	98·9	95·4	99·9	101·0	105·6	100·0
Percentage of net profit or loss	*0·6*	1·1	4·6	0·1	*1·0*	*5·6*	Nil
	100·0	100·0	100·0	100·0	100·0	100·0	100·0

SCHEDULE V

CANADA BREAD COMPANY LIMITED

ALL BAKERIES IN ONTARIO AND QUEBEC

Comparison of costs and selling prices for 24 oz. loaves—January 1948

—	Average all sales	Regular brand house to house	Regular brands stores	"Cottage" bread	Secondary brands house to house	Secondary brands stores
Flour	3·74	3·71	3·71	3·83	3·83	3·83
Ingredients	1·27	1·43	1·43	0·80	0·80	0·80
Purchase discounts	*0·05*	*0·05*	*0·05*	*0·05*	*0·05*	*0·05*
Wrapping	0·52	0·52	0·52	0·52	0·52	0·52
Bakery wage and Production costs	1·80	1·80	1·80	1·80	1·80	1·80
Administrative Expenses—Office salaries, group insurance, Unemployment insurance, Insurance, municipal taxes, telephone, stationery, etc	0·78	0·78	0·78	0·78	0·78	0·78
Provision for depreciation on plant and equipment	0·31	0·31	0·31	0·31	0·31	0·31
	8·37	8·50	8·50	7·99	7·99	7·99
Delivery wage and distribution costs	2·98	3·96	1·98	1·88	3·66	1·92
	11·35	12·46	10·48	9·87	11·65	9·91
Sales return per loaf	11·32	13·00	10·40	9·00	11·00	9·50
Average covers all plants other figures —Toronto only)	.....	.....	(13·00)	(10·00)	.....	(11·00)
Net profit or loss per loaf	*0·03*	0·54	*0·08*	*0·87*	*0·65*	*0·41*

NOTE: ( ) Indicates Consumer Price Per Loaf.

SCHEDULE VI

CANADA BREAD COMPANY LIMITED

Volume of Bread Sales in Poundage and Value at Toronto, Montreal, Ottawa and all Bakeries Combined Over the Thirteen Months to January 31, 1948

Period covered	A		B		C		D	
	Toronto		Ottawa		Montreal		All Markets	
	Poundage	Value	Poundage	Value	Poundage	Value	Poundage	Value
1947	lbs.	$ cts.	lbs.	$ cts.	lbs.	$ cts.	lbs.	$ cts.
January	2,626,874	158,645 20	746,957	44,414 01	1,544,478	86,615 35	10,760,778	640,082 94
February	2,420,994	148,188 79	710,277	42,339 26	1,464,906	83,814 50	10,025,364	599,191 67
March	2,569,703	185,560 57	777,499	46,369 20	1,583,650	91,933 31	10,712,964	645,760 17
April	2,538,206	156,418 98	778,868	47,046 37	1,621,258	93,479 74	10,699,376	643,221 66
May	2,819,778	174,088 55	875,079	52,964 79	1,769,840	102,022 39	11,815,553	715,184 35
June	2,761,703	168,092 04	865,355	53,763 95	1,655,659	94,775 50	11,512,320	692,773 06
July	2,951,950	176,021 05	902,375	55,369 23	1,643,430	93,693 10	12,097,204	721,043 71
August	3,050,092	190,514 85	916,065	57,665 35	1,563,940	90,273 00	12,170,140	738,754 03
September	2,836,403	194,694 88	847,728	57,025 20	1,506,405	100,925 76	11,342,394	773,520 61
October	2,877,950	220,387 14	859,553	68,675 80	1,616,372	123,553 17	11,671,189	911,057 35
November	2,650,774	210,559 29	800,359	63,639 92	1,509,228	115,447 93	10,767,406	852,883 07
December	2,920,849	228,493 14	850,536	69,630 77	1,638,287	124,934 36	11,539,635	916,098 48
1948								
January	2,846,928	225,546 27	789,807	63,338 16	1,475,226	113,995 78	11,013,120	885,844 90

CANADA BREAD COMPANY LIMITED

SCHEDULE VII

(Brands of bread sold in Toronto, Ottawa and Montreal districts)

RETAIL AND WHOLESALE PRICES OF RESPECTIVE BRANDS

(Relative sales volume of each brand in these districts (week ending February 14, 1948)

—	Weight	Toronto		Ottawa		Montreal		Toronto	Ottawa	Montreal
		Retail Price	Wholesale Price	Retail Price	Wholesale Price	Retail Price	Wholesale Price	Relative Sales	Relative Sales	Relative Sales
	oz.	cts.	cts.	cts.	cts.	cts.	cts.	%	%	%
Sandwich, white—Large—Sliced	48	.....	.....	.....	.....	30	27·0	.....	.....	1·72
Sandwich, white—Large	48	28	23·0	26	22·0	28	25·0	3·67	1·65	6·33
Sandwich, brown—Large	48	28	23·0	26	22·0	28	25·0	1·51	0·13	0·86
C.B.4—Sliced	24	15	12·0	.....	.....	15	13·5	6·69	.....	2·78
Sandwich, white—Sliced	24	15	12·0	.....	.....	15	13·5	3·41	.....	8·67
Sandwich, brown—Sliced	24	15	12·0	.....	.....	15	13·5	0·18	.....	0·38
Dr. Hall's whole wheat—Sliced	24	15	12·0	.....	.....	.....	.....	0·49		
Dr. Hall's cracked wheat—Sliced	24	15	12·0	.....	.....	.....	.....	0·29		
Butter nut	24	14	11·5	13	11·0	14	12·5	6·27	6·71	4·63
C.B.4	24	14	11·5	13	11·0	14	12·5	18·60	15·24	11·95
Tendercrust	24	14	11·5	.....	.....	.....	.....	6·29		
Sandwich—White	24	14	11·5	13	11·0	14	12·5	6·90	6·89	10·08
Thrifty	24	14	11·5	.....	.....	.....	.....	8·34		
Cream scone	24	.....	.....	13	11·0	14	12·5	.....	37·92	0·86
Buttermilk	24	.....	.....	13	11·0	.....	.....	.....	1·63	
Parisian or Vienna sticks	24	14	11·5	14	12·0	14	12·5	1·34	0·40	13·66
Dr. Hall's whole wheat	24	14	11·5	13	11·0	14	12·5	6·41	4·64	3·14
Dr. Hall's cracked wheat	24	14	11·5	.....	.....	14	12·5	2·58	.....	0·30
Sandwich, brown	24	14	11·5	.....	.....	14	12·5	0·68	.....	2·83
Honey crushed wheat	24	.....	.....	13	11·0	.....	.....	.....	1·26	
Mello meal	.....	.....	.....	.....	.....	.....	.....	.....		
Soya flake	24	14	11·5	.....	.....	.....	.....	0·09		
Table Pride—White	24	12	10·5	12	10·5	.....	.....	3·85	7·19	
Majestic	24	.....	.....	11	9·5	12	11·0	.....	6·32	14·43
Army bread	24	.....	.....	11	9·75	.....	.....	.....	0·22	

CANADA BREAD COMPANY LIMITED

SCHEDULE VII

(Brands of bread sold in Toronto, Ottawa and Montreal districts)

RETAIL AND WHOLESALE PRICES OF RESPECTIVE BRANDS—Conc.

(Relative sales volume of each brand in these districts (week ending February 14, 1948)

—	Weight	Toronto		Ottawa		Montreal		Toronto	Ottawa	Montreal
		Retail Price	Wholesale Price	Retail Price	Wholesale Price	Retail Price	Wholesale Price	Relative Sales	Relative Sales	Relative Sales
	oz.	cts.	cts.	cts.	cts.	cts.	cts.	%	%	%
Institution	24	.....	.....	.....	.....	12	11·0	.....	.....	12·72
Table Pride—Brown	24	12	10·5	.....	.....	.....	.....	0·20		
Cottage bread—White	24	10	9·0	10	9·0	.....	.....	13·92	5·35	
Cottage bread—Brown	24	10	9·0	10	9·0	.....	.....	2·58	0·85	
Cottage bread—Cracked wheat	24	10	9·0	10	9·0	.....	.....	1·10		
Country Club—White	16	11	9·5	10	8·5	.....	.....	0·75	1·27	
Country Club—Brown	16	11	9·5	10	8·5	.....	.....	0·23		
Cheese bread	12	15	12·0	15	12·0	14	12·5	0·21	0·26	0·30
Cream loaf	12	9	7·5	.....	.....	8	7·0	0·57	.....	0·64
Malt bread	12	12	9·6	13	11·0	14	12·5	2·33	0·98	3·13
Dr. Hall's and Mello Meal	12	.....	.....	9	7·5	8	7·0	.....	0·58	0·59
Hovis	12	9	7·5	9	7·5	.....	.....	0·52	0·51	
								100·00	100·00	100·00
Proportion sliced bread to total sales	.....	.....	.....	.....	.....	.....	.....	11·06	.....	13·55
Proportion sliced bread to first quality bread sales	.....	.....	.....	.....	.....	.....	.....	14·99	.....	19·85

SCHEDULE VIII

FLOUR COST PER LOAF AT SEPTEMBER 1, 1947 AND SUBSEQUENT DATES ON WHICH A CHANGE WAS EFFECTED IN THE PRICE OF FLOUR

	Toronto Cents per loaf	Ottawa and Montreal Cents per loaf
September 1, 1947	2·16	2·21
September 15, 1947	4·29	4·34
December 8, 1947	4·21	4·26
January 12, 1948	4·13	4·18
February 6, 1948	4·05	4·10

Applicable at Toronto, Ottawa and Montreal

Above calculations are based on a production of 190 loaves of 24 oz. bread from each barrel of flour (196 lbs.).

SCHEDULE IX

FORMULAE ADJUSTMENT EFFECTED OCTOBER, 1947
APPLICABLE TO REGULAR 24 OZ. 13 CENT BREAD
BASED ON FORMULAE USED AT BLOOR STREET BAKERY—TORONTO

	Before adjustment pounds	After adjustment pounds
Flour	600	600
Water	292	253
Yeast	6	10
Arkady	2	1½
Malt flour	¾	¾
Milk	120	180
Fats	3	12
Salt	16¼	16¼
Sugar	9	18
Improver	3	....
Ingredient cost per loaf prior to adjustment of formula		4·50 cents
Ingredient cost per loaf after adjustment of formula		5·01 cents
Additional cost per loaf after adjustment		·51 cents

SCHEDULE X

FLOUR PRICES PER BARREL AT SEPTEMBER 1, 1947, AND SUBSEQUENT DATES ON WHICH A CHANGE WAS EFFECTED IN THE PRICE OF FLOUR

(Based on deliveries of 2nd Patent Flour (jute or cotton bags)

September 1, 1947	$4.10 per barrel (196 lbs.)
" 15, 1947	8.15 " " "
December 8, 1947	8.00 " " "
January 12, 1948	7.85 " " "
February 6, 1948	7.70 " " "

All above prices are subject to 10 cents per barrel cash discount. There is also a standard differential of 30 cents per barrel more for First Patent flour, "Cream of the West" while other grades such as "Nelson" and "Winnipeg" are bought at prices of 10 cents and 20 cents per barrel respectively below the basic second patent quotations. If paper bags are available, all the above prices are subject to a reduction of 40 cents per barrel.

The following provisions also apply:—

Toronto	"Delivered in" price
Brantford, Galt, Guelph, Chatham, Sarnia, Kingston, Cornwall	"F.O.B. Track"
Hamilton, London, Windsor, Ottawa and Montreal	"Delivered in"—10c premium per barrel
Kirkland Lake, Sudbury	"F.O.B. Track"—20c premium per barrel

Purchases are made from Maple Leaf Milling Company Limited with whom no contracts are in force or have been in force for over five years.

SCHEDULE XI

FLOUR INVENTORY POSITION AT SEPTEMBER 15, 1947

Closest date to September 15, 1947, on which an inventory of flour was taken was at the close of business September 17, 1947. Inventory of flour at such time was 40,739 barrels. Based on the average weekly usage which approximates 9,500 barrels, it would appear that inventory of flour on hand at September 15, 1947, would have been about 45,500 barrels. Based on the average weekly usage of 9,500 barrels, the quantity on hand at September 15, 1947, would be sufficient for a 4½ to 5 week period. The estimated quantity of flour used between September 15, 1947, and the date of the subsequent price increase would approximate 7,500 barrels.

SCHEDULE XII

SHARE CAPITAL OF CANADA BREAD COMPANY LIMITED, AT FEBRUARY 29, 1948

	First preference	Class "B" preference	Common
Number of shares	20,000	25,000	200,000
Par value of shares	$100	$50	No par
Numberof shares owned by Canadian residents	19,910	24,426	197,589
Number of shares owned by non-residents of Canada	90	574	2,411
Total number of shareholders	543	581	621
Number of shares owned by Maple Leaf Milling Co.	Nil	5,506	100,056
Annual dividend payment per share effective September 15, 1945	$4.50	$2.50	10c
Rate of annual dividends paid in total to each class of shareholders effective September 15, 1945	$90,000	$62,500	$20,000
Number of directors elected by each class of shareholder	2	1	4

SCHEDULE XIII

AVERAGE WEEKLY WAGES PAID TO DELIVERY SALESMEN
WEEKS ENDED FEBRUARY 22, 1941, FEBRUARY 24, 1945
AND FEBRUARY 28, 1948

	1941	1945	1948
Toronto	26.16	41.16	45.44
Montreal	23.60	39.26	46.32

SCHEDULE XIV

ANALYSIS OF WAGE AND SALARY EXPENDITURES
FOR THE SEVEN MONTHS ENDED JANUARY 31, 1948

To delivery salesmen, route supervisors, stablemen and motor mechanics	53·2	$1,615,149.02
To bakers, bakery maintenance men and shippers	38·6	1,173,583.58
To office employees (exclusive of head office)	6·2	187,865.60
To head office executive and office employees	2·0	59,429.88
	100·0	$3,036,027.58

Percentage of Wages Paid in Relation to the Sales Value of Goods Sold

Delivery wages	18·1
Bakery wages	13·1
Branch office wages	2·1
Head office wages	·6
Total	33·9

The VICE-CHAIRMAN: The several annual reports which have been named as exhibit 45, if they are to be printed at all, I fancy should be printed as an appendix. The question arises in my mind as to whether they should be printed at all.

Mr. JOHNSTON: Each one has a copy of them. I would agree with you. I do not see why we should print them at all.

Mr. FLEMING: I should think they will have to be printed in the appendix because while members of the committee have the exhibit other people reading the evidence will not have them.

Mr. LESAGE: I have already asked a question on the financial statement, and if it is not in the appendix—

The VICE-CHAIRMAN: You have already asked a question about it.

Mr. HARKNESS: It may be by the time we have come to the end of these witnesses there will have only been questions asked on the 1947 annual statement, and it may be it would be all that it would be necessary to print in the record.

The VICE-CHAIRMAN: Mr. Fleming's point, however, is that the evidence is going out to more than the members of the committee and they would not have copies of these documents, and that these several documents should be printed as an appendix.

Mr. HARKNESS: My point was that if in the evidence only one was referred to perhaps that would be all that it would be necessary to print. We would not have to print the six of them.

The VICE-CHAIRMAN: Shall we say that these annual reports, which are exhibit 45, will be printed as an appendix if they are printed, and we will decide a little later as to whether they will be printed at all.

Mr. IRVINE: I think we can hardly expect to print all of them. We have received a number of similar reports for at least one year from other companies appearing here and we have not printed them. I do not think we need to do that.

The VICE-CHAIRMAN: I do not think we do myself.

Mr. MAYHEW: It is a public company, and it is not necessary to do that.

Mr. MACINNIS: Mr. Chairman, it just happens that we have got the printed annual reports for a number of years. Surely it is not suggested if they had given us the annual reports from 1911 onwards we would print those. The committee is investigating the causes of the recent rise in prices. If we print the 1947 annual report I think that is all that should go into the appendix.

Mr. HARKNESS: Certainly that is all that is needed if we do not refer to the previous ones in the evidence.

The VICE-CHAIRMAN: Of course, one may refer to anything he likes.

Mr. MACINNIS: Well, they are on file then.

The VICE-CHAIRMAN: How about putting it this way, if this is agreeable, that the 1947 report can be printed as an appendix, and if we want any more printed we will determine that whenever the matter comes up. Is that agreeable?

Carried.

Mr. FLEMING: How much of it are you printing? There are some photographic illustrations, and so on. I take it is the two statements, the consolidated balance sheet and the profit and loss statement.

The VICE-CHAIRMAN: I am quite sure the secretary can be depended upon to use his usual good judgment in a matter of that sort.

Mr. JOHNSTON: There might be pictures of members of the committee in there, but they surely would not be printed.

The VICE-CHAIRMAN: All right, Mr. Dyde.

Mr. DYDE: Mr. Loftus and Mr. Antliff, will either of you answer the questions, whichever is the more appropriate. I note in your statement towards the foot of the first page you say:

> In August, 1947, the percentage rate of net profit to sales was less than 1 per cent (·9 per cent).

Is that shown in the attached statements?

Mr. ANTLIFF: That is shown on schedule 4.

Mr. DYDE: Then we have not come to that as yet. I think I should ask you, however, whether the statement discloses what is the percentage rate in July, 1947, as a month?

Mr. ANTLIFF: It does not disclose that because we took the six months period from August 1, to January 31 which covers the period of decontrol and a number of increases.

Mr. DYDE: But if I ask you for the monthly figures for July and say, June, 1947, it would not be difficult for you to supply that, would it?

Mr. ANTLIFF: It would be immediately available.

Mr. DYDE: I think I will ask you to do that, please. Gentlemen, I have no particular questions with regard to the first page of the schedules which is exhibit A or schedule 2.

Mr. FLEMING: Is it marked A? Mine is marked B.

The VICE-CHAIRMAN: Is it exhibit B.

Mr. DYDE: It is marked out in pen and ink on mine.

Mr. FLEMING: There are two pages marked exhibit B.

Mr. DYDE: I think the first of those should be marked with an A instead of a B.

The VICE-CHAIRMAN: It has been corrected in his copy. Will you please correct that to exhibit A?

Mr. LESAGE: May I ask a question on this page?

The VICE-CHAIRMAN: Yes.

Mr. DYDE: Mr. Antliff or Mr. Loftus, I understand for the greatest part of the period to January 31, 1948, the price of your 24-ounce loaf was 13 cents?

Mr. ANTLIFF: Correct.

Mr. LESAGE: And your net profit exclusive of investment, of course, and before income taxes was $218,000 approximately?

Mr. ANTLIFF: For six months.

Mr. LESAGE: On a net sales value of $7,767,503.

Mr. ANTLIFF: Correct.

Mr. LESAGE: Your sales have increased over your last financial year for the first six months of the present financial year?

Mr. ANTLIFF: We have not got that comparison right here, but I have got it ready and available.

The VICE-CHAIRMAN: Just a moment. Mr. Antliff, I do not think your voice is quite loud enough.

Mr. LESAGE: The total of your net sales value for the financial year ending June, 1947, was $13,835,088?

Mr. ANTLIFF: That is correct.

Mr. LESAGE: Well, the first six months—

Mr. ANTLIFF: I know what you mean. You are perfectly right.

Mr. LESAGE: Much higher?

Mr. ANTLIFF: It is higher than the average for the six month period ending June 30, 1947. That is correct.

Mr. LESAGE: Your profit per dollar of sales was 2·81 cents for the first six months, that is to say, a little lower than last year, but on the other hand the volume of your sales has increased in dollars to a considerable extent?

Mr. ANTLIFF: My answer to that would be that the net profit for the year 1947 is $466,000 which is more than double the net profit for the first six months ending January 31, 1948, the latter amount being $218,000, and double that would be $436,000.

Mr. LESAGE: That is quite right. I do not say your net profit has increased. It has increased over last year.

Mr. ANTLIFF: Decreased.

Mr. LESAGE: But on the other hand it is much better than in 1942, and 1940 and 1938.

Mr. ANTLIFF: Yes, on an absolute basis although on a relative basis it is actually the lowest it has been.

Mr. LESAGE: And your net profit after payment of taxes for those years which I have just mentioned, 1942, 1941, 1940 and 1938, was satisfactory to you, was it not?

Mr. ANTLIFF: I would say it was reasonably satisfactory.

Mr. FLEMING: Did you say after or before income tax?

Mr. LESAGE: Before and after. I did not mention income tax. I said net profit.

Mr. ANTLIFF: May I ask a question? What year are you referring to?

Mr. LESAGE: I said 1942, 1941, 1940 and 1938.

The VICE-CHAIRMAN: Is that coming to you clearly?

Mr. ANTLIFF: Yes, I can hear that quite clearly.

The VICE-CHAIRMAN: You have the question now?

Mr. ANTLIFF: Mr. Lesage is suggesting that the profit after taxes in the years 1941, 1942 and 1943 was a reasonable profit. Is that the suggestion?

Mr. LESAGE: That is what I am asking you. I am not suggesting. I am asking if you were satisfiied.

Mr. ANTLIFF: Yes, the profit realized covered dividends with a small margin of surplus before dividends. If that is construed as satisfactory I would say it was.

Mr. LESAGE: And your dividends, for instance, for 1947 were 5·27 per cent of invested capital. You have said that a few moments ago?

Mr. ANTLIFF: Yes.

Mr. LESAGE: And your net profit was nearly 10 per cent?

Mr. ANTLIFF: Net profit in relation to the invested capital.

Mr. LESAGE: Yes. I am comparing profit on sales with profit on invested capital.

Mr. ANTLIFF: I have already answered that. I said profit on the invested capital was the equivalent of slightly less than 10 per cent.

Mr. LESAGE: Slightly less than 10 per cent. Now, taxes for your financial year which will end in June, 1948, will be lower than the taxes you had to pay in 1947? You know that?

Mr. ANTLIFF: I am sorry they will be because our profits will be lower.

Mr. LESAGE: Pardon?

Mr. ANTLIFF: They will be because we will have smaller profits.

Mr. LESAGE: But if your net profit for the last six months of the year is about the same as the first six months your profit would be satisfactory, would it not, after payment of taxes?

Mr. FLEMING: If the Minister of Finance imposes more taxes without consulting parliament how can we conjecture?

The VICE-CHAIRMAN: Now, Mr. Fleming, that interjection—

Mr. FLEMING: We cannot be sure what the taxes will be.

The VICE-CHAIRMAN: That interjection may have been amusing but it certainly was not related to the question. The question is quite a proper one, and that kind of interjection certainly does not help the inquiry.

Mr. FLEMING: Mr. Chairman, you can tell what the taxes are for 1947 but not for 1948.

The VICE-CHAIRMAN: I will not entertain that interjection. You are quite out of order in making that interjection. The question was clear and the witness should be allowed to answer it if he can.

Mr. FLEMING: I am taking objection to a question based on the taxes for 1948 when nobody knows what they are going to be.

The VICE-CHAIRMAN: The objection is noted but the question is quite proper.

Mr. LESAGE: I will not argue about the objection—

The VICE-CHAIRMAN: There is no argument. You have had the question now, Mr. Antliff. Would you care to answer it?

Mr. ANTLIFF: If the profit shown for the six months ending January 31 were maintained there would be a profit of $436,000 for the year which would cover all dividends with a small surplus and would be satisfactory.

Mr. LESAGE: There would be a surplus, and your bread for most of that period was sold at 13 cents?

Mr. ANTLIFF: That is correct.

Mr. LESAGE: And since you have increased your price to 14 cents there has been a decrease in the price of flour, is that correct?

Mr. ANTLIFF: No, I would not say that.

Mr. LESAGE: There has been a decrease in the price of flour since October?

Mr. ANTLIFF: I am sorry, I thought you meant the last increase. Yes, there has been a decrease since the initial increase in September.

Mr. BEAUDRY: May I just make a suggestion. I think counsel is more familiar with this matter than we are and I suggest that he conduct the questioning between now and the adjournment tonight. I think it is practically impossible for us to ask questions on the financial reports. I understand the difficulties we are labouring under. We have eight or nine financial reports and in this exhibit there are about 15 pages of figures so I think it would be fairer to the witness if counsel would do the questioning, and that would give us a little time to familiarize ourselves with the picture.

Mr. LESAGE: I would like to take strong exception—

Mr. BEAUDRY: We could then ask questions intelligently.

The VICE-CHAIRMAN: Now, do not take strong exception to anything.

Mr. LESAGE: No, but I asked Mr. Dyde, before I put the question, whether he had finished with the witness and he said yes. The questions were intelligent too.

The VICE-CHAIRMAN: Now argument is not necessary. A suggestion is made by Mr. Beaudry but we have already decided that questions would be asked at any appropriate time.

Mr. WINTERS: I have a question which is relevant to Mr. Lesage's question.

Mr. BEAUDRY: Are you sure it is intelligent?

Mr. WINTERS: It has to do with the profit accruing to date. Is it not true in the period Mr. Lesage is speaking about there was a five-week period in which you were operating with flour you got at the cheap rate?

Mr. ANTLIFF: Very definitely, and I would like to have that understood by the committee.

Mr. WINTERS: That is important.

Mr. ANTLIFF: Very definitely.

Mr. WINTERS: Mr. Lesage did not get that.

The CHAIRMAN: I do not know whether you have that point well enough established.

Mr. WINTERS: Mr. Lesage was trying to establish, and did establish, that on the operations for the first six months of this year, and if you wanted to expand that to the annual operation, the net profit would be satisfactory to the company.

Mr. LESAGE: Yes.

Mr. WINTERS: I just wanted to point out in this six months you had under consideration there was a period of five weeks during which the company was operating with flour obtained at the rate which prevailed before the subsidy came off.

Mr. LESAGE: Definitely.

The VICE-CHAIRMAN: That flour was called, in the statement, "cheaper flour".

Mr. MAYHEW: Did we get the difference as to the total for the whole year on the same basis?

The VICE-CHAIRMAN: Can you answer that question of Mr. Mayhew's before Mr. Irvine asks his questions?

Mr. MAYHEW: For five weeks in this half of the year you are working on the cheap flour and, if, for the other half year, that situation had been the same what would be the difference?

Mr. ANTLIFF: If we had immediately jumped to expensive flour our profit instead of being $208,000 would have been somewhere between $40,000 and $50,000 at the most.

Mr. WINTERS: It is quite a significant factor.

Mr. MAYHEW: Yes.

Mr. LESAGE: Would the difference be as great as that?

Mr. ANTLIFF: Yes.

Mr. LESAGE: How much flour did you have at that time?

Mr. LOFTUS: Five weeks supply.

Mr. LESAGE: Nine weeks supply?

Mr. ANTLIFF: Five weeks, and there has been a statement given on it.

The VICE-CHAIRMAN: The statement has been given on the basis of weeks supply and the figure was five.

Mr. LOFTUS: We have the actual number of barrels here.

Mr. ANTLIFF: I was asked the percentage of profit on sales in July and it has just been worked out as 2·5 per cent.

The VICE-CHAIRMAN: That was Mr. Dyde's question.

Mr. LOFTUS: Yes.

Mr. IRVINE: I want to ask this question. I am continuing where I left off a few moments ago and the questions have to do with page 1. If it happens that the questions I ask have been answered on subsequent pages the witness will just say so and that will be an answer. Do any directors of your firm sit on the board of directors of the Maple Leaf Milling Company?

Mr. LOFTUS: Yes. Just a moment, give me that again?

Mr. IRVINE: Do any directors of your firm sit on the board of directors of the Maple Leaf Milling Company?

Mr. LOFTUS: Yes, two.

Mr. IRVINE: Who are they?

Mr. LOFTUS: Mr. Wadsworth, the General Manager of Maple Leaf Milling Company and Mr. Gordon Leitch.

Mr. IRVINE: Do you know whether your directors sit on the board of directors of any other baking firm?

Mr. LOFTUS: No, but wait a second, I believe Mr. Wadsworth is a director of the Eastern Bakeries. I am not sure, but I believe he is. I beg your pardon, I believe he is a director of Canadian Bakeries in the west.

Mr. IRVINE: The same man?

Mr. LOFTUS: Yes.

Mr. DYDE: His name does not appear on your 1947 report?

Mr. LOFTUS: He was only made a director last year.

Mr. DYDE: Would you mind giving his initials?

Mr. LOFTUS: Kenneth.

Mr. IRVINE: Does your firm have any connection with other baking firms in Canada?

The VICE-CHAIRMAN: Is there any organic connection?

Mr. LOFTUS: No, none at all.

Mr. IRVINE: Is your company the only subsidiary company of Maple Leaf engaged in the baking industry?

Mr. LOFTUS: No, there are three.

Mr. IRVINE: Name them.

Mr. LOFTUS: Canadian Bakeries, with Calgary as the head office; Eastern Bakeries in Saint John, New Brunswick, and this company.

Mr. IRVINE: You are Canada Bread Company. Is not your company part of a nationwide chain of bakers now controlled by the Maple Leaf Milling Company?

Mr. LOFTUS: I do not know whether you would put it as a nationwide chain of bakeries. I do know they started the Canada Bread Company, took them over thirty years ago. I believe they have had Canadian Bakeries in the west close to thirty years, and I do know that they have had Eastern Bakeries for many, many, years, but I do not think you would term it as a chain of bakeries. If it was a chain of bakeries I would be inclined to think I would have something to do with the western and eastern companies but I have nothing to do with them.

Mr. IRVINE: Does your link in the chain, if I may use my analogy, and you may object to it,—does your link of the chain have an exclusive territory? Is that an understood thing?

Mr. LOFTUS: No, there is nothing understood. If I wish to go west or east I can go. I am running the Canada Bread Company and there are no discussions with Maple Leaf as to what I should do.

Mr. IRVINE: What would you think, for example, about starting a branch of Canada Bread in Calgary?

Mr. LOFTUS: Do not give me ideas, I may.

Mr. JOHNSTON: It is a good town.

Mr. IRVINE: Yes, it is a very good town, but would that be against the understanding of the chain in any way?

Mr. LOFTUS: There is no understanding; none whatever.

Mr. IRVINE: I cannot understand how you can have three companies going across Canada without an understanding? That is my point?

Mr. LOFTUS: That may be, but in all my conversations on behalf of Canada Bread Company, which during that time has been affiliated with Maple Leaf, there has never, never, once been any suggestion from any director or any members of the company as to what we should do with Canada Bread. It is left entirely to myself as general manager and president.

Mr. IRVINE: Do you think that Maple Leaf would be able to give the answer to that question more clearly than you have answered it?

Mr. LOFTUS: No, they would answer it in exactly the same way that I have because there is no connection with regard to running the two companies, or with regard to running other bakeries of the Maple Leaf.

Mr. IRVINE: As a matter of fact what territory does your company cover now?

Mr. LOFTUS: From Montreal to Winnipeg.

Mr. IRVINE: Is there any reason why you should not go further?

Mr. LOFTUS: No reason in the world, except that I have been expanding quite a bit and it needs money. So far I think I have had enough troubles.

Mr. IRVINE: But you have never contemplated going any further?

Mr. LOFTUS: No, I would not say that I have never contemplated going any further. I have contemplated.

Mr. IRVINE: Well turning from that I will ask you another question. From whom do you purchase most of your flour supplies?

Mr. LOFTUS: Maple Leaf Milling Company.

Mr. IRVINE: Do you purchase it all from them?

Mr. LOFTUS: Not all, and there is no arrangement whereby I have to purchase all of it.

Mr. IRVINE: From what other companies do you purchase?

Mr. LOFTUS: Well there have been small quantities, I just forget the names of the companies. During the shortage of flour when it was rationed so to speak, we bought flour from wherever we could get it, but we do buy from Maple Leaf Milling Company.

Mr. IRVINE: Is there any arrangement or understanding that a certain amount at least of your flour shall be purchased from that company?

Mr. LOFTUS: There has never been one word of conversation between Maple Leaf Milling Company and myself with regard to the purchasing of flour from them or anybody else.

The VICE-CHAIRMAN: Mr. Loftus, would it not be quite fair to say there is not any need for conversation. You just naturally buy from your owner, is not that right?

Mr. LOFTUS: Well if you wish me to say that—

The VICE-CHAIRMAN: I do not wish you to say it, and I do not care whether you say it or not, but if I were running a subsidiary company nobody would have to tell me to buy from the owner, I naturally would.

Mr. LOFTUS: I do not think you know me well enough because I would buy from someone else if I felt like it.

Mr. ANTLIFF: They are not owners.

Mr. LOFTUS: They are not the owners, there are other investors other than Maple Leaf Milling Company.

The VICE-CHAIRMAN: I think it natural that you would buy from them.

Mr. LOFTUS: No, sir. If I wish to buy flour elsewhere I can buy it, and I would buy it if conditions were different.

Mr. MAYHEW: Would you take up the question of price with the other companies?

Mr. LOFTUS: Well, that is a very difficult job because other companies at times do not want to tell you what the prices are.

Mr. MAYHEW: But you would make inquiries from the other milling companies?

Mr. LOFTUS: Yes, we have ways and we compare prices with Maple Leaf, and if they are not right we tell them.

Mr. IRVINE: Since there are directors of this company on the board of Maple Leaf Milling Company it would be reasonable to suppose there is a perfectly sound understanding.

Mr. LOFTUS: As a rule it can be carried out without difficulty.

The VICE-CHAIRMAN: It comes down to the fact, as Mr. Loftus says, that he is a free agent.

Mr. LOFTUS: In all my years on the board of the Canada Bread Company there has never been any suggestion from any member of our board as to where I buy any of our requirements.

Mr. ANTLIFF: That is definitely correct.

Mr. IRVINE: There is no contract of any kind?

Mr. LOFTUS: I have not had a contract about flour, since, I would say, 1941.

Mr. IRVINE: Did you have them then?

Mr. LOFTUS: Yes.

Mr. IRVINE: With Maple Leaf?

Mr. LOFTUS: Yes.

Mr. IRVINE: Why did you cease then?

Mr. LOFTUS: There was not any need to have a contract afterwards because control was put on the price of flour and the flour was pretty well the same.

Mr. IRVINE: And you have not negotiated any contract since?

Mr. LOFTUS: No, we have been getting flour at what we consider a reasonable price. Of course, deliveries of flour mean a great deal to you because you have to ship in to cities by car, and by road, and we find the dealing and the service means quite a lot to us.

Mr. FLEMING: May I ask a question before we leave Exhibt "A". Perhaps I should direct this to Mr. Antliff. The last line covers the six month period to June 31 but we have not got July in this statement.

Mr. ANTLIFF: The percentage for bread for July was 2·5. The reason that six-month period was taken was because we wanted to cover the period of decontrol.

Mr. FLEMING: You have given in the sixth column "units sold" which you describe as "one loaf of bread, or 10-cent cake volume". In this statement are there figures segregated anywhere as to bread volume?

Mr. ANTLIFF: I have figures for the last six months in my working papers, and I have the profit for bread as distinct from cake on schedule 4.

Mr. FLEMING: But does your volume of output for bread appear anywhere, say for the past five or six years?

Mr. ANTLIFF: Yes, I have it as a matter of fact, in my working papers. I have not got it in brief form.

Mr. FLEMING: Are they in handy form so that you could give them to us now?

Mr. ANTLIFF: I can give them to you. How many years back would you like?

Mr. FLEMING: Oh, three or four; if you have them all handy you could give them, starting about 1941.

Mr. ANTLIFF: I have them in order for 1947 including in the pread products what are known as sweet goods which are yeast raised goods. They are in with bread.

Mr. FLEMING: Are they much of a factor? I am trying to isolate bread and establish a trend?

Mr. ANTLIFF: I do not think it is sufficient to set a trend. The volume value of the sale of bread in 1947—

Mr. FLEMING: Could you give us the volume measured in loaves or pounds?

Mr. ANTLIFF: The units of bread were 122,639,000.

The VICE-CHAIRMAN: What is that unit?

Mr. ANTLIFF: That is a loaf of bread; the 10 cent unit of cake was 39,201,823.

Mr. LOFTUS: That is quoting the 10 cent unit.

Mr. ANTLIFF: In 1946, the units of bread were 8,936,302—I am sorry, that figure is incorrect. It should be 113,684,000; cake, 35,447,752. In 1945, the bread was 96,848,000; cakes, 33,231,166. In 1944, bread was 95,193,000; cakes, 33,175,000. In 1943, bread, 85,820,000; cakes, 28,620,000 In 1942, bread was 77,242,000; cake, 20,723,000. In 1941, bread was 75,674,000; cakes, 18,970,618.

Mr. FLEMING: I think that is far enough for the years. In the seven years you have given, then, your bread volume shows an increase of roughly 60 per cent?

Mr. ANTLIFF: I would have to check that.

Mr. LOFTUS: You mean up to the present time?

Mr. FLEMING: Up to the end of 1947, between 1941 and 1947?

Mr. ANTLIFF: Yes, 60 odd per cent.

Mr. FLEMING: Could you give us the figure by months, beginning in January, 1947?

Mr. ANTLIFF: No, I cannot. Our fiscal year starts the first of July and I have monthly statements from the 1st of July for this current fiscal year. I did not bring all the monthly statements prior to that.

Mr. FLEMING: What I want to get at is the trend. I am speaking about the trend in your volume of output now, in the period following decontrol as compared with the preceding period?

Mr. LOFTUS: That would be from September?

Mr. FLEMING: Yes, I should like to have a basis of comparison with the previous year, if you can get it without too much trouble.

Mr. ANTLIFF: As a matter of fact, if you will refer to schedule 6, you will see the trend of poundage and value in bread only at Toronto, Ottawa and Montreal; that covers part of it.

Mr. FLEMING: That is what we want.

The VICE-CHAIRMAN: Is that sufficient to answer your question?

Mr. FLEMING: I had better not anticipate schedule 6. We can deal with it when we come to it.

The VICE-CHAIRMAN: That question had better stand and, perhaps it will be followed up at a later time and perhaps not.

Are there any other questions at this point?

Mr. JOHNSTON: Yes, I have one or two questions which I should like to ask on Exhibit "A". I understood the witness to say that the 2·81 on January 31, 1948, was the figure after dividends?

Mr. ANTLIFF: No, that is the figure before dividends and before income taxes.

Mr. JOHNSTON: I understood you to say after, and I wanted to get that straight.

Mr. ANTLIFF: I am sorry if I did not explain matters correctly but that is the figure before income taxes and before dividends, as indicated by the caption at the top of the first column.

Mr. JOHNSTON: I wanted to be sure, as I thought you said it was after.

The VICE-CHAIRMAN: It may have been a slip, if he did say that.

Mr. JOHNSTON: Do you produce a 10 cent loaf?

Mr. LOFTUS: Yes, we do.

Mr. JOHNSTON: Could you give us the cost of that?

Mr. LOFTUS: It is also shown on schedule 5.

The VICE-CHAIRMAN: Do you desire to leave that question until we come to schedule 5?

Mr. JOHNSTON: I think it would be better to leave it until we come to that schedule. I have quite a few questions to ask concerning it.

The VICE-CHAIRMAN: Are there any other questions?

Mr. MACINNIS: I should like to ask a question on the statement Mr. Loftus read into the record. At the bottom of page 1 it is stated that in July and August, you approached the bread administrator of the Wartime Prices and Trade Board—

Mr. LOFTUS: Yes.

Mr. MACINNIS: —for an upward revision of the price. Who was the administrator?

Mr. LOFTUS: Colonel Ruttan.

Mr. MACINNIS: Who approached him?

Mr. LOFTUS: I would safely say I approached him. I do not remember the date or the conversation, but I am certainly sure I have approached him. I remember all the conversations but not the exact date.

Mr. MACINNIS: Does your firm belong to the Onatrio Bakers Association?

Mr. LOFTUS: Yes, we do.

Mr. MACINNIS: What are the purposes of the Ontario Bakers Association?

Mr. LOFTUS: Well, I have never read the charter or the constitution but I think it is to create goodwill amongst all the bakers, both large and small, chain and everything else. They have a convention once a year. They have a meeting once a month. They are all nice fellows. We had a meeting last week, at which I was present.

Mr. MACINNIS: You do not mean to suggest it is just an association for good fellowship?

Mr. LOFTUS: They discuss costs and, sometimes, they get mad at each other, but very good-naturedly.

Mr. JOHNSTON: Did they discuss selling prices?

Mr. LOFTUS: No, I have never heard them because on every occasion someone would mention that Colonel Ruttan had been pumping that into us about Mr. McGregor. I think every baker in the country is scared to death of him.

Mr. JOHNSTON: Pumping what into you.

Mr. LOFTUS: Pumping just what you say.

Mr. MACINNIS: Would the elimination of what you consider unfair trade practices be one of the objectives of the association?

Mr. LOFTUS: What would I consider—?

The VICE-CHAIRMAN: No, that was not the question. He asked not what you would consider, but whether it would be considered.

Mr. MacINNIS: My question is, would you consider the elimination of unfair trade practices as one of the objectives of your association? Would you say that was one of the objectives? Would that be included in the objectives?

Mr. LOFTUS: I just do not get that. Would you repeat it?

Mr. MacINNIS: Would the elimination of what is considered unfair trade practices be one of the objectives of your association?

Mr. LOFTUS: I would think so.

Mr. MacINNIS: You would think that?

Mr. LOFTUS: Yes.

Mr. MacINNIS: Have you, personally, attended meetings where the elmination of unfair practices was discussed?

Mr. LOFTUS: I would say I have, although I do not remember them. It is pretty hard to remember the meetings which I have attended in the last few years, but I am sure I have attended meetings where unfair trade practices were discussed.

Mr. JOHNSTON: To what companies, particularly, did those unfair practices refer?

Mr. LOFTUS: Oh, never to our company.

Mr. JOHNSTON: I would think you would say that, but to what other companies did they refer?

Mr. LOFTUS: I could not remember that.

Mr. JOHNSTON: I would think, if there were unfair trade practices mentioned at meetings and there was any company which was practising them, that would be one of the outstanding things and would stay in my mind?

Mr. LOFTUS: There are so many salesmen on the road, we have a thousand that it is pretty difficult to know what is going on in the minds of those men daily. I know, I have sold bread from a wagon. I know what it is. These men do things during their day's travel which, perhaps, are not legitimate. Then, the opposition hears about it. No doubt, the opposition considers that an unfair trade practice against that particular company.

Mr. JOHNSTON: That is not what I meant; I was not referring to the drivers. I was referring to the unfair trade practices of the other large bakeries. If there were such things discussed, I would take it they would be very important subjects for discussion at your meetings and you would remember them.

Mr. LOFTUS: That would be one of the trade practices; our troubles mostly all come from the delivery end or from our selling organization.

Mr. JOHNSTON: You are still not answering my question.

Mr. LOFTUS: I am sorry. Perhaps I am stupid, but I cannot get it.

Mr. JOHNSTON: Perhaps it is the way I am putting it. You say, undoubtedly, there were unfair practices discussed at your meetings.

Mr. LOFTUS: Yes.

Mr. JOHNSTON: I am asking you to what companies did those unfair trade practices refer? I am not speaking of the drivers, I am speaking of baking companies.

Mr. LOFTUS: I could not answer that because it is such a long time since I heard of unfair methods from one company to another.

Mr. JOHNSTON: If there had been any company practising that persistently over a period of time, you would have heard about it?

Mr. LOFTUS: Yes. I do not know of any. They are pretty good people.

Mr. JOHNSTON: Then, I take it there were not any discussions with reference to a company, particularly, in this connection?

Mr. LOFTUS: I do not know of any.

Mr. MACINNIS: What are, generally, the unfair practices in the baking business?

Mr. LOFTUS: These rebates have been a bone of contention. Some one baker may start to give a rebate to his customer who is taking perhaps a certain quantity of goods from one particular company and he goes in there; that is one objection I have heard. And I think other objections were that some company has put in cases holding bread. Those are all cheap means of perhaps getting into certain stores. Those are mostly all the bones of contention.

Mr. MACINNIS: Would selling bread at a low price be considered an unfair practice?

Mr. LOFTUS: We are selling now one particular group, and I am sure that is a bone of contention with our competitors; I am sure of that.

Mr. MACINNIS: Did you ever have a visit from Colonel Ruttan with regard to the fact that you were selling too low?

Mr. LOFTUS: Colonel Ruttan knows me very well.

Mr. JOHNSTON: And is that why he stays away?

Mr. LOFTUS: Yes, it is; because he knows he could not put pressure on me.

Mr. MACINNIS: I suppose you don't know the manager of the A & P bakery?

Mr. LOFTUS: I do not know anything about him.

Mr. MACINNIS: Did you have any discussion with Colonel Ruttan since September of 1947 in regard to the price of bread?

Mr. LOFTUS: Oh, yes. I have seen the man. I got tired of looking at him.

The VICE-CHAIRMAN: Have you any further questions, Mr. MacInnis?

Mr. MACINNIS: Did you increase the price of your bread before or after Christie's, that is around January 27th?

Mr. LOFTUS: After.

Mr. MACINNIS: Did you have any consultation with the Christie people?

Mr. LOFTUS: Yes.

Mr. MACINNIS: And was it the fact that Christie's had raised their price that caused you to raise your price?

Mr. LOFTUS: No. they had more courage than I did.

Mr. JOHNSTON: You don't lack courage, do you?

Mr. LOFTUS: I did. In that case he had more courage than me.

Mr. LESAGE: I would like to ask you a question. I would like to clear up a couple of things. You were present, Mr. Loftus, on the 3rd of March at the Ontario Bakers' Association meeting?

Mr. LOFTUS: Yes, I was.

Mr. LESAGE: And by what we heard from Colonel Ruttan the particular subject of discussion was the fact that the A & P Stores were selling bread as a loss leader; is that right?

Mr. LOFTUS: I do not think, in all fairness to Colonel Ruttan, and I am not taking his part at all, I do not quite agree with him in that part of his evidence.

Mr. LESAGE: You do not?

Mr. LOFTUS: No, I do not; I think, perhaps, when he hears me he will agree that I am right. After lunch I believe it was—we started the meeting if I can remember correctly at 10.30 and we went through the regular business relating to a convention which was to be held in a month or so and several other items pertaining to the association, then we adjourned for lunch and when we came back and sat down they were going on with the regular agenda. Please remember, this

is very informal. Someone suggested why not scrap the agenda and deal with the most important subject that has been before the baking industry in their history, that is the prices investigation; and the agenda was scrapped and that discussion of the Ottawa investigation went on. I think I am right there.

Mr. LESAGE: And the A & P people were on the stand at that time?

Mr. LOFTUS: Oh, definitely.

Mr. IRVINE: Those minutes are coming here.

Mr. FLEMING: Colonel Ruttan said this morning he would get them from the secretary in Hamilton.

Mr. LESAGE: Was any decision taken?

Mr. LOFTUS: I beg your pardon?

Mr. LESAGE: Was any decision taken as to the complaint which was made against A. & P.?

Mr. LOFTUS: No definite decision, no; but definitely they were opposed to the method of these particular chains.

Mr. FLEMING: These particular what?

Mr. LOFTUS: Chains, chain stores; Colonel Ruttan I believe was instructed to go up that night and discuss it with the members of the National Council.

The VICE-CHAIRMAN: You mean the National Council—?

Mr. LOFTUS: Of bakers, in an endeavour to see what could be done to take up the bakers' side of this particular situation. Now, this was not done at the instigation or suggestion of the chain bakeries but of the independent bakers who were at that meeting.

Mr. LESAGE: The small independent bakers?

Mr. LOFTUS: Yes, there is quite a large percentage and they were all of one opinion.

Mr. JOHNSTON: What was it?

Mr. LESAGE: And that opinion was that the A & P were selling at too low a price and at a price lower than fair cost; that was their opinion?

Mr. LOFTUS: Yes.

Mr. LESAGE: They had no evidence to substantiate that.

Mr. LOFTUS: No, but they had been in the baking business for a good many years.

Mr. LESAGE: Yes.

Mr. LOFTUS: And they are all very decent people and know their costs very well.

Mr. LESAGE: Yes, yes; I know that.

Mr. LOFTUS: I would say, Mr. Lesage, that they knew what they were talking about.

Mr. LESAGE: Oh, definitely, yes; but as I say you have no evidence of it.

Mr. LOFTUS: Oh, no.

Mr. FLEMING: Might I ask one question there. Mr. Loftus, you used the expression "independent bakers"; what do you mean by that, independent of what?

Mr. LOFTUS: That is a name that is kicked around. I don't know why it is. There is the consolidated bakeries controlled I understand by Ogilvie's. There is our own company controlled by Maple Leaf—I am speaking of Ontario and Quebec—and Inter-City Bakery Company controlled by—it is Brown's in Toronto and Inter-City in Montreal—controlled by Lake of the Woods; and then there are a number of small bakers no doubt controlled by—you mentioned some general trust or some security company.

Mr. LESAGE: Controlled by national securities or something of that kind, subsidiaries to a milling company.

Mr. FEMING: You use the expression "independent bakers" as distinguished from those owned by milling companies?

Mr. LOFTUS: Then all the other baking companies or bakers come under the term "independent", of course.

Mr. LESAGE: That is, they have no connection with milling companies?

Mr. LOFTUS: No connection with any mill. Some of them have a connection with financial organizations but there is no miller.

Mr. LESAGE: Some independent bakers are so much in the power of milling companies that they are practically dependent on them.

Mr. LOFTUS: They will be as long as they sell 10-cent bread to the chains.

Mr. LESAGE: I am not looking for the cause, but I say that is the fact.

Mr. LOFTUS: Exactly. I am very glad I got that over to you.

Mr. LESAGE: Now, I have one last question which I want to ask, that is the extent to which your plant has increased since 1938; have the number of your plants increased since 1938?

Mr. LOFTUS: Yes, they have. There has been pretty good management, Mr. Lesage.

Mr. LESAGE: Oh yes, there has been good management.

Mr. LOFTUS: Your meeting was dull this morning.

Mr. LESAGE: There is no doubt about that, there was an increase of 60 per cent, I think you said, in answer to Mr. Fleming. I wonder now if there has been an increase in the number of plants, and I want to know what the increase in consumption has been.

Mr. LOFTUS: There is Fort William and Kirkland Lake, just the two the last year.

Mr. LESAGE: The two last year?

Mr. LOFTUS: The two since 1938.

Mr. LESAGE: The two since 1938?

Mr. LOFTUS: Yes. Now, the increase in consumption, Mr. Lesage, is I think due to war conditions when of course people did not have the food that they had previously—and lunch pails; a lot of products necessary for baking were not being available, and consequently they bought from the baker more than they had previously. But you can make up your mind that there is a definite falling off now. I do not know of any baker now who is showing an increase in his volume. I would say that his decrease in sweet goods and cakes for the last 3 months is 25 to 50 per cent. I am speaking of cakes.

Mr. LESAGE: I am more interested in bread. What do you say about bread?

Mr. LOFTUS: I would say the bakers at the present time—I hope you don't get me wrong, Mr. Lesage, that is sweet goods 25 to 50 per cent I was referring to and not to bread. But I will say this, that as you go through the country and talk with the smaller bakers you will find that each and every one of them says there is a tremendous decrease in bread sales.

Mr. LESAGE: What about you?

Mr. LOFTUS: Exactly the same.

Mr. LESAGE: Exactly the same?

Mr. LOFTUS: Oh, yes. We have considerable of it up out of Loblaws; but, do we want that?

Mr. LESAGE: Oh, that; I don't know.

Mr. LOFTUS: No.

Mr. FLEMING: Loblaw's told us that they were handling a greater volume, mostly the 10-cent loaf—

Mr. LOFTUS: Surely.

Mr. FLEMING: —than before September.

Mr. LOFTUS: Yes.

Mr. LESAGE: We have had the retailer operators here and they said that there had been an increase in their sales of bread. If I understood well the house-to-house delivery system has lost some of its volume to the retailer.

Mr. LOFTUS: I agree with you on that.

Mr. FLEMING: Competing chains, not independent.

Mr. LESAGE: Yes, to the chains.

Mr. LOFTUS: To the chains, yes.

Mr. FLEMING: The evidence we had was to that effect, that the independents have lost to the chains and they alone were having an increased turnover.

Mr. LESAGE: There is that one witness we had, that retailer from Toronto—I don't recall his name.

The VICE-CHAIRMAN: Arnold.

Mr. LESAGE: Mr. Arnold, he has increased his bread sales, but he is an independent.

Mr. LOFTUS: Some retailers have put on campaigns; there is a lot of publicity in the bread industry at the present time; and there is this matter on which you speak, selling bread priced a little lower and not having so much of a differential to make up, of course has had its effect, and we have that in every city—there was that man who came to you and you heard from him, but there are many people in every city where we are doing business who are selling bread and not taking the differential which the bakers are allowing them.

Mr. LESAGE: May I conclude then that your opinion is that on the whole the volume of bread baked in Canada at the present time is lower than the volume which was baked about 3 months ago?

Mr. LOFTUS: No.

Mr. LESAGE: On the whole?

Mr. LOFTUS: No, I think there is more bread being baked.

Mr. LESAGE: More bread?

Mr. LOFTUS: In the farms, you see.

Mr. LESAGE: I see, everywhere?

Mr. LOFTUS: Everywhere. No, I would say the consumption of bread should be about the same.

Mr. LESAGE: About the same?

Mr. LOFTUS: If it is not baked by the bakers it is baked in the home.

Mr. LESAGE: But in your opinion consumption would be about the same now as it was 3 months ago?

Mr. LOFTUS: I would think so, yes.

The VICE-CHAIRMAN: But referring to those who bake bread for the purpose of selling it the production you feel has decreased in the past 3 months?

Mr. LOFTUS: Would you repeat that, Mr. Chairman?

The VICE-CHAIRMAN: I was endeavouring to eliminate those to whom you referred as baking bread at home. I say those who bake bread for the purpose of selling it, that production has decreased in the last 3 months?

Mr. LOFTUS: Yes.

The VICE-CHAIRMAN: That would be so?

Mr. LOFTUS: Yes.

The VICE-CHAIRMAN: You say the consumption has gone down?

Mr. LOFTUS: I would think so.

The VICE-CHAIRMAN: That consumption of bread which is produced as bread has gone down?

Mr. LOFTUS: Well, of course, there are the three chains, and they are pretty large companies, but please remember that although big they are not 100 per cent of the bread business nor anything like it. I do not remember the percentage of bread sold by chain stores to that sold by the bakers, but there is quite a considerable difference. By far the biggest proportion is sold by the bakers.

Mr. LESAGE: By house-to-house delivery.

Mr. LOFTUS: But the chain stores, without question of doubt, have certainly made inroads into the bakers throughout the entire two provinces.

Mr. LESAGE: In the rural parts of Canada, of course, house-to-house delivery is still the only means of selling bread?

Mr. LOFTUS: Of course, Mr. Lesage,—

Mr. LESAGE: I am asking a question.

Mr. LOFTUS: There are stores throughout, and you must remember also that the price of bread house-to-house is the same as the price of bread in pratically all grocery stores, not in all, but in practically all outside the chains. I know Loblaw's and Dominion do sell 14-cent bread.

Mr. LESAGE: Oh, yes.

Mr. LOFTUS: Quite a considerable quantity of it.

Mr. LESAGE: They have testified as to that.

Mr. FLEMING: May I ask one question?

The VICE-CHAIRMAN: I believe Mr. Winters has been trying to ask a question.

Mr. IRVINE: I have a question arising out of the question asked by Mr. Fleming which I want to ask. I might finish that and I would not have to butt in again. In defining what was an independent company, Mr. Loftus, you said, to quote you, "our company controlled by Maple Leaf." You used that phrase, did you not?

Mr. LOFTUS: I would say yes, and I would use it again.

Mr. IRVINE: There is no harm, but it is correct?

Mr. LOFTUS: Yes.

Mr. IRVINE: Since the Maple Leaf Milling Company controls your company would it not do the deciding as to whether the Canada Bread Company Limited went west of Manitoba or east of Quebec?

Mr. LOFTUS: No.

Mr. IRVINE: Then how does it control your company?

Mr. LOFTUS: It just controls it by owning the shares of stock, which is the voting stock. They have absolutely no control—I should not say they have not, but they do not exercise any control over me. I am either managing the business or I am not managing it, and they know that. I guess they know that a pretty good job is being done.

Mr. IRVINE: I still do not see how they can control if they allow you to do as they please.

Mr. LOFTUS: They have done that so far.

Mr. IRVINE: I suppose that would apply to the management of the business to which you have been ascribed as the manager, but as to the policy of the

company in regard to the territories which are assigned to each one of these companies will you say they do not control?

Mr. LOFTUS: Absolutely. I have never discussed with them where I will go or where I will not go, or whether I will put on trucks or whether I will not do so. I have not even discussed with them when I have built new bakeries. That seems strange.

Mr. MACINNIS: If you were to open a bakery west of Manitoba would you be under any necessity to consult with the Maple Leaf Milling Company as to what you were going to do?

Mr. LOFTUS: First of all I am not going west of Manitoba.

Mr. IRVINE: Why?

Mr. LOFTUS: This is just a personal question.

Mr. MACINNIS: Would I be right in assuming then that one of the reasons why you are not going west of Manitoba is that it is not the policy of the Maple Leaf Milling Company to go west of Manitoba?

Mr. LOFTUS: Definitely not.

Mr. MACINNIS: Then if you were to go west of Manitoba or to go east into the other territory would you have a free hand to determine policy in that matter without any regard to the Maple Leaf Milling Company?

Mr. LOFTUS: Absolutely. I opened up a new factory at Fort William and Port Arthur about a year ago. I did not discuss it with them. I did not borrow any money from them. Why should I discuss it? We are a damn good—pardon me—we are a good customer of theirs, and why should they worry?

Mr. IRVINE: As I gather it that would be right within the territory which I think has been ascribed to your company?

Mr. LOFTUS: Would you say that again?

Mr. IRVINE: I say Fort William, to which you have referred, would be logically within the territory which I conceive to be ascribed to your company?

Mr. LOFTUS: Mr. Chairman, could I answer that? I would like to.

The VICE-CHAIRMAN: Well, it is an argumentative question but I suppose it is all right.

Mr. LOFTUS: I would like to because I do not want this gentleman to have any wrong ideas. In the first place I was down south when we had the offer of the Fort William bakery. They were building it and could not keep going. I came back to town and I jumped on the train and went out to Fort William and bought the business that was there. I never discussed it with the Maple Leaf Milling Company and have never discussed it since.

Mr. IRVINE: I should think you would be glad to get it.

Mr. LOFTUS: Well—

Mr. MACINNIS: One other question and I am finished.

Mr. LOFTUS: I enjoy this.

Mr. MACINNIS: You referred a moment ago in answer to a question by myself to the fact that one of the unfair trade practices that certain bakeries engaged in was giving rebates. Does Canada Bread ever give rebates?

Mr. LOFTUS: Do they?

Mr. MACINNIS: Yes.

Mr. LOFTUS: Definitely, yes; of course we do.

Mr. JOHNSTON: Then you are indulging in unfair trade practices?

Mr. LOFTUS: Of course we are.

Mr. LESAGE: They are giving discounts as the others do.

Mr. LOFTUS: I am not saying I am not guilty.

Mr. LESAGE: You are giving discounts as the other bakers do?

Mr. LOFTUS: I abhor it. I think it is the rottenest thing that ever got into the business. If I could stop it tomorrow I would be the happiest man in the world.

Mr. IRVINE: You do it because you cannot get away without doing it?

Mr. LOFTUS: It is just one of those things.

Mr. MACINNIS: You are a creature of circumstance.

Mr. FLEMING: What has competition to do in bringing that about?

Mr. WINTERS: Mr. Chairman, does my turn come up now or is this supplementary to this question, too?

The VICE-CHAIRMAN: Mr. Winters has been wanting to ask a question for some time.

Mr. WINTERS: Go ahead. I presume Mr. Fleming will say it is supplementary.

Mr. FLEMING: On this last point I was simply going to ask what bearing competition has on this matter of rebates, or putting it the other way, rebates on competition?

Mr. LOFTUS: Well, competition is really the bug of the whole thing. If you did not have competition you could go on, but there is no more competitive industry in Canada than the bread industry, and consequently some of them think that other people are rebating and then they give rebates, and all the time the rebates have not been given in the first place. That is one of the bones of contention.

Mr. MAYHEW: You are not opposed to rebates but you are opposed to seeking rebates?

Mr. LOFTUS: Yes, I am.

Mr. MAYHEW: Or are you opposed to rebates as a whole?

Mr. LOFTUS: I am opposed to rebates unless a certain volume. I think it should be set up at a certain volume and everybody should give the same.

The VICE-CHAIRMAN: I suggest that perhaps if you would discuss the sin you are thinking of committing before you commit it that you might get past that all right. Mr. Winters, you have been wanting to ask a question. If you are not too surprised you might do it now.

Mr. WINTERS: In the next fifteen or twenty minutes I am sure they would have been asked and answered. I have one or two questions on page 2 of Mr. Loftus' statement. The first one is on subsection C on page 2 in connection with the commission paid on sales. My question is do you pay commission on the dollar value of sales?

Mr. LOFTUS: It is paid on the money they bring in.

Mr. WINTERS: That answers that.

Mr. LOFTUS: The answer there is if you give it on the sales of course there would be lot of credits, so it is paid on the money they bring in.

Mr. WINTERS: The next question arises out of subsection F in which you say you upgraded your formula which produced a superior product but added from ¼ to ½ cent on the cost of a loaf?

Mr. LOFTUS: Yes.

Mr. WINTERS: Would you say why you upgraded your formula?

Mr. LOFTUS: Yes. It has always been our ambition to give the public the best loaf we can and the loaf was considerably down in ingredients because many

of the ingredients were very difficult to get, including fats. As soon as we were able to get fats and sugar we added up the tone of the bread and gave a much better loaf.

Mr. WINTERS: Under the system of controls when the price was fixed would it at any time have been the policy to degrade the formula?

Mr. LOFTUS: It was degraded. That is a bad word. It was brought down.

Mr. WINTERS: You cannot realize a greater profit because your price is fixed so the only way you can increase your margin is to degrade your formula?

Mr. LOFTUS: That is quite true.

Mr. WINTERS: Was that done as a policy or was it done because there was a shortage of ingredients?

Mr. LOFTUS: It was done because they just did not have the ingredients.

Mr. WINTERS: Apart from that was there any other reason?

Mr. LOFTUS: No. Of course, as soon as we got them we stackled up our loaf. I presume every baker did.

Mr. WINTERS: Are you just coming back to what you think it should be or are you upgrading your formula even though you run the risk of losing money by doing it because you are forced to under pressure of competition?

Mr. LOFTUS: When it was done there was no thought at all in my mind about the price going up or going down. The ingredients were available and I wanted to give the public a better loaf.

Mr. WINTERS: If you are having such a tough time operating with costs the way they are now and the price prevailing why would you not have maintained your formula? Were you forced to that by competition?

Mr. LOFTUS: Again competition, and do not fool yourself. The public know a good loaf of bread.

Mr. WINTERS: You were forced to that despite the fact you were more comfortably off financially with the old formula?

Mr. LOFTUS: Of course, everything came in such an onslaught on to us in the last three months of the year, increases, and so many of them, that the price just simply had to go up. There was not anything else to do.

Mr. WINTERS: On Friday when Mr. Earwaker made his statement he said that they were much better off under a system of controls. Would it have been a part of his thinking that under controls they could continue to sell a degraded loaf for a fixed price?

Mr. LOFTUS: Well—

Mr. WINTERS: Do you think that?

Mr. LOFTUS: That is a matter of opinion. During the control days the volume was lovely and we were doing very well. Prices were all held in leash but, of course, the controls had to come off. If we could have continued as we were a year ago we would have been perfectly happy.

Mr. WINTERS: Of course, owing to the shortage of materials you could still degrade the loaf and not worry too much about it. Your conscience would not bother you on that score?

Mr. LOFTUS: Oh, yes, I believe it has been done.

Mr. WINTERS: My next question arises out of the paragraph just preceding the paragraph entitled conclusion on page 2 where you say:

> The foregoing adjustments referred to in (*b*) (*c*) (*d*) (*e*) and (*f*) reflect a higher cost of at least 3 cents per 24-ounce loaf.

In subsection B it is said that the increase in the price of flour added the equivalent of 2.13 cents to the basic cost of a 24-ounce loaf of bread. Then also at the time the subsidy was lifted you had a five weeks' supply of flour on hand.

Mr. LOFTUS: We did.

Mr. WINTERS: And one week after the subsidy was lifted you increased your price to 13 cents. In other words, you took in the whole 3-cent margin?

Mr. LOFTUS: That is right.

Mr. WINTERS: Despite the fact you had four weeks of cheaper flour on hand, let us say. Why did you raise the price at that time?

Mr. LOFTUS: Well, you can put in two reasons there. Any baker of any account should have a two months' supply of flour on hand. He cannot take the flour right in from the car and make proper bread out of it. It has got to be aged, and flour should be in the factory two months.

Mr. WINTERS: That does not have anything to do with bringing flour into the factory.

Mr. LOFTUS: Yes, it does, because due to the rationing we were down.

Mr. WINTERS: You had five weeks supply of flour.

Mr. LOFTUS: Yes, we had five weeks supply of flour.

Mr. WINTERS: Why did you not go on with the five weeks usage before you raised the price?

Mr. LOFTUS: Well sir, have you ever found any business man doing that? What if it went the other way?

Mr. WINTERS: I would prefer you to answer the question.

Mr. LOFTUS: I do not think I will answer the question.

The VICE-CHAIRMAN: Your question is why did he not wait until the five weeks supply of cheap flour was used—

Mr. WINTERS: Why did he not wait until the five weeks' supply was used before he raised the price?

Mr. LOFTUS: Well you could not live at less than 14-cent bread and it was only a matter of five weeks. Consequently we had the benefit of it in the next two months.

Mr. WINTERS: That is not evident here. I think my question goes a little farther; you did not need the 3 cents while the flour continued at the old rate. Now you had five weeks' supply at the old rate, so why did you raise the price before it was consumed?

Mr. LOFTUS: If we had not increased the price at that particular point we would have had an awful lot of trouble five weeks afterwards. The public was ripe for it then, and that was the time to raise it. I am being honest about this. You people in Ottawa told the public the subsidy was coming off and it was advertised in all the newspapers. If we had waited until every bag of flour we had in our factory was gone—well, heaven help us.

Mr. WINTERS: Is there any good reason why you could not have operated at your low rate until your five weeks' supply of flour at the cheaper rate was consumed? Then you could go to 13 cents?

Mr. LOFTUS: We tried to go to 13.

Mr. WINTERS: I beg pardon, I did not hear that answer.

Mr. LOFTUS: We would have had to go to 14 then at that point.

Mr. WINTERS: That is not evident from your evidence so far. Maybe we will get it from the figures.

Mr. LOFTUS: Maybe you will.

Mr. WINTERS: Apart from what you have said you have no reasons to support your increase before the five weeks' supply was consumed.

Mr. LOFTUS: We could have gone on for 2 or 3 weeks but it would have been very bad business. The statement here will show you.

Mr. WINTERS: Would you care to add a little more to what you have said?

Mr. LOFTUS: Yes, surely. Here they are, on page 4a. The percentage of profit in the month of August was ·8; the percentage of profit in September, 1947 was 6·5 Now that is when the price of bread went up, and the percentage in October was 9·5. Those were the two months in which we had the five weeks' extra supply of flour. In the month of November, 1947, the figure has dropped down to 1·0; and in December, the biggest month we have in the year, with all our Christmas produce, and this is over-all, the profit was ·1; and in January there was a loss of ·14.

Mr. FLEMING: 1·4.

Mr. LOFTUS: 1·4, yes, I'm sorry. In these months the average was 2·8. You see where we would have been if we had not taken the benefit of the few weeks' flour we had.

Mr. WINTERS: Did you consider at that time continuing your formula and keeping the price down?

Mr. LOFTUS: To be quite candid I never gave the formula a thought.

Mr. WINTERS: No, but you increased your cost?

Mr. LOFTUS: Yes.

Mr. WINTERS: By improving your formula?

Mr. LOFTUS: Yes.

Mr. WINTERS: At the same time you took advantage of this five weeks' supply of flour?

Mr. LOFTUS: That was done in October, after these two months—towards the end of October.

Mr. WINTERS: At any rate, continuing your existing formula you could have saved ½ cent a loaf on your bread?

Mr. LOFTUS: Yes, but I would have had a lot less volume because the position all over is competition again.

Mr. WINTERS: What would have been the difference had you continued on with the old formula until after the five weeks' supply was used?

Mr. LOFTUS: We were not making money before, and we certainly were not making money afterwards.

Mr. WINTERS: Because, in the meantime you had upped your costs by an improved formula.

Mr. LOFTUS: Yes, ½ a cent a loaf, for the simple reason—well, I had better not say anything about that—but our bread had to be better. We had to make the best loaf that could be made. Consequently we had to put extra ingredients in the loaf. It was not a case that we were improving it because we knew the price of bread was going up. We never even thought of the price of bread at that time. We wanted to give the public better bread because we knew of the stiff competition ahead of us. It was post-war days and we knew what was going on. Canada Bread was not going to stand back and take any licking.

Mr. MACINNIS: Could the witness say how much the increase in the amount of milk in the new formula added to the cost of the loaf? The amount I think was increased from 120 pounds to 180 pounds. That is shown in schedule 9.

Mr. FLEMING: Well we are ahead of ourselves now. I thought it was pretty well understood that any specific questions on these later schedules were going to be left until we got to them?

Mr. MACINNIS: I think this is quite to the point being made by Mr. Winters. If it is hard to find I will ask another question. You said that the change in the formula was perhaps forced on you by the competition, perhaps that is a little strong, but it was done in order to fortify yourselves against competition, is that correct?

Mr. LOFTUS: I would say so.

Mr. MACINNIS: When Mr. McGregor was here, Commissioner of The Combines Investigation Act, he was asked by counsel in regard to this matter. I think it would be well to put Mr. McGregor's answer on the record here because it seems that his conclusion is opposed to yours. The reference is on page 175 of the proceedings and Mr. Dyde says:

> Q. This may be a hard question for you to deal with, and you tell me if it is. I am still looking at paragraph 9 and at the same sentence and group of sentences. Can you in any way refer that to bread, for example? I am taking bread because of its particular interest. What types of cost could come into bread, for instance, which would make your sentence there correct? What types of cost could creep in to prevent cost plus a fair profit from equalling a reasonable price?—A. It might be in the selling costs, the actual distribution of the product. During the war years the prices board prevented for example, any special deliveries of bread. That may creep in again. In the absence of price competition a baker may very well, in order to retain the goodwill of the consumer, make special deliveries, may add materials to the loaf that may not be necessary for the public. They may add more milk to the loaf, and as a result of that increase the price of the loaf. Althought the amount of milk or milk powder going into the loaf might be very slight, the product could be advertised as very much improved and very much better for the public, and the result would be a higher price. I suggest if you want to think of milk as a very valuable addition to our diet because of its nutritional value we might better buy a quart of milk than pay an additional price for the milk that might be put into a loaf of bread. There are other costs that will creep into the price, costs that will advance the price if there is not pretty substantial price competition that holds the price at a fairly low level.

Now you say you have been compelled by competition to improve your formula for your bread but Mr. McGregor, who ought to know something about this, says that the lack of competition leads to those same abuses? Now which one is correct?

Mr. LOFTUS: Well, that is a matter of opinion. I am not holding any brief for Mr. McGregor, I do not know anything about him or his ideas, but I do know this. In competition, and in merchandising, the man that does not keep his products up to the highest standard is going to go by the board; and do not think for one minute, Mr. MacInnis, that the loaf of bread we make is cake or anything like that. It is a good substantial loaf of bread and it cannot be made any lower in cost. By the way you asked a question about milk?

Mr. MACINNIS: Yes.

Mr. ANTLIFF: The figure is 1/7 of a loaf, ·145.

Mr. MACINNIS: ·145, thank you. Now, would you explain your point in paragraphs (*c*) and (*d*) of the report which you read to us. You have said "due to the pressure of rising costs of living, the company considered it unfair to its

staff of delivery salesmen to reduce the rate of commission paid on sales. This added a further delivery cost equivalent to at least ·35 cents per 24-ounce loaf."

Mr. LOFTUS: Yes.

Mr. MACINNIS: Would you explain that additional cost?

Mr. LOFTUS: It would be an additional cost because the men are paid on commission. For instance, if the price of bread goes up 3 cents a loaf the rate of commission is a steady wage of 7 per cent or 6 per cent—that is practically what the figure is. We can say 7 per cent on wholesale and 14 per cent on retail. In some places it is 15 per cent.

Mr. MACINNIS: That ·35 would be an addition to what he was already getting?

Mr. LOFTUS: That is right.

Mr. MACINNIS: Now, if you come to paragraph (*d*)?

Mr. LOFTUS: Yes.

Mr. MACINNIS: That deals with wages and salaries?

Mr. LOFTUS: Yes.

Mr. MACINNIS: And there you say you did increase salaries and wages. You said it was a modest wage revision but it only amounted to ·10 of a cent?

Mr. LOFTUS: Yes, but there were others in the previous months ahead of that. I will give you those.

Mr. MACINNIS: Would you give me the number of persons affected in (*c*) and the number of persons affected in (*d*)?

Mr. ANTLIFF: We have approximately 900 salesmen.

Mr. MACINNIS: 900 salesmen; and how many bakery employees and salary workers?

Mr. LOFTUS: About 1,800, office and all.

Mr. MACINNIS: Well, that is in the commission paid, then; that is an increase in the commisson to salesmen and they got about three times the increase the others did?

Mr. LOFTUS: There are several factors there because, in the bakery, previous to that, there was an increase.

Mr. ANTLIFF: As a matter of fact, Mr. MacInnis, there is a possibility, a real possibility, that in the sales end of it there may be a decrease in volume arising as a result of the increase in price which would have a detrimental reaction on the salesman's take-home pay, but the cost per loaf for delivery embodied in his wage would increase.

Mr. LOFTUS: Supposing he dropped 25 per cent in the sales of his cakes or sweet goods, that would definitely bring down his receipts and that would give him that much less in his pay. He does not get the whole thing. He would, if it had kept up in the last four months, but it has not kept up.

Mr. MACINNIS: He would get the increase of ·35?

Mr. LOFTUS: Yes, but then again, the salesmen had not had an increase and the other departments had quite a considerable increase in many cases.

Mr. ANTLIFF: In one case it is a fixed increase and in the other case it is fluctuating.

Mr. JOHNSTON: On page 2 of the brief, paragraph (*f*), there is a reference to the change in the formula. I think the witness said he did that because of competition. Am I right in that, Mr. Loftus?

Mr. LOFTUS: Competition—you can define competition in many ways. I wanted to keep the standard of Canada Bread at the very highest level and I felt that our bread could be enriched, it should be enriched and that is exactly what I did.

Mr. JOHNSTON: You think, under this new formula, your bread is superior in quality nutritionally and otherwise to any other bread on the market?

Mr. LOFTUS: Is this for the newspapers?—definitely.

Mr. JOHNSTON: You do consider it superior?

Mr. LOFTUS: I do not eat any other bread.

Mr. JOHNSTON: You would not eat an inferior bread?

The VICE-CHAIRMAN: I know you are not asking these questions just for the purpose of effecting a greater sale of this bread?

Mr. JOHNSTON: He does not sell in Calgary. How do you know that your bread is a better quality today than the A & P bread?

Mr. LOFTUS: How do I know?

Mr. JOHNSTON: Yes.

Mr. LOFTUS: I do not have to be told about that. I will score the bread and find out.

Mr. JOHNSTON: How do you do that?

Mr. LOFTUS: We can score bread. This is done very fairly because there is no use kidding yourself.

Mr. JOHNSTON: Do not kid us, anyway.

Mr. LOFTUS: That would be very difficult to do. We will buy bread from these different companies. One man, who is not in on the scoring, will put all that bread out on a table, 1, 2, 3, 4, 5, 6 and 7. He will put the name of the manufacturer underneath the loaf with the name facing the loaf. Then, we score the loaf. Generally, we score it for external qualifications; colour, bloom, rise, jump at the side—this may not be familiar to you people. Then, we score it for texture, colour, aroma and taste. We very seldom figure the taste because we know if all those characteristics are there, the taste is there. I very seldom taste the loaf unless I am tasting it at home.

Mr. JOHNSTON: Who is the person who finally determines—

Mr. LOFTUS: The housewife.

Mr. JOHNSTON:—whether one bread is better than another? I suppose that is the housewife?

Mr. LOFTUS: Yes, but we do know what the housewife wants or needs in bread. I think I should know, after 37 years. I think I know she wants colour. I have been arguing with men in the business world, "Why don't you give them brown bread", and so on and so forth. The public does not want brown bread. They want the whitest loaf they can possibly get. It shows up in the percentage of brown bread we are making.

Mr. JOHNSTON: You said you had all these breads laid out on a table?

Mr. LOFTUS: Yes.

Mr. JOHNSTON: And the name of the company under each one?

Mr. LOFTUS: Yes.

Mr. JOHNSTON: Where did the A & P bread come in that rotation?

Mr. LOFTUS: Do I have to answer that?

The VICE-CHAIRMAN: Is there any objection to answering it?

Mr. LOFTUS: I will put it this way; it is a long time since I have scored the bread and I really don't remember.

Mr. JOHNSTON: You do not remember, Mr. Loftus, which is the better quality?

The VICE-CHAIRMAN: Just a moment, I should like to clear up something. You were wondering whether it was quite fair to ask you to answer that

question and, at first glance, I could not see any objection to it. Then, you said you had forgotten anyway, so why were you objecting to answering something that you did not remember.

Mr. LOFTUS: Mr. Johnston was asking me my method of scoring which I gave him. Then, he immediately threw the question at me, "How did the A & P come out in this?" Well, I do not want to talk about the quality of my competitor's—

The VICE-CHAIRMAN: If you did not remember the answer to the question anyway, what objection would there be to it?

Mr. LOFTUS: You fellows are lawyers and you are—

Mr. JOHNSTON: No, leave me out of that. I am not a lawyer.

Mr. LOFTUS: —and you are throwing these questions at me. I am just a baker—

The VICE-CHAIRMAN: Do not depreciate yourself. You have been getting along all right. There has been no difficulty in that regard. You do not need to give yourself a low rating as a witness.

Mr. LOFTUS: Thank you very much.

Mr. JOHNSTON: Just before we leave that, I want to pursue the question a little further. The witness has gone to great lengths—I am not objecting to this—to tell us he had a very fine quality of bread.

Mr. LOFTUS: Yes.

Mr. JOHNSTON: His bread is selling at a higher price than the A & P bread?

Mr. LOFTUS: Yes.

Mr. JOHNSTON: Then, he said he had scored all these. This is the first witness we have had who has particular knowledge of the quality of breads which are sold. I think it is very important to this committee—I am not concerned whether the A & P loses sales because of this, or whether you gain them—I think this is a very important point. This witness has told us he has these breads all lined up and he has determined the quality of these different breads. The question has been put here on many occasions as to whether the A & P was selling bread at an unfair price, I will put it that way. It has been said that they are selling it below cost.

The VICE-CHAIRMAN: It has been called an unfair practice.

Mr. JOHNSTON: We will call it an unfair practice. This witness has inferred that this cheap bread which the A and P puts out is of very inferior quality.

Mr. LOFTUS: No, I did not.

The VICE-CHAIRMAN: No, just to get it clear, I do not think the witness ever got to the point of saying that the A and P was inferior. You asked him where it would stand in the scoring and, at that point, if I may use the expression, he balked. Then, when the question was allowed as a proper question he said he did not just remember the last incident of scoring.

Mr. LOFTUS: Neither do I.

The VICE-CHAIRMAN: He certainly did not go to the point, yet, of depreciating his competitor's bread.

Mr. JOHNSTON: I think it is very important that we know, in this list of scores, where the A and P bread comes.

Mr. MACINNIS: I am going to object to asking a witness to compare his bread with another person's bread because he is not an impartial witness on that particular matter. If we want to have bread scored, then we can get somebody who is not in the bread business to do it.

The VICE-CHAIRMAN: You have all heard the statement about somebody being saved by the gong. I do not know who is being saved by the gong, but it is six o'clock so the committee will adjourn until tomorrow morning.

The committee adjourned to meet again on Tuesday, March 9, 1948 at 11 a.m.

APPENDIX

1947 Annual Report

CANADA BREAD CO., LIMITED

Head office: 224 Davenport Road, Toronto

Board of Directors: C. H. Carlisle, R. S. Waldie, A. W. Holmstead, K.C., G. C. Leitch, A. V. Loftus, A. G. Walwyn.

Officers: C. H. Carlisle, President; R. S. Waldie, Vice-President; A. V. Loftus, General Manager; W. S. Antliff, Assist. General Manager and Treasurer; L. F. Enright, Secretary.

DIRECTOR'S REPORT TO SHAREHOLDERS FOR THE FISCAL YEAR ENDED JUNE 30, 1947

The operations of the Company during the war and since the war may be better understood by comparing the major items of operation with the last pre-war year, 1939: Increase in volume of products 101 per cent; Increase in value of total sales 107 per cent; Increase in the cost of ingredients in a loaf of bread, exclusive of flour 60·9 per cent.

The price of wheat July 1, 1939, was 55⅜ cents per bushel.

The subsidized price of wheat during the fiscal year under review was 77⅜ cents per bushel.

The export price to Britain is $1.55 per bushel, plus 3½ cents per bushel for transportation.

The export price to countries other than Britain averages about $2.56 per bushel.

The sale price of a loaf of bread in 1947 is identical with that of 1939.

It is quite evident, if the subsidy on wheat be removed, that the price of wheat milled for domestic consumption to the Canadian baker will be very materially increased, resulting in a relative increase in the price of bakery products.

In ratio to sales, and compared with 1939, the increased relative cost of wages paid for production of bakery products is 37·6 per cent.

The cost of equipment compared with 1939 shows an increase varying from 25 per cent to 45 per cent.

Motor cars and trucks are major items of expense. The Company operates 668 motor trucks and makes deliveries over 967 routes.

The increased cost of panel trucks used on route deliveries is 49 per cent, compared with the year 1939.

In ratio to sales, and compared with 1939, the increased relative cost of maintenance of the fleet is 40·7 per cent.

The cost of the motor fleet equipment is $897,214.82, of which purchases made during the fiscal year amounted to $541,997.91.

The year's volume of sales is the largest in the history of the Company. The number of customers exceed those of any previous year.

The Company is in a strong financial position; it has no bank indebtedness, a cash position of $445,317, $100,000 in Dominion of Canada bonds. The working capital is $775,250. Advantage is taken of all cash discounts.

CAPITAL STRUCTURE

The Company has no outstanding bonds or debentures.

Issued Capital Stock:—20,000 shares First Preference, par value $100, dividend rate 4½ per cent, callable after July 1948 at $103; 25,000 shares Class "B" Preference, par value $50, dividend rate $2.50 per share: 200,000 shares Common, no par value.

As Government restrictions and controls are removed, and materials become more plentiful, the Company will be in a position to increase the diversity and quality of its products.

The death of Mr. C. B. Shields, a Director of the Company for the past fourteen years, is regrettable. He was a capable business man. He put duty and service before personal interest. He was frank in the things that he did. The service he rendered was of great worth.

On behalf of the Board of Directors.

Respectfully submitted,

C. H. CARLISLE,
President.

CANADA BREAD COMPANY, LIMITED
(Incorporated under the Ontario Companies Act)
And its Wholly-owned Subsidiary
Consolidated Balance Sheet as at 30th June, 1947

ASSETS

Current:		
Cash on hand and in banks		$ 445,317.03
Dominion of Canada Bonds—at cost (Market value $104,750.00)		100,000.00
Accounts receivable, less reserve for doubtful accounts		216,142.46
Inventories of ingredients, finished products and supplies, as determined and certified by the management, valued at the lower of cost or market less reserves		703,498.27
Prepaid insurance, taxes, etc.		109,608.32
		$1,574,566.08
Sundry:		
Refundable portion of taxes on income	$ 11,500.00	
Mortgage	5,600.00	
		17,100.00
Fixed:		
Buildings and equipment—at cost	$6,429,306.48	
Less reserve for depreciation	3,734,681.23	
	$2,694,625.25	
Land—at cost	340,205.30	
		3,034,830.55
Goodwill (less amounts written off)		500,000.00
		$5,126,496.63

LIABILITIES

Current:		
Accounts payable, wages and other accrued charges		$ 687,231.01
Reserve for taxes (including income and excess profits taxes)		53,960.02
Dividends payable 2nd July, 1947		58,125.00
		$ 799,316.03
Trust Funds:		
Deposits by salesmen	$ 73,525.92	
Less cash and government bonds held in trust	73,525.92	
Reserve for contingencies		100,000.00
Capital:		
Authorized and issued—		
20,000 4½% first cumulative redeemable preference shares of $100 each, redeemable at $105 per share to 1st July 1948 and at $103 per share thereafter	$2,000,000.00	
25,000 5% cumulative participating redeemable class "B" preference shares of $50 each, redeemable at $100 per share	1,250,000.00	
200,000 common shares of no par value	25,000.00	
	$3,275,000.00	
Earned surplus	952,180.60	
		4,227,180.60
		$5,126,496.63

Statement of Consolidated Profit and Loss for the Year Ended 30th June, 1947

Profit on operations before deducting the charges set out below		$ 892,813.77
Add:		
Interest earned on investments	$ 15,966.00	
Profit on sale of investments	30,687.50	
		46,653.50
		$ 939,467.27
Deduct:		
Payments under employee pension plan	$ 99,645.33	
Provision for depreciation of buildings and equipment	326,899.85	
		426,545.18
		$ 512,922.09
Deduct provision for income and excess profits taxes		195,000.00
Net profit for the year		$ 317,922.09

Statement of Consolidated Earned Surplus for the Year Ended 30th June, 1947

Balance at 30th June, 1946		$ 739,258.51
Add:		
Consolidated net profit for the year ended 30th June 1947	$ 317,922.09	
Adjustment of taxes of prior years on determination of standard profits by the Board of Referees	67,500.00	
		385,422.09
		$1,124,680.60
Deduct:		
Dividends—		
4½% first preference shares	$ 90,000.00	
5% class "B" preference shares	62,500.00	
Common shares—10 cents per share	20,000.00	
		172,500.00
Balance at 30th June, 1947		$ 952,180.60

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Canada Bread Company, Limited and its wholly-owned subsidiary as at 30th June 1947 and the related statements of profit and loss and earned surplus for the year ended on that date. In connection therewith we examined or tested accounting records of the head office of the company, of its subsidiary and of certain of the principal branches and reviewed the reports furnished by the company's staff auditor on his examination of the records of the remaining branches. We also made a general review of the accounting methods and of the operating and income accounts for the year but we did not make a detailed audit of the transactions. All our requirements as auditors have been complied with.

We report that in our opinion, based upon our examination, the foregoing consolidated balance sheet and related statements of profit and loss and earned surplus have been drawn up so as to exhibit a true and correct view of the state of the companies' affairs as at 30th June 1947 and of the results of their operations for the year according to the best of our information and the explanations given to us and as shown by the books and branch statements.

Toronto, Canada,
31st July 1947

Clarkson, Gordon & Co.,
Chartered Accountants.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 20

TUESDAY, MARCH 9, 1948

WITNESSES:

Mr. A. V. Loftus, President and General Manager, Canada Bread Company Limited, Toronto.

Mr. W. S. Antliff, Assistant General Manager and Treasurer, Canada Bread Company Limited, Toronto.

Mr. Daniel F. Wilson, President, Christie's Bread, Limited, Toronto.

Mr. Lloyd I. Stormer, Vice-President and Secretary-Treasurer, Christie's Bread, Limited, Toronto.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

TUESDAY, March 9, 1948.

The Special Committee on Prices met at 11.00 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Cleaver, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Mr. A. V. Loftus, President and General Manager, and Mr. W. S. Antliff, Assistant General Manager and Treasurer, Canada Bread Company Limited, Toronto, were recalled and further examined.

At 12.40 p.m. witnesses retired and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Cleaver, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, McCubbin, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Messrs. Loftus and Antliff were recalled and further examined.

Witnesses retired.

Mr. Daniel F. Wilson, President, and Mr. Lloyd I. Stormer, Vice-President and Secretary-Treasurer, Christie's Bread Limited, Toronto, were both called at the same time, sworn and examined.

Mr. Wilson filed,

Exhibit No. 46—Statement covering various information prepared for presentation to the Committee.

At 5.40 p.m., witnesses retired and the Committee adjourned until Wednesday, March 10, at 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
March 9, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Honourable Paul Martin, presided.

The CHAIRMAN: I am anxious to hold a meeting of the steering committee, which may take a little time, with our accountants and counsel tomorrow. It is going to be a little difficult to arrange an appropriate time, but it is an important meeting, and I know that members of the steering committee will do their best to meet whatever decision we arrive at as to the hour. I was discussing it with Mr. MacInnis as to 10 o'clock but there is a difficulty about that, and counsel has something to take up which is very important. However, we might meet some time during the course of the day.

We still have Canada Bread with us. Our objective is not to conclude the hearing on bread but to conclude this phase of it if we can by Wednesday. Mr. Dyde, will you continue?

Mr. DYDE: Mr. Chairman, I have some questions for these witnesses which arise largely out of the questions and evidence given yesterday by Mr. Loftus and Mr. Antliff. I think I shall have to be forgiven if I stray from the strict order of the pages in the exhibit as some of the questions yesterday on which I wish to base my questions also strayed a little from the strict order. I should not be long with my questions, and then members of the committee will be free, of course, to return to any pages to which they wish to direct attention.

Mr. FLEMING: May I ask Mr. Dyde if it is the intention to go through the pages to the end?

Mr. DYDE: No, it is not. I have some general questions although I will be on the pages from time to time.

Mr. WINTERS: But we are going through the pages?

The CHAIRMAN: Yes, but Mr. Dyde has a series of questions that will take him from twenty minutes to half an hour which he would like to pursue. I would suggest that he be allowed to do so as closely as possible.

Mr. FLEMING: I would hope, too, that he will take us over the pages because I think yesterday our proceedings did suffer somewhat in orderliness in the afternoon because we did not go through the pages before taking up detailed matters. I think it would be very much better if Mr. Dyde took us through to the end of the brief, and then we could come back to deal with the pages.

Mr. WINTERS: I think yesterday we were dealing with the general statement before we got to the pages.

Mr. FLEMING: That is the trouble. We strayed into the pages.

Mr. CLEAVER: I think counsel should have a free hand.

Mr. IRVINE: I think so, too.

Mr. DYDE: Mr. Antliff, in your brief which is exhibit 44, you point to percentage rate of net profit to sales in August, 1947, which was less than 1 per cent, .9 per cent?

Mr. ANTLIFF: Yes.

Mr. DYDE: You seek to justify an increase of 1 cent a loaf in the price of bread on that fact alone. Now, I want to call your attention at that point

to the fact that you gave evidence that in July, 1947, the comparative figure was 2·5 per cent, and I think yesterday I asked you to supply also the figure for June, 1947. Are you able to give me that figure now, or will it have to be worked out?

Mr. ANTLIFF: I have not got it with me.

Mr. DYDE: Would you be able to work it out from the papers that you have? Then, Mr. Loftus, while Mr. Antliff is looking to see whether he can clear that up, you say that the removal of the flour subsidy on September 15 increased your flour cost by 2·13 cents per loaf?

Mr. LOFTUS: Yes.

Mr. DYDE: It is correct, is it not, that the cost of flour to you has decreased since September, 1947?

Mr. LOFTUS: Yes.

Mr. DYDE: I want to ask only this one question at the moment. Have you made any adjustment downward in price in consequence of the decrease in the price of flour?

Mr. LOFTUS: No.

Mr. DYDE: You had four weeks' supply of cheap flour on hand when the price was increased in September, 1947?

Mr. LOFTUS: Yes.

Mr. DYDE: You gave that evidence in answer to a question I think Mr. Winters asked.

Mr. LOFTUS: That is right.

Mr. DYDE: And you had the advantage of that inventory during that period when the price was increased?

Mr. LOFTUS: Right.

Mr. DYDE: Then you have also given evidence that you adjusted your formula at an additional cost of ·51 cents per loaf. Is that correct.

Mr. LOFTUS: That is correct.

Mr. WINTERS: Where is that evidence?

Mr. DYDE: That was also in—

Mr. LOFTUS: In one of the schedules.

Mr. DYDE: Reference was made to the schedule on which that appears yesterday, which is schedule 9.

Mr. JOHNSTON: Was that not ¼ to ½ a cent a loaf?

Mr. WINTERS: In section F it says ¼ to ½ cent.

Mr. DYDE: I wanted to clear that up. The reference in the evidence yesterday was ¼ to ½ cent. Do you recall that, Mr. Antliff.

Mr. ANTLIFF: Yes, sir.

Mr. DYDE: But the actual figure is ·51?

Mr. ANTLIFF: If you refer to schedule 9 you will see it refers to the formula in use at the Bloor street bakery in Toronto, one of our large plants. Formulæ fluctuate from plant to plant. Other bakeries' margin of increase was less. That is why reference is made to the spread between ¼ of a cent and ½ a cent. I can give you the other figure you have just asked for.

Mr. DYDE: What is the figure for June, 1947?

Mr. ANTLIFF: It is 3·28 per cent.

Mr. DYDE: 3·28 per cent.

The CHAIRMAN: Are you coming back to this question of flour later?

Mr. DYDE: Yes, sir. Another question which I should like you to answer for the purposes of the record at the moment is that although flour costs have

increased since the first of September, 1947, the increase has been limited by the fact that the price went up and then downward, and I think I am correct in saying from your exhibit that the increase in the flour cost from the first of September until the end of January is 1·89 cents per loaf. Is that right?

Mr. ANTLIFF: What exhibit would that be from?

Mr. DYDE: I think I would have to ask you to look at schedule 8, your schedule 8.

Mr. ANTLIFF: The cost per loaf at September 1 was 2·16 in Toronto and 2·21 in Ottawa and Montreal.

Mr. DYDE: But the difference between September 1, 1947, and February 6, 1948, is 1·89 cents, is it not?

Mr. ANTLIFF: Correct.

Mr. DYDE: I should like to give you the benefit of the topmost price you have given with regard to the change in formula. I should like to take it at ·51 cent, and I should like to call your attention to the fact that your flour cost from September 1 to February 1 has increased 1·89 cents, and adding those two figures together I get 2·40 cents. That is correct, is it not?

Mr. ANTLIFF: That is correct.

Mr. DYDE: Now, when you compare September, 1947, with the first of February, 1948, that is the increase in your cost of flour and as I say, I give you the benefit of the doubt when I quote ·51 cents as being the increase due to adjustment of formula, and I get a total of 2·40 cents?

Mr. ANTLIFF: That is right.

Mr. DYDE: In spite of the fact that that is so we find that towards the end of January you increased the price of bread another cent from 13 to 14 cents. I should like you to tell the committee how you justify the increase in January when you have in mind those two increases of cost.

Mr. ANTLIFF: Mr. Dyde, in addition to the items referred to there is also the matter of an additional amount paid to the sales staff arising from commission on the enhanced value of the selling price of the loaf.

Mr. DYDE: Stop there a minute. I do not want to get twisted on the salesmen's commission. The salesman gets more commission because the price has increased. Is that not correct?

Mr. LOFTUS: That is right.

Mr. DYDE: It is also correct to say that the salesman would not get increased commission unless the price went up?

Mr. ANTLIFF: That is quite true, yes.

Mr. DYDE: So that I come back to my question as to what your costs are, and if that is the only answer you can give then I am finished, if that is the only answer you are able to give.

Mr. ANTLIFF: It is certainly not the only answer. The 2·40 increase in cost which you have acknowledged would indicate that a further increase in price was required in order to offset the 2·40. In order to achieve any profit margin whatever in relation to cost that increase necessarily must be 3 cents, and having established a higher selling price additional commission goes with it, is bound up with the other higher cost.

Mr. DYDE: So that I think what you are saying now to the committee is that it is a vicious circle. You put the price up, that increases the commission, and that causes the price to go up again?

Mr. ANTLIFF: I would say the cost of living is a vicious spiral upwards which our salesmen and all other employees have to meet, and we have to help them meet it.

Mr. DYDE: But I bring you back to the fact that 2·40 cents is the total increase between September and February in your flour cost and ingredients?

Mr. ANTLIFF: No, no; I am sorry.

Mr. DYDE: Do you want to change that?

Mr. ANTLIFF: No, I do not want to change it, but there is also a matter of additional costs entering into certain products both for production and distribution which also have a bearing on the increased cost—and I have detailed them in subsection E—which would be also embodied in the increase. I have also referred in subsection D to the fact that increases were given generally to other employees in the bakery and office which also added to the cost and were an absolute necessity due to economic pressure.

Mr. DYDE: Then may I start with the 1·81 cents a loaf plus the ·51 cents for adjusted formula. What do you want the committee to add to that figure of increased cost? I see ·10 cents per loaf quoted by you in sub-paragrah D of the brief.

Mr. ANTLIFF: I want to add ·35.

Mr. DYDE: For what?

Mr. ANTLIFF: For the additional payment to the sales staff

Mr. DYDE: Additional payment to the sales staff. Is that by way of commission on wages?

Mr. ANTLIFF: By way of commission.

Mr. LOFTUS: The biggest proportion of their take-away is commission.

Mr. DYDE: Yes. Again I say to you it seems to me that it is a spiral, that you put your price up, and that automatically means higher commissions, and then you say that fact causes you to put the price up again?

Mr. LESAGE: A vicious circle.

Mr. DYDE: Explain that if I am wrong.

Mr. ANTLIFF: The price goes up in the first instance because of factors beyond our control.

Mr. FLEMING: There is another factor—

The CHAIRMAN: Do not interfere with counsel.

Mr. FLEMING: Who is going to be allowed to make interjections?

The CHAIRMAN: Nobody.

Mr. ANTLIFF: These factors which I have indicated, apart from the matter of salesmen's commission, are something which have been forced on our company and the industry generally through causes beyond our control. Therefore, the increase in the price of bread is something which, in the first instance, is outside our jurisdiction. So far as the salesmen are concerned, in order to enable them to keep step with the cost of living it has been our practice to keep commissions on the same basis.

Mr. DYDE: I am going to leave it at that for a moment, Mr. Antliff. I would like you to look at schedule 5 of your exhibit 44.

Mr. ANTLIFF: Yes, I have it.

Mr. DYDE: Now, I assume these figures are struck off prior to the increase of 1 cent from 13 to 14 cents?

Mr. ANTLIFF: The increase that took place only covered the last three days of the month. It has no very material bearing but it has a slight bearing.

Mr. DYDE: At any rate on the regular brands of house to house delivery where the bread was selling for 13 cents your net profit per loaf in January is stated to be ·54 cents?

Mr. ANTLIFF: That is correct, with the method of distribution overhead that has been worked out.

Mr. DYDE: Yes, and on the same page—I am skipping one column—I come to "Cottage brand" and the figure at the bottom is ·87 of a loss.

Mr. ANTLIFF: Correct.

Mr. DYDE: The circle means a loss.

Mr. ANTLIFF: That is right.

Mr. DYDE: Now, then with regarrd to the last three columns of schedule 5, the columns headed "Cottage bread", "Secondary brands house to house", and "Secondary brands, stores". Is it fair to say that is substantially the same bread?

Mr. ANTLIFF: As Cottage bread?

Mr. DYDE: Yes.

Mr. ANTLIFF: Identically the same bread.

Mr. DYDE: Those two secondary brands and Cottage bread are identical?

Mr. ANTLIFF: Correct.

Mr. DYDE: Yes. Now I would like to ask you to explain to the committee this point: you show a profit position on the regular brand, house to house, and you show a loss position on the Cottage bread, and that is in January 1948. Would you explain to the committee, looking at that position, if you felt you had to advance the price of bread, why did you not advance the price of Cottage bread which is showing a loss, instead of adding it to the regular brand house to house, on which there was a profit?

Mr. ANTLIFF: Because we had to protect the person who was purchasing the bread from us.

Mr. LESAGE: Would you speak louder please?

Mr. ANTLIFF: I am sorry, in order to protect our market.

Mr. DYDE: Who is the person who purchases from you?

Mr. ANTLIFF: Loblaw Groceterias.

Mr. DYDE: Yes, and in order to protect Loblaw Groceterias you refrained from increasing the price of Cottage bread?

Mr. ANTLIFF: Yes.

Mr. LOFTUS: That is right.

Mr. DYDE: And you added a cent to the regular brand house to house, although that was showing a profit position at the time?

Mr. ANTLIFF: That bread was showing a profit but you have to take the overhead expenses on a per loaf basis. All bread was taken in the same proportion, in relation to overhead cost, and on that basis it works out along the lines referred to in the exhibit.

Mr. DYDE: Yes, and I am not wanting to force you into any position but I am simply looking at the schedule and asking you to make it clear?

Mr. ANTLIFF: I am most anxious to give all the facts as satisfactorily as I can.

Mr. DYDE: Yes. Now you were not the first baker to advance the price in 1948 were you?

Mr. ANTLIFF: No, sir.

Mr. DYDE: We have that fact in evidence—and certainly a gentleman did say that Christie's were the first to raise the price in January—would you know that?

Mr. ANTLIFF: I believe that is right.

Mr. DYDE: And did you increase the price in Ottawa?

Mr. LOFTUS: No, we did not.

Mr. DYDE: And you did not increase it in Brockville or Cornwall?

Mr. LOFTUS: No.

Mr. DYDE: Would you explain to the committee why you did not increase it in those places also?

Mr. LOFTUS: Because of competitive conditions and, perhaps, in the same class, we did not have the courage.

Mr. DYDE: What do you mean by competitive conditions?

Mr. LOFTUS: Well, it is impossible for any firm to go out with a higher price and expect to hold their volume of business when other people are selling lower. We have got to be competitive, as I explained yesterday, and we are competitive in those centres.

Mr. DYDE: Someone was continuing to sell at 13 cents in Ottawa, Brockville and Cornwall?

Mr. LOFTUS: Yes.

Mr. DYDE: So you remained at that price too?

Mr. LOFTUS: Our manager in the city of Ottawa, when I discussed it with him as I did—I can give you an illustration of that. In the city of Ottawa we have had a very nice profit each month for a considerable period of time. The profit in this particular city dropped to $100 a month in January and we have got what I consider a very nice business in this city and district. In the month of February the profit came up, I think it was a little over a hundred. It shows you what Ottawa was doing with 13-cent bread. We dropped from a very nice profit in the previous month to $100 in January and close to that in February, so that Ottawa cannot go on under the existing prices.

Mr. DYDE: Now, Mr. Loftus, I would like to refresh your memory for a moment in regard to an answer that you gave to Mr. Winters. You said, and you were referring to the increase in price of 3 cents in September—

Mr. LOFTUS: Yes.

Mr. DYDE: You said "If we had not increased the price at that particular point we would have had an awful lot of trouble five weeks afterwards".

Mr. LOFTUS: I did say that.

Mr. DYDE: "The public was ripe for it then and that was the time to raise it".

Mr. LOFTUS: Yes.

Mr. DYDE: "I am being honest about this—", and I am still quoting.

Mr. LOFTUS: Yes.

Mr. DYDE: "You people in Ottawa told the public the subsidy was coming off and it was advertised in all the newspapers. If we had waited until every bag of flour in our factory, well—heaven help us".

Would you explain to the committee what you mean by "well—heaven help us"?

Mr. LOFTUS: The only answer that I can give would be that I am afraid they would have been looking for another general manager.

Mr. DYDE: You mean you would have lost money?

Mr. LOFTUS: Definitely.

Mr. DYDE: Would your loss have been attributed to the fact that you had adjusted your formula?

Mr. LOFTUS: Oh, no.

Mr. DYDE: In any way?

Mr. LOFTUS: No.

Mr. DYDE: You had adjusted your formula?

Mr. LOFTUS: Sure, we did.

Mr. DYDE: And it meant increased costs.

Mr. LOFTUS: That, of course, is a matter of competition again, and also a matter of merchandising. We wanted to give the public, as I say, the best loaf of bread. We felt we were not giving a good enough loaf, especially when controls came off and when shortening and sugar were more plentiful, so we did what other firms did. We gave a better loaf. Of course, we want them to eat more bread.

Mr. DYDE: Incidentally you got a very material money advantage out of your inventory, did you not?

Mr. LOFTUS: Yes, we did for five weeks but then you must look at the statement for the months of November, December and January. You have got to balance it up. You cannot run a business thinking that you are going to get it in one month, but it is over the months that you have got to get a percentage of profit. It was 2·8 per cent over the last six months and that is not profiteering, or at least I would not think so.

Mr. DYDE: I am not suggesting for a moment that it is profiteering.

Mr. LOFTUS: Those two particular months, October and November, carried the six months. I am referring to September and October. Had we not had that—well, it was a blessing in disguise. I wish to heavens we had had three or four months.

Mr. MACINNIS: Where does the disguise come in?

Mr. DYDE: You had that "blessing in disguise" as you call it, but the fact remains that in schedule 5 in January 1948 you were on the profit side on your regular house to house delivery?

Mr. LOFTUS: Of course you know, Mr. Dyde, you have got to take the other things into consideration. We might have been ahead on that but if you do not have the other volume—volume means a great deal in the competitive market and you have to hold it up. There is no other business outside the bread industry that has to watch its pennies any more than we have to.

Mr. DYDE: Would you say in January 1948 then that you were holding yourself up—the company's operations—by charging the householder a sufficient price so that you would not have to interfere with the price of the Cottage bread being sold to Loblaw's.

Mr. LOFTUS: I would say definitely no. I think Mr. Antliff has some figures.

Mr. ANTLIFF: I would like to say, Mr. Dyde, that if we had simply thrown overboard the cheap bread and had not applied the overhead which is ·78 cents as spread over the Cottage bread, the secondary brands house to house, and secondary brands, stores—the overhead would have been substantially different had it been thrown against the house to house and I doubt if there would have been any profit in that either. I am sure there would not.

Mr. DYDE: You would have to go through the figures to be sure of that. I was quite willing to accept a glance at this page for the explanation.

Mr. ANTLIFF: That is the explanation and I think it is a correct one.

Mr. DYDE: I think there is a correct answer which you gave a few moments ago. You did not want to disturb Loblaw's.

Mr. LOFTUS: No sir, the Loblaw concern is a company which we have been serving for upwards of 18 years. Through all the battles we have supplied them exclusively and it would be a very unfair thing if they are, perhaps, in trouble

meeting competition to say to them "Well you cannot have the bread". I just would not do it. I am going to say even if it is a loss to Canada Bread Company I am going to support them. There is a loss there, there is no question about that.

Mr. FLEMING: Whose loss?

Mr. LOFTUS: We have a loss.

Mr. FLEMING: On the 10-cent loaf?

Mr. LOFTUS: Yes.

Mr. FLEMING: It is a loss to you?

Mr. LESAGE: Why do you not let Loblaw's take the loss if they want to meet the competition?

Mr. LOFTUS: Definitely they are taking a loss at the present time. All you have got to do is to look at their over-all profit.

Mr. ANTLIFF: The selling cost established in evidence was 15·54 per cent and that is more than the 10 per cent margin of mark-up.

Mr. LESAGE: Well I am not going to argue with you gentlemen as to what the gross margin for a retail store should be. However, there is no doubt handling bread in a retail store does not demand a larger margin than 10 per cent when they only take 5 per cent on butter. You are not in the retail business and I think the evidence we have is exactly contrary to what you have just said now.

Mr. FLEMING: Well now—

Mr. LESAGE: I am going to ask you why you do not let Loblaw's take the loss if there is a loss to be taken?

Mr. LOFTUS: My answer to that would be that I am a very poor salesman. Perhaps, I should go to them and say: "You have got to take less of a rebate than you are getting at the present time. We had hoped this situation would be cleaned up long before now, but unfortunately it has not.

Mr. LESAGE: As a matter of fact if you let Loblaw's meet their own competition you could sell house to house with a profit, as shown from schedule 5.

Mr. ANTLIFF: I have just explained that Loblaw's is along with the secondary brands, and taking the over-all fair share of overhead, if we did not have that business it would bring down the profit to the vanishing point.

Mr. LESAGE: But why do you not increase the price of the secondary brands instead of the price of the regular brands?

Mr. ANTLIFF: I would like to.

Mr. LOFTUS: We would like to, but again it is competition.

Mr. LESAGE: And keep the other price down to 13 cents?

Mr. LOFTUS: Say that again please?

Mr. LESAGE: And you could keep the other price down to 13 cents?

Mr. LOFTUS: We would not be able to.

Mr. LESAGE: Pardon me?

Mr. LOFTUS: We would not be able to unless some other conditions in our industry would help us. There are many factors that come in, rebates to stores, and other angles of that kind.

Mr. LESAGE: I will come to that. The price now in Toronto is 14 cents.

Mr. LOFTUS: I would like to sell at 13 cents; I would love to, and make a fair profit. There is nothing that would please me more.

Mr. LESAGE: By the way, do you suggest the retail price to the stores to which you sell your retail brands?

Mr. LOFTUS: Oh, no.

Mr. LESAGE: You do not?

Mr. LOFTUS: There is a retail price of what we sell to our house to house customers.

Mr. LESAGE: I am talking about the retail store price.

Mr. LOFTUS: No.

Mr. LESAGE: Do your salesmen not discuss the retail price?

Mr. LOFTUS: It is so long since I have been a salesman; I forget that part; but I would say yes, I believe they would.

The CHAIRMAN: I think we would get further if that kind of direct answer was given right at the outset.

Mr. LESAGE: Pardon me, sir?

The CHAIRMAN: I think we would get further with the witnesses if they gave direct answers at the outset.

Mr. LESAGE: Suppose one of your salesmen goes into a retail store. He goes there on the day the price is increased to 13 cents and again on the day the price is increased to 14 cents. The conversation would be something like this—if I am wrong, please correct me. The salesman would say, "Well, the retail price of bread is up this morning." The other man would say, "Yes, how much?" "Well, it is up to 13 cents, or up to 14 cents." The retailer would say, "What about my margin." "Oh, that is quite all right, your margin is going to be a little higher." That is what would happen, is it not?

Mr. LOFTUS: In the city of Toronto, where the price of bread went up to 14 cents, the margin for retail stores was reduced.

Mr. LESAGE: It will be about the same?

Mr. LOFTUS: No, it was reduced from 20 per cent to 2½ cents per loaf.

Mr. LESAGE: As a matter of fact, when you speak about a retailer's margin you are talking about a margin allowed to the retailer by the baker; is that not so?

Mr. LOFTUS: Yes.

Mr. LESAGE: Your margin is allowed by the baker to the retailer?

Mr. LOFTUS: That is right.

Mr. LESAGE: Then, the price is suggested. There is no doubt about it, if the margin is allowed.

Mr. LOFTUS: I think when the salesman goes into a store his conversation would be along these lines: "Well, Mr. Grocer, the price of bread is up a cent today." I believe that would carry it. There would not be much more conversation than that. He could take it that his retail selling price would go up a cent also.

Mr. LESAGE: The bakers allow a margin to the retailers?

Mr. LOFTUS: Yes.

Mr. LESAGE: On their retail price?

Mr. LOFTUS: Yes, that is right.

Mr. LESAGE: How can you say, then, that the retail price is not suggested, indicated or even fixed, if it is a margin allowed on the retail price?

Mr. LOFTUS: That is a matter of opinion, of course, Mr. Lesage. In my experience I have never found any case where we would go to a grocer and say, "Now, tomorrow morning your selling price will be so and so." We simply say that the price of bread is up a cent.

Mr. LESAGE: And your margin will be such and such from now on?

Mr. LOFTUS: On the retail price.

Mr. LESAGE: On the retail price, so much?

Mr. LOFTUS: That is right, yes.

Mr. LESAGE: That is surely an indication?

Mr. LOFTUS: Well, you can take it as such.

The CHAIRMAN: Have there not been some cases where retailers have sought to sell your bread at a certain price below the normal?

Mr. LOFTUS: To my knowledge, no.

The CHAIRMAN: May I finish my question? Have there not been some cases where they have and you have refused to sell them bread?

Mr. LOFTUS: I say, to my knowledge, no.

The CHAIRMAN: You say, to your knowledge. What about the company's knowledge?

Mr. LOFTUS: As I pointed out yesterday, Mr. Martin, we have close to 1,000 salesmen. It is very difficult to know what is in the minds of all these men when they are on the road. I know that with 57 per cent of our business wholesale, I think complaints we may have are very, very small in number. Any place where a report would come to us it would be corrected at once because we would not stand for it.

The CHAIRMAN: Could you find out for me now or through your files before one o'clock if you have in your employ G. H. Wilson, Robert Turner and J. K. Travers?

Mr. LOFTUS: I do not remember the names.

The CHAIRMAN: Could you let me know?

Mr. LOFTUS: Do you know in what city they are?

The CHAIRMAN: All in Toronto.

Mr. LOFTUS: We will find out.

The CHAIRMAN: I interrupted you, Mr. Lesage. Do you wish to continue?

Mr. LESAGE: I will come back to Loblaw's. Did you have any dealings with Loblaw's about the fact you were losing money on the bread you were selling to them at 9 cents?

Mr. LOFTUS: Oh, yes.

Mr. LESAGE: You have?

Mr. LOFTUS: Oh, yes.

Mr. LESAGE: You could not charge them one cent more?

Mr. LOFTUS: I could not charge them—I have never approached them along those lines.

Mr. LESAGE: Well, you discussed the fact you were losing money so you must have talked about the possibility of increasing your price by one cent?

Mr. LOFTUS: There was talk in the month of November—on the 24th of September, they made 1·55, that was a rebate, and on January 1, 1948, it was brought to 9 cents which was 1 cent. That meant there was almost a half cent difference that we made.

Mr. LESAGE: There is something I do not understand very well because you are complaining about the fact certain chain stores—

Mr. LOFTUS: Oh, did I?

Mr. LESAGE: You were talking about this meeting on the 3rd of March at which certain complaints were made against the A. & P. because they were selling bread retail at 10 cents.

Mr. LOFTUS: I do not think I mentioned any particular name. I am not sure of that.

Mr. LESAGE: Yesterday, I asked you the question directly and you said yes. You said that Colonel Ruttan had been instructed to take the complaint to the National Bakers, if I remember correctly, and I think you will agree with me that you gave me that answer?

Mr. LOFTUS: Yes, that is right, Mr. Lesage.

Mr. LESAGE: You complained about the fact A & P were selling bread below cost, as a loss leader; that is, your association did and you were present at the meeting. Now, in order to do exactly the same thing yourself, you charge one cent more to the housewife on bread delivered to her. Can you explain that to me?

Mr. LOFTUS: I have explained it before, Mr. Lesage, but I will say it again. Loblaw's have been a very valued customer of ours for years. I am certainly not going to let them suffer if there is a competitor out with cheap bread; I am certainly going to see that they have it.

Mr. LESAGE: In order that they do not suffer, you are ready to charge one cent more to the consumer?

Mr. LOFTUS: Absolutely no. Our figures show that is not correct.

Mr. LESAGE: Schedule 5 shows what I said is exactly correct.

Mr. ANTLIFF: If the Loblaw business were not there the overhead that would be necessarily put on the regular brands would bring the profit to the vanishing point.

Mr. LESAGE: I say if there were one cent more charged to Loblaw there could be one cent less charged to the housewife?

Mr. LOFTUS: No.

Mr. ANTLIFF: No, because the ratio of Loblaw business to the housewife business is very small.

Mr. LESAGE: Look at the second column of schedule 5 and you will see you were making a profit, in January of this year, of 13 cents on the house to house delivery.

Mr. ANTLIFF: But taking the overhead and applying it equally on all production.

Mr. LESAGE: How could you do it otherwise?

Mr. ANTLIFF: You could easily do it otherwise. You could say that Cottage bread was a volume proposition and should not take its overhead. I am not trying to doctor a statement up I am trying to give you a clear picture.

Mr. LESAGE: You say the proportion of overhead put on Cottage bread is not correct?

Mr. ANTLIFF: No. I have not said that. I have said if the Cottage bread is were not there the overhead which would go on the regular bread would be that much more.

Mr. LESAGE: Yes, but if the Cottage bread were there at 1 cent more—I am not discussing the possibility of its not being there.

Mr. FLEMING: I do not want to interfere with Mr. Lesage's examination at all, but I think in fairness to all concerned he should tell the witness, if the witness does not already know, that Mr. Meech has testified that if Loblaw's did not get this Cottage loaf from Canada Bread at 9 cents, they would bake their own. Loblaw's would not buy it at 10 cents. They would stop buying from Canada Bread and bake their own. Therefore, you cannot assume that Cottage bread, at a higher price, would go on and bear its share of the overhead.

Mr. LESAGE: That is just an assumption and it is not better than the one I am making.

Mr. FLEMING: Mr. Lesage is making an assumption which is not borne out by the evidence that we have here.

The CHAIRMAN: It looks to me, at this stage, as though the price at which you sold to Loblaw is the price which was going to be paid by the consumer. In other words, is it fair to suggest—I want to be fair in this observation—that because of your long business experience with Loblaw's your primary concern was Loblaw and not the consumer?

Mr. LOFTUS: Well. the consumer is certainly getting a real break.

The CHAIRMAN: What is the answer to that question? I may be wrong in this deduction, but from listening to this examination and the answers which have been made in which you have said that Loblaw's have been your customer for 18 years and you wanted to play fair with them—I am not saying that was not commendable, but that was your concern and not what the consumer would have to pay, because the evidence is you were still making a profit on the bread sold to the consumer at 13 cents?

Mr. ANTLIFF: As a matter of fact, these figures are not weighted, Mr. Chairman. The Loblaw percentage to the total is 7 per cent which is a relatively small proportion. The proportion of secondary bread which is also sold at a loss, either house to house or brands to stores, offsets the regular 13 cent price also.

The CHAIRMAN: Loblaw's represent 7 per cent of your sales.

Mr. LOFTUS: That is right.

The CHAIRMAN: And house to house represents what percentage?

Mr. ANTLIFF: Our over-all sales are about fifty-fifty, wholesale and retail.

The CHAIRMAN: That is my point. The 7 per cent of the sales was the determining factor for the price paid by 50 per cent?

Mr. LOFTUS: Oh, no.

Mr. ANTLIFF: If we had not had the Loblaw business to take a certain amount of the overhead we would not have had the profit of ·54 per loaf from the quality bread. If we did not supply Loblaw's at 9 cents, they would not have our bread.

Mr. LOFTUS: Another answer to that is this, that 7 per cent does not cover —that is not all 10 cent bread. Loblaw's are selling a very large quantity of our other breads and our other goods at, I would say, a profit to us.

Mr. LESAGE: No, look at the third column. It is a loss of .08 cents per loaf.

Mr. LOFTUS: I said other lines, cakes and other goods.

Mr. ANTLIFF: We are not making much, any way.

The CHAIRMAN: May I interrupt to clarify a point, here? In September, the subsidy was taken off?

Mr. LOFTUS: Yes.

The CHAIRMAN: Is this a fair suggestion to make, that at the meeting you had in September the bakers were really happy that the subsidy was being taken off because that gave you an opportunity of getting what the traffic would bear?

Mr. ANTLIFF: Our general manager made a comment in his report to the shareholders just two months prior to that, that he felt it would be very good business to leave the subsidy on; that is a statement in writing. It is published information. It may be on the files here.

The CHAIRMAN: Is it not a fact that the bakers were glad the subsidy was taken off?

Mr. LOFTUS: No, I would prefer to have them on if conditions that were there remained the same.

Mr. LESAGE: Were you not satisfied when the ceiling was off?

Mr. LOFTUS: I would have left the controls on. The difficulty from September on was that the controls were coming off a good many items and they were coming to us as price increases on many items.

The CHAIRMAN: Was not the general opinion among the trade, "Thank God, the ceilings are off; now we are on our own"?

Mr. LOFTUS: I would not think so.

The CHAIRMAN: You would not think so, but is that not a fact?

Mr. LOFTUS: No.

The CHAIRMAN: You state that definitely is not a fact.

Mr. LOFTUS: In my opinion, no.

The CHAIRMAN: In your opinion, maybe, but is that not a fact?

Mr. FLEMING: I am taking objection to what you are saying. You asked the witness something which was not within his own knowledge. Naturally, all he can say about other men, if he is an honest man, is to give you his opinion. He has done that. Then, you jump on him because he has given his opinion. It is most unfair.

The CHAIRMAN: I do not think anyone could suggest I have been anything but fair.

Mr. FLEMING: You are most unfair because you direct a question to the witness which can only be answered by giving an opinion. If he is an honest man, he can only give you his opinion on the subject. Then, you jump on him for giving you an opinion.

The CHAIRMAN: Order. I am asking you, were you at that meeting?

Mr. LOFTUS: Which meeting?

The CHAIRMAN: The one I am referring to in September.

Mr. LOFTUS: No. I was at one.

The CHAIRMAN: All right, I thought you were at this meeting.

Mr. LOFTUS: No.

The CHAIRMAN: Mr. Fleming is quite justified because my question was predicated on the assumption that he was at the meeting. But you, Mr. Antliff, were you at that meeting?

Mr. ANTLIFF: I was at several meetings.

The CHAIRMAN: Were you at that one?

Mr. ANTLIFF: Several.

The CHAIRMAN: At this meeting is it not a fact that it was said—I am not saying by you or what your opinion was because that has already been stated—is it not a fact that the general view was that when you knew that the subsidy was coming off there was a general sense of gratification that that was the case and that you were going to be on your own and that you could determine what prices you wanted without any consideration of government control?

Mr. ANTLIFF: I would not say so at all, Mr. Chairman. I would say there was a feeling of great unsettlement. The bakers who were at that meeting had great responsibilities for many thousands of employees and great responsibilities to the public and we were confronted with a very serious situation. There is no feeling of elation about it at all.

The CHAIRMAN: Could you answer my question?

Mr. LESAGE: Just at that point, Mr. Chairman; now, I understand that the bakers were not satisfied with the ceiling price.

Mr. LOFTUS: Oh, no, they were very active on one or two previous occasions; they made a determined effort to get higher prices.

Mr. IRVINE: Just because the price of other commodities you had to use was going up.

Mr. LOFTUS: Everything was going up.

Mr. LESAGE: The cost of all your operations had increased since 1941?

Mr. LOFTUS: Oh, yes.

Mr. LESAGE: But you had had no relief in price.

Mr. LOFTUS: Yes.

Mr. LESAGE: That was the situation?

Mr. LOFTUS: Yes.

Mr. LESAGE: Then you asked for an increase in price, in the price fixed by the Wartime Prices and Trade Board?

Mr. LOFTUS: Yes. I do not say we asked, Mr. Lesage; we sounded out.

Mr. LESAGE: You sounded out Colonel Ruttan on that?

Mr. LOFTUS: Yes.

Mr. LESAGE: And instead of telling you that they were going to allow you a 1-cent increase they said the ceiling is going to come off?

Mr. LOFTUS: Yes.

Mr. LESAGE: And it did come off?

Mr. LOFTUS: Yes.

Mr. LESAGE: Do you want to say that the bakers in Canada were not satisfied with that?

Mr. LOFTUS: I would say not.

Mr. LESAGE: Mr. Antliff?

Mr. ANTLIFF: I would say the bakers were very disturbed about the situation that had to be met.

Mr. LESAGE: Yes, but there was a sense of relief.

Mr. ANTLIFF: No, I would not say so; there was a sense of tremendous responsibility.

Mr. LESAGE: Yes, there was the ordinary responsibility one has in a free economy.

Mr. ANTLIFF: That was a very crucial turning-point when the controls came off after a six or seven-year period.

Mr. LESAGE: But you were going back to a free economy?

Mr. ANTLIFF: Yes, but there was still a tremendous responsibility.

Mr. LESAGE: And you were stepping up your price then to take care of the increases in cost which had been piling up over a number of years?

Mr. ANTLIFF: Due to competitive conditions at that time the price went up to 13 cents which certainly did not remedy the situation permanently.

Mr. LESAGE: That was agreed to by the bakers, wasn't it?

Mr. ANTLIFF: It was agreed to by the bakers; the first baker who set that price set a stabilized price.

Mr. LESAGE: But you were present at the meeting with Colonel Ruttan and the Toronto bakers?

Mr. ANTLIFF: I was present at some, not all.

Mr. LESAGE: You were there?

Mr. ANTLIFF: At some of them.

Mr. LESAGE: Some of them, yes; and there were many who said they were satisfied with the price of 13 cents?

Mr. ANTLIFF: Before you refer to that, when we were under control and when the matter was a subject of reference to the government the bakers generally felt that 1 cent was required in order to cope with the rising costs, many of which had not been met. I refer to the higher wages of the bakery and that sort of thing. It simply had to be done and we simply could not have carried on had there not been some revision.

Mr. LESAGE: And the lifting of the ceiling and the taking off the subsidy meant an increase in the price of flour per loaf of around 2 cents?

Mr. ANTLIFF: The problem would have been much simplified if the price of bread had been 11 cents under control.

Mr. LESAGE: Under control, yes, you would not have had to take the responsibility?

Mr. ANTLIFF: Well, the public would not like the price increase, naturally, which resulted from the increased cost of flour which was 2·20 cents or 2·13 cents. I think under those circumstances the public would have received the increase resulting from the subsidy on flour a little more kindly.

Mr. LESAGE: You did not suffer any decrease in your sales?

Mr. LOFTUS: You mean because of the 3-cent increase?

Mr. LESAGE: Yes.

Mr. LOFTUS: I would not think so.

Mr. LESAGE: And there has been no decrease in the volume of your sales?

Mr. LOFTUS: No, we didn't suffer very much after the 3 cents went on. We did after the last one.

Mr. FLEMING: Mr. Loftus, or Mr. Antliff, you have said that in the Canada Bread business the sale of Cottage brand to Loblaw's represents 7 per cent of your total business in bread. If they felt compelled to discontinue their purchases of that loaf and went into baking their own bread would you regard it as a serious factor bearing on your overhead?

Mr. LOFTUS: Yes, I would say it would be terrible.

Mr. FLEMING: Now, may I say to you by way of explaining my next question that Mr. Meech of Loblaw's stated in his evidence here that if they could not get this Cottage bread to sell at 10 cents to the public giving them at the present time just a cent a loaf mark-up, if they could not do that they would have to bake their own bread.

Mr. LOFTUS: That has been a matter of conversations between us on many occasions. I believe—and I am not boasting—I believe that the service that we give them throughout the country is very fundamental to their business, it is very helpful, because we are in different cities and able to give them deliveries. I think that is one of the reasons perhaps why they do not think more seriously of it; and I think there is a matter of sentiment in it too—there is some sentiment in business—and I believe there is a lot of sentiment between Loblaw's and ourselves.

Mr. FLEMING: He did indicate that you had been doing business together for a long time and that he would not wish lightly to change relationships.

Mr. LOFTUS: Yes.

Mr. FLEMING: Now Mr. Meech also said that they would have to have a loaf to sell at 10 cents and compete.

Mr. LOFTUS: That is right.

Mr. FLEMING: Referring to the A & P competition.

Mr. LOFTUS: That is right.

Mr. FLEMING: Having this evidence in mind and the fact that the cost of production of the two loaves—that is the quality loaf and the secondary

brand including the Cottage brand—is not as big as the differential in the selling price to the consumer, what do you say as to whether if the cheaper loaf were selling at a little higher price that would have any possible bearing on the price at which you were able to sell a more expensive loaf?

Mr. LOFTUS: I would think where you have a situation where the chain store has the 10-cent price that is certainly what I would call a loss leader, whatever you like to call it. I do not know of any bakery in Canada who can make bread and make it at a profit and sell it at 10 cents. You take the price in the states, that has taken into consideration the increase in the cost of flour. I haven't the list with me but I think as I recall the last figures I saw it is 18 cents for a 20-ounce loaf in the City of Buffalo and just over the river Loblaw's is selling a 10-cent loaf of a pound and a half.

Mr. JOHNSTON: That would not be the same quality necessarily.

Mr. LOFTUS: There may be a little shade of difference, it may be a little better but it would not make a great deal of difference.

Mr. JOHNSTON: Which loaf is the better, the one sold on this side or the other?

Mr. LOFTUS: In regard to quality of bread, do you mean?

The CHAIRMAN: I think Mr. Fleming ought to be permitted to complete his questioning, if you don't mind, Mr. Johnston.

Mr. FLEMING: I have practically completed my examination, Mr. Chairman.

Mr. LOFTUS: I think the authorities here ought to know the prices over in the states.

Mr. FLEMING: I am not so much interested in the price in the states at the moment; if Mr. Johnston wishes to follow that up afterwards he may; Mr. Loftus. I am coming back to this factor of competition in the 10-cent loaf as having a bearing on the price to the consumer of the quality brand loaf. Now, if this question is not too hypothetical would you give the committee your view on it: if it were not that the chain stores are using as you say or in your opinion the 10-cent loaf as a loss leader and that loaf reached—let me ask you first: what do you think that loaf would sell at to the consumer today if it were not being used as a loss leader? Is that a fair question?

Mr. LOFTUS: I would say two for 23 or 12 cents a loaf.

Mr. FLEMING: If the cheaper bread were selling at that price is there any reason to expect that the quality loaf would sell at a differential over the cheaper brand that is very much greater than the differential in the cost of production apart from the distribution of it?

Mr. LOFTUS: It would be of considerable help, Mr. Fleming; but I think it would just bring us to where we would be showing a fair profit. It would be of considerable help.

Mr. FLEMING: I do not think you quite got my point, Mr. Loftus; I was not asking would it show a profit; I was asking about the effect of a differential between the two loaves, the differential in your selling price to the consumer if the price to the consumer of the cheaper loaf, the Cottage loaf, reached the figure that you mentioned, two for 23 or 12 cents a loaf? What effect would that have on the price to the consumer of the more expensive loaf?

Mr. LOFTUS: I think a lot of people who were buying the 12-cent bread would go back to the other channels and purchase direct from the wagon at the house.

Mr. FLEMING: Would it have any effect on the present price of 14 cents to the consumer in Toronto and Montreal?

Mr. LOFTUS: I would not think so.

Mr. LESAGE: Mr. Loftus, would you look at column 5 under Cottage brand? I would like to ask you just one question which arises out of your statement that 10-cent bread can't be sold except at a loss. You said that in answer to Mr. Fleming as being your opinion?

Mr. LOFTUS: That is right.

Mr. LESAGE: Your delivery or distribution cost on Cottage brand is 1.88 cents; is that correct?

Mr. LOFTUS: That is right.

Mr. LESAGE: If that item was .42 cents per loaf would not the cost to you be 8.41 cents?

Mr. ANTLIFF: That is a matter of arithmetic, book-keeping.

Mr. LESAGE: That is correct. Then you can sell your bread with a profit on each loaf of ·59 cents.

Mr. ANTLIFF: We know perfectly well we could not sell it at that, or anything like it.

Mr. LESAGE: I am asking you if that is so?

Mr. ANTLIFF: It is only a matter of arithmetic.

Mr. WINTERS: He says it is just a matter of book-keeping.

Mr. LESAGE: My question was put for a purpose. You have said that the 10-cent loaf cannot be sold except at a loss, and I suggested to you that if A & P as they said have done away with the distribution cost of ·42 cent they could still sell their 10-cent loaf at a profit.

Mr. ANTLIFF: I do not want to go into a lot of detail about the A & P.

Mr. LESAGE: But what they said is true according to your own figures. They show at a profit instead of a loss?

Mr. ANTLIFF: If you add ·42 to 7·99 you get 8·41, and I will agree that is mathematically correct, but apart from that I do not agree.

Mr. FLEMING: Are you selling through any other chain stores than Loblaw's?

Mr. LOFTUS: No.

Mr. FLEMING: You were asked a question about your attitude towards the removal of the subsidy on flour last September and the decontrol on the price of bread that went with it. May I ask you if your company, or to your knowledge the Ontario Bakers Association, had asked the government to embark on the policy of decontrol in September?

Mr. LOFTUS: I would say no.

Mr. FLEMING: You had asked the Wartime Prices and Trade Board to permit an increase of one cent a loaf to meet increased costs; is that correct?

Mr. LOFTUS: I do not think there was any mention of whether it was one cent or two cents. There might have been both items. There was nothing definite about it. There was an approach to Mr. Ruttan to see what could be done, but I do not think there was any mention about one price or the other.

Mr. FLEMING: We have had in evidence there were previous meetings in the summer, I think in July and August, with a view to an increase in bread, previous meetings with the Wartime Prices and Trade Board.

Mr. LOFTUS: That is right, an increase in bread, that is right.

Mr. FLEMING: I want to get this clear. So far as your company is concerned you have no knowledge of any request being made by the bakers to the government to embark on the policy of decontrol which they put into effect in September?

Mr. LOFTUS: Definitely no.

Mr. FLEMING: Something has been said about the price in Ottawa, Brockville and Cornwall being 13 cents as compared with a 14-cent price in Toronto and Montreal. You say that is the result of competition, the lower price here?

Mr. LOFTUS: I am trying to remember the conversation I had with our manager.

The CHAIRMAN: Would it not be better to answer the question?

Mr. LOFTUS: I think I am giving the answer.

The CHAIRMAN: Mr. Fleming asked you whether it was the result of competition.

Mr. LOFTUS: I was going to give him the answer.

The CHAIRMAN: You were going to tell us what your manager said.

Mr. FLEMING: I suggest you do not put it in the form of an answer given by your manager. Give us the fact if you know it.

Mr. LOFTUS: When speaking to him over the phone, because you have got to do all this over the phone—it is a quick job—I suggested to him costs were such that he would have to advance his price. His answer was, "Well, Mr. Loftus, I would rather leave this for a little while." I said, "Well, if you feel that way about it it is all right by me." That was the conversation regarding Ottawa.

Mr. FLEMING: At the present time, as I understand it, in the Ottawa area, you are just breaking even at 13 cents?

Mr. LOFTUS: At the present time.

Mr. FLEMING: You are breaking even at the 13-cent price. Do I understand your last answer to be that this 13-cent price is only temporary in your view?

Mr. LOFTUS: That will be very difficult to answer, especially now that you have this investigating committe going on.

The CHAIRMAN: It might come down to 12 cents.

Mr. LOFTUS: I do not think you would ask us or expect us to put the price of bread up in Ottawa when you gentlemen are sitting here.

The CHAIRMAN: I hope not.

Mr. LOFTUS: It would not be very good business. Therefore we have got to abide by that.

Mr. FLEMING: What are the factors of competition applying in the Ottawa area which have compelled you to sell at the 13-cent price at which you are just breaking even?

Mr. LOFTUS: I would presume our manager here was quite an aggressive young man and he has his fingers on all the strings, and I would abide by our manager's suggestion. No matter where that manager is, if he came to me and said, "Mr. Loftus, you are wrong in this," I will back him up. He told me I was wrong in this particular case and I said, "All right, let it be."

Mr. FLEMING: Mr. Loftus, I am looking for a little more information.

Mr. LOFTUS: All right.

Mr. FLEMING: About competitive conditions here in order to compare them with those in Montreal and those in Toronto. If you have not the details of that—

Mr. LOFTUS: I think I can tell it to you.

Mr. FLEMING: I would prefer to ask the Ottawa manager.

Mr. LOFTUS: I do not think there is any difference in the competitive conditions here and in Montreal or Toronto. I think you have still got a low priced loaf of bread, and that is playing its havoc here as it is everywhere else.

Mr. FLEMING: Speaking of your formula, the improvement in your formula has been carried out since ingredients became available which were in scarce supply during the war.

Mr. LOFTUS: That is right.

Mr. FLEMING: How does your present formula compare with your 1939 formula, let us say?

Mr. LOFTUS: In those days right up to 1939 in many cases we were making a loaf of bread that was pretty rich. Then, of course, when the war conditions came on and products were hard to get, ingredients were hard to get, there was a cutting off. We could not get them. Of course, they were up in price which counteracted anything we could not get. I would say that the bread today compares very favorably with the bread that was made in 1939.

Mr. FLEMING: Do I understand this process of enriching your formula has brought you back to pre-war standards?

Mr. LOFTUS: Pretty well.

Mr. FLEMING: Is that a fair summary of it?

Mr. LOFTUS: Yes.

Mr. FLEMING: Mr. Dyde asked you a question this morning about what he called the vicious circle of the rising price of bread, vicious spiral in the rising price of bread, and that your salesmen are on commission enjoying higher remuneration because their percentage remains constant. Do I understand the percentage of commission of your salesmen has remained constant since September, the percentage?

Mr. LOFTUS: No, I believe in some cases there have been slight increases. I just cannot remember the cities but I am quite sure there were some increases.

Mr. FLEMING: Has there been any decrease?

Mr. LOFTUS: No.

Mr. FLEMING: We had evidence from a witness of another company last week that they have made a slight decrease in the percentage of commission allowed to salesmen with the increase in price.

Mr. LOFTUS: I am sorry. May I correct myself. There was a slight decrease made in one city, and again it was against my judgment.

Mr. FLEMING: What city was that?

Mr. LOFTUS: Montreal. It was against my better judgment, but our manager in conversations decided with me that it was the proper thing to do and said, "You are wrong here, definitely wrong." It was on the basic wage which would not make any difference. It was on the take-home pay. There is a wage and a commission. It was on the take-home pay, which means the same thing.

The CHAIRMAN: For the most part your commissions have increased?

Mr. LOFTUS: For the most part in every city where we are doing business except one.

Mr. ANTLIFF: The commission rate has remained the same but the actual amount has increased.

Mr. FLEMING: That is what I am getting at. Your percentage has remained constant, but by reason of the fact that percentage is applied to a higher price—

Mr. LOFTUS: That is right.

Mr. FLEMING: The total remuneration of the salesmen has increased?

Mr. LOFTUS: That is right.

Mr. ANTLIFF: Provided he can maintain volume.

Mr. FLEMING: Coming more specifically to the point Mr. Dyde was asking about, had the price remained constant do you think in the light of your relations with your salesmen employees that they would have been content to continue at the same remuneration, that is to say, the same percentage on the same price?

Mr. LOFTUS: I would not have ever asked them to.

The CHAIRMAN: How would this witness know that?

Mr. FLEMING: Let us find out if he does know. I am not going to conjecture about it.

Mr. LOFTUS: I would say if I were a salesman—I would try to put myself every time in their position and I would feel mighty hurt if the company tried to do a little chiselling, we will say, on the commission.

Mr. FLEMING: I do not know that you have got the point of my question.

Mr. LOFTUS: I think I have got it.

Mr. FLEMING: Mr. Loftus, if you have not had any expressions of opinion from your employees which would enable you to answer my question then I think the chairman is right, and that you probably are not in a position to answer the question. What I want to ask you again is this. Had there been no increase in the price of bread and no increase in the percentage to the salesmen, those two remaining constant, do you think your salesmen would have been content?

Mr. LOFTUS: Not at all, oh no.

The CHAIRMAN: How do you know they would not have been content, Mr. Loftus?

Mr. LOFTUS: Well, it is a personal opinion. You mean that their wages would remain the same now as they were previously?

Mr. FLEMING: Assuming that you are continuing at the same percentage of commission and applying it on the same price, in other words.

Mr. LOFTUS: No price increase. We would have had to raise their commission rates.

Mr. FLEMING: I have only one or two more questions and I am finished. You were asked yesterday by Mr. Irvine about any limitations there might be on the right of your company to expand into either eastern or western Canada. I want to look at it from the converse point of view. Is there any limitation so far as your company is concerned on the right of those two companies—I think you called one Eastern Bakeries Limited, was it not—and what is the one in the west?

Mr. LOFTUS: Canadian Bakeries.

Mr. FLEMING: Canadian Bakeries Limited to go into central Canada and begin operations there?

Mr. LOFTUS: As far as I know I would say that there has been no limitations. In other words, I do not think it has ever been discussed. I believe that the two companies west and east are run just the same as we run Canada Bread. I do not think it has ever come to their mind to discuss an item of that kind.

The CHAIRMAN: That is not an answer to the question.

Mr. LOFTUS: I think it is.

Mr. FLEMING: I want to make it as plain as I can because I want the benefit of your answer on this in view of the question of Mr. Irvine yesterday. You said, and I think with some vigour yesterday, that your company was perfectly free to go into the west, into the territory now served by Canadian Bakeries, and you were equally perfectly free to go into the maritimes to serve the territory now served by Eastern Bakeries Limited.

Mr. LOFTUS: That is right.

Mr. FLEMING: I want to apply the converse question. So far as you are concerned are Eastern Bakeries Limited absolutely free to come into the central Canada market in competition with you, and are Canadian Bakeries Limited equally free to come into central Canada in competition with you?

Mr. LOFTUS: My answer to that would be that there is no agreement in any way, shape or form, and my understanding is they can go wherever they like. There has been no argument about it, no discussion.

The CHAIRMAN: But the answer is clear, they can go wherever they want?

Mr. LOFTUS: Yes.

Mr. IRVINE: But you do not want.

The CHAIRMAN: I think Mr. Fleming's question has great importance and we ought to be sure what the answer is. This witness' answer is that they can go wherever they want.

Mr. LOFTUS: Wherever they want.

Mr. LESAGE: There has been no discussion.

Mr. FLEMING: Did you have any consultation prior to the last rise in price to 14 cents a loaf with other bakers in regard to that rise?

Mr. LOFTUS: Yes, one baker with whom I am fairly friendly.

The CHAIRMAN: I think you would be friendly with anybody, Mr. Loftus.

Mr. LOFTUS: Thank you very much, Mr. Martin. That is a compliment from you, isn't it? I do not mean anything wrong by that. Mr. Wilson called me up the day before, and he told me that he was going to advance the price next day, and I remember my conversation with him. I said, "Well, you have got a hell of a lot more courage than I have got", and that was about all that happened.

Mr. FLEMING: What company is he with?

Mr. LOFTUS: Christie's.

Mr. FLEMING: How long after that conversation was it that your company advanced its price?

Mr. LOFTUS: Oh, I got the courage that afternoon to put it up the next day.

The CHAIRMAN: Are you finished?

Mr. FLEMING: Not quite.

Mr. LOFTUS: That is not jocular at all.

Mr. FLEMING: Is that the only consultation or are there any other consultations you had with any other bakers prior to the rise to 14 cents?

Mr. LOFTUS: I have had no other conversations at all, and I think I only attended two meetings in the last six months.

Mr. FLEMING: Now, that is Mr. Wilson of Christie's bread. Was his company the first to advance the price in the Toronto area?

Mr. LOFTUS: To 14 cents?

Mr. FLEMING: Yes.

Mr. LOFTUS: Yes.

Mr. FLEMING: What about Montreal, do you know the situation there?

Mr. LOFTUS: Oh, yes.

Mr. FLEMING: Who led the way there?

Mr. LOFTUS: To 14-cents,—I think it was Harrison Brothers.

Mr. FLEMING: In Montreal?

Mr. LOFTUS: Yes.

Mr. FLEMING: Did Christie's advance their price there?

Mr. LOFTUS: They were not there at the time.

Mr. FLEMING: They came into Montreal more recently.

Mr. LOFTUS: Yes, shortly after.

The CHAIRMAN: If they had not raised the price you would not have followed and you would still have had a profiit on your bread?

Mr. ANTLIFF: I doubt it very much.

Mr. LOFTUS: I do not think we would have, Mr. Martin.

Mr. FLEMING: You say you do not think you would be operating at a profit today, is that the answer?

The CHAIRMAN: "I am not sure, I am going to find out," is what he said.

Mr. FLEMING: I beg your pardon?

Mr. ANTLIFF: There was a loss in January of ·03 cents and if there had not been an increase it would have been far worse in February.

Mr. LOFTUS: We have not got the February statement.

Mr. FLEMING: Your financial statement will reflect the position on the 14-cent price.

Mr. LOFTUS: We hope so.

Mr. FLEMING: At what date did you advance the price of the 14-cent loaf?

Mr. LOFTUS: I think it was on the 28th.

Mr. FLEMING: Of January?

Mr. LOFTUS: Yes.

Mr. FLEMING: You will be able to furnish us—

Mr. MACINNIS: Did you tell Christie's if they put up the price on the 28th you would put up yours?

Mr. LOFTUS: Let me get that right?

Mr. MACINNIS: Did you tell Christie's man, Mr. Wilson—

Mr. LOFTUS: Yes.

Mr. MACINNIS: —that if they put up their price on the 26th, I think it was, that you would follow on the 27th or the 28th?

Mr. LOFTUS: I do not do business that way.

The CHAIRMAN: What is the answer to the question?

Mr. LOFTUS: Definitely no.

Mr. JOHNSTON: But you got inspiration?

Mr. LOFTUS: I told you I did not have the courage.

Mr. JOHNSTON: But you got it that afternoon?

Mr. LOFTUS: I got it definitely, yes.

Mr. MACINNIS: It does not take courage to see the price go up.

Mr. LOFTUS: We need courage.

The CHAIRMAN: The point is if they had not raised the price to 14 cents would you have raised it?

Mr. LOFTUS: I certainly would have. I would have got the courage sooner or later.

The CHAIRMAN: That is a matter for our judgment.

Mr. FLEMING: Are you in a position to say when you would have raised it?

Mr. LOFTUS: I would certainly have had to do it pretty quick because I knew how we were going. The profit in the month of December, which is supposedly the biggest month we have in the year was ·1 per cent.

Mr. FLEMING: Would you be able to sell your bread, the quality loaf, the 14-cent loaf, at 14 cents if none of the other bakers had raised their price to 14 cents?

Mr. LOFTUS: No, we would have been out of business in a very short while. Again I say our industry is very competitive.

Mr. FLEMING: And you are compelled to meet competition?

Mr. LOFTUS: Definitely.

Mr. FLEMING: And that your price has to gravitate to uniformity?

Mr. LOFTUS: That is right.

The CHAIRMAN: May I just follow that along. You would not have been out of business if you had not raised the price.

Mr. LOFTUS: That is perhaps an exaggeration but we would have had very, very, difficult times.

The CHAIRMAN: That is a different statement.

Mr. FLEMING: It is common knowledge that you can operate at a loss for a time but it is a question of how long.

Mr. LOFTUS: Yes, until they got a new general manager.

Mr. FLEMING: The chairman asked a witness about a wire which came from Mr. Parent of Dionnes Limited in Montreal. I hope I can give the substance of the wire correctly. Mr. Parent said that Christie's had reduced the price to him in Montreal by a ½ cent a loaf and that he in effect was going to make up the other half and reduce his price from 14 cents to 13 cents. He also said something about a request from this committee which I did not quite follow because I did not know that there was any request made to him from the committee.

The CHAIRMAN: There was a suggestion.

Mr. FLEMING: I beg your pardon?

The CHAIRMAN: There was a suggestion.

Mr. FLEMING: A suggestion?

The CHAIRMAN: Yes, that if he could lower the price another ½ cent he should do so.

Mr. FLEMING: I was not present at that meeting and I do not know exactly what had been said to him.

The CHAIRMAN: That is right.

Mr. FLEMING: Well, a witness was asked yesterday to comment on the wire—to say what he thought about it. I would like to invite you to comment on it.

Mr. LOFTUS: I do not know whether Dionne is a customer or not. He may be. Even if he is, I think it is very poor merchandising on the part of Dionne.

Mr. FLEMING: Would you explain your answer?

Mr. LOFTUS: Well, I feel that he should know more of the whole situation, go into the evidence that has been brought forward at this meeting, go into the evidence of some of the bakers, and discuss it with the bakers. I believe he would find, perhaps, that he would not be so hasty in his reply.

The CHAIRMAN: Surely, Mr. Loftus, if he is still making a profit he is to be commended for selling bread at a lower price to the consumer.

Mr. LOFTUS: Of course, there is another way of looking at it.

The CHAIRMAN: Would you answer my question?

Mr. LOFTUS: I am afraid I will have to give it in a different way.

Mr. HOMUTH: Have we any evidence he is making a profit?

The CHAIRMAN: Yes, he said he is making a profit. Now I would like to understand why Mr. Loftus says that if he is making a profit why he should not be commended, and why would the bakery people not commend him.

Mr. LOFTUS: After all, Mr. Martin, you cannot get me to comment on a person who does business in that way.

Mr. IRVINE: If competition is so keen, Mr. Loftus, as you have repeatedly stated, why should this man's conduct be reprehensible for having done it

a little more successfully than the others. Apparently, that is what he has done if he is able to sell it at a cent less. Would you explain that?

Mr. LOFTUS: It is a matter of opinion. There are a lot of people who do things just as a catch-penny way of getting people into their stores and what not. I do not know whether I agree with that type of merchandising. That is just my opinion. I would not do it.

Mr. IRVINE: Is there some understanding among the bakers that this thing shall not be done?

Mr. LOFTUS: No, no understanding to my way of hearing, and I have listened to them for a great many years.

Mr. FLEMING: Perhaps, Mr. Loftus, I am drawing too much attention to the Dionne matter and I want to think for a moment about Christie's. I gather from Mr. Dionne's wire that Christie's have reduced the price of bread to him by ½ a cent a loaf?

Mr. LOFTUS: Yes, that is right.

Mr. FLEMING: Have you knowledge of that?

Mr. LOFTUS: Oh, yes.

Mr. FLEMING: Does that mean they are all selling their bread to that type of outlet in Montreal at ½ cent cheaper than your company?

Mr. LOFTUS: Oh, no.

Mr. FLEMING: What does it mean?

Mr. LOFTUS: Just as soon as Christie's bread company gave that 2 cent margin, it was 1½ cents in Montreal, the telephone wires were burning and I got the information at nine o'clock in the morning. We met that price that morning.

Mr. FLEMING: Do I understand that when Christie's reduced their price in Montreal by ½ cent, your company met that competition and had to reduce by the same amount that same day?

Mr. LOFTUS: Yes.

The CHAIRMAN: I wonder if I understand this? When Christie's reduced the price ½ cent in Montreal Canada Bread followed?

Mr. LOFTUS: Yes.

Mr. LESAGE: Yes.

The CHAIRMAN: Perhaps you would ask the witness if any other companies followed.

Mr. FLEMING: I was going to come to that.

Mr. LOFTUS: I have not anything definite but I would say they followed within 24 hours.

Mr. BEAUDRY: May I ask a question?

Mr. FLEMING: I am just about through.

Well, now I want to be quite clear about that. Is that the result of competition—that reduction that you speak of—or is that the result of any agreement?

Mr. LOFTUS: Oh no, no agreement whatsoever. Our manager called me, if I remember correctly, about 9.30 in the morning and he told me what had taken place with respect to Christie's. I said, "Meet them. If you can possibly meet them today, do so".

Mr. FLEMING: Does that mean the others who are handling bread at retail in Montreal today are enjoying a higher mark-up than those in the Toronto area?

Mr. LOFTUS: No, no, the Toronto mark-up is higher.

Mr. FLEMING: The Toronto mark-up is higher.

Mr. LOFTUS: Yes.

Mr. FLEMING: Which meant that even prior to this recent increase there was some considerable differential between the two cities?

Mr. LOFTUS: Yes.

Mr. FLEMING: To what do you ascribe the different conditions in the two cities?

Mr. LOFTUS: The conditions?

Mr. FLEMING: Yes, the differential.

Mr. LOFTUS: Well, in Toronto the discount is 2½ cents per loaf on a 24-ounce loaf of bread. I am speaking of the regular retail bread that is sold house to house and to the stores. And then I believe there is an extra commission of 5 per cent over a certain amount. I think it is $140 a week, or rather a month, in sales in any particular store. That is a difference of 2 cents or 2½ cents on all over $140 a month. Am I making myself clear on that?

Mr. BEAUDRY: May I ask a question?

Mr. FLEMING: I will be through in a moment.

Mr. BEAUDRY: I would like to ask a question on the Montreal prices?

Mr. FLEMING: I will be through in a moment. I do not think you get my question. I was not asking you for a detailed statement of how the differential is built up but I was asking if you could give the committee in a word an explanation of the differential that exists between the two cities. I am talking of the differential in price, in mark-up.

Mr. LOFTUS: Well, if I can remember correctly it was again Christie's that came in some two or three years ago and gave a larger mark-up in the Toronto area to the retail groceries. I believe that is how it started. Is that the answer you would like?

Mr. FLEMING: What you are saying, as I understand it, is that the difference may go back over a period of time but can you give us in a word an explanation of the differential in mark-up in Toronto as compared with Montreal today?

Mr. LOFTUS: Except one firm brought about this discount which is now existing in Toronto and of course all the bakers followed them. I do not know that I am getting that over to you, Mr. Fleming, but I hope I am.

Mr. FLEMING: You have explained how the differential was created in the first place. I gathered two or three years ago it occurred and you say it has continued since.

Mr. LOFTUS: That is right.

Mr. FLEMING: I was wondering if there are any differences in conditions, competitive conditions or otherwise, between the two cities, that would account in a word for the differential which exists today in the mark-up in the two cities.

Mr. LOFTUS: There are no reasons at all.

Mr. BEAUDRY: In other words, Mr. Loftus, the price set, the sale price to the retailer in Montreal, is a different price than that given to the retail trade in Toronto, and it is completely arbitrary from your point of view.

Mr. LOFTUS: Yes.

Mr. BEAUDRY: It does not arise from many cost factor, or anything influencing your cost?

Mr. LOFTUS: It is a competitive condition.

Mr. LESAGE: The cost is the same.

Mr. BEAUDRY: It does not depend on any factor influencing your cost, beyond what you have already shown in this table, ·05 of a cent increase on flour and approximately ·04 of a cent in the cost of delivery.

Mr. LOFTUS: Just a custom, that is all,—a competitive condition.

Mr. BEAUDRY: Yes, but I repeat it is completely arbitrary from your point of view. It does not depend on any cost factor?

Mr. LOFTUS: That is right.

Mr. BEAUDRY: You choose to sell to the baker in Toronto at 12½ cents and at 12 in Montreal?

Mr. LOFTUS: It is 12 in Montreal.

Mr. LESAGE: The people in Montreal pay for the people in Toronto.

Mr. LOFTUS: No.

Mr. LESAGE: I would like to have an answer to that. There is a loss on your over-all operation of ·08 on the regular brands delivered to the stores.

Mr. LOFTUS: The matter of rebates is one that should be discussed by you gentlemen more fully. I am conversant with them, but perhaps some people should say what is a fair rebate to the grocery store. That may be a subject which would be very enlightening and I wish you could tell me, or I wish somebody else could bring it up.

Mr. LESAGE: But there is compensation paid for by the Montreal retailer?

Mr. LOFTUS: No, the price to the retailer in Montreal is just the same as in Toronto.

Mr. LESAGE: It is higher.

Mr. LOFTUS: Yes, yes, I am sorry. The private customer's price for bread is just the same in Toronto but the retail grocery store does not get the same mark-up as it does in Toronto.

Mr. LESAGE: That is what I say. In that particular branch of the business, the retailers in Montreal pay a higher price than the retailers in Toronto pay, and that compensates for your loss in Toronto. That is what I get from your figures.

Mr. LOFTUS: Mind you, sir, I am—I am not sure that this rebate in Toronto is a proper rebate.

Mr. LESAGE: I am not questioning that at all, I am just looking at the figures and drawing conclusions.

Mr. LOFTUS: I am trying not to answer this question, Mr. Martin, for the simple reason I am serving a lot of these grocers in the city of Toronto. I am serving them elsewhere as well, and I do not want to go out on a limb and say what is in my mind.

Mr. BEAUDRY: Mr. Loftus, what is the percentage of your total volume of sales in Montreal made to stores?

Mr. LOFTUS: I could not tell you. I am just guessing, but I think it is about 50-50.

Mr. WINTERS: I should like to refer, for just a moment, to schedule 2, Exhibit A, and ask Mr. Loftus if the profit per dollar of sales for the first six months to January 31, 1948, of 2·81, is for all your production, bread and cakes?

Mr. LOFTUS: Everything.

Mr. WINTERS: Have you that same figure for bread alone?

Mr. ANTLIFF: We have it on a percentage basis. It could be worked out and supplied on a dollar basis.

Mr. WINTERS: I should like it on the same basis.

Mr. ANTLIFF: We can give it to you in a few minutes.

Mr. WINTERS: In the meantime, I should like to refer to schedule 5 and ask you a general question as to how you break down those figures for flour, ingredients, delivery costs and so on and allocate them to the various types of bread?

Mr. ANTLIFF: You will notice that flour and ingredients, all combined, show a higher cost on the quality bread, although there is a decrease of ·12 in the flour and an increase of ·63 in the other ingredients. This is due to the fact that if other ingredients are added there is a smaller percentage of flour.

Mr. WINTERS: I am trying to obtain a rough idea of the bookkeeping system which allows you to do that?

Mr. ANTLIFF: So far as overhead is concerned, ·78, you will ntoice goes right across the board and covers all administrative overhead expenses of the company which are distributed pro rata on all the bread.

Mr. WINTERS: That is right.

Mr. ANTLIFF: Supervision, depreciation on equipment is the same thing; it goes right across the board.

Mr. WINTERS: How do you allocate that between bread and your other products?

Mr. ANTLIFF: It is allocated on a dollar basis, the basis of dollar value of sale.

Mr. WINTERS: What would the administrative expenses be for cakes or sweet goods compared to that ·78?

Mr. ANTLIFF: The administrative expenses are worked out in the three preceding schedules and are worked out, first of all, on over-all sales; secondly on bread sales; and thirdly on cake and sweet goods sales. They are clearly broken down. They are on the same percentage basis right across the board.

Mr. WINTERS: Do you have a complete cost accounting system, complete with time studies?

Mr. ANTLIFF: We make time studies from time to time as they are justified. For example, in allocating certain delivery costs which are arbitrarily put between house and house and stores, it is impracticable on a route delivering to both, and most of our routes do, to make a detailed time study of the amount of time spent by a salesman in making deliveries to stores and institutions as compared with delivery to individual householders.

The CHAIRMAN: Order. A very important matter has come up and the meeting is adjourned.

The meeting adjourned.

AFTERNOON SESSION

The committee resumed at 4 o'clock.

Mr. WINTERS: Just before we rose this morning I was asking the witnesses to give the committee further information regarding their accounting system. I asked if they could tell us on Schedule 2, Exhibit A, what the profit was for bread compared to the 2·81 per cent profit per dollar of sales for the over-all operation.

Mr. ANTLIFF: I have that information. As shown on Schedule 4-A the profit over-all was 2·81 per cent. The profit on bread alone was 4·3 per cent. The profit on cake and sweet goods was nil, but the profit on bread was mostly

made up of the fact that there were a number of weeks' supply of cheap flour on hand which provided the bulk of the profit on the bread department. It did not arise from normal operating and current flour costs in relation to current selling prices.

Mr. WINTERS: Then we were referring to schedule 5 which shows among other things a breakdown of overhead for the different types of bread used. I was asking if their accounting system is such that it let them break down that overhead and allocate it to a different type of loaf or whether that is just giving an estimate on a pro rata basis.

Mr. ANTLIFF: I would say it is just giving an estimate. It is an absolute pro rata distribution based on volume of sales, and without any attempt being made to allocate on any other basis.

Mr. WINTERS: That same thing would apply on a pro rata system between cake and bread?

Mr. ANTLIFF: That is correct.

Mr. WINTERS: So some of the profit you show against bread might easily be a lesser profit against bread and some of it against cake depending on how your pro rated overhead.

Mr. ANTLIFF: It has been customary under certain accounting procedure to take cake and sweet goods as more or less surplus production and take the bulk of the charges for overhead against the bread department. I have not chosen to do that in making this allocation. I have taken it equally against both departments, or all three departments, cake, sweet goods and bread, which has given a somewhat different picture from what some other firms might give whose methods were different.

Mr. WINTERS: Is it possible then that the overhead you show for a brand such as regular brand might be less than it actually is shown whereas the overhead for house-to-house brand, that is, the distribution and delivery cost, might be greater than shown?

Mr. ANTLIFF: Are you referring to delivery wage and distribution cost?

Mr. WINTERS: Yes.

Mr. ANTLIFF: Delivery wage and distribution cost, which you will notice is put down at house-to-house at double the cost per loaf from the cost to stores, is worked out by purely rule of thumb, on a very purely rule of thumb basis, due to the fact that the commission on the retail house-to-house is approximately double the commission on the store business. That is the basic background for taking that split. We have no accurate indication of what the costs are to a house-to-house customer as contrasted with a store because most of our routes are combination routes, wholesale and retail.

Mr. WINTERS: Could it not be then that the customer who purchases at a retail store is actually paying some of the distribution costs of the customer who has local bread delivery to her door?

Mr. ANTLIFF: That is possible depending on how accurate this distribution would be if it were worked down to a definite basis.

Mr. WINTERS: And also under the regular brand stores where it shows a delivery wage and distribution cost of 1·98, and an over-all net loss of ·08 cents, your accounting is not accurate enough, your pro rating might be such that that ·08 which is shown as a loss might, in fact, be a profit if you carried it out.

Mr. ANTLIFF: It might be a slight profit, and if so, the profit shown on house-to-house would come down by a commensurate amount.

Mr. WINTERS: So these items you have shown here as profit or loss on schedule 5 are really matters of bookkeeping?

Mr. ANTLIFF: They are matters of bookkeeping. A different procedure might be followed. The statement on the left-hand side, average of sales, is very definite. That method of allocation amongst five particular types of distribution is purely arbitrary and might err either way. It has been an honest attempt to evaluate the correct situation, but it is not by any means infallible.

Mr. WINTERS: Would you say then we might get into trouble if we tried to compare one of your loaves of bread, for example, with one of your competitor's taking into consideration overhead and other costs because their pro rating might be quite different from yours?

Mr. ANTLIFF: Very definitely; they may have a different basis of allocating cake and sweet goods departments from what we have.

Mr. WINTERS: Would you concentrate for just a minute on that brand shown as regular brand stores for which you show an over-all loss of ·08. You allocate to that a delivery wage and distribution cost of 1·98 cents a loaf?

Mr. ANTLIFF: That is correct.

Mr. WINTERS: Bringing the total cost laid down at the retail store to 10·48 cents?

Mr. ANTLIFF: That is correct.

Mr. WINTERS: Under that you show a figure of sales return per loaf of 10·40 cents.

Mr. ANTLIFF: That is right.

Mr. WINTERS: Would you say how that figure is arrived at?

Mr. ANTLIFF: That figure is arrived at by a deduction of 20 per cent from the consumer price of 13 cents.

Mr. WINTERS: Is there a further reduction in the form of rebate or some other discount on that 10·40 cents?

Mr. ANTLIFF: Certain large suppliers may get 5 per cent additional rebate.

Mr. WINTERS: How much?

Mr. ANTLIFF: Five per cent of 10·40 which would be ·52 cents.

Mr. WINTERS: That would bring that down to 9·02 cents per loaf, would it?

Mr. ANTLIFF: 9·88.

Mr. WINTERS: 9·88. That is laid down in quantity lots to large retailers?

Mr. ANTLIFF: Yes, retailers buying a substantial quantity.

Mr. WINTERS: That would give the large retailer a mark-up on each loaf of 3·12 cents. Is that correct?

Mr. ANTLIFF: That is correct, yes.

Mr. WINTERS: And for the 10 cent loaf the normal mark-up is 1 cent per loaf?

Mr. ANTLIFF: That is on the Cottage bread?

Mr. WINTERS: On the Cottage bread.

Mr. ANTLIFF: Yes, that is right.

Mr. WINTERS: Would you care to express an opinion as to which would be the more normal mark-up to expect in a fast moving article like bread, 1 cent or 3·12 cents?

Mr. ANTLIFF: Well, I would not care to express an opinion. I can state a fact, that the margin to the grocer has been consistently increasing over recent years. Whether or not the profit is a fair one is a matter for someone else to decide.

Mr. WINTERS: In the light of the fact that large retailers seem to operate at a successful profit on a mark-up of 1 cent I think we can draw our own

conclusion as to whether or not they are making an abnormal profit on a mark-up of 3.12 cents, which leads me—

The CHAIRMAN: What is that again, Mr. Winters?

Mr. WINTERS: The normal mark-up for the large chain store seems to be in the neighbourhood of 1 cent per loaf. I do not know how you refer to these other brands. Is it advertised brands of bread, shall we say?

Mr. LESAGE: Regular bread.

Mr. WINTERS: It sells at 14 cents or 13 cents, and on that there is a mark-up of 3.12 cents.

The CHAIRMAN: I see the point.

Mr. WINTERS: I think we can draw our own conclusion from that.

The CHAIRMAN: All right.

Mr. WINTERS: Then, this figure that is shown here as 13 cents in January, 1948, has since gone up to 14 cents.

Mr. ANTLIFF: That is correct.

Mr. WINTERS: If it were possible to arrange for you to give a less margin to the large retail store which is handling that bread would it be logical to assume you could pass more on to the consumer in the form of a lower over-all cost for bread?

Mr. LOFTUS: That is a very difficult question to answer because after all half of our business is done with the grocery stores. Our relationship with them is very pleasant. I do not think we should answer a question like that.

Mr. WINTERS: I think on the face of it you could make a pretty good guess.

Mr. LOFTUS: I do not think you should ask me to make a guess.

The CHAIRMAN: That is a very important question.

Mr. WINTERS: Let me put it as a general question. I do not think that will commit you to anything. If the large retailer gives you more for your bread, and assuming that you make a normal and constant profit, then you will have more to pass on to the consumers who buy your bread on a delivery basis from door-to-door?

Mr. LOFTUS: I will agree with you in theory.

The CHAIRMAN: What about in practice?

Mr. LOFTUS: I would not—

The CHAIRMAN: I think it is a very important question with relation to this inquiry.

Mr. WINTERS: I think you could answer it in the same way in practice. If you had more money from the one source you would have more to pass out in another channel, would you not?

Mr. LOFTUS: It sounds reasonable. One would say yes; I would say yes.

Mr. HOMUTH: What you would lose on the horses you would make up on rabbits.

Mr. WINTERS: If 1 cent is enough of a margin for certain types of bread by the large chain stores, and they are getting in excess of 3 cents from another source surely there is some differential there that could be spread across the board?

Mr. LOFTUS: Well, it certainly seems so.

Mr. IRVINE: May I ask a question?

The CHAIRMAN: Yes.

Mr. IRVINE: I believe that when we had the representative from Loblaw's here, Mr. Meech, he was very emphatic that the 10-cent loaf was not a loss leader. Were you aware that he gave that testimony?

Mr. LOFTUS: I was here but I really do not remember that. I really do not. I was under the impression that he said that there was a loss in it for him. I am not sure.

Mr. IRVINE: No, I tried to press it on him but he was very emphatic about it that it was not a loss leader. Would you say then that your company is providing a loss leader by producing a cheap loaf which you say is a loss to you and which is sold at a profit by the retailers?

Mr. LOFTUS: I certainly would not say there was any profit in Loblaw's selling at 10 cents that loaf which we sell them at 9 cents, because they must have expenses the same as everyone else. They have their labour; they have their rent; they have all kinds of work that has to be done with that particular loaf. What is the mark-up, Mr. Antliff?

Mr. ANTLIFF: The mark-up is 15 per cent on an average, if I remember the figure.

Mr. LOFTUS: You must take the 10 per cent off that.

Mr. IRVINE: Of course I have to go by the evidence of the man who is doing the selling. I do not know about that.

Mr. LOFTUS: I would not know any more about Loblaw's affairs than what I have read from the evidence here.

Mr. IRVINE: Well I pressed that very question and he was very clear that they made at least sufficient profit to redeem them from any charge of dealing in a loss leader. There is no question about that in the evidence. So that would leave you in danger of being charged with providing a loss leader.

Mr. LOFTUS: In that particular case I presume you could term it as such because it certainly is a loss. Whether you add the word "leader" or not, it is certainly a loss.

Mr. IRVINE: I want to ask you a question about a problem here on schedule 5. .87 of a loss is shown on Cottage bread.

Mr. LOFTUS: Yes.

Mr. IRVINE: Now would you argue that while you had .87 of a loss on Cottage bread, still it paid you to produce it at that loss because the Cottage bread project—if I may call it that—enabled you to spread your overhead further, and on a wider scale, and somehow or other produced beneficial results?

Mr. LOFTUS: Yes.

Mr. IRVINE: I would like you to give us a very clear description of how your loss .87 per loaf can be held onto as an over-all gain in any way whatsoever?

Mr. LOFTUS: I think Mr. Antliff can answer that.

Mr. ANTLIFF: The overhead cost of ·78 and the depreciation charge of ·31 would operate irrespective of whether we had the Cottage bread or whether we did not. It does have a bearing somewhere. It has been allocated across the board in this statement. And if that were deducted you could show a nominal or a small margin left, as far as Loblaw's are concerned. There is also the fact of maintaining continuity as Mr. Loftus has mentioned on several occasions. We might be willing to take a loss temporarily, in view of past connections, although with the overhead deleted we are not going behind in any appreciable amount. That overhead would go into the other breads and would make a more unfavourable showing with them.

Mr. IRVINE: But still I am not so very clear on your loss of ·87, or point anything else, and how it can be retained and made out to be a gain in some other part of your bookkeeping.

Mr. ANTLIFF: Well I just explained that the overhead of running the business has been allocated to Cottage bread the same as to other bread. If Cottage bread were not there it would be taken by the other breads. In that way their results would be that much poorer, if Cottage bread did not exist.

Mr. CLEAVER: I think, Mr. Irvine, if I might ask a question it might provide the answer to that. Is not Mr. Irvine failing to distinguish between gross profit and net profits?

Mr. ANTLIFF: If the gross profit is the basic cost in relation to the selling price he may be, because there is an inter-position of overhead that has to be borne somewhere.

Mr. CLEAVER: You might have a gross profit and still have a net loss.

Mr. ANTLIFF: I could have made this statement up without any cost allocated to Loblaw's bread but if I had done so I would have thought I would have been deceiving the committee. I wanted to be open and above board and I allocated it across the board.

Mr. CLEAVER: May I ask the question again as to whether your company might make a gross profit and still show a net loss?

Mr. ANTLIFF: Yes, they certainly might.

Mr. IRVINE: Coming back to the first question again, to make sure of it I will quote from page 393 of the evidence. I asked Mr. Meech:—

> Would it be fair to say that the Cottage brand loaf is being used as a loss leader?—A. Oh, no. No, it is due to the fact that there is this loaf in competition, and in demand, and that demand has to be met. It is not sold as a loss leader.

I go on pressing, and you will find the evidence at page 393.

Mr. FLEMING: I have just been looking at the passage to which Mr. Irvine is referring and I think, in fairness, it would be well to read the answers to several questions to give a fair balance to the replies made by Mr. Meech in his evidence.

The CHAIRMAN: What is the page?

Mr. FLEMING: Page 392 and 393. I would suggest you start at 392. Mr. Irvine asks the direct question there, the second last question:—

> Do Loblaw's sustain a loss on Cottage brand loaves which they sell for 10 cents?—A. That is very difficult to answer because of the reason that ostensibly there is a profit, but we could not stay in business and operate on a 10 per cent mark-up as that would provide.
>
> Q. Then you are not selling at a loss?—A. No, we are not selling it at a loss.

Then comes the question read by Mr. Irvine:—

> Would it be fair to say then the Cottage brand loaf is being used as a loss leader?—A. Oh, no, it is due to the fact that there is this loaf in competition, and in demand, and that demand has to be met. It is not sold as a loss leader.

Mr. IRVINE: That is the point.

Mr. JOHNSTON: Would that indicate that it might not be the intention of selling that bread as a loss leader but the actual result might be that it is a loss leader?

Mr. LOFTUS: That is right.

Mr. IRVINE: I tried to press that very point, if you will follow the questions down on the same page and you will find that he objected to that also. He was very, very, careful to say there was nothing like a loss leader about it.

Mr. HARKNESS: I think, to have the record clear, previously—in the previous day's questioning—he was very unhappy about having to sell this bread at 10 cents as he considered it was not a sufficient mark-up.

Mr. LOFTUS: That is quite true.

Mr. IRVINE: I imagine anyone would be unhappy to sell at a loss if he could get more for his product.

Mr. HARKNESS: No, he said definitely it was not sufficient mark-up.

Mr. FLEMING: I think Mr. Irvine wants to be fair. Is not this a fair summary of Mr. Meech's evidence? He said that they had to have the 10-cent loaf, and the question was "Why?". He said it was because of competition. One of their big competitors had a ten cent loaf and they had to have a 10-cent loaf too.

Mr. HARKNESS: Here is exactly what it was—

Mr. IRVINE: Well, this is something we can argue about some other time, but I think Mr. Meech was between the devil and the deep blue sea in giving his answer. He was either making a profit, in which case, if he made a profit on the 10-cent loaf, he was making too much on the 14-cent loaf. If he admitted the other thing, that it was a loss then he would be violating the law by having a loss leader. That is the problem he was up against and he skated around that as well as Barbara Ann.

Mr. FLEMING: It comes down to about this. He says it is neither. He says ostensibly there is a profit at 10 per cent and goes on to say they could not stay in business and operate on the profit of 10 per cent such as this loaf brought.

Mr. IRVINE: I would like to ask a question on your statement at page 2—the general statement? On the 6th line of the paragraph next to the last, you say "We eventually decided however that the 13-cent price could be maintained on a temporary basis due to the advantage accruing from five weeks supply of cheaper flour in stock at September 15, 1947."

You apparently realized in September there would have to be two price increases, one immediately, and another following the exhaustion of your cheap flour? Is that so?

Mr. LOFTUS: Well originally I knew that on 14-cent bread—we could never work on that. We knew our cost was such, and showing such increases, that it was eventually 14 cents.

Mr. IRVINE: So you decided to take it in two steps?

Mr. LOFTUS: Necessity is the mother of invention and there was nothing else we could do about it.

Mr. IRVINE: That means you did decide.

Mr. LOFTUS: Yes, I think that was discussed here a couple of days ago.

Mr. IRVINE: Did you have any idea in September as to when the second price increase would have to take place?

Mr. LOFTUS: No, none whatsoever.

Mr. IRVINE: You would surmise and presume that after your cheap flour was exhausted it would likely go on—about that time?

Mr. LOFTUS: Well our statements in November and December were exceptionally bad and we just hung on until the end of January when we took the bull by the horns and put the price up.

Mr. IRVINE: Did you have any intimation from any of the other bakers that they were taking tthe same attitude with respect to the two price increases?

Mr. LOFTUS: Oh, I have no knowledge of their flour at all. I have no idea what the inventory in flour is in any other company but our own.

Mr. IRVINE: Well you have had meetings and you belong to the organization of bakers?

Mr. LOFTUS: I do.

Mr. IRVINE: And you, or some representative of your company, I understand, meet together with the regular organization as it meets from time to time. Is it reasonable to suppose this matter was not discussed as a matter of general interest and common interest, as to when the second price would be put on—the second increase—and how much it would be?

Mr. LOFTUS: It certainly was not to my knowledge discussed, and it was not discussed at any meeting I attended.

Mr. IRVINE: Mr. Antliff, you were at the Toronto meeting on September 16. We have had some difficulty in arriving at the date but I think it was on September 16?

Mr. ANTLIFF: The 15th.

Mr. IRVINE: When the removal of the subsidy was discussed—do you recall a disagreement at that meeting regarding prices, or any disagreement about prices?

Mr. ANTLIFF: You mean about the two jumps?

Mr. IRVINE: No, I was talking about whether the jump should be taken in one or two steps; whether you would have a 4-cent jump immediately or a 3-cent jump, and subsequently another jump?

Mr. ANTLIFF: No, it was not discussed at all.

Mr. IRVINE: It was not discussed at all?

Mr. ANTLIFF: Not the matter of the two jumps.

Mr. IRVINE: There was some discussion as to whether it should be 4 cents or 3 cents?

Mr. ANTLIFF: There was some discussion about cost and the effect or the relation those costs had to a loaf of bread. That is as far as it went. It was an interchange of information. There was certainly no attempt to fix prices.

Mr. IRVINE: Well of course you would not be volunteering the information to me if there had been.

Mr. ANTLIFF: No.

Mr. IRVINE: No.

Mr. ANTLIFF: But I would tell you the truth, I am under oath.

Mr. IRVINE: Oh I know that and please do not think, sir, that I am charging you with perjury. We have been told that the mill controlled bakers wanted an increase of 3 cents and the other bakers wanted an increase of 4 cents. That is correct?

Mr. LOFTUS: Oh, no.

Mr. ANTLIFF: As far as Canada Bread is concerned that is absolutely correct. The Canada Bread Company—which is one of the mill controlled bakers—made no ultimatum about the 3-cent price or any other price.

Mr. IRVINE: Well, would not the disagreement which apparently arose at that meeting be caused by that very difference of opinion between the mill controlled bakers and the others, the so-called independent bakers?

Mr. LOFTUS: Well, this disagreement that has been spoken of, Mr. Irvine, is, in bakers language, certainly not the disagreement people think it is. It is a frank way of discussing things. At times it may seem obnoxious to outsiders, but it is very lovable just the same, in this particular case.

Mr. MACINNIS: You do not refer to a baker as your honourable friend, when you mean something else?

Mr. LOFTUS: No.

Mr. IRVINE: I am not suggesting you were putting on the knuckle dusters or anything like that.

Mr. LOFTUS: Mr. Antliff was at the meeting, and he could reply to the question.

Mr. ANTLIFF: It was a very gentlemanly meeting.

Mr. FLEMING: As meetings go?

Mr. ANTLIFF: As meetings go.

Mr. LOFTUS: May I say, here, that I am giving you a straight answer. The disagreement, I understood, when you came back to the office, was not on price or anything else, it was related I believe to someone doing something about rebates; is that not it?

Mr. ANTLIFF: It was on the bread question—the only question on which there was disagreement, as I recall it, was the question of whether the rebate should be on a percentage basis or a matter of cents. There was no determination arrived at as to what it should be, but just the basis, which one it should be.

Mr. IRVINE: We have been told that Mr. Short of the Lake of the Woods Milling Company said flatly their September increase would be 3 cents and that the independents regarded this as an ultimatum; is that correct?

Mr. LOFTUS: I do not know who said that, but from my observation, and I am quite close to the independents, I have never heard an independent express an opinion of that kind. Neither have I heard any of the chain bakers express an opinion of that kind.

Mr. IRVINE: I think the testimony of Colonel Ruttan was very emphatic on that point, that when Mr. Short had spoken the discussion was finished.

Mr. LOFTUS: Well, of course, they could not do otherwise, Mr. Irvine. If a large baker decides he is going to sell bread at a certain price, I am certainly not going higher.

Mr. ANTLIFF: Every other baker sells at the same price.

The CHAIRMAN: Let us just have one person talking at a time. We cannot have a three-way conversation. If one witness is going to reply, let him reply.

Mr. IRVINE: Would you mind repeating your answer, then?

Mr. LOFTUS: In other words—what was the question again? It has gone out of my mind.

Mr. IRVINE: I was referring to a statement which had been made with regard to Mr. Short deciding to fix the price at 3 cents. When he had spoken, apparently, that was final so far as the meeting of the bakers was concerned. He had some dominating influence which could sway the whole group. There was no further discussion once he had said the price would be 3 cents. Then, the price was 3 cents with the understanding, I presume, it would be 4 later?

Mr. LOFTUS: There was never any discussion of that kind. Mr. Short had a conversation, I understand, with Mr. Taylor or Mr. Taylor suggested something; I think that is all in the evidence. With regard to the Toronto situation, I believe some of the newspapers that day said that bread was to be 15 cents a loaf, if I remember correctly. My own opinion was that I was certainly going to put the price up to 14 without discussion with anyone, but knowing our costs were such that we had to get 14. I was told in the afternoon, if I can remember the time correctly it was about half past twelve, about the attitude of Mr. Short and I said, "That is all right by me".

The CHAIRMAN: You were not at this meeting, then?

Mr. LOFTUS: No.

Mr. IRVINE: I have just one more question.

The CHAIRMAN: If Mr. Loftus was not at this meeting, he cannot very well tell what went on there.

Mr. IRVINE: I had directed my questions in this regard directly to Mr. Antliff, who was at this meeting.

Mr. ANTLIFF: May I clear up this point, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. ANTLIFF: The message from Mr. Short came into Toronto after the meeting in Toronto at which I was had been concluded. There was no knowledge at the meeting I was at that Mr. Short had any thoughts whatever in his mind regarding the price of bread.

Mr. IRVINE: Did you leave that meeting, then, without coming to any decisions as to what the price of bread would be, whether it would be 3 or 4 cents?

The CHAIRMAN: What was your reply just before this last answer? You said Mr. Short had no idea—

Mr. ANTLIFF: I said that, during the course of that meeting, this message from Mr. Short did not come to—I do not know who it came to, Colonel Ruttan, I believe, but the people who were at that meeting had no knowledge of Mr. Short's attitude.

Mr. IRVINE: My impression is that Colonel Ruttan stated that Mr. Short had given this ultimatum on price the day before the meeting and that when it was announced at the meeting there was no further discussion about the matter.

Mr. JOHNSTON: Perhaps you are talking about different meetings.

Mr. ANTLIFF: There were two meetings, one in the morning and one in the afternoon.

Mr. IRVINE: I just want to ask again if the result of the meeting was not simply this, that there were to be two price increases by the bakers, one of 3 cents and one of 4 cents?

Mr. LOFTUS: I said, as president of our company, my mind was made up as to what we were going to do without discussing it with the bakers or anyone else. I was putting the price of our bread up in every city to 14 cents because, in discussing price, I do not discuss it with the Toronto bakers I have to discuss it with our own people and decide what is the best procedure for our company throughout the country. There was no discussion with me. I was the person who decided for our company. As soon as I got the information that one company was not going up to 14 cents, that his price was going to be 13 cents, I immediately altered my decision and said, "Well, I am not going to sell for more than that".

The CHAIRMAN: Then, when you sold at 13 cents had you a loss?

Mr. LOFTUS: Our statement shows that. Mr. Antliff will answer the question.

Mr. ANTLIFF: Following the increased price we got a profit so long as we were operating on the cheap flour. It was an inventory profit rather than an operating profit. As soon as that was gone, we immediately reverted to the condition where we were operating right on the margin of profit and loss.

The CHAIRMAN: Are there any other questions.

Mr. HOMUTH: Just repeat that, will you? For the four or five weeks it was an inventory profit not an operating profit?

Mr. ANTLIFF: Yes, we did sufficiently well that, over the six months we made 2·8 per cent on our total sales.

Mr. MACINNIS: On schedule 5, the delivery, wage and distribution costs, house to house, of the regular brand loaf are 3·96 and for the secondary brand, house to house, they are 3·66. Why should there be that difference?

Mr. ANTLIFF: Because of the difference in commission. The difference in commission on 2 cents would be ·30, Mr. MacInnis.

Mr. MACINNIS: Turning then to schedule 4, Exhibit B, for bakery wages. In August, 1947, they were 16·2. Then they went down to 14·3 in September and 12·6 in October.

Mr. JOHNSTON: On what page are you?

Mr. MACINNIS: Schedule 4, Exhibit B. They were 12·1 in November 13·3 in December; 12·4 in January, so that means that your bakery wage cost was greater by 3·8 per cent in August, 1947, than it was in January, 1948.

Mr. ANTLIFF: No, sir. In one case, that is based on 10 cent bread and in other case it is based on 13 cent bread. In both cases, it is the ratio to the selling price. The actual wages were supplemented in September. On a relative basis of selling price, there was a downward trend in Toronto.

Mr. MACINNIS: You say the wages were higher in January?

Mr. ANTLIFF: Yes, definitely; the individuals were paid more money.

Mr. MACINNIS: But the percentage of wages in the loaf were less than in August 1947?

Mr. ANTLIFF: That is correct because in the one case it is a 13 cent loaf and in the other case it is a 10 cent loaf.

The CHAIRMAN: What percentage of your bread is sold in stores and called for by the consumer?

Mr. LOFTUS: About 50 per cent.

The CHAIRMAN: The price you sell to the consumer in that instance is the same as the price that you sell to the consumer when the bread is delivered?

Mr. ANTLIFF: It is the same price in both instances.

Mr. MACINNIS: On schedule 8, you have flour costs and in schedule 10 you have the flour prices per barrel. Then, you say,

> All above prices are subject to 10 cents per barrel cash discount. There is also a standard differential of 30 cents per barrel more for First Patent Flour, "Cream of the West", while other grades such as "Nelson" and "Winnipeg" are bought at prices of 10 cents and 20 cents per barrel respectively below the basic second patent quotations. If paper bags are available, all the above prices are subject to a reduction of 40 cents per barrel.

Were all those reductions taken into consideration in preparing the schedule of cents per loaf in schedule A?

Mr. ANTLIFF: On the same basis in every case; there is 190 loaves computed as coming out of a barrel of flour. It is a matter of dividing 190 into the costs as revealed in schedule 10.

Mr. MACINNIS: I think the figures in schedule 10, that is the price per barrel, are subject to certain deductions and discounts. Were the deductions and discounts taken into consideration in the figures in schedule 8?

Mr. ANTLIFF: The only discount is the 10 cents per barrel and that is considered as a purchase discount, rather than something entering into the flour situation. There are other items, as you can see, laid down which affect the basic price to the point where at practically every place except Toronto, there is a premium on that flour. It is f.o.b. the track. There is 10 cents a barrel

premium at western Ontario points, Ottawa and Montreal. In northern Ontario there is a 20 cent premium. The over-all base price of a loaf of bread, being based on Toronto flour costs might be low.

The CHAIRMAN: You say 50 per cent of your sales are to the retailers. Now, I know what you said this morning with regard to the overhead and the trouble a man has, but how can you justify selling to the consumer by direct delivery at 14 cents and selling retail at 14 cents?

Mr. HOMUTH: Mr. Chairman, I do not think that is a fair question. He is not retailing it at 14 cents through the retail stores, he is selling it to the store.

The CHAIRMAN: That is right. His bread is sold in the store at 14 cents when there is no delivery cost and no reason for a profit as a result of delivery energy expended.

Mr. ANTLIFF: Mr. Chairman, the other large wholesale bakers in the city of Toronto who deliver no retail whatever sell bread at the same price to the stores as we do.

Mr. HOMUTH: Let us get this; that is not an answer, Mr. Chairman.

The CHAIRMAN: No, that is not what I expected.

Mr. HOMUTH: No. Are you in a position to talk for the retailer to whom you sell bread? I do not think you should ask him that question, Mr. Chairman.

The CHAIRMAN: I am in the hands of the committee. I think it is a very proper question.

Mr. IRVINE: Somebody else asked that question.

The CHAIRMAN: I think it is germane to the issue before us.

Mr. MERRITT: Surely it is the retailer who is selling the bread at 14 cents, not these people. These people sell to the store at less than 14 cents. They have to justify their price on deliveries.

The CHAIRMAN: That is true, Mr. Merritt. When they sell it direct they get 14 cents, but when they sell it to the retailer that retailer may sell it at less than that. They may charge 12 cents or 13 cents, but in any event the price is lower than what the consumer pays for the bread delivered direct.

Mr. HARKNESS: They do not know that the retailer is going to get 14 cents.

Mr. LESAGE: Oh, yes, they tell him to get it.

Mr. HARKNESS: Just a minute. There is a case of which we have heard, Pickering Farms Limited; in their store they sold bread at 13 cents. In other words, the retailer can sell at any price he likes. I do not know why they should put a 14-cent mark on the wrapper. In most cases the retailer doesn't sell it at that, and he does not have to.

The CHAIRMAN: Perhaps we could get the answer right away. We could ask Mr. Loftus. Is any of you bread selling retail at less than 14 cents?

Mr. LOFTUS: I am just guessing now, Mr. Chairman; I cannot say, we have so many customers.

The CHAIRMAN: I know, but you would know whether people were selling your bread below your marked retail price; at least, you would have a general idea about it if they were. That is what I am talking about.

Mr. LOFTUS: I do not know.

The CHAIRMAN: No.

Mr. LOFTUS: There may be cases that I do not know about.

Mr. LESAGE: There is Dionne selling your bread at 13 cents.

Mr. LOFTUS: Do we serve Dionne's?

Mr. ANTLIFF: Yes.

Mr. LOFTUS: Well, Mr. Chairman, I do want you to understand that we have a great number of customers, and I certainly do not know at my office; but if some store wishes to sell our bread and take a smaller margin I cannot do anything about it.

Mr. WINTERS: I do not think Dionne's are selling at that.

The CHAIRMAN: Not his bread. I am not asking you about an individual case; I know that you can't have knowledge of everything personally; but if you found that there were retailers selling your bread at less than 14 cents what would you do?

Mr. LOFTUS: I could do nothing about it.

The CHAIRMAN: You could stop selling to them.

Mr. LOFTUS: But I would not.

The CHAIRMAN: You would not?

Mr. LOFTUS: No.

The CHAIRMAN: That is what I wanted.

Mr. HOMUTH: As long as the retailer is prepared to pay your price for the bread regardless of what the retailer is selling it at why should he worry whether it sells cheaper or not?

The CHAIRMAN: I do not know why, but he does worry. We have had evidence before us—I think the evidence of Mr. MacDonald was on that very point—about bread that was marked 14 cents right on the wrapper; and this witness has said if there was a general trend that way he would do nothing. We must take his answer.

Mr. LOFTUS: I said, Mr. Martin, that I notified all our managers to the effect that if people did sell our bread at less than our retail selling price there was nothing we could do about it and we could not refuse to give them bread.

Mr. JOHNSTON: Do you have a retail selling price?

Mr. LOFTUS: Do we have a retail selling price?

Mr. JOHNSTON: You set it, do you?

Mr. LOFTUS: The retail selling price is 14 cents—I should have said the consumer price.

Mr. JOHNSTON: That is different.

Mr. LOFTUS: We call it retail in our set-up.

The CHAIRMAN: You told us this morning that you have had a long connection with one chain company and your attitude there I think is very commendable, very loyal and so on; but supposing there were a group of retailers who sold bread; for instance, suppose bread which now retails at 14 cents was sold by them at less than 14 cents, and these other retailers selling at 13 cents are in competition with Loblaw's, do you say you still would not take any action?

Mr. LOFTUS: Yes.

The CHAIRMAN: You still say you would take no action even though it meant a reduction in your sales with Loblaw's?

Mr. LOFTUS: Yes.

Mr. LESAGE: In all fairness to the witness, I mentioned Dionne Brothers selling at 13 cents. I was wrong, it is Pickering Farms Limited, in Toronto.

The CHAIRMAN: Yes.

Mr. LESAGE: Mr. Arnold told us definitely that he sold Canada Bread below the marked price.

Mr. LOFTUS: Yes, I believe he does, Mr. Lesage.

Mr. LESAGE: I want to be fair to you; that is why I called attention to the fact that it was no Dionne's it was Arnold.

The CHAIRMAN: Would the reason why you are selling your bread at 14 cents retail be because you felt that you must follow the lead given to you by Christie's?

Mr. HOMUTH: How could he speak for Christie's?

Mr. LOFTUS: I am sorry, I did not get your question.

The CHAIRMAN: It would not be that you felt you must follow the lead of Christie's, is that the reason you sold at 14 cents?

Mr. LOFTUS: I do not follow any lead by Christie's

The CHAIRMAN: I did not ask you that. It would not be because you felt you must follow the lead given by Christie's?

Mr. LOFTUS: No, no.

The CHAIRMAN: There is the answer to it; no.

Mr. LOFTUS: There is the answer to it.

The CHAIRMAN: You do not follow their lead?

Mr. LOFTUS: Definitely not.

The CHAIRMAN: That is the answer to it.

Mr. HOMUTH: If Christie's were to reduce the price to 12 cents you would have to do the same thing? How soon?

Mr. LOFTUS: We would have to do it the same day.

The CHAIRMAN: You have followed their lead downwards but not upwards, supposing they charged 15 cents, what would happen?

Mr. LOFTUS: I am afraid they would not last a very long time in the business.

Mr. FLEMING: Would you report them to the comimttee?

The CHAIRMAN: What would you do?

Mr. MACINNIS: Did you say, Mr. Loftus, that your salesmen had instructions from you that if a retailer was selling bread at less than the consumer price that they were not to refuse to leave bread?

Mr. LOFTUS: I think I put it a little differently.

Mr. HOMUTH: Again, Mr. Chairman, I rise to a point of order; he didn't say the salesmen, he said the managers.

Mr. LOFTUS: I did, yes.

Mr. HOMUTH: There is a difference between a salesman and a manager.

Mr. MACINNIS: The manager then; is that what you said?

Mr. LOFTUS: That is what I said.

Mr. MACINNIS: All right then, can we take it from that that the managers are instructed to get the retailers to sell at the consumer price if they can, but if they cannot—

Mr. LOFTUS: No The reason for that—you have got to be fair and open about this thing. I remember two of our managers called me about two stores—I have forgotten where they were, I think one was in Toronto and one some place else—and they said: Mr. Loftus, the store is selling bread at less than the consumer price. My answer to them was: so what? What are you going ot do about it? If they want to sell bread at whatever price they want that is their business.

Mr. MACINNIS: If it is the normal thing for a retailer to sell bread at any price he likes why should a manager draw to your attention what certain retailers have been doing?

Mr. LOFTUS: Because there has not been any fuss in the business for a good many years, but your investigation—don't think it is not causing a furore amongst the bakery trade and also amongst people. Naturally they would call me up. I have a job and they have to keep me in my job if they possibly can. The more questions they ask me the better I like it.

Mr. MACINNIS: Will you define your use of the word "fuss"?

Mr. LOFTUS: I beg your pardon?

Mr. MACINNIS: What does "fuss" mean; a fuss in the baking business?

Mr. LOFTUS: I happen to be Irish and fuss is uproar. I have used it quite often.

Mr. FLEMING: A minor disturbance?

Mr. LOFTUS: A minor dsturbance, yes.

Mr. MACINNIS: All I am wondering is if fuss meant that up until recently the retailers were selling at the consumer price and that recently, since this committee was set up, they are getting more independent.

Mr. HOMUTH: Don't give this committee too much credit.

The CHAIRMAN: Order.

Mr. MACINNIS: Is that the explanation?

Mr. LOFTUS: No. I think that when the second increase went into effect I believe myself that that played a part in it, and I also think that the idea of the 10-cent loaf of bread plays a very important part because a great deal of their trade is going from the 14-cent to the 10-cent bread and the independent grocer is really having a hard time just right now, there is no question about that.

Mr. FLEMING: Mr. Loftus, you said a while ago that last September when the increase in price was considered you had thought of an increase of 14 cents and then as word came through about the Brown's Bread people raising to 13 cents you did not raise above the 13 cents; that, of course, applies to your quality loaf; what about the lower-priced loaf, what price did you have in mind for that?

Mr. LOFTUS: Do you mean Loblaw's?

Mr. FLEMING: Your Cottage brand goes to Loblaw's and I was thinking of the other second quality loaf which you also sell.

Mr. LOFTUS: There is a 2-cent differential between the 14-cent loaf and the other.

Mr. FLEMING: I am trying to get your appraisal on what you thought the increase in the second quality loaf should have been.

Mr. LOFTUS: Oh, yes.

Mr. FLEMING: You made a statement about the situation as applied to your quality loaf and then the fact that you had an increase of less than you had expected.

Mr. LOFTUS: Yes.

Mr. FLEMING: Would you give us the same information with respect to the Cottage brand loaf and the loaf similar quality which sells at the lower price?

Mr. LOFTUS: Well, the Cottage bread would be a matter of competition and that loaf would have to be sold in competition as it is being sold now. There would be no question about the price of that whatever, whatever their opposition was selling their bread at that Cottage bread would be sold at the same. Is that what you wanted?

Mr. FLEMING: We know that that is a fact.

Mr. LOFTUS: Yes.

Mr. FLEMING: But were there any steps leading up to that result that might be of interest to us? It has been of interest to us that you thought it should be 14 but you settled for 13 cents on the superior quality loaf.

Mr. LOFTUS: I am just trying to get my mind on that. The chain stores did not go up for several days after the price of bread went up to 13 cents, it was about, I think, maybe a week afterwards; and I must have had some conversations with them. They naturally put the price of their bread up—what did I put it up to?—Competition put the price of their bread at 10 cents. I believe they waited a day or two—yes, I think they did—until they saw what the A & P prices were and then the price was settled.

Mr. FLEMING: There was some variation in price with Loblaw's at one time, I think?

Mr. LOFTUS: Oh, yes.

Mr. FLEMING: You raised a little and then it was forced back, I believe, as a result of competition.

Mr. LOFTUS: That is quite right. Some of the young chaps down there came to see me. They were very friendly and they wanted to put on some special advertisements for a couple of months and that was what was done, but right after that we put the price at 9 cents.

The CHAIRMAN: Are there any other questions?

Mr. IRVINE: I have just one if everybody else is through. I do not want to monopolize the thing but I would like to ask a question about this competition business with respect to bread. I think you have made it very clear that in your opinion the competition is a little keen in the baking business, Mr. Loftus? Is that so?

Mr. LOFTUS: That is right.

Mr. IRVINE: And you have said that it is so keen that when some big baker sells for less you directly meet him on that; that is so?

Mr. LOFTUS: Yes.

Mr. IRVINE: Directly meet him?

Mr. LOFTUS: Yes.

Mr. IRVINE: If you do not meet him what would happen?

Mr. LOFTUS: Well, over a period of time your business would disappear.

Mr. IRVINE: Your business would disappear?

Mr. LOFTUS: Yes.

Mr. IRVINE: Now then, is the same type of competition working in relation to the 10-cent loaf?

Mr. LOFTUS: Of course, there are very few people who are manufacturing a 10-cent loaf, and naturally there is not the same amount of competition. Again there has been a great deal of publicity thrown about this particular loaf, and consequently people have got it in their minds.

Mr. IRVINE: Would you be surprised then if the 10-cent loaf went on and beat out the 14-cent loaf?

Mr. LOFTUS: I think I mentioned that yesterday afternoon. It is an impossibility in my mind for the simple reason that no member of the bread industry, as far as I know, can make money successfully and sell bread retail at 10 cents. It just is not in the cards.

Mr. IRVINE: Then that would mean that eventually you would have to stop making the 10-cent loaf all round.

Mr. LOFTUS: Oh, that would be manna from heaven.

Mr. IRVINE: For whom? Then it does not seem to me that competition between two types of loaves or two prices of loaves of bread works in a manner comparable to two companies.

Mr. HOMUTH: Say that again.

Mr. IRVINE: A company that sells a cheap bread will beat out companies which sell dear bread, but a loaf which is cheaper than another loaf, even if it is the same quality, does not seem to beat out that loaf, according to the witness.

Mr. LOFTUS: You know, there is always a saturation point in costs. Volume plays a certain part in holding down costs, but there is a time absolutely, and we are just past that time with the 10-cent loaf.

Mr. IRVINE: Then I ask you is it not inevitable that the 10-cent loaf must go out, if that is true?

Mr. LOFTUS: Oh, in my opinion—are you asking me—definitely, yes.

The CHAIRMAN: Except we have evidence before us whose validity we will have to assess that bread is sold at 10 cents, and evidence by the man who sells it that it is at a profit. That is the evidence before this committee.

Mr. IRVINE: I was going to refer to that.

Mr. FLEMING: That is some of the evidence before this committee.

The CHAIRMAN: Of course, it is only some of the evidence.

Mr. HOMUTH: The question arises then what is a fair profit, and on what profit can an industry operate? They may be making 10-cent bread, Mr. Chairman, and making a slight profit on that, but if the whole industry was just making 10-cent bread they would be out of business in no time.

The CHAIRMAN: Would you agree there is a difference between those with a large volume and those with a small volume, people like yourselves and some of the other companies. Obviously the small baker cannot be expected to sell bread necessarily at 10 cents. I will not say 10 cents, but at as low a figure as some of the larger ones. Put yourself in the position of this committee, Mr. Loftus. We have some evidence, whose validity I say we will assess in due course, that bread is sold at 10 cents, made by these people, and they say with a profit.

Mr. LOFTUS: Of course. I am not an accountant, but I do know that a great many companies have different methods of accountancy, and of getting costs. I noticed in one particular case here where bread was 8·70 at the bakery door and that particular bread is being shipped to Sarnia, London, Windsor. Now how you can ship bread from the bakery door at 8·70 when it takes 1 cent to ship bread there, and sell it at 10 cents with boxes, with express down to the station and from the station, pay rental in the store, etc., I do not know.

The CHAIRMAN: Well, you are not suggesting they are doing this out of sheer public interest?

Mr. LOFTUS: Well, you read Fortune; so did I. I think that covers the whole situation.

The CHAIRMAN: No, I did not. I have so much to read I have not got around to it.

Mr. LOFTUS: I would suggest that you do.

The CHAIRMAN: We will in due course, but what is your explanation, if you can tell us?

Mr. LOFTUS: Oh yes, I am sorry. One of the main thoughts—I would say their main thought—would be to bring people into their stores, give them a leader such as bread. Then, of course, bread is being sold every day and there is an opportunity for them to purchase other things.

The CHAIRMAN: That obviously is one of the reasons, but admitting all that, they still make a profit on bread sold at 10 cents.

Mr. LOFTUS: They say they make a profit.

The CHAIRMAN: They say. Now, have you any evidence to contradict that?

Mr. LOFTUS: I beg your pardon?

The CHAIRMAN: Have you any evidence to contradict that?

Mr. LOFTUS: How could I contradict that?

The CHAIRMAN: You said, "they say".

Mr. FLEMING: Can we get this far. Are you referring to the A & P evidence?

The CHAIRMAN: Yes.

Mr. FLEMING: The fact A & P say they can do it would not prove somebody else can do it.

The CHAIRMAN: No, but surely that is not the issue. What we are trying to do is to find out what is the cause of the recent rise in prices, and also to see if there cannot be a reduction in the price of bread. It may not be. We do not know, but we do have this evidence that A & P have done it. We accept that evidence. We will assess it in due course, we will give it objective treatment in so far as judgment is concerned, but we have now a witness who says it cannot be done. We are asking that witness why it cannot be done? He says, "I just do not see how it can be done." That is his only answer. I want to give Mr. Loftus a chance to say why it cannot be done.

Mr. HOMUTH: According to their cost accounting and their method of manufacturing he says it cannot be done. He cannot judge how A & P do it.

Mr. LOFTUS: I think I have already said that yesterday.

The CHAIRMAN: Any other questions?

Mr. HOMUTH: I should like to make a suggestion. We have spent a couple of weeks delving into the question of the cost of bread. These bakeries all make other products. I am informed by some of the bakery drivers that they sell their bread day after day, but they drop in the homes and if they can sell one or two cakes a week they have made their pay. We have been examining the cost of bread only whereas the making of cakes, doughnuts and everything else, enters into the whole baking business. I do not see how you can take one thing without going into the whole question of what the bakery does.

The CHAIRMAN: We may have to do that very thing.

Mr. LOFTUS: May I interject there?

The CHAIRMAN: Yes.

Mr. LOFTUS: I am afraid that if you do that you may have to pay more for your bread because these lines that you speak of do take care of a certain proportion of overhead.

Mr. HOMUTH: What we are here for, Mr. Chairman, is to find out why bread has gone up in price and why there is the high cost of living. We may find out that the cost of living is not high enough. I do not know. I have no idea, but the thing is that if we are going to investigate a matter for the public and give the public a true picture of it then we have got to go all the way.

The CHAIRMAN: We are going to give the public a true picture if it takes us till doomsday.

Mr. HOMUTH: You may not be far off.

The CHAIRMAN: And the public will appreciate it if the facts are brought out from all angles. That is what we are going to do. Are there any questions?

Mr. LESAGE: What is the price to the stores today in Toronto?

Mr. LOFTUS: In Toronto?

Mr. LESAGE: Yes, today.

Mr. LOFTUS: It is 11·5.

Mr. LESAGE: It is 11·5?

Mr. LOFTUS: Yes.

Mr. LESAGE: And your answer was 2½ cents margin to the retail store?

Mr. LOFTUS: Yes.

The CHAIRMAN: Are there any other questions? If not, Mr. Dyde will proceed with the next witness.

Mr. DYDE: There is just one point to clean up with reference to Canada Bread. We left undecided how many of these annual reports we would put in as an exhibit. The company kindly produced ten years, but I do not think reference has been made to more than 1947. I think it was left undecided.

The CHAIRMAN: It was decided yesterday to print 1947.

Mr. FLEMING: We did not decide how much of the printed report we were going to put in. There are actually three statements there. There is the consolidated balance sheet, the profit and loss statement, and—

The CHAIRMAN: I think 1947 is sufficient. We will have the others on hand.

Mr. FLEMING: And the consolidated earned surplus. Certainly there has been no reference made to anything else.

Mr. HOMUTH: We will have it for comparison anyway.

The CHAIRMAN: We will have 1947 and can keep the others on hand. Thank you, Mr. Loftus. I do not want you to think that we might not be seeing one another again.

Mr. LOFTUS: Oh, I think you are a lovely bunch of men.

Daniel F. Wilson, President, Christie's Bread Limited, sworn.

Lloyd I. Stormer, Vice-President and Secretary-Treasurer, Christie's Bread Limited, sworn.

Mr. DYDE: Mr. Wilson, would you give us your full name, please?

Mr. WILSON: Daniel F. Wilson.

Mr. DYDE: Your address?

Mr. WILSON: 202 King Street, East, Toronto.

Mr. DYDE: And your occupation?

Mr. WILSON: President, Christie's Bread Limited.

Mr. DYDE: Mr. Stormer, would you give us your full name?

Mr. STORMER: Lloyd I. Stormer.

Mr. DYDE: Your address?

Mr. STORMER: 202 King Street, East, Toronto.

Mr. DYDE: Your position with the company?

Mr. STORMER: Vice-President and Secretary-Treasurer.

Mr. DYDE: Mr. Wilson, I have asked you to bring before the committee certain information under a number of different headings, the headings being general information with regard to the company, financial statements, statistics as to bread sales, types of bread and production figures, and inventory figures. Have you those statements with you?

Mr. IAN WAHN: I act as counsel for Christie's Bread. Our clients have available the information requested by Mr. Dyde and will make available without question information relating to the cost of bread production.

With regard to financial statements, production figures and the formula for our bread, those perhaps may not be relevant. We have that information available and if required we, of course, will make it available, but Christie's Bread Limited is a private company and its financial statements are not of public record at the present time. The profit that it makes upon the items that it sells such as cake, Holland Rusk, and other matters is really not being investigated by this committee. The information requested by Mr. Dyde is available if the committee required it.

The CHAIRMAN: What is the wish of the committee?

Mr. LESAGE: The financial statement of the company; other companies have produced them.

The CHAIRMAN: Other companies have given their financial statements.

Mr. IRVINE: I am not so sure that the items mentioned by the counsel are not being investigated here. We are not so sure about that. We are investigating the high cost of living.

The CHAIRMAN: Quite.

Mr. IRVINE: That may include all of the things to which he has referred.

The CHAIRMAN: It will be clearly understood that where these matters are relevant we will get them.

Mr. DYDE: The same request was made of this company as was made of other bakery companies that have come before us.

Mr. JOHNSTON: Even other private bakeries?

Mr. DYDE: No, other baking companies. This is a private company. It is in a different position, but actually I did not know it was a private company until this morning.

Mr. FLEMING: Mr. Chairman, I think the point Mr. Irvine has taken is a point that we cannot avoid because, while we are not inquiring specifically into the sweet goods business, nevertheless it has had a bearing on the evidence received from other witnesses so far. We cannot close our eyes to it as an element in assessing the cost of making bread. The point taken by counsel also relates to the financial statement. We had this matter up before in connection with A & P and I do not believe we required A & P, because they were a private company—a wholly owned subsidiary of the A & P in the United States—to produce the statement. I do not think we dealt with the matter conclusively at that time. In any event we did not ask them to produce the statement. Since then, however, there has been a good deal of discussion and evidence by witnesses as to whether a true profit is or is not being made. There has been a good deal of controversy and while none of us wishes to embarass these companies, we require a good deal of information on the financial statement before we can arrive at proper conclusions. There has been so much controversy in the evidence as to whether these companies operate at a profit or not, in the matter of bread, that I think we will have to have the information.

The CHAIRMAN: There is no doubt about it. We cannot possibly fulfil our assignment without having the profit and loss statements.

Mr. FLEMING: We have had so much talk about A & P since they were here that it strikes me we are going to have to go back and ask for their statement, and certain information contained in it which we have not got.

The CHAIRMAN: Counsel will make a proposal tomorrow morning to the steering committee which that committee will bring back to the full committee.

We must have all that information but whether we get it at this moment is another point. We have to have the information.

Mr. WILSON: If it is the wish of the committee we will certainly make the information available.

Mr. DYDE: Well, Mr. Wilson, will you please make the information requested available to the committee?

Mr. WILSON: Yes.

Mr. STORMER: These are in groups, there are 25 of each and they will have to be sorted out.

Mr. DYDE: This will be exhibited as exhibit 46.

While these are being distributed, Mr. Wilson, may I ask you a few general questions. Your company was incorporated I think in January, 1941?

Mr. WILSON: Yes, sir.

Mr. DYDE: And your corporate set-up is 4,000 shares of common stock?

Mr. WILSON: Yes, sir.

Mr. DYDE: Par value $100, total capitalization $400,000?

Mr. WILSON: Right.

Mr. DYDE: And the stock is all held by you?

Mr. WILSON: The stock audit, the directors' voting stock is held by the parent company, the National Biscuit Company of New York.

Mr. DYDE: The company, Christie's Bread Limited, does not, I understand, sell bread house to house?

Mr. WILSON: That is correct.

Mr. DYDE: Will you please explain your sales? Do you sell to stores and institutions?

Mr. WILSON: We sell mainly to stores.

Mr. DYDE: Retail stores?

Mr. WILSON: Retail stores.

Mr. DYDE: You do sell to some institution?

Mr. WILSON: We would sell to the odd institution.

Mr. DYDE: And do you supply bread to any chain store?

Mr. WILSON: Yes, sir.

Mr. DYDE: To whom?

Mr. WILSON: We supply bread to Dominion Stores, Howell in Toronto; Carrol Stores down in the Hamilton peninsula; I think those are the three larger ones but there are a few smaller ones.

Mr. JOHNSTON: We cannot hear.

Mr. WILSON: Pardon me, we do have a couple of stores with A & P. We service two A & P stores.

Mr. DYDE: Where are they?

Mr. WILSON: In Toronto.

Mr. DYDE: I think you had better give the street address of those two stores of A & P?

Mr. WILSON: I do not know whether I can give the street addresses or not, I can give the location. One is on Eglinton near Dufferin.

The CHAIRMAN: Mr. Fleming's riding.

Mr. FLEMING: No, no, that is beyond the pale.

Mr. WILSON: One is a new store at Kingsway and Bloor Street West.

Mr. DYDE: Has Christie's Bread Limited any corporate connection with a flour mill?

Mr. WILSON: No, sir.

Mr. DYDE: There is no contract of any kind between Christie's Bread Limited and a milling company—I mean other than day to day sales?

Mr. WILSON: No, sir.

Mr. DYDE: No long-term contract for the purchase of flour?

Mr. WILSON: No, sir.

Mr. DYDE: The company was started in Toronto was it?

Mr. WILSON: That is right.

Mr. DYDE: And in 1941. Did it do business prior to that time in any other form?

Mr. WILSON: It had done business as the bread division of Christie-Brown Company. We entered the bread business on May 15, 1939.

Mr. DYDE: That was your first entry into the business in Toronto?

Mr. WILSON: That is right.

Mr. DYDE: Now, Mr. Wilson, there is a general question or two with reference to a meeting which this committee has heard about, held in September 1947. Do you recall being present at a meeting in the King Edward Hotel at which Colonel Ruttan was present?

Mr. WILSON: Yes, sir.

Mr. DYDE: And do you recall the date?

Mr. WILSON: I think that is approximately the date. I believe it was on a Monday.

Mr. DYDE: Do you recall whether you were there in the morning or in the afternoon?

Mr. WILSON: Well I would say it was around noon hour somewhere.

Mr. DYDE: Were you there for a meeting, away again, and back to a meeting in your recollection?

Mr. WILSON: I do not know whether we were or were not. It seems to me we had a meeting and broke up and then met again. It was just a continuation of the same meeting.

Mr. DYDE: Was there some other representative of Christie's Bread Limited there with you?

Mr. WILSON: No, sir.

Mr. DYDE: You were the only one representing Christie's?

Mr. WILSON: That is right.

Mr. DYDE: And you expressed yourself at that meeting on the question of the sale price of bread?

Mr. WILSON: I believe I did as far as our own operation was concerned.

Mr. DYDE: And what did you say? What was your stand?

Mr. WILSON: Well, in view of the price of flour going where it went, and so on, our cost, at the time the meeting was held, indicated that we needed at least 11 or 11½ cents—that is wholesale price.

Mr. DYDE: Yes.

Mr. WILSON: And that is what I indicated.

Mr. DYDE: And did you say what the selling price should be?

Mr. WILSON: I would not say I said what the selling price should be. I may have suggested.

Mr. DYDE: And if you suggested it, what price did you suggest?

Mr. WILSON: If I did suggest, I would have suggested 14 cents as a consumer price.

Mr. DYDE: Yes, and would it be fair to say you probably did suggest 14 cents as a consumer price?

Mr. WILSON: I would think that is fair to assume that I did.

Mr. DYDE: When, in fact, did Christie's Bread increase its price following that meeting?

Mr. WILSON: I believe it was on the 18th.

Mr. DYDE: On the 18th?

Mr. WILSON: Yes.

Mr. DYDE: And is there any reason for it being September 18? Is there any reason for it not being the 17th or the 19th?

Mr. WILSON: Well, as far as we are concerned, we could not have done it any faster than that.

Mr. DYDE: You raised the price as fast as possible after that meeting?

Mr. WILSON: After we decided to raise it.

Mr. DYDE: And you decided to raise it finally at the meeting?

Mr. WILSON: No, sir.

Mr. DYDE: When did you finally decide to raise it?

Mr. WILSON: We finally decided to raise it after we got back to the office.

Mr. DYDE: On the same date?

Mr. WILSON: On the same day, yes.

Mr. DYDE: And you raised it to what price?

Mr. WILSON: We raised to 11 cents.

Mr. DYDE: And the retail price—the consumer price, was what?

Mr. WILSON: I believe they suggested 13 cents as the consumer price.

Mr. FLEMING: I did not catch that. "They suggested—"

Mr. WILSON: I believe the suggested retail price was 13 cents.

Mr. MERRITT: You do not sell any retail?

Mr. WILSON: No.

Mr. LESAGE: The price you did suggest to the retailers was—

Mr. WILSON: 13 cents.

Mr. LESAGE: 13 cents?

Mr. WILSON: At that time.

Mr. LESAGE: Yes?

Mr. WILSON: Yes.

Mr. DYDE: Now, Mr. Squair, in his evidence before the committee at I think it is page 406, indicated to the committee that the selling price of your bread to the retailer was reduced on September 25?

Mr. WILSON: That is correct.

Mr. DYDE: Was that a special reduction to Dominion Stores only?

Mr. WILSON: No, sir.

Mr. DYDE: Was it given to all your customers?

Mr. WILSON: That is right.

Mr. DYDE: And why was the reduction made?

Mr. WILSON: Competition forced us to make that reduction.

Mr. DYDE: How much of a reduction was made?

Mr. WILSON: One-half cent.

Mr. DYDE: Did you receive any representations from any organization of retailers prior to making that reduction?

Mr. WILSON: Yes, I believe we did.

Mr. DYDE: Who came to see you?

Mr. WILSON: No one came to see me, I received a telephone call.

Mr. DYDE: From whom did you receive the telephone call?

Mr. WILSON: I believe it was Mr. Christensen of the Retail Merchants Association.

Mr. DYDE: Is that Mr. George Christensen?

Mr. WILSON: That is Mr. George Christensen. He is not the only one who called. We had hundreds of those.

Mr. DYDE: You had other calls on the telephone?

Mr. WILSON: Yes.

Mr. DYDE: Can you remember who else called you?

Mr. WILSON: No, I could not.

Mr. DYDE: You just remember Mr. George Christensen?

Mr. WILSON: Well, you could not help remembering him.

The CHAIRMAN: That is a fairly apt description of a very estimable gentleman.

Mr. DYDE: The effect of this reduction in selling price on September 25 was to increase the margin between the retail selling price and the cost from 2 cents to 2½ cents for the smaller stores; is that correct?

Mr. WILSON: It was to allow the grocer the mark-up he felt he needed.

Mr. DYDE: Am I being fair in talking about the smaller stores, because I think there is a difference. The stores with a smaller trade got one margin and the stores with the larger trade got another; is that not correct?

Mr. WILSON: You are speaking now of the volume discounts, I presume?

Mr. DYDE: Yes.

Mr. WILSON: Well, if they did less than $130 a month, they did not get the 5 per cent.

Mr. DYDE: And if they did more than that per month?

Mr. WILSON: $130 or more, they got the 5 per cent discount.

Mr. DYDE: Now, until the exhibit comes, I want to skip to another matter, Mr. Wilson. When did you enter the Montreal field?

The CHAIRMAN: I am sorry, we have to go to vote, now.

Mr. FLEMING: Could these documents be marked as an exhibit now?

EXHIBIT No. 46: Statement of Christie's Bread Limited.

(Exhibit 46)

CHRISTIE'S BREAD, LIMITED

Incorporated January, 1941, Ontario, private company, 4,000 shares common stock, $100.00 par value, or capital—$400,000. Stock, other than directors' voting stock, all held by parent company, National Biscuit Company, New York.

Profits have been retained since July, 1945, and have been used for improved operations. This has had the effect of increasing capital employed in the business.

The company rents manufacturing space in Toronto from Christie, Brown and Company, Limited.

Until July 1, 1947, the company's sole production was bread, rolls, iced buns, and Holland rusk. On July 1, 1947, Christie's Bread, Limited, purchased from Christie, Brown and Company, Limited, cake assets at net book value. For true comparison purposes cake sales and profits since July 1, 1947, have been shown separately. See Exhibits "1" and "2".

Directors are as follows: Charles E. Edmonds, Chairman; George St. L. McCall, Lloyd I. Stormer, Daniel F. Wilson, Stanley H. Young.

Officers are as follows: Daniel F. Wilson, President; Lloyd I. Stormer, Vice-President and Secretary-Treasurer; Herbert Romani, Vice-President—Purchasing; Calvin E. Hartline, Assistant-Secretary; John D. Rohring, Assistant-Treasurer.

Counsel: Borden, Elliot, Kelley, Palmer & Sankey.

Auditors: P. S. Ross & Sons.

(Exhibit "A")

CHRISTIE'S BREAD, LIMITED

Comparative Interim Balance Sheet

ASSETS	December, 1946		December, 1947	
Current Assets	$ cts.	$ cts.	$ cts.	$ cts.
Cash on hand	33,493 75		117,318 66	
Time accounts	200,993 99		176,778 07	
		234,487 74		294,096 73
Accounts rec.—Sundry	437 65		125 19	
Accounts rec.—Trade	6,240 98		15,625 10	
		6,678 63		15,750 29
Dom. of Can. Vic. Bonds		125,000 00		
Manufactured stock	64 72		13,182 65	
Raw material	61,613 41		69,645 87	
Package material	26,421 26		57,333 42	
Mfg. exp. inventory	374 81		934 64	
Less—Inv. disc. res	−20 34		−4,378 40	
		88,453 86		136,718 18
Total Current Assets		454,620 23		446,565 20
Excess prof. tax rec		23,696 61		23,696 61
Fixed Assets				
Land	21,000 00		25,500 00	
Buildings	84,432 71		121,932 71	
Building equipment	.....		5,000 00	
Furniture and fixtures	324 25		4,989 37	
Machinery and equip	297,394 09		509,764 54	
Motor trucks	118,665 74		180,987 58	
	521,816 79		848,174 20	
Less—Res. for deprec	418,642 93		625,621 93	
Total fixed assets		103,173 86		222,552 27
Deferred charges		6,836 03		12,115 47
		588,326 73		704,929 55

LIABILITIES

Current Liabilities

Accounts payable	33,621 48		53,705 28	
Res. for Prov. corp. tax	.....		500 00	
Res. for Prov. inc. tax	.....		7,850 00	
Total Accounts Payable		33,621 48		62,055 28
Res. for Dom. inc. tax		28,188 99		69,395 60
Total Current Liabilities		61,810 47		131,450 88
Reserve for insurance		11,730 21		13,779 33
Christie, Brown & Co. Inter-Co. Account		27,554 58		
Common Stock				
Authorized 6,000 shares				
Issued outstanding 4,000 shares		400,000 00		400,000 00
Profit or Loss				
Surplus first of year	37,635 02		87,231 47	
Profits for period	179,501 28		247,022 14	
	217,136 30		334,253 61	
Less				
Depreciation	68,314 44		87,200 24	
Dom. income tax	61,590 39		87,354 03	
	129,904 83		174,554 27	
Surplus to date		87,231 47		159,699 34
		588,326 73		704,929 55

(Exhibit "A"—Supl. 1)

Consolidated Income and Earned Surplus

	For Year 1946		For Year 1947	
	$ cts.	$ cts.	$ cts.	$ cts.
Sales		2,093,184 55		3,366,901 02
Cost of sales	1,442,738 11		2,379,217 42	
Selling, general and admin. expenses	449,699 87		680,886 02	
Depreciation	2,114 44		45,775 24	
Taxes (Other than income taxes)	24,654 93		46,155 39	
		1,969,207 35		3,152,034 07
Income from operations		123,977 20		214,866 95
Other income		3,409 64		1,879 95
Total		127,386 84		216,746 90
Prov. for inc. taxes		61,590 39		102,854 03
Net earnings for the year		65,796 45		113,892 87
Accelerated depreciation on buildings		16,200 00		41,425 00
Balance to surplus		49,596 45		72,467 87

(EXHIBIT "1")

CHRISTIE'S BREAD, LIMITED

BREAD OPERATIONS

(Includes Profit on Bread, Rolls, Iced Buns, and Holland Rusk)

Year	Bread Sales	Net profit bread (Before Fed. Income Tax)	Percent to Sales
	$ cts.	$ cts.	
1939	202,708 00	−3,525 15	−1·74
1940	651,907 09	38,321 31	5·88
1941	1,027,533 65	40,470 79	3·94
1942	1,389,781 97	97,637 30	7·03
1943	1,475,935 32	83,098 19	5·63
1944	1,497,895 33	96,555 78	6·45
1945	1,728,398 29	86,691 83	5·02
1946	1,974,509 91	98,741 79	5·00
January 1947	168,236 80	7,795 98	4·63
February "	160,293 02	6,999 16	4·37
March "	174,557 27	3,724 55	2·13
April "	171,233 51	4,114 43	2·40
May "	192,363 71	3,367 77	1·75
June "	189,685 83	−3,445 91	−1·82
July "	202,818 36	176 69	·09
August "	207,758 90	2,425 46	1·17
September "	222,190 02	6,937 96	3·12
October "	267,194 00	*14,861 72	5·56
November "	250,958 33	3,088 71	1·23
December "	278,822 70	9,978 98	3·58
Total 1947	2,486,112 45	60,025 50	2·41
January 1948	278,472 88	12,647 08	4·54

Bread profits	1,695	Less flour	6,568	Add lard	2,413	2,460 Loss
Iced Buns profits	8,151	Less flour	225	Add lard	510	8,436 Profit
Rolls profits	2,639	Less flour	396	Add lard	240	2,483 Profit
Rusks profits	2,376	Less flour	96	Add lard		2,280 Profit
	14,861		7,285		3,163	10,739 (A)

*—Loss.
(A)—Profits adjusted to current prices.

(EXHIBIT "2")

CHRISTIE'S BREAD, LIMITED

CAKE OPERATIONS

Year	Cake Sales	Net profit cake (Before Fed. Income Tax)	Percent to sales
	$ cts.	$ cts.	
1939	1,061,903 78	107,921 71	10·17
1940	1,104,096 86	87,743 88	7·95
1941	1,225,622 49	90,143 80	7·35
1942	1,279,901 21	122,182 74	7·35
1943	1,351,107 36	163,061 77	12·07
1944	1,425,513 20	149,510 31	10·49
1945	1,428,625 26	123,513 30	8·65
1946	1,531,064 82	129,276 71	8·44
January 1947	128,563 03	8,242 52	6·41
February "	119,631 40	9,721 61	8·13
March "	142,826 18	10,357 96	7·25
April "	148;175 11	17,993 74	12·14
May "	155,508 57	15,727 50	10·11
June "	147,613 90	17,136 79	11·61
July "	152,812 85	14,636 85	9·58
August "	136,249 46	9,121 67	6·69
September "	135,781 64	8,853 21	6·52
October "	155,833 11	17,212 90	11·05
November "	178,511 17	22,040 12	12·35
December "	168,736 35	16,074 13	9·53
Total 1947	1,770,242 77	167,119 00	9·44
January 1948	143,167 06	14,375 04	10·04

(EXHIBIT "3")

CHRISTIE'S BREAD, LIMITED

—	August 1947	September 1947	October 1947	November 1947	December 1947	January 1–23 1948	January 24–31 1948	February 25 1948
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Costs per 1,000 loaves:—White unsliced Bread—								
Raw materials	41 91	64 51	61 01	62 73	61 48	59 82	59 82	*61 36
Direct manufacturing labour	7 32	7 48	7 51	7 36	7 90	8 10	8 10	8 10
Warehousing—Sundry, repairing and replacing, power, light and heat	4 56	4 35	4 22	4 49	4 36	4 36	4 36	4 36
Supervision	0 29	0 35	0 32	0 29	0 34	0 35	0 35	0 35
Package materials	4 74	4 70	4 83	4 83	5 16	5 23	5 23	5 23
Overhead expense	2 00	3 20	2 40	2 01	2 00	2 14	2 14	2 14
Shipping expense	1 02	1 82	1 82	1 40	1 47	1 58	1 58	1 58
Total manufacturing cost	61 84	86 41	82 11	83 11	82 71	81 58	81 58	83 12
100% wholesale selling value	80 00	105 00	105 00	105 00	105 00	105 00	115 00	115 00
Bakery net on selling value	18 16	18 59	22 89	21 89	22 29	23 42	33 42	31 88
Selling costs: Per 1,000 loaves—								
Selling salary and expense	8 35	9 76	9 61	9 78	9 69	9 80	10 73	10 73
Trade delivery	7 23	7 17	7 45	7 24	7 59	7 74	7 74	7 74
Advertising, rent, taxes, management, etc.	3 55	3 55	3 50	3 55	3 56	3 65	3 65	3 65
Trade discount	1 22	1 70	1 50	1 49	1 64	1 65	1 81	1 81
Total selling expense	20 35	22 18	22 06	22 06	22 48	22 84	23 93	23 93
Net before taxes, 1,000 loaves	−2 19	−3 59	0 83	−0 17	−0 19	0 58	9 49	7 95
% Profit or loss on selling price	−2·74%	−3·42%	0·79%	−0·16%	−0·18%	0·55%	8·25%	6·91%

* Change in formula. — Loss,

(EXHIBIT "4")

CHRISTIE'S BREAD, LIMITED

(Christie's White Sliced Bread)

—	November 1947	December 1947	January 1948	February 25, 1948
	$ cts.	$ cts.	$ cts.	$ cts.
Cost per 1,000 Loaves—				
Raw materials	62 73	61 48	59 82	61 36*
Direct labour	7 36	7 90	8 10	8 10
Warehouse—Sundry, maintenance, power, light and heat	4 49	4 36	4 36	4 36
Supervision	0 29	0 34	0 35	0 35
Package material	8 07	7 81	7 78	7 78
Overhead expense	2 01	2 00	2 14	2 14
Shipping	1 40	1 47	1 58	1 58
Total manufacturing expense	86 35	85 36	84 13	85 67
100 per cent wholesale selling value	120 00	120 00	120 00	120 00
Profit before selling expense	33 65	34 64	35 87	34 33
Selling cost per 1,000 loaves—				
Selling salary and expense	11 17	11 08	11 20	11 20
Trade delivery	7 24	7 59	7 74	7 74
Advertising, rent, taxes, and management	3 56	3 60	3 69	3 69
Trade discount	1 70	1 87	1 88	1 88
Total Selling	23 67	24 14	24 51	24 51
Net, before taxes—1,000 loaves	9 98	10 50	11 36	9 82
Per cent	8·32	8·75	9·47	8·18

* Change in formula.

(EXHIBIT "5")

—	Aug. 1939	Aug. 1946	Aug. 1947	Sept. 18, 1947	Sept. 24, 1947	Nov. 1947	Jan. 1948
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Selling price of bread (wholesale)	0 08	0 08	0 08	0 11	0 10½	0 10½	0 11½
Raw material and package cost—							
(a) Flour per bag (98 lbs.)	1 38	1 97	1 92	3 95	3 95	3 86½	3 59
Condensed milk (cwt.)	5 00	8 25	10 25	10 25	10 25	10 75	10 75
Milk powder (cwt.)	6 02	12 50	12 50	12 50	12 50	12 50	12 50
Lard (cwt.)	7 00	16 00	21 50	21 50	21 50	21 50	21 50
Bread wrappers (cwt.)	.....	13 10	15 90	15 90	15 90	16 80	16 80
Bread containers (M)	.....	149 00	170 00	170 00	170 00	184 00	187 00
Wages—Manufacturing—							
Ovenmen ..... per hour	0 38	0 75	0 83	0 83	0 83	0 83	0 83
Relief men ..... "	0 38	0 78	0 86	0 86	0 86	0 86	0 86
Bakers helpers ... "	0 38	0 73	0 81	0 81	0 81	0 81	0 81
Mixers ..... "	0 42	0 77	0 85	0 85	0 85	0 85	0 85
Wages—Shipping—							
(Bread shippers)							
Foreman ..... per week	33 00	47 00	52 00	52 00	52 00	52 00	52 00
Shippers ..... "	15 00	35 00	38 84	38 84	38 84	38 84	38 84
Shippers helpers .. "	15 00	29 50	31 34	31 34	31 34	31 34	31 34
Wages—Office—							
Ass't. office manager ..... per week	30 00	39 00	44 50	44 50	44 50	44 50	44 50
Cage cashier ..... "	20 00	32 00	42 00	42 00	42 00	42 00	42 00
Settlement clerk ... "	18 00	29 00	38 00	38 00	38 00	38 00	38 00
Ledger clerk ..... "	18 00	37 00	42 50	42 50	42 50	42 50	42 50
Gen. clerks ..... "	14 00	28 00	33 50	33 50	33 50	33 50	33 50
Prod. clerk ..... "	20 00	32 00	42 00	42 00	42 00	42 00	42 00
Salesmen—Aver. per month ..	196 00	261 00	278 00	294 00	294 00	313 00	335 00
Aver. sales per salesman—Month	1,970 00	3,200 00	3,600 00	3,876 00	3,876 00	4,168 00	4,520 00

(a) Flour: Sept. and Oct.—$7.85: Nov. 1—7.75$: Nov. 12—$7.65: Nov. 26—$7.50: Dec. 10—$7.45: Dec. 24—$7.40: Dec. 31—$7.30: Jan. 7—$7.25: Jan. 14—$7.10: Feb. 11—$6.95.

(EXHIBIT "6")

CHRISTIE'S BREAD, LIMITED

—	1939	1946	1947	1948
	$	$	$	$
(A) Rounders, Baker-Perkins—60 inch	1,380	1,504	1,733	1,925
(A) Dividers, Baker-Perkins—8 pocket	4,725	5,150	5,787	6,430
(A) Peterson oven—31 tray, single unit—7′ x 24″	17,700	22,065	26,875	26,875
(A) Wrapping machine	5,420	6,100	7,500	8,000
(B) Motor trucks	1,560	2,186	2,390	2,640
Building	5·00 sq. ft.			7·75 sq. ft.

(A) All shown in U.S. funds for comparison purposes.
(B) Trucks of comparable capacity.

The purpose of supplying the above information is to bring out the high cost of replacement of capital equipment. Approximately 80 per cent of the original equipment is obsolete and practically worn out. The specific equipment we refer to originally cost $270,000. Replacement will cost approximately $410,000.

Present motor fleet cost $180,000. Replacements will cost approximately $300,000.

While we are leasing manufacturing space at present in Toronto, we plan to erect a streamlined bakery in the near future.

(EXHIBIT "7")

CHRISTIE'S BREAD, LIMITED

LOAVES OF BREAD PRODUCTION IN RELATION TO TOTAL BREAD DIVISION

(Bread Division—Bread, Rolls, Iced Buns, Holland Rusk)

—	Total	Bread only	Per cent bread to total	Memo rolls	Memo iced buns	Holland rusk
	$	$		$	$	$
1947—						
January	194,703	141,215	72·53	19,834	17,144	16,510
February	179,151	125,221	69·90	17,180	18,641	18,109
March	185,710	130,022	70·01	16,868	20,347	18,473
April	187,302	133,445	71·25	17,755	21,266	14,836
May	203,575	145,567	75·68	21,818	24,952	11,238
June	201,004	144,116	71·70	23,038	23,640	10,210
July	216,039	156,622	72·50	27,886	24,932	6,599
August	210,361	152,016	72·26	29,152	24,068	5,125
September	233,512	172,305	73·79	26,147	25,963	9,097
October	287,734	207,329	72·40	25,184	36,663	17,558
November	273,583	199,723	73·00	21,560	28,897	23,403
December	291,591	233,569	80·10	19,923	28,741	9,358
Total	2,664,265	1,942,150	72·90	266,345	295,254	160,516
1948—						
January	279,936	232,762	83·15	19,615	26,712	847

1947	White sliced	Per cent	White unsliced	Per cent	White sandwich	Per cent	Whole wheat	Per cent	Whole wheat sandwich	Per cent	Whole wheat sliced	Per cent	Total pounds
January			1,857,060	69·94	533,154	20·08	219,139	8·25	45,847	1·73			2,655,200
February			1,645,329	69·78	473,390	20·08	197,861	8·39	41,185	1·75			2,357,765
March			1,706,042	69·70	494,949	20·22	202,958	8·29	43,852	1·79			2,447,801
April			1,745,536	69·56	506,982	20·20	211,709	8·44	45,222	1·80			2,509,449
May			1,896,825	69·27	552,642	20·18	238,613	8·71	50,351	1·84			2,738,431
June			1,875,033	69·07	549,537	20·24	240,324	8·85	49,701	1·83			2,714,595
July			2,073,026	70·35	573,901	19·48	249,976	8·48	49,659	1·68			2,946,562
August			2,010,130	70·23	553,263	19·33	248,041	8·66	50,797	1·77			2,862,231
September			2,001,976	70·63	551,971	19·47	232,486	8·20	48,125	1·70			2,834,55
October			2,090,359	69·88	600,318	20·07	240,161	8·03	60,474	2·02			2,991,312
November	222,124	7·84	1,728,729	60·99	594,080	20·96	210,232	7·42	79,029	2·79	27		2,834,221
December	821,793	25·31	1,495,963	46·08	637,958	19·65	211,264	6·51	79,262	2·44	156		3,246,396
1948													
January	1,046,366	33·12	1,262,392	39·96	568,387	17·99	200,292	6·36	76,273	2·41	4,680	0·16	3,159,090
February	1,140,044	41·71	920,494	33·67	424,468	15·53	170,673	6·24	64,419	2·36	13,382	0·49	2,733,480

CHRISTIE'S BREAD, LIMITED

WEEKLY PRODUCTION

Week Ending	Unsliced			Sliced		Total Loaves
	Wholesale Price	Regular loaves	Sandwich loaves	Wholesale price	Number of loaves	
	cts.			cts.		
Sept. 6	8	329,342	81,545			410,887
13	8	340,009	92,110			432,119
(Eff. Sept. 18)	11					
20	11	337,699	90,723			428,422
(Eff. Sept. 25)	10½					
27	10½	351,158	95,623			446,781
Oct. 4	10½	357,918	95,204			534,122
11	10½	382,512	104,811			487,323
18	10½	308,060	82,402			390,462
25	10½	329,511	100,066			429,577
Nov. 1	10½	338,660	103,842			442,502
8	10½	338,525	106,481			445,006
15	10½	336,597	106,049	(Eff. Nov. 17)		442,646
22	10½	295,266	107,067	12	48,452	450,787
29	10½	251,567	105,007	12	98,557	455,131
Dec. 6	10½	252,155	105,188	12	109,490	466,833
13	10½	247,874	104,982	12	116,247	469,103
20	10½	248,518	103,885	12	124,603	477,069
27	10½	212,340	89,092	12	107,784	409,216
Jan. 3	10½	242,445	101,630	12	128,920	472,995
10	10½	231,092	96,731	12	159,869	487,692
17	10½	225,518	100,024	12	154,550	480,092
24	10½	217,630	97,447	12	158,940	474,017
(Eff. Jan. 26)	11½					
31	11½	203,538	94,429	12	172,004	470,016
Feb. 7	11½	194,858	87,500	12	183,482	465,840
14	11½	180,007	79,188	12	189,541	448,736
21	11½	170,391	72,431	12	180,662	423,484
28	11½	168,010	77,085	12	203,345	448,440

(EXHIBIT "10")

CHRISTIE'S BREAD, LIMITED

Christie's Regular White Bread

Formula run September, 1947—	
Flour	100 —
Water	69 —
Yeast food	— 3½
Wytase	1 —
Yeast	1 — 13
Salt	2 — 8
Sugar	4 —
Milk solids	4 — 8
Lard	3 —
Mycoban	None
Formula run December, 1947—	
Flour	100 —
Water	70 — 8
Yeast food	— 3½
Wytase	1 —
Yeast	1 — 13
Salt	2 — 8
Sugar	4 — 8
Milk solids	4 — 8
Lard	3 —
Mycoban	None
Formula run February, 1948—	
Flour	100 —
Water	72 —
Yeast food	— 3½
Wytase	1 —
Yeast	1 — 13
Salt	2 — 8
Sugar	5 —
Milk solids	5 —
Lard	3 — 8
Mycoban	None

The committee adjourned.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 21

WEDNESDAY, MARCH 10, 1948

WITNESSES:

Mr. D. F. Wilson, President, Christie's Bread Limited, Toronto.

Mr. Lloyd I. Stormer, Vice-President and Secretary-Treasurer, Christie's Bread Limited, Toronto.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

WEDNESDAY, March 10th, 1948.

The Special Committee on Prices met at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, McCubbin, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

The Chairman presented a report from the Steering Committee as recorded in the Minutes of Evidence.

Mr. D. F. Wilson, President, and Mr. Lloyd I. Stormer, Vice-President and Secretary-Treasurer, Christie's Bread Limited, Toronto, were recalled and further examined.

At 6.05 p.m., witnesses retired and the Committee adjourned until Thursday, March 11, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
March 10, 1948.

The Special Committee on Prices met this day at 4.00 p.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: The meeting will come to order. The steering committee met this afternoon and it was agreed to call the members of this committee into executive session tomorrow or Friday. Counsel and our accountant will be in attendance and several matters will be dealt with—matters which the steering committee considers should be discussed with the full committee, having to do with certain phases of our inquiry and certain things which we have in mind.

Mr. IRVINE: The committee will meet at the regular hour?

The CHAIRMAN: The committee will meet at the regular hour and the chair will decide when the executive session will start. The committee has also agreed that the Governor of the Bank of Canada, Mr. Graham Towers, shall be called immediately after the inquiry into butter, which inquiry will not now likely commence until at least Monday.

Would you proceed, Mr. Dyde?

Daniel F. Wilson, President Christie's Bread Limited, recalled:

Lloyd I. Stormer, Vice-President and Secretary-Treasurer, Christie's Bread Limited, recalled:

Mr. DYDE: Mr. Wilson, I am still dealing with some general questions and not with special reference to the exhibit, No. 46. I think at the hour of adjournment yesterday I had asked you a question which you did not answer owing to the adjournment. I asked you when Christie's Bread entered the Montreal field?

Mr. WILSON: On March 1.

Mr. DYDE: 1948?

Mr. WILSON: 1948, yes.

Mr. DYDE: And would you please say how you proposed to enter that field—that is by what method as to cost, or as to prices?

Mr. WILSON: We made a survey of the Montreal market and the result of the survey showed that bread retailed at anywhere from 10 to 15 cents, 10 to 14 cents unsliced, and 10 to 15 cents sliced, so we figured that as far as we were concerned we would enter the market at 12 cents sliced or unsliced. The reason for adopting the one price was that our experience in Toronto had showed us the consuming public preferred sliced bread and we felt that within a short period of time it would be all sliced bread. Therefore we entered the market at 12 cents, and the retailer would get 14 cents.

Mr. DYDE: That is for sliced bread, and at what price did you enter the market for unsliced bread?

Mr. WILSON: 12 cents.

Mr. DYDE: 12 cents for both the sliced and unsliced bread?

Mr. WILSON: That is correct.

Mr. DYDE: And is that above or below the general prevailing margin?

Mr. WILSON: It would be ½ a cent above our unsliced loaf in Toronto and ½ a cent below our sliced loaf, or rather the same as our sliced loaf in Toronto, pardon me. It would be a ½ cent less than the prevailing top price in the Montreal market.

Mr. DYDE: And do you know what the prevailing margin was between the wholesale and retail price at that time in Montreal?

Mr. WILSON: Well I cannot say definitely. It is all hearsay but anywhere from 1 cent to 1½ cents, that is aside from any discounts there may have been.

Mr. DYDE: You examined the position pretty carefully though before you went in there, did you not?

Mr. WILSON: I would say we did.

Mr. DYDE: So your estimate is probably quite accurate?

Mr. WILSON: I would say it is reasonably accurate.

Mr. DYDE: Would you say, or do you say that the margin that was available to the retailer previously was too low or too small?

Mr. WILSON: Well, not being a retailer, that would be a matter of opinion.

Mr. DYDE: You would not wish to say what your opinion was?

Mr. WILSON: No, I would not.

Mr. DYDE: Now in connection with the sale in Toronto, Mr. Wilson, we have had evidence here from Mr. Arnold of Pickering Farms that a driver from Christie's, on January 26, very coldly announced that the price of bread had increased, that it would cost Arnold 11½ cents, and that Arnold would retail it at 14 cents. Was the price of bread to all your customers increased by 1 cent on January 26?

Mr. WILSON: That is correct.

Mr. DYDE: It was also said by Mr. Arnold, in evidence, that the other drivers who called that day had not increased their price. Is it fair to say that Christie's Bread was the first company to increase the price in Toronto in January 1948?

Mr. WILSON: As near as I know I would say that is pretty near correct.

Mr. DYDE: You do not know of any other bakery that had increased their price previously?

Mr. WILSON: I have no definite proof that they did and I think at that time we were the only ones.

Mr. DYDE: Yes, and when you increased the price on the 26th of January had you any sort of information from the other baking companies that they would follow suit?

Mr. WILSON: No, sir.

Mr. DYDE: There was no discussion with them beforehand as to the price?

Mr. WILSON: Aside from the fact that I made a blunt statement to Colonel Ruttan, which I believe you are familiar with, that we were increasing our price by 1 cent commencing the 26th.

Mr. DYDE: Yes, and I told you just now, what the effect of Mr. Arnold's evidence was. Had you read reports of Mr. Arnold's evidence before coming here?

Mr. WILSON: Yes, sir.

Mr. DYDE: Did you make inquiries to find out whether your driver did that?

Mr. WILSON: Well I made inquiries—I think I made inquiries before Mr. Arnold was on the stand here—as to why we lost the account.

Mr. DYDE: Did you lose the account?

Mr. WILSON: Yes, sir.

Mr. DYDE: And have you been selling Arnold since then?

Mr. WILSON: Yes sir, we resold the next day.

Mr. DYDE: And did you go to see Mr. Arnold?

Mr. WILSON: No, sir.

Mr. DYDE: Do you know whether any responsible officers of the company went to see Arnold?

Mr. WILSON: Yes, I believe we had our sales manager see Mr. Arnold.

Mr. DYDE: Who was that?

Mr. WILSON: I think it was Mr. Blaine.

Mr. DYDE: Did he make a report to you?

Mr. WILSON: Yes, sir.

Mr. DYDE: What was his report?

Mr. WILSON: His report was that he had spoken to Mr. Arnold and Mr. Arnold maintained that he was still going to retail our bread at 13 cents.

Mr. DYDE: Yes, and did you take any action thereafter?

Mr. WILSON: No, sir.

Mr. DYDE: None at all?

Mr. WILSON: None.

Mr. DYDE: And you started to sell again to Mr. Arnold at once?

Mr. WILSON: Yes.

Mr. DYDE: And you have done so ever since?

Mr. WILSON: That is correct.

Mr. JOHNSTON: At the same price? Or at 1 cent increased price?

Mr. WILSON: At 1 cent increased price.

Mr. DYDE: Have you ever in any instance refused to supply a retailer who refused to resell at the 14-cent price?

Mr. WILSON: No, sir.

Mr. DYDE: Now I am coming to exhibit 46 and I have one or two questions.

Mr. IRVINE: Before you leave this could I ask a question here? Would you mind?

Mr. DYDE: No.

Mr. IRVINE: I would like to ask, Mr. Chairman, why it was that the witness informed Colonel Ruttan of the intention to raise the price of bread?

Mr. WILSON: What was that again?

Mr. IRVINE: What was your reason for informing Colonel Ruttan of your intention to raise the price of bread and you have just admitted that you did so?

Mr. WILSON: I had no particular reason, we were carrying on a conversation in my office and I just made the statement.

Mr. IRVINE: Did you think Colonel Ruttan might call the other bakers and inform them of your decision?

Mr. WILSON: I did not know whether he would or not.

Mr. IRVINE: Were you not interested at all?

Mr. WILSON: Not to any particular point, no.

Mr. IRVINE: Would it not have been to your interest to be sure about that?

Mr. WILSON: Not necessarily.

Mr. IRVINE: Well, would Christie's have been able to sell their bread at 14 cents if the other bakers had continued to sell at 13 cents?

Mr. WILSON: I think we would have.

Mr. HARKNESS: Just a moment there, you do not sell at retail at all do you?

Mr. WILSON: No, sir.

Mr. IRVINE: I mean the price of bread that was sold or retailed at that price—

Mr. WILSON: You mean if the retailer charged 14 cents for our bread as against 13 cents for others?

Mr. IRVINE: Yes.

Mr. WILSON: Would we have stepped our price up? We most certainly would because our cost cards indicated—

Mr. IRVINE: Well do you agree with the evidence that has been given here on several occasions that when the price of bread is lowered by any bakery that other bakeries are compelled by competition to meet that price. I am talking about lowering—

Mr. HOMUTH: Now Mr. Chairman, just a moment. The people who gave that evidence gave it for their individual firms and they did not give it for the general baking industry. I do not think that—

The CHAIRMAN: That is not the impression I have, Mr. Homuth, as to the evidence.

Mr. HOMUTH: I think the Canada Bread Company and the other companies said that if bread was knocked down in price by someone they would follow suit as individuals. Now I do not think any answer—

Mr. IRVINE: I can easily get the answer another way.

Mr. MAYBANK: That does not make a difference in one way. Mr. Irvine could ask whether the witness agrees with such a statement, or whether Mr. Irvine is correctly stating the evidence that has been given.

Mr. IRVINE: Do you agree with the view that has been expressed here that when a baker, say of the significance of Christie's, lowers their price that other bakers in competition are bound to follow?

Mr. WILSON: Well all I can give you is our own opinion as to what we would do. As already stated we are strictly a wholesale company and we try to keep a healthy condition in existence as far as our own particular company is concerned, and, if we could afford to lower the price, we would lower the price regardless of the other fellow; but if it is necessary due to rising costs to raise the price, we would raise our price regardless of the other fellow.

Mr. IRVINE: Well, no it does not. Is there any competition among the bakeries?

Mr. WILSON: Sure there is competition.

Mr. IRVINE: There is some competition?

Mr. WILSON: Oh, definitely.

Mr. IRVINE: Do you want us to believe then that another company can sell presumably the same kind of loaf and the same grade of loaf for a cent less than your loaf is being sold and you can still go on doing business?

Mr. WILSON: We are doing it now in the face of 10, 11 and 12-cent bread.

Mr. IRVINE: Then there is no competition which you have to meet of any consequence, is there?

Mr. WILSON: Oh yes there is, and there is the choice of the consuming public.

Mr. IRVINE: They choose the dearer loaf rather than the cheaper one?

Mr. HOMUTH: No, now wait—

Mr. IRVINE: There must be some exercise of choices there.

Mr. HOMUTH: There is exercise of choice but it is not a matter from the standpoint of price it is a matter of what they want.

Mr. IRVINE: Did you have any fear at all when you raised your price that the other companies would not follow?

Mr. WILSON: No, sir.

Mr. IRVINE: You did not care?

Mr. WILSON: I got to the point where we did not worry about whether they did or whether they did not, we knew we had to.

Mr. DYDE: Mr. Chairman, I have one or two questions with regard to Exhibit 46.

Mr. JOHNSTON: Mr. Chairman, before you leave this—

The CHAIRMAN: Do you mind letting Mr. Dyde proceed, Mr. Johnston?

Mr. JOHNSTON: If he is going on to another phase of this.

The CHAIRMAN: He is going on to another phase which is rather important. If you would let him go ahead, if you don't mind.

Mr. DYDE: This is very close to the type of questions Mr. Irvine asked, and when I have concluded questioning will be open. Mr. Wilson, would you look at Exhibit 46, please turn to page 9—I think you call it Exhibit 9—

Mr. WILSON: Page 9 would be all right.

Mr. DYDE: Yes, and some way down the page you give your weekly production for the week ending January 31—do you see that line?

Mr. WILSON: Yes, sir.

Mr. DYDE: And at the end of that line there is the figure 470,016.

Mr. WILSON: Yes, sir.

Mr. DYDE: Which is your week's production in loaves.

Mr. WILSON: That is correct, yes.

Mr. DYDE: And now would you go back to page 1 of your exhibit, in your Exhibit 1 which is about the fourth page of Exhibit 46?

Mr. WILSON: Yes.

Mr. DYDE: Now that week of January 31 was the week in which bread was selling at 11·5 cents or the wholesale price, your wholesale price was 11·5 cents?

Mr. WILSON: Yes.

Mr. DYDE: And I want to point out that that 11·5 cents was effective that week for the first time and that previously it had been 10·5 cents.

Mr. WILSON: That is correct, for the unsliced loaf.

Mr. DYDE: Yes. Now, on Exhibit 1, I call attention to the fact that in January of 1948 the net profit on bread before income tax was $12,647.08; that is correct, isn't it?

Mr. WILSON: No sir, that is not correct. If you look at the heading at the top of that sheet it says: (includes profit on bread, rolls, iced buns and Holland Rusk).

Mr. DYDE: All right, but the column I am referring to is the column headed "Net profit", but now you say that while bread is there it means bread and these other things too.

Mr. WILSON: That is the total bread operation of the company.

Mr. DYDE: Yes, the total in January, 1948, is $12,647.08?

Mr. WILSON: Yes, sir.

Mr. DYDE: Now if no price increase had been made in the week of January 31 and if you had stayed at 10·5 cents—

Mr. MAYBANK: The week ending the 31st?

Mr. DYDE: Ending the 31st.

Mr. MAYBANK: I wanted to get that clear.

Mr. DYDE: The week ending the 31st.

Mr. WILSON: Beginning with January 26.

Mr. DYDE: So in the week ending January 31 you got an additional cent per loaf on 470,061 loaves; is that correct?

Mr. WILSON: That is correct—no, you have it on 203,000 loaves.

Mr. MAYBANK: The change was in the middle of the week?

Mr. WILSON: No, in sales of unsliced—the one cent price rise was on 203,583 loaves.

Mr. DYDE: 203,583 loaves on which you got a cent more than you were getting the previous week?

Mr. WILSON: Pardon me?

Mr. DYDE: On which your price was one cent more than it had been the previous week?

Mr. WILSON: That is correct.

Mr. DYDE: And multiplying 203,583 by 1 cent equals what?

Mr. WILSON: $2,035.83.

Mr. DYDE: So that your profit in January, if you had no increase in price, would be $12,647.08 less $2,035—am I correct?

Mr. STORMER: Not necessarily so.

Mr. DYDE: Why?

Mr. STORMER: There would be a difference in salesmen's commissions and a number of other things.

Mr. DYDE: Well then, would you give me as accurate an estimate as you can of the figure that I should use?

Mr. STORMER: Just offhand I would say $1,750.

Mr. DYDE: $1,750?

Mr. STORMER: I think that would be fair.

Mr. DYDE: I will accept that figure, then the $1,750 must be deducted from the $12,647.08; is that correct?

Mr. STORMER: That is right.

Mr. DYDE: And if I carry out that subtraction I get what figure?

Mr. STORMER: About $11,000.

Mr. DYDE: Somewhere in the neighbourhood of $11,000.

Mr. STORMER: Yes, around that.

Mr. DYDE: Now am I right in saying that that would have been the profit on your January, 1948, operations if you had not increased the price 1 cent?

Mr. STORMER: I would say that is right.

Mr. DYDE: And if that rate were maintained for the year 1948 we would multiply by 12, would we not?

Mr. STORMER: If we assume that it would be maintained for the full year.

Mr. DYDE: Yes, that would give us a total of over $120,000?

Mr. STORMER: Yes.

Mr. DYDE: Which would be a bigger net profit than any made in the history of your company according to that exhibit.

Mr. MAYBANK: What figure do you come to by that multiplication?

Mr. DYDE: $120,000, which is lower than it actually would be by multiplication.

Mr. JOHNSTON: $130,764.

Mr. DYDE: It meant over $130,000. Now, is there anything wrong with the way that I have arrived at that figure, Mr. Wilson?

Mr. STORMER: I would say there is not, only that it might be indicated that we made all that profit on bread.

Mr. DYDE: That was your own remark with regard to the way in which we have arrived at this figure.

Mr. STORMER: Yes.

Mr. DYDE: And your best year in history since 1939 was 1946, I think, when your total net profit on all this production was $98,000 some odd?

Mr. WILSON: Correct.

Mr. DYDE: Now, in the face of that will you answer me why you raised the price I cent in January?

The CHAIRMAN: I think the answer should be made by either one of you but there should not be any discussion preceding the answer. Are you going to answer that?

Mr. WILSON: Yes. He wanted to ask me something. Will you excuse us?

Mr. STORMER: Yes. Our cost sheets show that we were losing money on the 10·5 cent loaf of bread.

Mr. DYDE: Is that the total answer; because obviously on your year's operation at your old figure you were going to make a pretty good profit. Now, I have asked for the reason for that and I will be glad to give you every opportunity to answer me.

Mr. STORMER: Do you mind repeating that again?

Mr. DYDE: The main question that I have asked you is this: Why in the face of that profit position did you raise the price of bread to 1 cent in January?

Mr. WILSON: As far as our particular situation is concerned you cannot lose money on any item especially an item that makes up the amount of the operation volume that bread does and still remain in a soluble condition. We have always tried to guide ourselves according to our costs as to whether prices should go up or whether our prices should come down.

Mr. DYDE: Is that your total answer to my question? Is there anything else you want to say?

Mr. WILSON: Have you anything else you want to say Mr. Stormer?

Mr. STORMER: Well, if you want to go into the complete picture, we try to improve our quality of bread.

Mr. DYDE: Did you improve the quality of your bread in January, did you change the formula?

Mr. STORMER: We did in the month of February.

Mr. DYDE: Did you change it in the month of January?

Mr. STORMER: No.

Mr. DYDE: Did you change it in the month of February, 1948?

Mr. STORMER: That is right.

Mr. DYDE: After you had increased the price 1 cent?

Mr. STORMER: That is right.

Mr. WILSON: We changed it in December, too.

Mr. DYDE: And I see by your exhibit then, page 10, that you did change the formula in December; now, how much did that increase the cost of a loaf of bread?

Mr. STORMER: Let me ask you to look at Exhibit 3—$1.54 on a thousand loaves.

Mr. DYDE: What is that?

Mr. STORMER: Exhibit 3, on the top line under raw materials, just there on the right-hand side.

Mr. JOHNSTON: For what month?

Mr. STORMER: It would be the difference between 59·82 on a thousand loaves in January, the week of January 24 and the February 25 figure of $61.36.

Mr. DYDE: I asked you what change in formula. You referred me to the December formula, and I asked you what change in price came about as a result of your change in December, what change in cost; now, would you look at December, Exhibit 3?

Mr. WILSON: Yes.

Mr. DYDE: And in November I see raw materials $62.73.

Mr. WILSON: That is right.

Mr. DYDE: Then you changed your formula and in December your cost is $61.48.

Mr. STORMER: No, there was—

Mr. DYDE: So that would not be the reason.

Mr. STORMER: No, the price of flour was somewhat less in September than it was in November.

Mr. DYDE: Yes, but you see you told me you had changed the formula in December and that you say is one of the reasons why you increased your price on bread in January and then I came back to Exhibit 3.

Mr. STORMER: No.

Mr. DYDE: Yes, excuse me, you told me that was one of the reasons for the change in the price in January. Then I go back to exhibit 3, and I find the formula change in December actually was a decrease, so will you go on with my original question, please, if you have anything more to say as to why you increased the price in January.

Mr. STORMER: I think there was a misunderstanding on the first question. We were first talking about the improvement in the formula at the end of January or in February. That was the first one we discussed.

Mr. DYDE: You told me that the change in the formula came in February after the price increase. That is correct, is it not?

Mr. STORMER: Yes, but that was not the reason for increasing our price.

Mr. DYDE: All right; then I come back to my original question. Why did you increase the price?

Mr. WILSON: Simply because our cost card told us we had to increase the price. Our costs indicated that we were losing money on that loaf of bread. Therefore we adjusted the price.

Mr. DYDE: That is what you have as an answer to that question, is it?

Mr. WILSON: Yes, sir.

Mr. DYDE: In spite of the figures that I called your attention to on exhibit 1.

Mr. WILSON: There are a lot of things that enter into those figures such as other ingredients, and the way flour was going, and so on.

Mr. DYDE: Flour was going down.

Mr. WILSON: That is right.

Mr. DYDE: Other ingredients were not costing you any more because your formula was not going up. Have you anything more to add?

Mr. WILSON: No, that is all that I have to say on it.

Mr. PINARD: Mr. Chairman, if you refer to the first page of exhibit 46, which gives us the history of the company, I should like to clear up one point. It was said yesterday your company was a private company?

Mr. WILSON: Yes, sir.

Mr. PINARD: It mentions that on the first page?

Mr. WILSON: Yes, sir.

Mr. PINARD: I should like you to make a distinction, if there is any, between a private company which is at the same time a subsidiary of another as is the case actually. Do you understand my question?

Mr. WILSON: Yes, I get your question.

Mr. STORMER: I do not know. All I know is about our own company, and that is that all the shares of stock are owned by our parent company except the directors' voting stock, and that the company was incorporated as a private company. I do not know anything about subsidiaries. We are not subsidiary.

Mr. PINARD: Do you know that in order to be called a private company a company must have no right to invite the public to subscribe to obtain shares of that company? You know that? Did you get my question?

Mr. STORMER: I do not feel qualified to answer that question.

Mr. PINARD: Your company has a connection with the National Biscuit Company of New York. Is that correct?

Mr. STORMER: Yes.

Mr. PINARD: And most of the shares except the voting stock are held by the company in New York. That is correct also?

Mr. STORMER: That is right.

Mr. PINARD: You know that the National Biscuit Company is a public company which is, for instance, listed on the New York Stock Exchange and other exchanges as well. You know that?

Mr. STORMER: I know the National Biscuit stock is listed on the New York Stock Exchange.

Mr. PINARD: Your company is a part of the National Biscuit Company? Is that correct? It is completely controlled? They own your company?

Mr. STORMER: They own the stock.

Mr. PINARD: Would you know if there is a connection between your own company and another company which is apparently owned by National Biscuit Company of New York? I am talking about Christie Brown?

Mr. STORMER: That is right. Christie Brown and Company is also a subsidiary of the National Biscuit Company.

Mr. PINARD: Does Christie Brown control your own company?

Mr. STORMER: No, sir.

Mr. PINARD: Do you know any other subsidiaries controlled by the National Biscuit Company besides Christie Brown and yourself?

Mr. STORMER: Canadian Shredded Wheat Company.

Mr. PINARD: Do you know any others?

Mr. STORMER: That is all.

Mr. PINARD: Are you sure?

Mr. STORMER: That is all in Canada, yes, sir.

Mr. PINARD: There are others in the United States such as the Pacific Coast Biscuit Company, and Uneeda Incorporated?

Mr. STORMER: No, sir.

Mr. PINARD: You answer "no" to that question?

Mr. STORMER: There are no operating subsidiaries in the United States that I know of.

Mr. PINARD: Besides Canadian Shredded Wheat and Christie Brown you say that is all that National Biscuit Company controls taking the United States as well?

Mr. STORMER: I believe so. A number of years ago they purchased the Pacific Coast Biscuit Company, but I do not know anything about it.

Mr. PINARD: If I were to tell you, for instance, that the National Biscuit Company also controls many milling companies would you know that? Is that correct?

Mr. STORMER: I think they do, yes.

Mr. PINARD: You think they do. Those milling companies are subsidiaries of the National Biscuit Company?

Mr. STORMER: I think they are owned outright.

Mr. PINARD: What is that?

Mr. STORMER: I do not know but I think they are owned outright. I do not know. I would rather not answer that question.

Mr. PINARD: I am asking you these questions because I also want to know if there is a connection between the National Biscuit Company of New York and another company bearing approximately the same name, the National Biscuit and—

Mr. STORMER: Confectionery.

Mr. PINARD: The National Biscuit and Confectionery Company.

Mr. WILSON: No.

Mr. PINARD: I hear that National Biscuit and Confectionery is controlled by McCormick's or by Weston's. Is that correct?

Mr. WILSON: I do not know whether it is correct. We hear the same thing.

Mr. PINARD: You hear the same thing.

Mr. WILSON: Yes.

Mr. PINARD: You also hear that Weston's control McCormick's and that Mr. E. P. McCormick and Mr. W. J. Weston are directors of both companies. Would you know that?

Mr. WILSON: I would not know.

Mr. PINARD: Here is what I am coming to. Both the National Biscuit Company of New York and the National Biscuit and Confectionery Company own a great number of bakeries in Canada besides yours, and I want to know if there is any connection between all those companies and yourself?

Mr. STORMER: I am quite definite that the National Biscuit Company does not own any subsidiary in Canada other than what I named, the Canadian Shredded Wheat Company, Christie Brown and Company Limited, and Christie's Bread Limited. That is quite definite.

Mr. PINARD: I see on exhibit 46 that your manufacturing space in Toronto is rented from Christie Brown and Company Limited?

Mr. STORMER: That is correct.

Mr. PINARD: I see also you are buying cakes from Christie Brown and Company. Is that correct?

Mr. STORMER: No.

Mr. WILSON: We are buying what?

Mr. PINARD: That you purchased cakes from Christie Brown and Company Limited?

Mr. WILSON: In what period?

Mr. PINARD: I am asking you if you are doing it now?

Mr. WILSON: No. That is part of Christie's Bread Limited as of July 1.

The CHAIRMAN: Are you finished, Mr. Pinard?

Mr. PINARD: I just have a few questions. I wish to know this. So far as flour is concerned I am also informed that 90 per cent of the flour purchased by all bakeries controlled by the National Biscuit Company is furnished to the bakeries by what they call the milling division of National Biscuit Company. Is that correct? In other words, you get all your flour from your own companies?

Mr. WILSON: In Canada?

Mr. PINARD: In Canada as well as in the United States?

Mr. WILSON: We do not know anything about the United States but we know that is not so as far as Canada is concerned.

Mr. MAYBANK: I should like to ask the witness a few questions about that 1 cent price rise. This 1 cent price rise was on January 26?

Mr. WILSON: Yes, sir.

Mr. MAYBANK: At that time there had not been any increase in price by other companies as far as you know?

Mr. WILSON: With the exception of the original—

Mr. MAYBANK: But just about that time there was not another price rise?

Mr. WILSON: No, not to my knowledge.

Mr. MAYBANK: You were the leaders in the price rise at that time. Is that not right?

Mr. WILSON: Well, I do not know whether the term leader . . .

Mr. MAYBANK: Well, you were the first to make the increase?

Mr. WILSON: I would say that is reasonably so.

Mr. MAYBANK: I should like to know from you the manner in which the decision was made to increase the price. Is that done simply by some individual or is that done as a result of a meeting, and if so what kind of a meeting? What actually took place leading up to the decision to increase the price as of January 26?

Mr. WILSON: Will you give him a little idea of our cost procedure, Mr. Stormer?

Mr. STORMER: At the end of each month we prepare an analysis of our previous results. In November we showed a loss of ·16 per cent on our 10½ cent loaf of bread. I refer to exhibit 3.

Mr. MAYBANK: Where is that reflected on exhibit 3?

Mr. STORMER: At the bottom of the page.

The CHAIRMAN: Page 3.

Mr. STORMER: Page 3.

Mr. MAYBANK: You are referring to the November picture there where you say you have a loss on this particular loaf of ·16?

Mr. STORMER: That is right, sir.

Mr. MAYBANK: Yes.

Mr. STORMER: For the month of December we showed a loss of ·18 per cent.

The CHAIRMAN: On that particular loaf.

Mr. STORMER: In other words, on the 10½ cent loaf of bread.

Mr. MAYBANK: Now, those were the reasons, you say, that prompted this price rise?

Mr. STORMER: That would be the natural reason.

Mr. MAYBANK: But I am asking you whether that was the reason?

Mr. STORMER: Absolutely.

Mr. MAYBANK: Do you know that was the reason?

Mr. STORMER: Yes, sir.

Mr. MAYBANK: Do you remember the decision being made to increase the price?

Mr. STORMER: Yes, sir.

Mr. MAYBANK: Did you have any hand in making the decision yourself?

Mr. STORMER: Well, Mr. Wilson and I talked these things over. He is the president and I am vice-president.

Mr. MAYBANK: Then you did have something to do with determining it?

Mr. STORMER: That is right.

Mr. MAYBANK: And was the decision made by you two gentlemen as a result of discussion or did other people come into it?

Mr. HOMUTH: Do you mean other people from outside the company or within the company?

Mr. MAYBANK: Well, I mean within the company.

Mr. WILSON: We have what we call an operating board.

Mr. MAYBANK: Yes.

Mr. WILSON: It is made up of four or five of the executives. These things are all discussed before the operating board.

Mr. MAYBANK: That is what I was asking, the manner in which the decision is made, and from that we lead on to the description Mr. Stormer has given us of an analysis being prepared.

Mr. WILSON: That is correct.

Mr. HOMUTH: It would be in the same way lawyers get together in a county and set certain fees they are going to charge.

Mr. MAYBANK: You have these meetings of this board frequently to discuss various things?

Mr. WILSON: Once a week.

Mr. MAYBANK: Then the decision to increase the price was made by that board?

Mr. WILSON: That is right.

Mr. MAYBANK: Now then, Mr. Stormer said you found your position as outlined on exhibit 3 to be a loss on this particular loaf, and that that was the reason that you decided upon the 1 cent increase. Is that correct?

Mr. WILSON: Yes.

Mr. MAYBANK: And that is what you looked at and that is what you decided, and that is how it came about that you increased the price. Is that the situation?

Mr. WILSON: That is it.

Mr. MAYBANK: Well, the reason I am pressing it is I was so surprised that you were not able to give to Mr. Dyde any answer as to the reason for increasing the price.

Mr. WILSON: Well, I believe we definitely said that we were guided by the cost card. That is what I meant by the cost card.

Mr. MAYBANK: Now, your profits during November, not referring to that particular loaf, but your profit position in November was a pretty satisfactory position. Is that right?

Mr. STORMER: In what month?

Mr. MAYBANK: The month of November; that was the analysis to which you have been referring. Where is that reflected? It was somewhere in the neighbourhood of $9,000?

Mr. STORMER: That is on Exhibit 1. If you will refer to Exhibit 1, you will note in the month of November we made 1·23 per cent profit on sales which includes the profit on bread, rolls, iced buns and Holland rusks and our sandwich loaf of bread which we had already been making a profit on in the month of November.

Mr. MAYBANK: In the total you made $9,978, in November.

Mr. STORMER: In November?

Mr. MAYBANK: No, $3,000 is the next month.

Mr. STORMER: I am sorry, I thought you said November.

Mr. MAYBANK: I did; I misled you there. The November figure, in dollars, is $3,088.

Mr. STORMER: There again the same thing applies except that the ratio on sandwich bread or sliced bread, I mean, was rapidly increasing, as you will note from Exhibit 9—no, it is Exhibit 8.

There, on Exhibit 8, we show our production in pounds. You will notice in November, the month in which we introduced sliced bread, about the middle of that month I believe it was—at any rate, it was 7 per cent of our total bread pounds and in December it was 25 per cent. In January, it was 33 per cent and in November 41 per cent. So, that would have a decided effect on the December operations.

Mr. MAYBANK: At any rate, your December operation showed practically $10,000 profit.

Mr. WILSON: Before taxes.

Mr. MAYBANK: Before taxes, yes.

The CHAIRMAN: Are you finished, Mr. Maybank?

Mr. MAYBANK: Yes, for the moment.

Mr. HOMUTH: I wanted to ask the witness what the total sales were for November.

Mr. WILSON: That is on the combination of cake and bread?

Mr. HOMUTH: I do not care. Give me your total sales because they are talking about total profits. What were your total sales in November?

Mr. STORMER: In December?

Mr. HOMUTH: No, November.

Mr. STORMER: $250,958.

Mr. HOMUTH: What were they in December?

Mr. STORMER: $278,882.

Mr. HOMUTH: And what in January?

Mr. STORMER: $278,472. Those are just the bread items, referring to bread, rolls, iced buns and Holland rusks.

Mr. HOMUTH: I am talking about your total sales, because they are talking about the total profits in your business.

Mr. STORMER: We will have to add them together because I do not have it on Exhibit 7.

Mr. HOMUTH: They are trying to point out that what you make on the one should reduce the price of another. Now then, let us get the complete picture of your business. If we are going to say you made $9,000 or $10,000 profit in December, what per cent is that of sales?

Mr. MAYHEW: If you will look at schedule 1, you will see that the $9,000 was not on the total. It was on bread.

Mr. MAYBANK: It appears to be on bread, rolls, iced buns and Holland rusks. Those profits of $10,000-odd in one month and $3,000 approximately in another month, are not on your total business, are they?

Mr. STORMER: No.

Mr. MAYBANK: They are on those items which are listed at the top of the page?

Mr. STORMER: Yes.

Mr. MAYBANK: They are on rusks, plus iced buns, plus rolls, plus bread. They are not, as Mr. Homuth suggests here, the total business. Since we are at that point, then, could you break this down and indicate what the several percentages of these four kinds of business bear the one to the other?

Mr. STORMER: We did that in the month of October because we had a problem. It was the first month in which we had operated after the increase and after flour was put to the higher price. There was a lot of work involved in doing that but we wanted to find out, after we had closed our business for the month of October, just where we did make our profits in that month. Therefore, we prepared the analysis which you may see at the bottom of page 1 or Exhibit 1. It is marked with an "X".

You will notice we had that month a total profit of $14,861 on those items referred to above. We had an indicated profit on bread of $1,695 and, by bread I mean bread only; just loaves of bread. On iced buns, we had a profit of $8,151; on rolls, a profit of $2,639, and rusks, $2,376.

Now then, we removed from that the profit which we had made on the inventory of subsidized flour which, by the way, was approximately one week's supply or, roughly 2,350 barrels of flour.

As you will recall, in the month of October there was a packers' strike and somebody, I believe the Wartime Prices and Trade Board, authorized the importation of American lard into Canada. We got our share, in order to keep our bread production going. It was impossible to buy lard from the local markets. We also took into consideration the price of lard, that is, what we paid for that lard over and above the local markets. After taking those things into consideration we come out with the figures at the right-hand margin, namely, $2,460 of a loss on bread. On iced buns there was a profit of $8,436; on rolls, a profit of $2,483, and for rusks a profit of $2,280.

It was on that evidence Mr. Wilson reduced the price of iced buns. We felt we had entirely too much profit on the iced buns and they were carrying too much of a load.

Mr. MAYBANK: That is something I was going to ask you about. You increased the price of bread about this time, just a little after, but one of the other three items was reduced?

Mr. STORMER: That is right, iced buns.

Mr. MAYBANK: What was the reduction which took place there?

Mr. WILSON: They went from 25 cents a package to 20 cents, retail.

Mr. MAYBANK: That is the store price?

Mr. WILSON: That is the retail price.

Mr. STORMER: Our price was reduced from 20 to 16, or 20 per cent.

Mr. LESAGE: Did you say, Mr. Stormer, that this break was made for October?

Mr. STORMER: That is right. It showed up after we had closed our results for the month. I may say we close out at the end of each month, just as though it was the end of the year. We work out our income taxes, our provincial income taxes and so on, so that we know very definitely what our profits are for that month. We had indicated, there, $14,681. We went to a great deal of effort to run that down and find out exactly where we had made that $14,681. We wanted to see whether it would repeat.

Mr. LESAGE: So, on Exhibit 3, in the column for October, 1947, this profit of ·79 was a profit in dollars of $1,695?

Mr. STORMER: It would work out approximately at that.

Mr. LESAGE: That is correct?

Mr. STORMER: That is right.

Mr. LESAGE: Your profit for October, 1947, was ·79 per cent which gave you approximately, in dollars, $1,695?

Mr. STORMER: That is right. I would say, roughly; these exhibits are cost card figures.

Mr. LESAGE: So, in the three weeks' period from January 1 to January 23, 1948, on Exhibit 3 again, a profit of ·55 per cent—

Mr. STORMER: I beg your pardon, sir?

Mr. LESAGE: A profit of ·55 per cent, which is mentioned there, would have given you for the whole month a profit in dollars of about $1,100?

Mr. STORMER: Well, we will have to be careful; that is just on bread. This ·55 would have been a profit on our bread and we would, of course, have a profit on Holland rusks and iced buns—

Mr. LESAGE: No, I am taking only the $1,695 figure as a basis for my calculations; that is on bread alone?

Mr. STORMER: This $1,695 is for October.

Mr. LESAGE: Yes, but the $1,695 then was ·79 per cent profit so, I say ·55 per cent profit would be approximately $1,100 if the volume was about the same?

Mr. STORMER: Yes, say approximately or roughly.

Mr. LESAGE: That was the first time since August that you were making a profit on bread, at that time in January, according to the figures in Exhibit 3?

The CHAIRMAN: No, they made a profit in December.

Mr. WINTERS: In October.

Mr. LESAGE: Yes, but I understand that was due to the fact they had some flour on hand. It was because you were not making a profit in those few months that you increased your price of bread from 13 to 14 cents?

Mr. STORMER: That is correct.

Mr. HOMUTH: With the government's blessing.

The CHAIRMAN: There was a profit in December.

Mr. LESAGE: It was minus ·18 per cent.

Mr. STORMER: We did not have our January figures available.

Mr. LESAGE: When were they available?

Mr. STORMER: Probably the 15th or 20th of the following month.

Mr. LESAGE: You did not decrease your price, then, when you noticed you had made a profit with bread at 13 cents in January?

Mr. STORMER: We increased our price on January 26.

Mr. LESAGE: At that moment, you said you did it because of the figures for November and December but, at that time, you did not have in hand the figures for January. However, in February you did have the figures for January and you noticed that you had made a profit in January. You did not think of decreasing your price to 13 cents?

Mr. WILSON: No, we thought of increasing the formula which has a definite bearing on the February results.

Mr. LESAGE: How much did it cost you, in cents per loaf, when you increased your formula in February—if it did cost you anything?

Mr. WILSON: Will you repeat that question for Mr. Stormer's benefit, please?

Mr. LESAGE: How much did the change in formula increase the cost of one loaf of bread?

Mr. STORMER: If we had then increased our price—

Mr. LESAGE: No, no, the cost?

Mr. STORMER: If we had not increased our price in January we would have continued to lose money.

Mr. LESAGE: What was the exact increase in cost, in cents or fraction of cents, due to the change in formula in February?

Mr. STORMER: You will notice that on exhibit 3.

Mr. LESAGE: On exhibit 3?

Mr. STORMER: Or page 3.

Mr. PINARD: It has been mentioned already.

Mr. STORMER: In raw material?

Mr. LESAGE: There was a difference in your total manufacturing cost on 1,000 loaves of bread of—

Mr. FLEMING: $1.54.

Mr. LESAGE: Yes, $1.54 which means ·015 of a cent per loaf, and that is all.

The CHAIRMAN: It should be borne in mind Mr. Lesage that the increase in January was only effective for one week.

Mr. WINTERS: Less than a week.

The CHAIRMAN: Five days.

Mr. LESAGE: I am talking about the period January 1st to 23rd and I am not taking into account the increase of the figure ·55 of a cent. The increased cost per loaf was only ·015 of a cent.

Mr. STORMER: If we go back to January, between January 1st and 23rd we had a profit of ·58 per thousand loaves. We increased the price of those ingredients by $1.54, so that we were right back in the red.

Mr. FLEMING: May I ask one question on that point, Mr. Lesage? At what time, on what date, did you improve your formula?

Mr. STORMER: In February.

Mr. FLEMING: Was it in the whole month or just part of the month?

Mr. WILSON: No, about the 25th.

Mr. LESAGE: About the 25th?

Mr. FLEMING: Is this figure $61.23 for raw material in February—

Mr. STORMER: We thought you people would be interested in working it out that way.

Mr. FLEMING: I just want to get at this. The change in formula reflected here was in effect only a few days in February?

Mr. STORMER: That is right.

Mr. FLEMING: What would be the relative increase for the whole month?

The CHAIRMAN: Well I wonder, Mr. Fleming, if you would just let Mr. Lesage finish. This just puts him off and he is on a very important chain of questioning.

Mr. LESAGE: I understand the last column on exhibit 3 is for February 25th, only and not for the whole month?

Mr. STORMER: We thought you would be interested as to what this improved formula meant, so what we did, as you can see by the figures, was to work out the increased cost of ingredients.

Mr. LESAGE: On February 25th.

Mr. STORMER: Yes, we did not change anything else in the whole set-up. We used the January figure but we reverted to the new formula ingredients.

Mr. LESAGE: Yes, I understand. Now, is that your answer Mr. Fleming?

Mr. STORMER: We thought you would be interested, and we only had a day in which to work out these figures.

Mr. LESAGE: I was not asking the question for myself but it was for Mr. Fleming.

The CHAIRMAN: Order.

Mr. LESAGE: Now I understand that even during August, September, and November, 1947, according to exhibit 3 you suffered losses in your bread department. Your company net profits on invested capital for the year 1947 were 40 per cent, after payment of all taxes?

Mr. STORMER: I would like, sir, to mention that our company does not own any buildings.

Mr. LESAGE: No, but will you answer my question? Is that correct, 40 per cent net?

Mr. STORMER: That is—well I presume it is correct.

Mr. LESAGE: The net profit after payment of all taxes was $159,699.34 on invested capital of $400,000.

Mr. STORMER: I beg your pardon sir, that is the profit from July 1945 up to December 31st 1947.

Mr. LESAGE: What was the profit for 1947 then?

Mr. STORMER: The profit for 1947 was $72,467.87.

Mr. LESAGE: Pardon me?

The CHAIRMAN: $72,467.87.

Mr. LESAGE: And that is a percentage of 18· something, is that correct? Now you are selling only wholesale are you not?

Mr. WILSON: That is correct.

Mr. LESAGE: That is correct. You have some drivers who are called salesmen—

Mr. WILSON: Who are salesmen.

Mr. LESAGE: Who are salesmen, and who deliver your goods to the stores?

Mr. WILSON: Yes, sir.

Mr. LESAGE: And what is the basis of their commission? Are they on a commission basis or a salary basis? I have something on exhibit 5 here.

Mr. WILSON: It is a commission basis.

Mr. LESAGE: Yes, and the average per month for your salesmen in Toronto and Montreal is $355 a month?

Mr. WILSON: Well that is in Toronto. We have not been in Montreal long enough.

Mr. LESAGE: That is in Toronto?

Mr. WILSON: That is something for the boys in Montreal to look forward to.

Mr. LESAGE: Yes, and it is something for members of parliament to look forward to.

Mr. WILSON: That looks very juicy but there is a reason. We figure that the average amount of business that a man should be able to handle, and not injure himself physically, should run somewhere between $2,800 and $3,600 a month.

Mr. LESAGE: Yes?

Mr. WILSON: And in view of the fact we have not been able to get equipment, our volume of business is piling up, and they are just taking the brunt of it now. That situation will be corrected within a month or six weeks.

Mr. LESAGE: You will increase the number of salesmen and make a re-division of the territory?

Mr. WILSON: That is correct and it will relieve them.

Mr. LESAGE: Now coming back to your prices. You are selling in Toronto at 12 cents, 11½—

Mr. WILSON: 11½ unsliced and 12 cents sliced.

Mr. LESAGE: 12 cents sliced, and the retail price of the sliced or unsliced bread is the same?

Mr. WILSON: Not in Toronto, no. They are retailing it at 14 and 15 cents, in some cases 13 cents.

Mr. LESAGE: Yes, well there was the case that was mentioned where sliced bread is sold at—

Mr. WILSON: There are others beside that one.

Mr. LESAGE: Sliced bread is sold at 15 cents?

Mr. WILSON: Yes.

Mr. LESAGE: Is there any more handling for the retailer in the sliced loaf of bread than there is in the unsliced loaf of bread?

Mr. WILSON: Not a bit.

Mr. LESAGE: Not a bit, and they are taking a larger profit—12 to 15 cents? You are offering a larger margin?

Mr. WILSON: We are not offering a margin at all, that is their business. They are the retailers.

Mr. LESAGE: When your salesmen go into stores, and let us say on the date that the price of bread was increased from 13 to 14 cents, the conversation between your salesmen and the retailer would be as follows: "Well, the price of bread is up 1 cent this morning!"

Is that right? Is that what they would say?

Mr. WILSON: Yes, sir, but he might not say it—

Mr. LESAGE: He would not say it is going to cost a ½ cent more?

Mr. WILSON: He might not say it just in that tone.

Mr. LESAGE: I do not say that is how he would say it but it would be something along that line.

Mr. WILSON: That is right, we would just advise the grocer that the price of bread had gone up 1 cent.

Mr. LESAGE: 1 cent?

Mr. WILSON: Yes.

Mr. LESAGE: If the price to the retailer is up only half a cent that does not interest the retailer, what interests the retailer more is the increase in the margin he is going to get from now on, is that correct?

Mr. WILSON: That interests the retailer, yes.

Mr. LESAGE: That is what your salesman tells him, the new mark-up?

Mr. WILSON: No, he does not offer them the new mark up.

Mr. PINARD: That is what was done in the case of Pickering Farms according to earlier evidence.

Mr. WILSON: I do not know exactly what was said there. There is a possibility the salesman suggested the retail price, I do not know. There is that possibility. I know if I were a salesman and I had something to sell I would go to a store and say our price today is 11·5 cents, and the grocer asks me what do you think I should get for it and I would say it is up to you but I think the prevailing price would be around 14 cents.

Mr. LESAGE: Maybe he would not use so many words.

Mr. WILSON: What is that.

Mr. LESAGE: He would not say it in so many words, you would say the price is up 1 cent this morning; that is correct?

Mr. JOHNSTON: Does he not sell on commission?

Mr. WILSON: That is right.

Mr. JOHNSTON: Would it not be more to his advantage for the retailer to sell it for 14 cents?

Mr. MACINNIS: No.

Mr. JOHNSTON: The salesman's commission would be on the 11·5 cents?

Mr. WILSON: Yes.

Mr. JOHNSTON: And the retailer's commission would result from the selling price he got?

Mr. WILSON: That is right.

Mr. JOHNSTON: Your retailer would be getting more commission if he sold at 14 cents, at the prevailing price suggested to him?

Mr. WILSON: That is right.

The CHAIRMAN: May I ask you a question which is disturbing me? As far as I can see on the highest month you have had on the exhibits shown to us—that was in January of this year—your profit was $12,000, the highest figure it ever reached, less that $1,750 figure.

Mr. FLEMING: Do you mean profit or volume?

The CHAIRMAN: Profit; we are talking about profit. Isn't that right, $12,000?

Mr. STORMER: Yes.

The CHAIRMAN: The only other month at all comparable was the $14,000 in October, that is right?

Mr. STORMER: Yes.

The CHAIRMAN: Then, have you the figures for February?

Mr. WILSON: Yes, sir.

The CHAIRMAN: They are even higher, aren't they?

Mr. STORMER: I don't know.

Mr. WILSON: We haven't got that yet.

The CHAIRMAN: But the fact is that in what seems to be your highest profit month, that was the time you chose to raise the price; that is a fact, isn't it?

Mr. WILSON: Well, we don't look at it from the highest profit month angle, we look at it from our costs.

The CHAIRMAN: From your costs on the 10·5-cent loaf, you told us that.

Mr. WILSON: On our bread.

The CHAIRMAN: But your general over-all position was better than it had ever been and yet that is the time when you raised the price of bread.

Mr. WILSON: You know, Mr. Martin—

The CHAIRMAN: Is that right or not?

Mr. STORMER: Yes, I would say that is right. We did not know what our profits were going to be.

The CHAIRMAN: No; but the reason you would naturally be expected to raise the price of bread would be because you were in a loss position, but as matters turned out it was your best month.

When the subsidy was taken off in September, the government subsidy, you were pleased with that action, were you not? Let me put the question another way. When the subsidy was taken off and the ceiling was removed you had taken the position, had you not, that you were glad that that step had been taken?

Mr. WILSON: That could be answered yes and it could be answered no, it depends on your point of view.

The CHAIRMAN: You were glad. Is it not a fact that you had expressed the view that you were glad so you would be free now and you would not have controlled prices and you could charge whatever you liked?

Mr. WILSON: I do not know whether we expressed that or not.

The CHAIRMAN: Well, is it not a fact that you did express it? I suggest to you you did, and I do that by way of interrogation. In any event, if you did not, that was the result so you would be on your own and you could charge what the traffic would bear?

Mr. WILSON: Oh no, not what the traffic would bear.

The CHAIRMAN: The fact is—I am coming to the basic part of my question —that you raised prices in your best month.

Mr. MACINNIS: Mr. Martin, would you let me ask him a question there? Do you know if your sales increased or decreased during the month of February since the price went up?

Mr. WILSON: They have actually decreased.

Mr. MACINNIS: They have actually decreased?

Mr. WILSON: That is right, but not on account of price.

Mr. MACINNIS: No, we can leave that.

Mr. FLEMING: It is a shorter month.

The CHAIRMAN: I should point out, Mr. MacInnis, that Mr. Winters had some questions he wanted to ask.

Mr. WINTERS: I think we are all on the same line. Mr. Chairman, am I out of order now?

Mr. MACINNIS: O.K., I have been trying to get in, but if you insist—I tried to get in before Mr. Maybank.

Mr. WINTERS: It has to be one or the other, which is it Mr. Chairman?

The CHAIRMAN: Go on, Mr. Winters.

Mr. IRVINE: Mr. Chairman, I protest.

The CHAIRMAN: Go on, Mr. Winters.

Mr. WINTERS: The line of questioning I wanted to follow was related to that started by Mr. Maybank and resumed by Mr. Lesage and then yourself.

The CHAIRMAN: We are all on the same thing. All right, go on. That is a line which interests us really and I think ought to be pursued with vigor.

Mr. WINTERS: I will try to do that, Mr. Chairman, with vigor; and I think a good starting point is this Exhibit 3 again which shows a loss for the month of December of ·18 percent or ·19 cents per thousand loaves, and it is evident here that from December to January there has been a decrease in the price of flour to you; there is also a decrease for November and December in the price of flour to you.

Mr. STORMER: We have indicated on Exhibit 5 the price paid on delivery dates by us.

Mr. WINTERS: Did you have any indication in December that there would be a further decrease in the price of flour in January?

Mr. WILSON: What is that?

Mr. WINTERS: Did you have any indication in December that there would be a further decrease in the price of flour in January?

Mr. WILSON: No.

Mr. WINTERS: There appears to have been a downward trend through November and December.

Mr. WILSON: That is right.

Mr. WINTERS: Then you had certain other costs in January that were higher by small amounts than your costs in December; that is, your direct manufacturing labour showed ·20 cents higher, your supervision went up to ·01 cents, your package materials went up to ·07 cents, your overhead went up to ·14 cents and your shop expense went up to ·11 cents. On some of these items the increases were within your own control, they were not entirely beyond your control?

Mr. STORMER: No, I do not think so.

Mr. WINTERS: Is not that true?

Mr. STORMER: I just don't know what you mean.

Mr. WINTERS: Well, take your labels, that is controllable, the direct manufacture on labels?

Mr. STORMER: There are no two months alike in the cost of manufacturing the labels.

Mr. WINTERS: But your supervision on all these items were factors beyond your control, were they?

Mr. STORMER: Well, I would say so, generally. We do have control of our labour cost and things like that but we cannot tie them down to any definite figure and keep that for a month.

Mr. WINTERS: I just want to say again that there was a decrease in the price of flour from November to December, again from December to January.

Mr. STORMER: We have indicated that on Exhibit 5.

Mr. MAYBANK: It is also on Exhibit 3, is it not?

Mr. WINTERS: It shows on Exhibit 3 against raw material. I want to make this observation there, that the decrease from December to January is 1·66, and if that had been applied against your over-all statement you would have shown a profit of 1·47 instead of minus ·19 if you had had that in December instead of January, so if there would have been any reason to look for a further decrease you would have been in a sound state as far as your manufacturing costs went. I should like to ask a question with respect to January when your 100 per cent wholesale selling value is 115·00.

Mr. STORMER: What exhibit are you referring to?

Mr. WINTERS: Exhibit 3.

Mr. WILSON: Wholesale selling value.

Mr. STORMER: 115-105; that indicates 10½ cents.

Mr. WINTERS: In February it is 115, 11½ cents. What rebates do you give against that, what discounts?

Mr. WILSON: We only have one discount policy. That is 5 per cent if the account does $130 a month or over.

Mr. WINTERS: If that discount is applied what does it bring the price to you on that loaf of bread?

Mr. WILSON: You will notice if you go down the line $1.65 is what the trade discount was.

Mr. STORMER: You divide that by 105 and you would get the percentage, 1·55.

Mr. WINTERS: It is 1·55 cents?

Mr. STORMER: No, the percentage.

Mr. WINTERS: At any rate, that would bring the price to you on that loaf of bread from 11·5 down to what, something just under 10 cents?

Mr. STORMER: By taking off the trade discount?

Mr. WINTERS: Yes.

Mr. STORMER: That would be $103.25.

Mr. WINTERS: What?

Mr. STORMER: $103.25.

Mr. WINTERS: That is 10·3 cents per loaf. Is that it?

Mr. STORMER: That is right.

Mr. WINTERS: And that loaf retails for 14 cents?

Mr. STORMER: Generally.

Mr. WINTERS: Or a mark-up of 3·7 cents. Does that appear on the face of it to be a high mark-up for this type of commodity for a retailer?

Mr. WILSON: That depends on the point of view as far as the grocer is concerned, and I am speaking now of the greatest majority of grocers, namely, the small independent grocer, neighbourhood grocer. He feels that is what he needs.

Mr. WINTERS: Mr. Chairman, I want to say again before I leave this exhibit that in the face of what appeared, that there might be a decrease in the price of flour, if the company had waited another month before putting up their price they might well have realized a profit without an increase in price.

The CHAIRMAN: That is clear, is it not?

Mr. WINTERS: That is clear, except that they did not know the price was going down in January at that time. I want to refer to exhibit A in which the company showed a profit for 1947 of $334,253.61, including a surplus carried over from the year before of $87,231.47.

Mr. STORMER: Would you repeat that? I had a little trouble finding the exhibit.

Mr. WINTERS: Exhibit A, the balance sheet, shows that the profit for 1947 was $334,253.61.

Mr. STORMER: No, it shows there the profit was $247,000. That is before depreciation.

Mr. WINTERS: If you add that to your surplus you get the figure I have just quoted.

Mr. STORMER: No, you would have to take from the $247,000 depreciation and income tax.

Mr. WINTERS: But at that period, that is, before you do that, and I am just referring to that figure. I also want to refer to the figure of earnings when related to the amount of common stock outstanding and show that your earnings were running high and your surplus position was good. Then referring to exhibit 1, it shows that you were enjoying an over-all operating profit through the period you have shown on this exhibit with the exception of the one month of June, and that at the present time you are enjoying a good over-all profit, and with due reference to the importance of bread as a commodity in every household budget I think that the conclusion that will be drawn from your statement is this. I would like your comment on it. It is that when you are enjoying a good profit you do not pass the benefit on to the consuming public in the form of a price decrease, but the minute you incur a loss, even in one commodity which is such an outstanding important commodity, you allow it to reflect itself to the consumer in the form of a higher price. I should like the witness to comment on that.

Mr. LESAGE: Mr. Winters, might I add that the loss was made only on unsliced white bread.

Mr. WINTERS: Yes.

Mr. LESAGE: On sliced bread they were making a profit.

Mr. WINTERS: And in the face of factors which might easily have reflected themselves in a profit the next month.

The CHAIRMAN: I think that is a very fair statement and summary of the evidence, and nicely put. I am sure the committee would be glad to hear comment on that.

Mr. WINTERS: That is the conclusion that is going to be drawn, and I should like to hear the witness comment on it.

Mr. STORMER: I should like to say the profit in January was, of course, increased by the increase in price which took place in the month of January. In other words, 25 per cent of that month's operation was at the increased price. In addition to that—

Mr. WINTERS: Speaking of that particular loaf of bread alone.

Mr. STORMER: Speaking of that particular loaf. In addition to that the ratio of sliced bread was increasing. I do not have that exhibit in front of me right now, but it had shown a considerable increase over the month of December.

The CHAIRMAN: Page 9. Let us not get off the question. Let us address ourselves to the question Mr. Winters has posed.

Mr. STORMER: That is what I was attempting to do.

Mr. LESAGE: Have you finished your answer?

Mr. WINTERS: If that is the answer I am not finished.

Mr. LESAGE: Has he finished his answer? I am interested to know that.

The CHAIRMAN: Go on.

Mr. STORMER: I should like to make it clear that in our January profits we had profits on iced buns, we had a profit on rolls, we had a profit on Holland Rusk, we had a profit on the sliced bread, and we had a profit on the increased price of bread for 25 per cent of the month of January.

Mr. LESAGE: Are you saying you had a loss in the first three weeks?

Mr. STORMER: Well, it was very close. Certainly it was very close. It might have been ½ of 1 per cent one way or the other.

Mr. WINTERS: I do not think that is near to the answer we should get. It is not concise.

The CHAIRMAN: Pursue it now.

Mr. WINTERS: I think I could pursue it best by making a statement. Again I am not saying this is true. I am saying it is what is going to be deducted from the evidence before us.

Mr. JOHNSTON: By whom?

Mr. WINTERS: By the public.

Mr. LESAGE: He is right at that.

Mr. WINTERS: That when there is a good profit you are none too quick to pass it on to the public in the form of reduced prices, but when there is a small operating loss in one commodity, and that in the light of variable factors which might easily turn to reflect a profit next month, you are quick to pass that loss on to the public in the form of increased prices.

Mr. MAYBANK: And encourage all others at the same time to follow suit and start a general price rise.

The CHAIRMAN: That is the question. Let us get the answer to one question first.

Mr. STORMER: I cannot improve on the answer I have already given.

The CHAIRMAN: All right. I will recognize Mr. MacInnis. He has been waiting. Are you satisfied with the answer, Mr. Winters?

Mr. WINTERS: I just wished to make that final observation in the light of the fact the public is bound to deduce from this statement exactly what I have deduced. I do not believe they could do otherwise. I do not believe the witnesses have given an explanation which is going to allay public suspicion along those lines.

Mr. FLEMING: Does the witness want to make any comment on that?

Mr. WILSON: He is drawing his own conclusion and I presume it is being drawn for the benefit of the public.

The CHAIRMAN: You must not say that. Order.

I think Mr. Winters has been very fair in his statement of the situation. He has drawn his opinion not for the benefit of the public, but as a member of the committee. I must say, on the basis of the evidence, and as a member of this committee, it is my opinion also. Now, Mr. Wiinters is trying to give you an opportunity of explaining. The fact is that you did increase the price of bread in your best profit month and he draws the deduction that it would seem from the evidence before this committee thus far, that when you show a slight loss on one item in spite of variable provocations, you have no hesitation, seemingly, in increasing the price. Conversely, when you do show a profit position you are not as quick to reduce the price. That is the evidence but there may be an explanation. Mr. Winters has been trying to press for the explanation because this committee wants to be fair in arriving at its deductions.

Mr. WINTERS: If there is an explanation we are anxious to hear it.

Mr. STORMER: We have already indicated we had decreased the price on iced buns. You understood that? In other words, we had been losing money on bread but we were making more profit on this particular item than we had a right to make—it also had to face the competition. We reduced the price and gave the consumer better value on the iced buns, but we tried to bring bread up to where it belonged and to where it would carry its own share of the profit.

Mr. WINTERS: I will leave it at that.

The CHAIRMAN: Mr. MacInnis?

Mr. MACINNIS: I am not going to start questioning at this time of night.

Mr. MAYHEW: I just want to refer to the discrepancy between December, where the sales figure is $278,882.70, and you make a profit of $9,978.98. The following month on a somewhat smaller figure you make a profit of $12,647?

The CHAIRMAN: Well, you may pursue that line of questioning in the morning, Mr. Mayhew.

The meeting adjourned to meet again tomorrow, March 11, 1948 at 11.00 a.m.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 22

THURSDAY, MARCH 11, 1948

WITNESSES:

Mr. D. F. Wilson, President, Christie's Bread Limited, Toronto.

Mr. Lloyd I. Stormer, Vice-President and Secretary-Treasurer, Christie's Bread Limited, Toronto.

Mr. Harold B. Manning, Vice-President and Managing Director, Geo. Weston Bread and Cakes, Limited, Toronto.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

THURSDAY, MARCH 11, 1948.

The Special Committee on Prices met at 11.00 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Fleming, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, McCubbin, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

The Chairman read into the record a telegram received from A. J. Saunders, Toronto, under a date of March 9.

Mr. D. F. Wilson, President, and Mr. Lloyd I. Stormer, Vice-President and Secretary-Treasurer, Christie's Bread Limited, Toronto, were recalled and further examined.

Counsel filed,

Exhibit No. 47—Copy of a letter dated February 6, 1948 from Christie's Bread Limited, Toronto, to Charles W. Lownie, Wartime Prices and Trade Board, Toronto, and attached statement entitled "Information based on Christie's White Regular Bread for comparative purposes, November 1947 formula".

At 1.00 p.m. witnesses retired and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Fleming, Harkness, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, McCubbin, Merritt, Pinard, Winters.

Mr. H. A. Dyde, K.C., Counsel to the Committee, in attendance.

Mr. Harold B. Manning, Vice-President and Managing Director, Geo. Weston Bread and Cakes, Limited, Toronto, was called, sworn and examined. He filed,

Exhibit No. 48—Consolidated Financial Statement as at December 27, 1947, of Geo. Weston Bread and Cakes, Limited. *(Printed in appendix to this day's proceedings).*

Exhibit No. 49—General statement on Geo. Weston Bread and Cakes, Ltd., prepared for information of the Committee.

At 5.15 p.m., due to a division taking place in the House, the Committee took recess for twenty minutes.

At 5.45 p.m., witness retired, and the Committee continued to sit in Executive Session, its public sittings to be resumed on Friday, March 12, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
MARCH 11, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: Order. Gentlemen, I have a wire here. I suppose in view of the kind of evidence we have allowed we might take this as evidence; anyway I would like to bring it to the attention of the committee and then perhaps the wire might be referred to counsel for action to be taken and advice. This wire is addressed to me by Mr. A. J. Saunders:

March 10, 1948, 10.a.m.,
Toronto, Ont.

Paul Martin, Price Committee, Ottawa.

I contradict Mr. Loftus statement of March ninth they refused to serve me bread to sell at lower price.

A. J. Saunders,
861 Dundas Street East.

Is that disposition of the wire satisfactory?

Mr. MACINNIS: We have had the names of certain other retailers in Toronto, I think, during the investigation who had at least some trouble in getting supplies. I think not only might Mr. Saunders be brought here but these others as well. I had that understanding, that we intended to look into that.

Mr. JOHNSTON: I thought it was agreed to by the committee that it would be gone into.

The CHAIRMAN: What about that, Mr. Dyde?

Mr. DYDE: I think that is right; inquiries are being made.

The CHAIRMAN: I understand that you have been in touch with a Mr. Lucatch, or some name of that kind.

Mr. DYDE: Yes.

Mr. IRVINE: May I ask if that wire you have just read is evidence or would we have to have him brought here?

The CHAIRMAN: I am asking counsel to look into it and advise us. The wire refers to evidence already given. Mr. Dyde should check up on the wire and advise us as to what to do. It just came to my attention now.

Mr. JOHNSTON: The wire does not indicate whether he is being discriminated against or not.

The CHAIRMAN: No, he says—refused to sell me bread to sell at lower price.

Mr. MACINNIS: Mr. Chairman, before we begin I think we should come to some decision as to order in this committee so that we won't get into the sort of jam we got into last night.

The CHAIRMAN: Yes.

Mr. MacInnis: I suggest that when one of the committee members is questioning a witness he be not entitled to any further time as long as any other member of the committee wants to ask questions, and may I suggest that that apply to the Chairman, too.

The Chairman: Yes. I think that is a good suggestion. The Chair I think is in a little different position, but I think that is a rule which is a good rule.

Mr. MacInnis: I am not sure that the Chairman is in a different position here. This is not a court where the Chairman has any special prerogatives.

The Chairman: No.

Mr. MacInnis: The Chairman yesterday on several occasions, I was going to say was butting in to questioning but I will not use that word —

Mr. Homuth: Interjected may be what you mean.

The Chairman: Interjected would be the word.

Mr. MacInnis: He stopped me when I was questioning and took some time even though I was trying to do the same thing, and then when I tried to continue my questioning I was told that somebody else had the floor. If that comes up again I am going to tell the Chairman that somebody else has the floor.

The Chairman: The Chair is the one that must observe members, but in so far as humanly possible the Chair tries to be fair. In this particular case Mr. Winters had been trying to get the floor all yesterday afternoon.

Mr. MacInnis: Trying to?

The Chairman: Yes, but Mr. Winters would not have been given the floor had Mr. MacInnis been ahead of him. However, the Chair will do its best to be as fair as he has always tried to be.

Mr. MacInnis: As a matter of fact, I was not going to take Mr. Winters' time. I had one or two questions going along the line of what you were asking.

The Chairman: I do not think the chair can be accused of being unfair. The Chair tries to be fair to all members of the committee. Sometimes where one particular group has had a lot of questions to ask he has divided the time with another group.

Mr. Johnston: I think generally speaking, Mr. Chairman, that you have been pretty fair. There may have been occasions—

Mr. Maybank: There is something in the rule which Mr. MacInnis suggests but you will run into conditions which present difficulty on occasion.

Mr. MacInnis: And there have been other occasions.

The Chairman: I hope Mr. MacInnis does not feel that he is being unfairly treated. As I say, I saw Mr. Winters first yesterday because he certainly had given me indication of his intention to ask questions long before Mr. MacInnis.

Proceed, Mr. Dyde.

Mr. Dyde: Mr. Wilson and Mr. Stormer are still on the stand, Mr. Chairman. I have no further questions at the moment.

Daniel F. Wilson, President Christie's Bread Limited, recalled:

Lloyd I. Stormer, Vice-President and Secretary-Treasurer, Christie's Bread Limited, recalled:

The Chairman: Mr. MacInnis, do you wish to go on?

Mr. MacInnis: Not now.

The Chairman: Mr. Mayhew, have you any questions?

Mr. MAYHEW: I would like to ask the witness to explain the sudden jump in profit in October. I know you have been over it but I want to go on from there.

Mr. STORMER: I believe we have explained that. We pointed out that we had a profit of $14,861. Now, we realize that we had flour that was left over, that is subsidy flour. We also knew that we had shortening, lard, of a similar category—it was necessary to bring in under control various things, they were brought in I believe by the Wartime Prices and Trade Board and we had been allocated so much lard from that and we undertook to break that down because we were anxious to determine just what was our position on bread after bringing lard and flour to the market price.

Mr. MAYHEW: That would still indicate a profit of $10,739.

Mr. STORMER: That would indicate a loss on bread because I am speaking now of bread only, of $2,460.

Mr. MAYHEW: Well, then, can you explain this, your figure was $13,000 in November; your volume was down I think 15,000 but your profit dropped to $3,000.

Mr. STORMER: We of course had no, or I should say very little reaction from subsidized flour in November so that we come back relatively to the position in which we would have been in October.

Mr. MAYHEW: Well then what made the change in December, you came back again in December up to practically $10,000?

Mr. STORMER: In December, in the latter part of November we had introduced sliced bread which was introduced on a profitable basis.

Mr. MAYHEW: How much was profit on the sliced bread?

Mr. STORMER: You mean the amount of the profit?

Mr. MAYHEW: Yes, on your sliced bread?

Mr. STORMER: That is indicated on Exhibit No. 4. In November we had 8·32 per cent.

Mr. MAYHEW: Yes, but what does that amount to in dollars? Is that here?

Mr. STORMER: I do not know what it was in dollars but our volume of sales of bread in the month of December—bread is what we are talking about.

Mr. MAYHEW: Yes.

Mr. STORMER: —was 25 per cent of our total bread production.

Mr. MAYHEW: And again have you figured that out in dollars?

Mr. STORMER: It is quite a difficult task where you try to determine the dollar and cent profit on every item of merchandise.

Mr. MAYHEW: Then if we can't get it here we will just have to use our own judgment in connection with those figures.

Mr. STORMER: I might say that in a company like ours there are always various things that enter into the profit from one month to another; in other words, you may have a fairly good profit one month and have a lesser profit another month, or you might have a fair low profit one month and a much better profit the next month. There are so many factors that enter into our total operation, the operation of a business, that it would require volumes to try to explain all the details.

Mr. MAYHEW: Looking at the statement, there is something I do not understand. I think I understand your position in December, that you probably had a good volume of more profitable lines in that month.

Mr. STORMER: That is right.

Mr. MAYHEW: But why did you not, in December, when you saw you had a profit of $10,000, which was considerably above normal for the year, and I judge even above normal for quite a few years back—why did you not then do one of two things; either increase the quality of your loaf starting early in January or as soon as you knew the results on your December?

Mr. STORMER: We did improve our formula in December, Mr. Mayhew; and again in February.

Mr. MAYHEW: You made two increases, two changes in formula?

Mr. STORMER: We have had three. We had one in September of 1947, one in December of 1947 and one in February of 1948.

Mr. JOHNSTON: From what price to what price?

Mr. MAYHEW: This is in the formula.

Mr. WILSON: This is just the changes in formula.

Mr. JOHNSTON: I thought you asked if there had been an incrase in the price and I was wondering when that increase was.

Mr. MAYHEW: No, I asked why he had not done one of two things; either improved the formula, which he said yesterday he had done in February—why he had not done that as soon as he knew the results of the December month. Well then, you go on—

Mr. MAYBANK: What was the other of the two things? The formula was one.

Mr. MAYHEW: I asked him why he did not either improve his quality or lower his price.

Mr. MAYBANK: Yes.

Mr. MAYHEW: Then you come on to January, you had a very substantial profit in January. When did you know about your position in January?

Mr. STORMER: I would say about or around the middle of February.

Mr. MAYHEW: The middle of February?

Mr. STORMER: Somewhere around that but I would not know the exact date.

Mr. MAYHEW: You did not take any steps then to lower your price?

Mr. STORMER: We improved our quality.

Mr. MAYHEW: You improved your quality again?

Mr. STORMER: That is right.

Mr. MAYHEW: Did you think the quality improvement was in the best interests of the public?

Mr. WILSON: Absolutely, because the quality of bread had generally gone to such a low level that as far as we were concerned we were ashamed of the product we were putting out 6 months ago and we still have not got back to pre-war formula, that is not pre-war formula.

Mr. MAYHEW: Can you give the committee the increased cost of the formula as the result of the three changes you said you had made?

Mr. STORMER: We have only indicated the one in February.

Mr. MAYHEW: What about that, where is that?

Mr. STORMER: Exhibit 3.

Mr. MAYHEW: Will you tell the committee what that was?

Mr. STORMER: 1·54 on a thousand loaves.

Mr. MAYBANK: That is for February, you say?

Mr. STORMER: Yes.

Mr. MAYHEW: And those changes amounted to $1.54 per thousand loaves?

Mr. STORMER: I just want to be straight on your question, please.

Mr. MAYHEW: I thought you had said it was and I was checking to make sure that it was so.

Mr. JOHNSTON: Mr. Chairman, you can't get it here.

The CHAIRMAN: What is that, Mr. Johnston?

Mr. JOHNSTON: We are having difficulty hearing down here.

The CHAIRMAN: Would you speak up a little louder, please?

Mr. MAYBANK: I just wanted to be sure I got the answer you made to Mr. Mayhew. You said the February increase in formula amounted to $1.54 per thousand loaves?

Mr. STORMER: That is right. We indicated that on the right-hand margin of Exhibit 3. That was our only reason for putting that flour in there because we did not actually know the February results at the time we prepared this statement but we did know what the increased formula would cost us and we have indicated that in Exhibit 3; and, as I was pointing out, the only change we had made there is in the $1.54 per thousand loaves, and all our other figures are identically the same in that February column.

Mr. MAYHEW: But did you did know about the middle of February that the increase in the formula, that the change in formula which you made in December had been showing itself in the analysis of your January sales.

Mr. STORMER: And then we go a step further in the formula.

Mr. MAYHEW: That gave you a lot of time in which to go a step further.

Mr. STORMER: That is right.

Mr. WILSON: We did not have much time as far as what we were making on a loaf of bread was concerned, sir; if you work it down it amounts to $\frac{1}{16}$th of a cent a loaf, and we feel that it is basicly unsound that the main item we manufacture is showing a loss and as far as we are concerned we do not intend to allow things to go back to where they were in 1939 when we were paying labour 38 cents an hour in order to make a cheap loaf of bread. We feel that people who are employed by this company should have a reasonable sense of security and they certainly cannot get it if we in the managerial position do not work to that end.

Mr. MAYHEW: I agree with you. What are you paying labour now?

Mr. WILSON: If you will look at Exhibit 5, 1939, the oven men were getting 38 cents an hour, a thing of which we are heartily ashamed, and they are making 83 cents an hour today; the relief men were getting 38 cents an hour and they get 86 cents today. The relief man has to do every operation.

Mr. MAYHEW: How much is that as a percentage increase?

Mr. STORMER: I would say about 125, roughly.

Mr. MAYHEW: So your labour is 125 per cent higher?

Mr. STORMER: We could figure it out exactly for you.

Mr. WINTERS: It will be 117 per cent.

Mr. WILSON: It would be 117 per cent in the first case and 126 per cent in the second.

Mr. MAYHEW: And it would be 126 per cent for the whole operation?

Mr. STORMER: No, we are just now speaking of this bread alone.

Mr. MAYHEW: Would that be the same percentage?

Mr. STORMER: You could take Exhibit 5, and they go right down the sheet, and get the percentages all along the line.

Mr. WINTERS: May I ask you on what basis you figured your percentage of increase, was it on the 38 to 83 or 38 to 86?

Mr. STORMER: 38 to 86.

Mr. WINTERS: I was taking 38 to 83.

Mr. STORMER: You are right, too.

Mr. WINTERS: Yes, we are both right.

Mr. MAYHEW: What does that mean? Does that reflect the same percentage in the cost of your loaf?

Mr. STORMER: That is a rather difficult thing, I mean you have to examine the whole picture.

Mr. WILSON: I would say it would if we had the same volume of business as we were doing in 1939, but we are now doing just about three to four times the volume of business we were doing in 1939 and that is the reason why it does not show up as 126 per cent or 117 per cent, whichever the case is.

Mr. STORMER: That is quite right.

The CHAIRMAN: Any other questions, gentlemen?

Mr. JOHNSTON: Yes, Mr. Chairman, I have one or two, and I want to go back a little further. Mr. Wilson, are you a member of the Ontario Bakers' Association?

Mr. WILSON: Yes, we are.

Mr. JOHNSTON: Were you at that meeting along in September around the 16th at the King Edward Hotel in Toronto?

Mr. WILSON: Yes. I answered that yesterday.

Mr. JOHNSTON: When was the first time that you raised your price? What was the date on which you first raised your prices?

Mr. WILSON: September 18, I believe it was.

Mr. JOHNSTON: That would be about two or three days after that meeting?

Mr. MAYBANK: No.

The CHAIRMAN: You are referring to January, aren't you?

Mr. JOHNSTON: No, the meeting held in Toronto on the 16th of September.

The CHAIRMAN: That is right.

Mr. JOHNSTON: I think the meeting was on September 16, 1947.

The CHAIRMAN: That is right.

Mr. JOHNSTON: And the witness now says he raised his prices on the 18th. Wasn't that about the time you raised the price to 13 cents?

Mr. WILSON: No, we raised it from 8 cents to 11 cents. We do wholesale only, Mr. Johnston.

Mr. JOHNSTON: What would that reflect in the retail price?

Mr. WILSON: It reflected 13 cents.

Mr. JOHNSTON: 13 cents?

Mr. WILSON: Yes.

Mr. JOHNSTON: Do you recall the statement that was made by Colonel Ruttan with regard to the 13-cent price at that meeting?

Mr. WILSON: I could not be exact on it, but I think he said something about—I do not know—I just could not be exact on it, and I do not think I should say what I am thinking.

Mr. JOHNSTON: Go ahead.

Mr. WILSON: I know, but—

Mr. JOHNSTON: I think it was said by Colonel Ruttan that the suggestion had been made by Mr. Short to Mr. Taylor that the price should be about 13 cents. I believe Colonel Ruttan made that statement at that meeting. I think that is the evidence.

Mr. WILSON: I think that would be reasonably correct.

The CHAIRMAN: Is that the evidence, Mr. Johnston?

Mr. JOHNSTON: I believe so because he read a memorandum which Mr. Short had sent to Mr. Taylor. You will recall the memorandum was tabled here as an exhibit.

Mr. PINARD: Had it been sent by Mr. Short?

Mr. JOHNSTON: I think the first memorandum referred to the conversation between Mr. Short and Mr. Taylor, and then Mr. Taylor sent that memorandum on to Colonel Ruttan, and Colonel Ruttan reiterated that at the meeting.

Mr. FLEMING: That was the second meeting.

The CHAIRMAN: That is my impression.

Mr. JOHNSTON: The same day.

Mr. FLEMING: As I recall the evidence it was that Colonel Ruttan received a call from Mr. Short between meetings in which Mr. Short said that Brown's Bread was going to increase to 13 cents, and then Colonel Ruttan simply conveyed that to the second meeting.

The CHAIRMAN: That is my understanding.

Mr. JOHNSTON: In any event, it was made at the meetings on that day.

Mr. HOMUTH: The first meeting was where they called the names.

The CHAIRMAN: Friendly names.

Mr. WILSON: Was it the first meeting?

Mr. JOHNSTON: Would you think that Mr. Short, being a miller and a baker and also working for the Wartime Prices and Trade Board, was in a position to know what the increase should be, having regard to the increased costs of ingredients?

Mr. WILSON: Mr. Short?

Mr. JOHNSTON: Yes.

Mr. WILSON: No, I do not think he was in a position to know.

Mr. JOHNSTON: You would say that was merely a guess price on his part?

Mr. WILSON: No, I think possibly the price was suggested to Mr. Short.

Mr. JOHNSTON: Who would you think suggested that to him?

Mr. WILSON: I think someone on the Wartime Prices and Trade Board because that was also pointed out at that time, and it was also pointed out that Combines were in the background, the big club, in other words.

Mr. JOHNSTON: So that when Mr. Short made the statement that bread would increase by 3 cents, he being a larger baker and interested in the milling industry, too, that would be more or less, as you have described it, the big club which practically set the price at 13 cents?

Mr. WILSON: I think the big club was Combines.

Mr. JOHNSTON: And as a result of that—

Mr. MAYBANK: The Combines Investigation—

Mr. WILSON: Yes, I think that was what was intended as the big club.

Mr. JOHNSTON: And as a result of that the price was set on the market at 13 cents to start with?

Mr. WILSON: At 13 cents, did you say?

Mr. JOHNSTON: Yes.

Mr. WILSON: That would be at the consumer level.

Mr. JOHNSTON: Yes, I am speaking of the consumer level. I am not inferring at all that you dictated any price to the retailers. Would it not follow that the bakers did not have much option, no matter what their financial situation was, that they would sell bread then so that it would retail at 13 cents?

Mr. WILSON: Well, I do not know about option. I think the controls had been removed and there was a bit of confusion at the time, but as somebody else has already said if some of them had had courage enough they might have put the price up where it should have been to begin with.

Mr. JOHNSTON: What would you say that the price should have been?

Mr. WILSON: I felt the price should have been 11½ cents.

Mr. JOHNSTON: That would have been a retail price of what?

Mr. WILSON: That would depend on the retailer, but I presume it would have been 14 cents.

Mr. JOHNSTON: 14 cents?

Mr. WILSON: Yes.

Mr. JOHNSTON: Would you consider the price which was dictated by the board at 13 cents, and then the price at 14 cents, a cent higher, would you consider that increased price as being unjust and unreasonable? I refer to the 1 cent increase.

Mr. WILSON: Positively not, no, sir.

Mr. JOHNSTON: You are basing your opinion on the actual figures from your company?

Mr. WILSON: That is right, sir.

Mr. JOHNSTON: What effect do you think that a lowering of price at this time would have on the smaller bakeries, if any?

Mr. WILSON: That would be a matter of opinion.

Mr. JOHNSTON: I realize it would be a matter of opinion because you would not know their exact financial standing, but what is your opinion on that?

The CHAIRMAN: Mr. Johnston, you say "this time." Do you mean now?

Mr. JOHNSTON: Yes, if the price were lowered now.

Mr. WILSON: I would not know what would happen to the smaller baker.

Mr. JOHNSTON: There was an opinion given here the other day by Mr. Loftus, I believe, to the effect that it would ruin the smaller bakers. Would you agree with that?

Mr. WILSON: Well, I think we are fairly efficient ourselves and it certainly would not do us any good and unless the smaller baker was as efficient he would certainly be in bad shape.

Mr. FLEMING: I have a few questions I should like to ask to round up. Mr. Wilson, we have been told by different witnesses in the bakery business and bread business that it is a very competitive business. What do you say about that?

Mr. WILSON: I say it is, too.

Mr. FLEMING: Does your answer apply to the entire area in which you operate?

Mr. WILSON: Yes, sir.

Mr. FLEMING: It applies in Toronto and in Montreal?

Mr. WILSON: That is right—well, we are not in Montreal long enough to find out how effective our competitors are, but I do know in Toronto they are.

Mr. FLEMING: I was wondering if you would make any further comment on this Montreal situation. You have indicated you have only been there recently. We have been told you have lowered your price within recent days, I think within the last week, by 1 cent a loaf, your price to the retailers. I should like your comment in detail on the reasons for that, and the extent to which competitive conditions are different, if they are, in Montreal from those prevailing in Toronto.

Mr. WILSON: Well, as I explained yesterday when we entered the Montreal market, or prior to going into the Montreal market, we made a survey of the price as near as we could get it, and we also used our past experience in Toronto as a guide, that is, our own particular operation. We found in our own operation that the consuming public was demanding sliced bread in spite of the fact that they were paying 15 cents for it instead of 14, and our sales indicated that, and we thought that after considering everything as far as the survey was concerned, that we would introduce bread in Montreal at 12 cents. That is for both varieties. We presumed that the consumer level would be 14 cents.

Mr. FLEMING: Are you speaking of the unsliced now?

Mr. WILSON: Both, sliced or unsliced.

Mr. FLEMING: You are going to put them both in at the same price?

Mr. WILSON: That is right. Our own past performance showed us what the indication was from the sales standpoint. Last Saturday, for example, in Montreal we sold 9,600 loaves of sliced bread and 1,000 loaves of unsliced bread, and as we grow farther—as far as the consuming public is concerned—they want sliced bread.

Mr. FLEMING: In Montreal?

Mr. WILSON: And in Toronto, and in any place that we operate.

Mr. FLEMING: Will you make it a little clearer and tell me how this is entering into the reduction you made in price in Montreal. You did not make such a reduction in price in Toronto. Perhaps you will tell us how the new price in Montreal compares with the price in Toronto to the retailer, of the unsliced bread?

Mr. WILSON: Unsliced is 11½ in Toronto and 12 in Montreal.

Mr. FLEMING: Even after the reduction it is still 12 in Montreal?

Mr. WILSON: That is right. It is not a reduction as far as the unsliced is concerned. It is probably as far as the sliced is concerned.

Mr. FLEMING: That is one thing I want to clear up. Do I understand that the reduction that was referred to by Mr. Dionne is not a reduction in unsliced bread?

Mr. WILSON: Mr. Dionne could not have been referring to ours because we are not selling Mr. Dionne. At least, we were not yesterday, and I was in touch with Montreal yesterday.

The CHAIRMAN: I think it was Harrison's.

Mr. JOHNSTON: Harrison and Supreme.

Mr. WILSON: I know our name got mixed up in that in the evidence.

Mr. FLEMING: So far as you are concerned your price to the retailer in Montreal, in other words, the wholesale price of unsliced bread, is still higher than in Toronto?

Mr. WILSON: That is right, but we do not expect to sell much unsliced bread. We hope to have just one loaf of bread sliced.

Mr. FLEMING: You have not in the white unsliced bread at any time more than one quality? Is that correct?

Mr. WILSON: That is right.

Mr. FLEMING: You have never had this problem of two qualities of bread in the 24-ounce unsliced loaf?

Mr. WILSON: No, sir.

Mr. FLEMING: Has that had a favourable bearing in your earning position?

Mr. WILSON: When we entered this business in 1939 we decided first on a wholesale only policy. We decided on making or trying to make a loaf of bread

good enough so that the consumer would come to the store and carry the loaf home at a reasonable profit to the retailer, and I think our performance proves that that has been accomplished.

Mr. FLEMING: In other words, it would be a fair deduction from what you have said, and from this exhibit, that because you have not carried two qualities of bread, because you have carried one quality which compares with the first quality of those who carry two qualities, that your earning positon has been better than it would have been otherwise when we consider that the differential in price is not taken up by the differential in quality?

Mr. WILSON: Well, you certainly are more efficient from a production standpoint. The least number of varieties you have the more efficient you become.

Mr. FLEMING: I can see the advantages there. Then I have no doubt you have considered in the case of your competitors the effect on their earning position of having, for one reason or another, to carry two qualities with a considerable differential in price, a greater differential in price than is reflected in the differential in cost to them?

Mr. WILSON: Well, as far as our competitors are concerned, as far as a cheap loaf is concerned, we have never had any thought of entering into that market. As far as we are concerned we have got along without it, and we have concentrated on making as good a loaf of bread as we can. We feel we are making it at a reasonable price, and whatever our competition does as far as cheap loaves are concerned is their business and not ours.

Mr. FLEMING: In other words, you have no intention of going into the cheaper loaf field?

Mr. WILSON: No, sir.

Mr. FLEMING: Then as to the matter of the September increase, you spoke about the big club. You are referring now to what I presume you were told under government auspices, are you?

Mr. WILSON: Well, it was published in the press at the time.

Mr. FLEMING: Did you consider that the increase of 3 cents, a retail price of 13 cents, in September last was the final word from the Wartime Prices and Trade Board as to what the price was to be indefinitely? Was there any discussion as to how long that price might be expected to prevail, any suggestion from the board?

Mr. WILSON: No, I do not think so. I presume that ceilings were lifted and controls were supposed to have been lifted also, and I do not think the Wartime Prices and Trade Board had any further intention of doing anything about it unless the price of bread ran sky high. They did tell us very definitely if the price of bread got out of line they would clamp on ceilings again.

Mr. FLEMING: I take it you have had no complaint from the board about this January-February increase?

Mr. WILSON: No, sir.

The CHAIRMAN: Mr. Fleming, perhaps I should not ask you this, but you say there was no complaint from the board. The ceiling was off.

Mr. FLEMING: The ceiling was off, but there was still the provision about a just and reasonable price. I was not going to pursue it further. We have had it in evidence from the chairman of the Wartime Prices and Trade Board he did not consider the increase to 14 cents in January as anything that called for investigation on his part. I think I am finished.

Mr. HOMUTH: The impression would be that the Wartime Prices and Trade Board did not consider 14 cents high.

The CHAIRMAN: Except there is evidence that Mr. Taylor himself gave that after the ceiling went off they had not continued the same intensity of investigation that had proceeded before.

Mr. HOMUTH: He also said in their opinion the price of 14 cents did not necessarily call for any investigation.

The CHAIRMAN: Yes, that is the evidence. He did not think it was an unwarranted price.

Mr. JOHNSTON: May I ask the witness at this point if the Wartime Prices and Trade Board ever sent in auditors before or afterwards to ascertain whether or not you were getting an unjustifiable profit? Did they ever check up with you to see?

Mr. STORMER: We had a visit from Mr. Loomis, was it—

The CHAIRMAN: Mr. who?

Mr. STORMER: Just a second, please—Mr. Lowney—and we wrote him under date of February 6, giving him the information that we had decided on at the time he visited our office.

Mr. JOHNSTON: Was that by request or voluntarily?

Mr. STORMER: Well, he came in to see us.

Mr. JOHNSTON: And asked for the information?

Mr. STORMER: That is right.

Mr. JOHNSTON: You sent it to him?

Mr. STORMER: No, they called for it.

Mr. JOHNSTON: What information was that?

Mr. STORMER: Well, practically the same information that we have given in our evidence here.

Mr. JOHNSTON: Have you a copy of that information which you sent?

Mr. STORMER: Yes, sir.

Mr. JOHNSTON: Can you table it with the committee?

Mr. STORMER: It is the only copy I have but I could have a copy made for you.

The CHAIRMAN: What is this you are referring to?

Mr. STORMER: We had a visit from Mr. Lowney.

The CHAIRMAN: You have said that to Mr. Johnston. This is a letter from whom to whom?

Mr. STORMER: We made up a letter and a statement giving him the information that he desired.

Mr. IRVINE: Might we know who Mr. Lowney is so we will know what we are talking about.

The CHAIRMAN: He told Mr. Johnston he was an official of the Wartime Prices and Trade Board.

Mr. IRVINE: What was he after?

Mr. JOHNSTON: The Wartime Prices and Trade Board apparently made a call upon them to ascertain something in regard to the price. This company then sent the Wartime Prices and Trade Board a letter giving the reason for their price increase, as I take it, and now he is going to table that. Was there any other further correspondence between the company and the Wartime Prices and Trade Board following that statement?

Mr. STORMER: No.

Mr. JOHNSTON: Did they reply to your letter acknowleding receipt of it?

Mr. WILSON: This was just simply an investigator from the Wartime Prices and Trade Board trying to determine whether or not we were refusing to serve any stores that reduced the price of our bread, in other words, if we were stopping service or refusing to sell them.

Mr. JOHNSTON: That had nothing to do with price.

Mr. WILSON: It had nothing to do with price.

Mr. JOHNSTON: I think it should be produced.

The CHAIRMAN: You had better take a look at this. I do not know whether it will be of help to us and we do not want to clutter up the record if it is not going to be of assistance.

Mr. LESAGE: While Mr. Johnston is looking at the letter I have one or two questions. Would you look at Exhibit No. 3, Mr. Wilson?

Mr. WILSON: Exhibit what?

Mr. LESAGE: Exhibit No. 3.

The CHAIRMAN: You mean page 3.

Mr. LESAGE: It is entitled exhibit 3. I understand in the last column under date of February 25, you are referring to your new formula?

Mr. WILSON: That is right.

Mr. LESAGE: In Toronto?

Mr. WILSON: Yes.

Mr. LESAGE: And a loaf of bread unsliced is sold at 11½ cents—that is the wholesale price?

Mr. WILSON: Yes.

Mr. LESAGE: With a price of 11½ cents your profit is 6·91 per cent?

Mr. STORMER: That is before taxes.

Mr. LESAGE: Yes.

Mr. STORMER: Yes.

Mr. LESAGE: I understand from what you said yesterday that your cost in Montreal and in Toronto is the same?

Mr. WILSON: No, we said we presumed it would be the same but we did not know because we have not had enough experience down there to determine it.

Mr. LESAGE: The cost of ingredients is the same in Montreal and in Toronto?

Mr. WILSON: Again I would say I do not know the differential there on account of transportation costs and different other items that might enter into it. We presume it would be relatively the same.

Mr. LESAGE: Why do you sell at 12 cents in Montreal?

Mr. WILSON: We are selling sliced bread.

Mr. LESAGE: At 12 cents?

Mr. WILSON: That is our object, to sell sliced bread and sliced bread only. We sell very little unsliced bread in Montreal.

Mr. LESAGE: You are selling sliced bread in Montreal at a wholesale price of 12 cents is that correct?

Mr. WILSON: That is correct.

Mr. LESAGE: In spite of the fact you are making a profit of 6·91 in selling the same bread in Toronto at 11½ cents? Is that correct?

Mr. WILSON: That is correct.

Mr. LESAGE: What is the reason?

Mr. WILSON: Because we do not expect to be selling unsliced bread in Montreal. We expect, and we know, that the consumer will demand sliced bread; and we know that from our past experience.

Mr. LESAGE: That is the only reason.

Mr. WILSON: It is a good one.

Mr. LESAGE: That is a matter of opinion as far as I am concerned, and I do not think it is a good reason.

Mr. FLEMING: You are not running the business.

Mr. WILSON: We are going by what our consumer tells us to do.

Mr. LESAGE: Yes, and what is the cost of slicing 1 loaf of bread? I am speaking of the cost to you.

Mr. WILSON: It would cost roughly ½ a cent a loaf.

Mr. LESAGE: Can you give us some figures which would prove that it costs you ½ a cent to slice 1 loaf of bread?

Mr. STORMER: Have you got exhibit 4 in front of you?

Mr. LESAGE: Yes, I have it here. To what do you draw my attention in Exhibit 4?

Mr. STORMER: If you will look there, and take the same date, that is February—

Mr. LESAGE: Yes.

Mr. STORMER: —I do not know what this will work out to. There is $7.78 for package material, for slicing material—that is $7.78 for a thousand, and over here for unsliced bread it works out to $5.23 per thousand. Now how that works out on a percentage basis—

Mr. BEAUDRY: What do you call package material?

Mr. STORMER: That is the label.

Mr. WILSON: In this case you have a wrapper already, and then there is another wrapper that goes on to hold the slices together.

Mr. BEAUDRY: Does slicing come under the heading of packaging material? That is the only difference between both tables—that package material item. That comes to ¼ of a cent.

Mr. WILSON: Yes, but you have the blades for your machine.

Mr. BEAUDRY: I appreciate that but it is not shown in the cost anywhere? In both tables there is but the one difference under the heading of packaging materials, and that difference comes to roughly ¼ of a cent.

Mr. STORMER: That is right. I had not worked it out but I know generally that it runs to ½ a cent.

Mr. BEAUDRY: It runs to ¼ of a cent.

Mr. STORMER: Yes, but you still have to add the cost of blades. You know that you do not get them for nothing.

Mr. BEAUDRY: I know that, but it is not shown any place. Do you mean the cost of the blades should be added to the cost already computed?

Mr. LESAGE: The cost of blades would be practically nothing, if we compared it to the amount of bread that you sliced.

Mr. WILSON: Well, it is an item that runs to two or three hundred dollars a month.

Mr. LESAGE: Two or three hundred dollars a month?

Mr. WILSON: Yes, you have got to sharpen them you know. We send them out to be sharpened.

Mr. PINARD: Does that expense appear anywhere else?

Mr. BEAUDRY: It would appear as maintenance perhaps?

Mr. WILSON: You break down the proportion—

Mr. STORMER: In the breakdown of bread we cannot itemize all of these various little things that enter into the manufacture of every individual product.

Mr. BEAUDRY: Let me ask you this question?

Mr. LESAGE: The cost of your blades—

Mr. STORMER: Well, it just does not show up in this particular statement.

Mr. BEAUDRY: On what you list as Exhibit 4?

Mr. STORMER: It is averaged over the whole thing.

Mr. BEAUDRY: When we arrive at a total cost of $5.67 per thousand does that include the cost of blades?

Mr. STORMER: I beg pardon, sir?

Mr. BEAUDRY: On exhibit No. 4, for February 25, you arrive at a total manufacturing expense of $85.67.

Mr. STORMER: That is right.

Mr. BEAUDRY: For sliced bread, and does that include—

Mr. STORMER: I would say so.

Mr. BEAUDRY: Therefore the only substantial difference we can find is the difference between $7.78 for packaging materials and $5.23, a difference of $2.51 a thousand, or $\frac{1}{4}$ of a cent for a loaf?

Mr. STORMER: That is right.

Mr. BEAUDRY: Do you not think you should correct the statement and say it is $\frac{1}{4}$ of a cent and not $\frac{1}{2}$ a cent?

Mr. WILSON: We said roughly $\frac{1}{2}$ a cent but we had not figured it out.

Mr. BEAUDRY: Can we correct it and say roughly $\frac{1}{4}$?

Mr. STORMER: No.

Mr. BEAUDRY: Then what is the value of the exhibits?

Mr. STORMER: Certain things we have had to add in our production costs.

Mr. BEAUDRY: Are they averaged on Exhibit 4?

Mr. STORMER: Evidently, the way it shows up here, the difference between the total manufacturing expense and the difference in the packaging material is identical.

Mr. BEAUDRY: In other words we are still rotating around, or gravitating towards, $\frac{1}{4}$ of a cent difference instead of $\frac{1}{2}$?

Mr. STORMER: That is right.

Mr. BEAUDRY: And that difference of $\frac{1}{4}$ of a cent in cost justifies an increase to the retailer of $\frac{1}{2}$ a cent in Toronto?

Mr. BEAUDRY: In Toronto and in Montreal.

Mr. LESAGE: No, in Toronto it is the same price.

Mr. BEAUDRY: Is that correct?

Mr. STORMER: I did not get that last question?

Mr. BEAUDRY: I say the difference in cost to you of $\frac{1}{4}$ of a cent seems to justify a difference in the retail price or the price to the retailer of $\frac{1}{2}$ a cent in the case of Toronto?

Mr. WILSON: I would think so.

Mr. LESAGE: And the price to the consumer for sliced bread has been 15 cents all through since November, which means that in November people were paying 2 cents more for having sliced bread, which as a matter of fact, costs you only $\frac{1}{4}$ of a cent more and not a cent more to the retailer?

Mr. WILSON: If you want to go into that we will have to go back to November's figures. You are trying to create the impression that the cost today is the same as it was in November.

Mr. LESAGE: I do not say that, but I said at that time, as a matter of fact, you were selling sliced bread at a price which was 2 cents higher than unsliced bread when the real cost to you was only $\frac{1}{4}$ of a cent more?

Mr. STORMER: I think the difference is that in November we were losing money on the unsliced bread and we were making some profit on the sliced bread.

Mr. LESAGE: You were losing ·18 cents.

Mr. STORMER: ·16 per cent.

Mr. LESAGE: Yes, and in this cost was included the cost of your blades?

Mr. MAYBANK: The cost of what?

The CHAIRMAN: The cost of the blades.

Mr. LESAGE: Sharpening the blades; this two or three hundred dollars a month that you were talking about which is included in these figures for unsliced bread.

Mr. STORMER: It is pro rated, yes

Mr. BEAUDRY: If we go back to the November figures there is still only a difference in cost of slightly less than $\frac{1}{3}$ of a cent.

Mr. STORMER: That is right.

Mr. IRVINE: If you keep on you will have them worn out and the profit will soon be down to nothing.

Mr. WILSON: Yes, we will be giving bread away soon.

Mr. LESAGE: You are not giving away sliced bread at 15 cents, there is no doubt about that, and the company has been making quite a substantial profit.

Mr. HOMUTH: But the people want sliced bread do they not?

Mr. WILSON: Very definitely, yes.

Mr. LESAGE: It should be sold at a reasonable price.

Mr. HOMUTH: Well ask the Wartime Prices and Trade Board about that.

Mr. LESAGE: We may have to do that.

Mr. FLEMING: That is the law is it not? Let the law be enforced by the government.

The CHAIRMAN: Let us not make any comments. Mr. Johnston is next.

Mr. JOHNSTON: I want to come back again for a few moments to the letter dated February 6. I want to refer to that letter.

Mr. MAYBANK: Just before Mr. Johnston asks about that, would he permit just one question on the subject of sliced bread?

Mr. JOHNSTON: Yes, go ahead.

Mr. MAYBANK: I was wondering about this, whether the slicing of bread has any effect on your operation, any slow-down, or anything of that sort?

Mr. WILSON: Not the way we have it set up.

Mr. MAYBANK: In spite of the fact that you slice bread, you can still produce just as much, and there is no time consumed at all?

Mr. WILSON: No, except—

Mr. MAYBANK: I see.

Mr. WILSON: —possibly for a few more re-wraps.

Mr. MAYBANK: The slicing of bread does not slow down and does not, for example, increase the labour costs at all?

Mr. HOMUTH: Oh now, wait a minute.

Mr. MAYBANK: By reason of slowing down, and of course we know there is some cost in every operation.

Mr. WILSON: It may slow down a little bit.

Mr. MAYBANK: But not appreciably.

Mr. WILSON: We do not appreciate it, with the exception of the re-wraps and sometimes we run into quite a little grief on re-wraps. We have to put it back through the wrapper again.

Mr. MAYBANK: Though I understand from the way you were speaking that would be rather uncommon.

Mr. WILSON: It is common to the type of paper that we are compelled to use at the present time. That is the reason for it. We have to use this paper and the paper sticks. It does not properly wrap and we have to put it back through the wrapper again.

Mr. MAYBANK: From the way you had been speaking at first I should have thought that was rather uncommon, but you say it is not uncommon.

Mr. WILSON: No, sir, that is a common occurrence in so far as our wrapping costs are concerned.

Mr. MAYBANK: It does not go so far as to slow down the production to any appreciable extent.

Mr. WILSON: To the point of the wrapper, no.

Mr. JOHNSTON: Mr. Chairman, this is not a very long letter and probably I should read it, as I am going to make reference to it.

The CHAIRMAN: If you think the committee ought to know what is in it—

Mr. JOHNSTON: I can just read it if you like.

The CHAIRMAN: All right.

Mr. JOHNSTON: The letter is dated February 6, 1948, and reads as follows:

Mr. Charles W. Lownie,
Wartime Prices and Trade Board,
330 Bay Street,
Toronto, Ontario.

Dear Mr. Lownie:

Following your personal visit to this office yesterday we have prepared, in the manner agreed upon at the time of your visit, information relative to producing and selling 1,000 units, or loaves, of our Christie's white regular bread for the periods of August 1945, August 1946, August 1947, and November, 1947.

As explained to you over the telephone, we have used the same formula for the previous periods as we are now using, and which we used in November 1947. As explained to you yesterday, there were occasions during the past when it was necessary for us to use various substitutes in relation to sweetening and also shortening. We feel that the method we have used gives us a true relative comparison which we believe is what you are after.

Also explained to you over the telephone, we have shown the cost of selling and administration percentage-wise. As we further explained to you, these percentages are influenced by the ratio of bread to other bread products such as, rolls, sweet buns, etc. It has the effect of showing a lower percentage in the manner in which we have used it than if the selling and administration costs were applied to bread units only.

At the time you left yesterday you asked for a reason as to why the price of bread was recently raised. We believe that a study of the attached analysis will furnish the information desired.

Yours very truly,
CHRISTIE'S BREAD, LIMITED,

Vice-President.

EXHIBIT 47.

Information Based on Christie's White Regular Bread for Comparative Purposes, November 1947 Formula

(Used for previous periods, using prices at period shown)

All Production Costs based on 1,000 Units or Loaves

	Nov. 1947	Aug. 1947	Aug. 1946	Aug. 1945
Raw materials	$62.73	$41.91	$37.76	$35.82
Direct labour	7.36	7.32	6.59	6.26
Warehouse sundry R. & R., P. L. & H.	4.49	4.56	4.66	4.14
Supervision	.29	.29	.26	.25
Package material	4.83	4.74	4.20	3.94
Overhead expense	2.01	2.00	1.80	1.17
Shipping expense	1.40	1.02	.99	.94
Total production cost per 1,000 units	$83.11	$61.84	$56.26	$53.06
Wholesale value per 1,000 units	105.00	80.00	80.00	80.00
Profits per 1,000 units	$21.89	$18.16	$23.74	$26.94
	20·85%	22·70%	29·68%	33·68%
Cost of selling and administration	20·95%	25·01%	25·98%	25·33%
PROFIT OR LOSS	.10 L	2.31 L	3.70	8.35

EXHIBIT 47—Above letter and statement.

Now I want to refer to the first paragraph which I read and which says: "Following your personal visit to this office yesterday we have prepared, in the manner agreed upon at the time of your visit, information relative to producing and selling 1,000 units." Would you tell me what was the purpose of the Wartime Prices and Trade Board ascertaining that information from you?

Mr. STORMER: I do not know. We did not ask that. You will note that it states about a telephone call. I called back to make sure this man was from the Wartime Prices and Trade Board.

Mr. JOHNSTON: Was he?

Mr. STORMER: He was.

Mr. JOHNSTON: And he was asking for definite information in regard to cost, information relative to the cost of producing and selling 1,000 loaves of bread.

Mr. STORMER: I would say this, that when he came in he had nothing definite in his mind. He said "I would like some information," and we sat down together. I made certain suggestions, and he made certain suggestions, and we arrived at what he thought would be satisfactory to him.

Mr. JOHNSTON: What type of information was it? Was it with regard to costs?

Mr. STORMER: Yes.

Mr. JOHNSTON: Definitely in regard to costs?

Mr. STORMER: Yes.

Mr. JOHNSTON: So he was ascertaining information from you as to the relative costs?

Mr. STORMER: Yes.

Mr. JOHNSTON: All right then, in the last paragraph—"At the time you left yesterday you asked for a reason as to why the price of bread was recently increased."

Mr. STORMER: That is right.

Mr. JOHNSTON: And you did give him that information?

Mr. STORMER: That is right.

Mr. JOHNSTON: And you go on and state "We believe that a study of the attached analysis will furnish the information desired." Did you hear from the Wartime Prices and Trade Board or any of their officials after that?

Mr. STORMER: Not a word.

Mr. JOHNSTON: Relative to this information you sent them?

Mr. STORMER: As a matter of fact there was a gentleman with Mr. Lownie on the day he came in, and when I called him up and told him the information was ready he sent the same gentleman back. I do not remember his name but Mr. Lownie was the man in charge.

Mr. JOHNSTON: This was on February 6, 1948?

Mr. STORMER: Possibly it was a day or two before that, that is the date of my letter.

Mr. JOHNSTON: Yes, we will allow for that. In that analysis you did indicate the price increase?

Mr. STORMER: No, I gave him information as to August 1945, 1946, 1947, and November 1947. He wanted the information in a hurry.

Mr. JOHNSTON: Yes.

Mr. STORMER: So those were the months we decided on. I had had certain information on those particular months so it was possible to come up with these answers more readily than for other months.

Mr. JOHNSTON: That information you gave him then had to do with costs, and also as to your selling price, because I would imagine when you spoke of your costs you must have mentioned what you would have to sell it to the trade for?

Mr. STORMER: No, no. The only thing we would discuss naturally would be our wholesale selling price.

Mr. JOHNSTON: That is what I had reference to. I think the selling price might probably have been—I did not say should have been, Mr. Chairman.

Mr. STORMER: No, that is not—

Mr. JOHNSTON: But what you are saying is that you received no answer from the Wartime Prices and Trade Board?

Mr. STORMER: That is right, so we assumed it was satisfactory.

Mr. JOHNSTON: I was going to ask you if that was not the impression you got and therefore you assumed that the Wartime Prices and Trade Board were satisfied with the analysis which you had sent them.

Mr. STORMER: That is right.

Mr. JOHNSTON: Therefore you thought it was proper and reasonable for you to increase the price to which you suggested, I am referring again to the wholesale price.

Mr. STORMER: Yes.

Mr. JOHNSTON: Prior to the time you sent this information or at the time, you cannot go beyond that of course.

Mr. STORMER: I do not know. I am a little confused there. Are you referring to the increase of price on January 25?

Mr. JOHNSTON: Yes, that would be just before this.

Mr. STORMER: Yes. I still, I am sorry I am a little dense on that but I am awfully sorry I just can't get that clear in my mind.

Mr. WILSON: Would you repeat the question, please.

Mr. JOHNSTON: I am probably not phrasing it in an intelligible way.

Mr. STORMER: We bread people have got a sort of lingo of our own.

Mr. JOHNSTON: On February 5 you replied to the Wartime Prices and Trade Board.

Mr. STORMER: That is right.

Mr. JOHNSTON: As a result of their communication to you?

Mr. STORMER: Yes.

Mr. JOHNSTON: They were ascertaining the costs you were using or proposed to use and also as to the basis of the prices at which you were selling or at which you indicated you were going to sell, right in the immediate future, in February?

Mr. STORMER: There has been no change in our price since that time.

Mr. JOHNSTON: I think we can leave that because I think the information will be forthcoming as a result of my next question; regardless of that the Wartime Prices and Trade Board was satisfied?

Mr. STORMER: That is right.

Mr. LESAGE: Is that through?

Mr. WILSON: We assumed that.

Mr. LESAGE: Maybe this information was for the committee, you don't know.

Mr. JOHNSTON: I don't think that. I can't say, neither can you, because you don't know what the Wartime Prices and Trade Board had in mind.

Mr. FLEMING: Excuse me a moment. That was February 6. This committee was set up on February 10. It was not because of this committee unless somebody was taking a lot for granted.

Mr. JOHNSTON: I think maybe you are right there. The next question I want to ask is this. I am going to read the last sentence of your reply.

> We believe a study of the attached analysis will furnish the information desired.

Will you file with this committee a copy of that attached analysis?

Mr. STORMER: We don't object to it, no. But you could probably get it from the Wartime Prices and Trade Board.

Mr. JOHNSTON: If you have it right there it will save us time.

Mr. STORMER: I have just the one copy.

Mr. JOHNSTON: I think counsel could arrange to have copies made from it.

Mr. STORMER: Before I submit this I want to point out as I did in the letter that we have shown our selling costs percentage cost which is somewhat different than we have prepared in the exhibits. In the exhibits we have attempted to follow the cost system all the way through and to apportion selling costs to units of bread and units of various items.

Mr. JOHNSTON: The only difference would be in the method of accounting there, wouldn't it?

Mr. STORMER: I presume so.

Mr. JOHNSTON: I think the committee would understand that all right.

Mr. LESAGE: There is the difference in what you get—

The CHAIRMAN: Mr. Irvine is next.

Mr. LESAGE: It is only on this particular point.

The CHAIRMAN: All right.

Mr. LESAGE: There is a difference in that and what you show in Exhibit 7?

Mr. WILSON: The one is in dollars in the one case and in the other it is percentage.

Mr. IRVINE: I wanted to ask a question, Mr. Chairman, on the information furnished on what I would call page 3 of the exhibit, consolidated income and earned surplus, 1946 and 1947. On this page in your brief, Mr. Wilson, in your statement of consolidated income and earned surplus you show for the year 1946 accelerated depreciation of $16,200.

The CHAIRMAN: 1946?

Mr. IRVINE: 1946, yes.

The CHAIRMAN: In the brief, yes.

Mr. STORMER: In Exhibit A.

Mr. IRVINE: Exhibit A, the supplementary sheet No. 1 .

Mr. WILSON: That is right.

Mr. IRVINE: $16,200 for the year 1946 and accelerated depreciation of $41,425—would you explain to the committee what this accelerated depreciation is for?

Mr. STORMER: I have already indicated that our parent company had not requested any dividends from our company since July 1, 1945. We had used all the profits in the operation of our own business. As far as this accelerated depreciation is concerned, this is set up as a separate reserve and naturally it would be taken out of, let us say, the surplus account after dividends were paid. That is what I mean.

Mr. IRVINE: I am not sure that I follow you.

Mr. STORMER: Well, when you set up a reserve like that it is not allowed for income tax purposes, therefore it might be set up—it comes out of surplus. In other words, had we not put that up then our surplus would have been $41,000 greater. Am I clear?

Mr. IRVINE: That is the very point I am interested in.

Mr. PINARD: Would you allow a question, Mr. Irvine?

Mr. IRVINE: Yes.

Mr. PINARD: I refer to these figures related to depreciation; you have a certain amount, $121,932.71 for depreciation on buildings. I understood you to say yesterday that your company did not own any buildings. Would you explain that?

Mr. STORMER: We own a garage, sir.

Mr. PINARD: You own a garage?

Mr. STORMER: That is right.

Mr. PINARD: And this garage has a value of $121,000?

Mr. WILSON: Yes, sir.

Mr. STORMER: Wait a minute, I am sorry. We have a small bakery we bought in Welland last May which is in that figure and it amounts to $37,500; the other is the garage, and if I remember correctly it cost around $87,500.

Mr. PINARD: Yesterday, Mr. Stormer, you were asked this question: It was suggested that your company had made a profit of 40 per cent before payment of all taxes; a profit of 40 per cent on invested capital after taxes—I think with all allowances it came out to a profit of around 18 per cent.

The CHAIRMAN: Mr. Pinard, I do not want to be open to the charge of being unfair but I suggest to you that Mr. Irvine started a line of questioning here. Unless he is willing to give way to you—

Mr. PINARD: I asked his permission and it is on that very point. I will be finished with one more general question.

The CHAIRMAN: Right.

Mr. PINARD: So it finally turned out that your real net profit in 1947 would have been 18 per cent?

Mr. STORMER: No. We also add to that the profit which has been retained in the business, roughly $160,000. In other words, you would have to take the $160,000 and the $400,000 and that would give you $560,000, divided that into $72,000. It would work out around 14 to 15 per cent roughly. I neglected to point out yesterday that we did not own our own building in which we manufacture, we rent that place and therefore we require less capital than if we owned our business.

Mr. PINARD: Yes, but you did not mention that you did not own any buildings yesterday.

Mr. STORMER: I am sorry, that is a minor detail as far as the cost of operation is concerned.

Mr. PINARD: It is not a minor detail that you allow yourselves depreciation of $87,000 on that.

Mr. STORMER: Wait a minute, what is that?

Mr. PINARD: Do you allow yourselves a depreciation of $87,000?

Mr. STORMER: Wait a minute, that is depreciation on machinery and equipment.

Mr. PINARD: Still there must be a proportion allotted to depreciation on buildings only.

Mr. STORMER: 2·5 per cent of whatever the capital assets are in that form.

Mr. PINARD: What would be the proportion for buildings?

Mr. STORMER: 2·5 per cent is our depreciation on buildings and 2·5 per cent on $121,000 is roughly $2,500 a year—no, $3,000 a year, roughly.

Mr. IRVINE: Just to bring this back I want to point out that in this statement to which I have referred, Exhibit A, you have already both in 1946 and 1947 charged what apparently is an ordinary depreciation of $52,144.44 in 1946 and $45,775.24 in 1947, and then in addition to that you have an accelerated depreciation of $16,200 in 1946 and $41,425 in 1947. Now, this accelerated depreciation is in both years shown as additional to your present depreciation; is that not so?

Mr. STORMER: I believe it is common practice for companies—pardon me.

Mr. WILSON: Is that a question?

Mr. IRVINE: Yes.

Mr. STORMER: I think it is the common practice for companies of our kind to set aside some special reserve of that kind for the increased cost of replacing general assets, especially when those capital assets have been worn out as in the case of most of our machinery and equipment.

Mr. IRVINE: Have you any reserves?

Mr. STORMER: No, I think that is all.

Mr. IRVINE: You have no funds that you call reserve as apart from this depreciation?

Mr. STORMER: No, I do not think so.

Mr. IRVINE: You are not sure about that?

Mr. STORMER: I am quite sure that we do not have anything more than the amount we have shown here.

Mr. IRVINE: So the net profit after taxes and depreciation which you show as a balance to surplus, I presume that means net profit after taxes?

Mr. STORMER: Yes.

Mr. IRVINE: Is $49,596.45 in 1946 and $72,467.87 for the year ending January, 1947? Is that so?

Mr. STORMER: Oh, but, there is a competition there: that in the year 1946, as I have pointed out, on the exhibit in front of you, the $49,000 does not include any other lines whereas the statement ending December 31, 1947 includes the profit from cake and so on from July 1, to December 31, 1947.

Mr. IRVINE: Well, that does not appear here, does it?

Mr. STORMER: What exhibit have you?

Mr. IRVINE: I have Exhibit A.

Mr. STORMER: Did you say Exhibit 8?

Mr. IRVINE: No, Exhibit A.

Mr. STORMER: That is the one I have, yes. I have broken it down.

Mr. IRVINE: I am assuming, of course, that this represents a profit on your entire transactions. I am not trying to separate the sheep from the goats, but bread from the cake and sweet's business. Your net profit after the deductions was approximately, what? Approximately how much was that in percentage higher for 1947 than it is for 1946, your net profit; how much higher was it?

Mr. STORMER: In December, at the end of 1946, we carried $49,000 surplus account; and in 1947 we carried $72,000.

Mr. IRVINE: What percentage?

Mr. STORMER: I do not know, sir.

Mr. IRVINE: Could you figure out how much higher it was in 1947—it would be approximately 70 per cent?

Mr. STORMER: It would be just a little less than 50 per cent; but I say, sir, that is not a fair comparison. We were asked to submit our balance sheet and that is what we have done; and I am sorry for the complication of the situation in the last six months of 1947, having entered it. As I say we submitted our financial statements in these two exhibits.

Mr. IRVINE: You say that the percentage would be about 50 per cent, are you sure about that?

Mr. STORMER: It would be around 50 per cent, a little less than 50 per cent. If you want it exactly I will work it out for you.

Mr. IRVINE: I would like to have it worked out exactly.

Mr. STORMER: All right, sir. It would be 49 per cent.

Mr. IRVINE: Your profits then—I want to be sure we are working at the same thing—your profits were 49 per cent higher in 1947 than they were in 1946?

Mr. STORMER: For the bread company, but you understand my explanation, my prior explanation—that is not a relative figure.

Mr. IRVINE: You are working that on bread alone?

Mr. STORMER: In 1946 on bread alone. In 1947 it includes in the last six months of 1947, cake and sweet goods.

Mr. IRVINE: I see, so if your accelerated depreciation were deducted and just the ordinary depreciation shown the net profit would have been $65,796.45 in 1946 and $113,892.87 for the year ending December, 1947?

Mr. STORMER: Exactly.

Mr. IRVINE: In other words, your net profit would still be $49,596.45, or more than 73 per cent higher?

Mr. STORMER: Again, sir, might I point out that the cake profits from July 1, 1947 to December 31, 1947 are included.

Mr. IRVINE: I know that is a complication. Will you tell us what your 1946 and 1947 net profits were after taxes as a percentage to your capital investment, that is your capital stock plus your reserves?

Mr. STORMER: I am using the larger figures. It works out to 20 per cent roughly in 1947.

Mr. IRVINE: Now, I just want to ask you another question or two. You have the capital stock of $400,000?

Mr. WILSON: Yes.

Mr. IRVINE: Does it not appear to you that a depreciation of $41,000 in the one case and of $45,000 in the other—$45,775 in the one case and $41,425 in the other—that is how much? What is the total depreciation allowed in 1947?

Mr. STORMER: I find it most difficut to follow you, sir.

Mr. IRVINE: Well, you had depreciation which apparently is a slow kind of depreciation and there is an accelerated depreciation—you have your regular depreciation which amounted to $52,114.44 in 1946 and $45,775.24 in 1947; then you have speeded-up depreciation, called accelerated depreciation of $41,425?

Mr. STORMER: That is right. That is money that we want to retain in the business and use for the future.

Mr. WILSON: That is to pay for equipment.

Mr. IRVINE: That would be around $87,000?

Mr. STORMER: Yes, if you add the two together.

Mr. IRVINE: Then I want to ask you, do you not think that is a rather large depreciation for a capital investment of $400,000?

Mr. STORMER: Well, if you will look at Exhibit A, the main exhibit, you will see that we had an invested capital of $848,000, not just the initial investment of $400,000 itself. What we have done sir is, as we have said before, we plowed our profits back into the business. We have put the cash that comes from depreciating the assets back into the business and have greatly increased our capital employed in the business, that is equipment capital—capital equipment used in the business—that is the way in which we have built up that $848,000.

Mr. IRVINE: By whatever name you call it, you have in this year 1947 an item of $41,425 accelerated depreciation and you have net earnings of $113,892.87 for net earnings, with $45,775 for ordinary depreciation. Do you not think that with such margins you could have staggered along with a loaf that would have sold for 13 cents?

Mr. WILSON: We again get back to the point that as far as that accelerated surplus is concerned it is put aside for the definite purpose of replacement. If you will turn to exhibit 6 it will give you a little idea of what those replacements are going to cost.

Mr. FLEMING: Would Mr. Irvine permit one qestion?

Mr. IRVINE: I am just about finished.

Mr. FLEMING: It is on the question of depreciation. Has your basis of setting up your depreciation and accelerated depreciation been approved by the Income Tax Department?

Mr. STORMER: This accelerated depreciation we speak of here is not used for income tax purposes. In other words, the stockholders have agreed that we take this $41,000 out of our profits and set it aside for investment in the business. As a matter of fact, all of our profits go back in the business.

Mr. IRVINE: Your profit would have been $113,000 otherwise?

Mr. STORMER: Yes, sure, that is right.

Mr. FLEMING: So much for the item of accelerated depreciation, but on the the other item of depreciation has the basis of computation of that item been approved by the Income Tax Department?

Mr. STORMER: That is absolutely right. That is what we may call regular depreciation that any company would use for any asset which is not completely depreciated. We run 24 hours a day. We qualify for 15 per cent depreciation on our machinery and equipment.

Mr. MAYHEW: What about trucks and cars?

Mr. STORMER: That is 25 per cent the first year and 25 per cent the second year until you have—

Mr. IRVINE: Of course, I want to say I appreciate that they ought to have some depreciation but my suggestion is it is too high.

Mr. WILSON: It is not too high in view of what we are going to be faced with in order to make these replacements. You will notice the original equipment cost us $270,000, and all of it has to be replaced. It has got to be replaced.

Mr. IRVINE: In how many years?

Mr. WILSON: We have been working that equipment for 24 hours a day for about five years, which is equivalent to 15 or 18 years normal wear. Normal wear is a single shift where you have time to take care of your equipment. Our trucks are anywhere from 1938 to 1941. They all have to be replaced.

Mr. IRVINE: They are worth more now than they were when you bought them?

Mr. WILSON: You would not think so with what we had to pay for some of the ones we got in Montreal.

Mr. BEAUDRY: You stated earlier that the consumer demand tended to sliced bread rather than unsliced bread?

Mr. WILSON: Yes, sir.

Mr. BEAUDRY: I am referring to page 9 of your exhibit. The figures there for February do not seem to bear that out unless sandwich loaves come under a different category.

Mr. WILSON: That is another loaf of bread, but you are now referring to the fact the volume dropped off in February?

Mr. BEAUDRY: Yes.

Mr. WILSON: Did you hear of the power shortage? You cannot bake bread when your plant is shut down.

Mr. BEAUDRY: I am comparing your figures between unsliced and sliced which in February, including sandwich loaves, showed a higher production for unsliced than for sliced.

Mr. WILSON: You are including sandwich bread in that?

Mr. BEAUDRY: Yes.

Mr. WILSON: We have not introduced sandwich bread in the sliced, but you will also notice as far as our sandwich bread is concerned it is unsliced and it has shown a rapid decrease in volume, which is due to the sliced bread. It is going into the sliced although it is a different type of loaf.

Mr. BEAUDRY: Therefore you are fairly definite there is a consumer trend towards sliced bread?

Mr. WILSON: That is right.

Mr. BEAUDRY: Is it an accepted fact in the trade that it is easier to sell, and from a sales angle cheaper to sell, what is more in demand than what is less in demand?

Mr. WILSON: Will you repeat that one again?

Mr. BEAUDRY: Is it an accepted fact in the trade, generally speaking, that it is easier from a sales cost point of view, and therefore cheaper, to sell what is more in demand than what is less in demand?

Mr. WILSON: Not in the bread business.

Mr. BEAUDRY: Not in the bread business?

Mr. WILSON: No.

Mr. BEAUDRY: You are very definite that in the bread business it is not cheaper?

Mr. WILSON: Not in the bread business. Things are different.

Mr. BEAUDRY: Should it not be cheaper to sell what the public wants than what it wants in a lesser quantity or to a lesser extent?

Mr. WILSON: Not necessarily so. If there are economies coming in through raw materials and the reduction of prices and so on of our raw materials, maybe yes, but from a strict selling standpoint, no.

Mr. BEAUDRY: I want to refer to your Exhibits 3 and 4.

Mr. WILSON: What exhibit was that?

Mr. BEAUDRY: Exhibits 3 and 4. Would you explain why, when your trade delivery costs per thousand loaves are similar in the case of sliced and unsliced bread, the item selling salary and expense is higher in the case of sliced than in the case of unsliced bread?

Mr. WILSON: That is right.

Mr. BEAUDRY: Can you explain to me why, please?

Mr. WILSON: That is because of the difference in the price.

Mr. STORMER: What was the question again, please?

Mr. BEAUDRY: Why is the item, selling salary and expense higher in the case of sliced bread than unsliced bread?

Mr. STORMER: I think you said trade delivery—

Mr. BEAUDRY: I said the trade delivery figures are similar but selling salary and expense is higher in the case of sliced bread than unsliced. Would you explain to me why, please?

Mr. WILSON: Because there is a difference in price. One is 11½ cents and the other is 12 cents, so you are paying commission on 12 cents instead of paying it on 11½ cents.

Mr. BEAUDRY: Your commission is different?

Mr. WILSON: Yes.

Mr. BEAUDRY: But I notice in the case of trade delivery there is no variation. Is it because you pay no commission on trade delivery?

Mr. STORMER: What we mean by trade delivery is the cost of operating our trucks and any freight, containers, and so on. There would be no difference in cost there.

Mr. BEAUDRY: It does not refer to your delivery to the trade?

Mr. STORMER: No, only the operation of the truck. The salary of salesmen selling is a separate matter. This is the cost of operating the trucks, any freight, containers, or anything like that. There would be no difference in the weight or in the size.

Mr. BEAUDRY: Is it the same reason for the difference in your trade discount of 1·88 for sliced bread and 1·81 for unsliced bread?

Mr. WILSON: What is that?

Mr. BEAUDRY: Is it the same reason for the difference of ½ a cent in the selling price?

Mr. WILSON: That depends entirely on the volume of business done by the customers who are getting the 5 per cent. It depends on the amount that they sell.

Mr. BEAUDRY: And the difference for February is justified by the fact that you sold—I am referring to one week which may be unfair; you will let me know if it is—203,000 loaves in the week of the 28th of sliced bread as against 168,000 of unsliced.

Mr. STORMER: Are you referring to trade discount now?

Mr. BEAUDRY: I am asking if that 5 per cent trade discount which works out to a difference of—

Mr. STORMER: I think we have a little complicated problem there.

Mr. BEAUDRY: I do not want to complicate it. It may have no revelance.

Mr. STORMER: It really has not.

Mr. BEAUDRY: Is it the same reason that justifies the difference in the item, advertising, rent, taxes and management, quoted as 3·69 for sliced bread?

Mr. STORMER: The increase in trade discount per thousand loaves would be relatively the same as what causes the increase in the salesmen's salaries.

Mr. BEAUDRY: Would that also apply to the item, advertising, rent, taxes and management?

Mr. WILSON: The item of advertising, rent, taxes and management is bearing its portion of the expense. It is being spread over different varieties.

Mr. BEAUDRY: Are you dividing your rent and your taxes and your management between sliced and unsliced bread?

Mr. STORMER: Percentage-wise, but here we show it on a thousand loaves, the cost per thousand loaves.

Mr. BEAUDRY: You bring it down percentage-wise.

Mr. STORMER: I think if you were to divide your selling cost in each instance into the figure shown that you would probably arrive at about the same percentage.

Mr. BEAUDRY: So that over all your selling cost for sliced bread, which is shown as being higher than the selling cost for unsliced bread, is justified by the fact you are selling more of it than the other kind?

Mr. WILSON: We again get back to the basic principle that we have adopted. As far as we are concerned we intend to make bread stand on its own feet. As far as we are concerned we are going to do everything we can to interfere with the bread business drifting back to the conditions that existed in 1939 and prior thereto when labour was getting 38 cents an hour, in order to produce a cheap loaf of bread.

Mr. BEAUDRY: You stated that earlier. That is not an answer to my question. My question is this. Is your higher cost on sliced bread as against unsliced bread justified by the fact you are selling more of it than of the other type?

Mr. WILSON: We do not attempt to justify it from that standpoint.

Mr. BEAUDRY: Well, without justification is that the reason?

Mr. STORMER: These costs are worked out on a thousand loaves basis.

Mr. BEAUDRY: What difference does that make?

Mr. STORMER: I do not know.

Mr. BEAUDRY: I do not either.

Mr. STORMER: I am trying to tell you how we arrive at our figures.

Mr. BEAUDRY: I appreciate that, but you have indicated you are selling more sliced than unsliced bread, and because you sell more that is the only reason you have given me so far. It costs you more to sell it per thousand or per unit.

Mr. STORMER: I think the reason is that we have indicated that salesmen's salary and commission enters into it. Have we got that straight?

Mr. BEAUDRY: I appreciate that.

Mr. STORMER: Have we got trade discount?

Mr. BEAUDRY: I appreciate that.

Mr. STORMER: The only thing left is a difference of 4 cents a thousand loaves of bread for administration and all these other things, rent and taxes and group insurance and pensions, and all these things.

Mr. BEAUDRY: I will make this suggetsion. Does it follow from your statement?

Mr. STORMER: Yes. I did not work all these figures up myself, but as I recollect it that is also percentage-wise. In other words, if we divide 115, the selling value, into 3·65, and then divide 120 into 3·69 I think we will come up with about the same percentage.

Mr. BEAUDRY: Does it follow from that if your sliced bread could sell at 14 cents that your cost for sliced bread would be lower?

Mr. WILSON: I did not get that one. Would you repeat that question again?

Mr. BEAUDRY: We are working within a very narrow circle. You have said your cost is higher because your bread sells higher. I am suggesting to you if your bread sold for less your cost would decrease, strangely enough.

Mr. STORMER: Yes, on those three items that we mentioned, yes, sir.

Mr. BEAUDRY: I am discussing sliced bread.

Mr. STORMER: On those three items we mentioned. We mentioned salesmen's salaries, trade discounts, and administration.

Mr. BEAUDRY: I appreciate that, but it still follows if you sold your bread for less your cost would be less?

Mr. STORMER: Per thousand loaves of bread. Your percentage might not be.

Mr. WILSON: All right, yes, sir.

Mr. BEAUDRY: That is all, thank you.

The CHAIRMAN: Any other questions?

Mr. MACINNIS: I would like to ask a question on Exhibit 5, wages in manufacturing. You give the rate in 1939 in your four categories as 38, 38, 38 and 42. Would you know how many employees there are in each category.

Mr. WILSON: It would be a rough guess. I could not tell you exactly.

Mr. STORMER: I think that is an awfully difficult problem. At that time we were running one shift a day. Today we are running three shifts.

Mr. WILSON: That would be only one shift, anyway.

Mr. MACINNIS: Would you know how many relief men you have got?

Mr. WILSON: Relief men—you have one or two to each shift.

Mr. MACINNIS: One or two to each shift?

Mr. WILSON: You know what a relief man is. He relieves each of these other jobs.

Mr. MACINNIS: What percentage of the total staff would the relief men be?

Mr. STORMER: It is difficult to answer. I will have to explain it this way. We have to have enough relief men so that every man working in the shop has a relief period.

Mr. WILSON: In the morning and in the afternoon.

Mr. STORMER: In the morning and in the afternoon.

Mr. MacInnis: Would there be as many relief men as there are ordinary staff?

Mr. Stormer: Oh, no.

Mr. MacInnis: When you were figuring the percentage of increase, the increase for relief men from August, 1939 to January, 1948, was from 38 cents to 86 cents, but for the oven men it was from 38 cents to 83 cents, for the bakers' helpers from 38 cents to 81 cents, and for the mixers from 42 cents to 85 cents. You said the percentage of the increase was 126 per cent.

Mr. Wilson: There were two percentages given. Mr. Winters gave one which we agreed to and Mr. Stormer gave another one which we agreed to.

Mr. MacInnis: I do not know that the one stated by Mr. Winters was agreed to.

Mr. Wilson: All right, we will agree to it. It is 117 or 118 per cent.

Mr. MacInnis: If you take bakers' helpers and mixers you have a still lower percentage of wage increase, have you not?

Mr. Wilson: Yes, but you would still be over 100 per cent.

Mr. MacInnis: There is a difference between 100 per cent and 126 per cent.

Mr. Wilson: That is right. There is a difference in the job, too.

Mr. MacInnis: Now, you have wages for manufacturing, wages for shipping, wages for office staff. Have you got the executive salaries for August, 1939 and January, 1948?

Mr. Stormer: No, sir.

Mr. MacInnis: Do they not enter into your cost of production?

Mr. Stormer: Not to any extent whatever, not to any great extent.

Mr. MacInnis: It depends on how much they are, I suppose.

Mr. Irvine: It does not matter what they are. They must make some difference.

Mr. MacInnis: If you put in the increase in labour as a reason for raising the cost of bread then I think we should have the executive salaries for the same period.

Mr. Stormer: You mean the gentlemen who are named on the front of this, I presume?

Mr. MacInnis: The people who, in the ordinary sense of the term, are on the executive of the company.

Mr. Mayhew: Do you want that by percentage?

Mr. MacInnis: Well no, it was given by the others as so much per hour, or per week, and as we have it now the salaries are given on an annual basis. You would have it on an annual basis?

Mr. Stormer: We have, for the gentlemen listed on this sheet for the year 1948. To the best of my recollection it is $18,300 which would have to be divided equally between bread operations and cake operations. That gives us roughly $9,150 a year, divided into the number of loaves of bread we make, or the pounds we make, and it would be almost impossible to figure it out.

Mr. MacInnis: For the five men on the front page?

Mr. Stormer: I left one man off, I am sorry. Make that figure $23,000 and divide that equally. You will then have $11,500 for bread operations let us say, and $11,500 for cake operations.

Mr. MacInnis: That is for the five persons mentioned here on exhibit 46?

Mr. Stormer: Yes.

Mr. MacInnis: When were these salaries in effect?

Mr. STORMER: I am giving you today's figures.

Mr. MACINNIS: That is the total salary for the five men concerned—or the ten men?

Mr. STORMER: That is the amount that is charged to these operations, yes sir.

Mr. MACINNIS: Is that the total amount of the salaries paid?

Mr. WILSON: As far as Christie's Bread Limited, that is the entire amount that is paid.

Mr. MACINNIS: Well what would the rest of the salaries of these people be charged to?

Mr. WILSON: Other operations.

Mr. MACINNIS: Other firms? You mentioned yesterday that there were three subsidiaries of the National Biscuit Company of the United States in Canada. They were Christie Brown & Company,—

Mr. STORMER: Canadian Shredded Wheat Company and Christie's Bread Limited.

Mr. MACINNIS: From whom does Christie's Bread Limited purchase their flour?

Mr. STORMER: We have it right here. Copeland, Midland; Lake of the Woods; Weyburn Flour Mills, Weyburn, Saskatchewan; Maple Leaf; and St. Lawrence, in Montreal. We have just started there, as we have already brought out, but in Montreal we will be buying from St. Lawrence Milling Company.

Mr. MACINNIS: Do you import any flour?

Mr. STORMER: No sir.

Mr. MACINNIS: From whom do you purchase your molasses?

Mr. STORMER: I do not know; I would not know who we are buying it from.

Mr. PINARD: Is it any other subsidiary?

Mr. WILSON: We purchase it from different sources. We purchase Cuban molasses.

Mr. PINARD: Yes.

Mr. WILSON: We do purchase some from—well not a subsidiary, but a department of the Company.

Mr. STORMER: I would like to make a statement at this point. We get very valuable service from our parent company, from the purchasing and sales department, the advertising department, the engineering department, and so on, and they do not charge us one cent.

Mr. PINARD: But they own your company.

Mr. STORMER: That is all right, they are quite justified in charging us.

Mr. MACINNIS: Would you expect that to happen with their interest in your company?

Mr. STORMER: Not necessarily.

Mr. WILSON: They could make us stand on our own feet in that respect and make us put in our own laboratories, our own engineering department, and all that.

Mr. STORMER: We get the benefit of all that.

Mr. MACINNIS: Do you import any of your molasses?

Mr. WILSON: Yes, I told you we did. We import it from several sources.

Mr. MACINNIS: From whom do you buy your cartons?

Mr. WILSON: They are bought from several sources too.

Mr. MacINNIS: Are they purchased from a subsidiary of the National Biscuit Company?

Mr. WILSON: No.

Mr. PINARD: How about your wrappers?

Mr. WILSON: They are bought—

Mr. STORMER: They are bought from a firm in Peterborough.

Mr. WILSON: Yes, and one firm right here in Ottawa.

Mr. MacINNIS: What is the present capacity of your bakery in terms of pounds of bread?

Mr. WILSON: That is a hard one. Every week we could give a different answer.

Mr. STORMER: We are at practically 100 per cent capacity.

Mr. MacINNIS: 100 per cent capacity?

Mr. WILSON: Yes, and you have a table there. In the high week it was 480,000 loaves. We may still be able to squeeze it a bit.

The CHAIRMAN: The high week was 487,000.

Mr. MacINNIS: I notice from the table exhibit No. 8 that your production has been increasing very rapidly.

Mr. WILSON: That is right.

Mr. MacINNIS: You have gone up from 2,655,200 pounds in January, 1947 to 3,246,396 pounds in December, 1947?

Mr. WILSON: Yes.

Mr. MacINNIS: If your bread sales increased beyond your capacity how would you meet that situation?

Mr. WILSON: We have already been faced with that, and if you will notice on sheet 9 our production, due to power shortages during the month of February and the gas shortage down in the peninsula, dropped off. We had to put our customers on a quota basis and we have to be as fair as we can and give an equitable distribution.

Mr. MacINNIS: Well then to meet your increasing sales in a short time would be a rather costly business would it not? I think I gather that from Exhibit No. 6.

Mr. STORMER: Agreed.

Mr. MacINNIS: You agree with that.

Mr. STORMER: That is right; we have shown that on Exhibit 6. We could have picked out a hundred items but we thought that Exhibit 6 would give the illustration.

Mr. MacINNIS: Would there be any relation between the danger of exceeding your capacity and the increase in the price of bread?

Mr. WILSON: No.

Mr. MacINNIS: You were not worried about losing any of your custom, or not much of it, because you could, with your present capacity, only supply a certain amount.

Mr. WILSON: Yes.

Mr. MacINNIS: The amount of the trade that you had at the present time.

Mr. WILSON: Yes, but I do not follow you through. If you will repeat the question—I am a bit off the track there.

Mr. MacINNIS: Well let us put it another way? If you had unused bakery capacity would it not follow that you would not put up your price if you felt that was going to reduce your sales?

Mr. WILSON: I cannot see that at all.

Mr. STORMER: I think the thought is, Mr. Wilson, that we have taken advantage of the popularity of our bread and we did not need to worry about our capacity.

Mr. MACINNIS: No, I think you took advantage of your capacity to produce to the limit of your capacity and raised the price because you did not have anything to lose.

Mr. WILSON: Oh, no, no. No, that is definitely wrong. Again we come back to what our costs tell us to do, and we come back to the fact that we intend to make and keep bread on its own feet. We do not intend to allow things to drift back to the conditions in 1939 when labour was getting 38 cents an hour in order to make cheap bread. We are going to produce bread as reasonably as we can for the public, but when it comes to pushing the price of bread down you have got to take into consideration the people who are going to be involved in it.

Mr. MACINNIS: That is quite true and in pushing it up you have got to take into consideration the people with limited incomes who buy it.

Mr. WILSON: As far as consumer acceptance of our bread is concerned we are satisfied that we have consumer acceptance.

Mr. MACINNIS: It has already been shown your profits have increased, and at the time you raised the price of bread you had one of the best years. Now then if you are going to make each department stand on its own feet, does it not follow you should reduce to a greater extent the prices of production in other departments?

Mr. WILSON: That will automatically happen, sir, as we go along.

Mr. MACINNIS: It has not happened.

Mr. WILSON: Oh, yes, it has in one item.

Mr. MACINNIS: It has not happened to the extent that it shows in the figures that you have given us. The profits are higher than they have been. They were higher in January of this year than at any other period.

The CHAIRMAN: What is the answer to that question?

Mr. WILSON: The answer is just simply this, Mr. Chairman. We have been very sincere, and very straightforward, and very honest with the figures we have given you. We feel we are making a reasonable profit and until somebody comes along and shows what a reasonable profit is and that we are not in line—we will line up when somebody comes along and gives us a definition of a reasonable price, but until they do we are going along the way we are.

Mr. MACINNIS: You are going to decide what is a reasonable price?

Mr. WILSON: Yes, definitely. We are going to run our own business.

The CHAIRMAN: Are there any other questions?

Mr. WINTERS: May I ask just one question, a brief question for clarification. Yesterday I think the witness said—and this has reference to exhibit 3—the witness said that the figure for 100 per cent wholesale selling value was $115. Then I think the witness said against that figure there was a discount which would bring it down to $103, roughly. Is that the same discount that is referred to below as "trade discount", or are they separate?

Mr. STORMER: That is right.

Mr. WINTERS: They are one and the same thing.

Mr. WILSON: That is right, they are the same thing.

Mr. DYDE: Before the adjournment, I think we should mark as an exhibit the letter and statement which Mr. Johnston brought out. I think it would be

most convenient for the committee if the statement were to appear in the record immediately after the letter which was read into the minutes.

The meeting adjourned to meet again this afternoon at 4.00 o'clock p.m.

AFTERNOON SESSION

—The committee resumed at 4 o'clock p.m.

The CHAIRMAN: The committee will come to order, please.

Mr. DYDE: I will call Mr. Manning, representing George Weston Bread and Cakes Limited.

Harold Bowles Manning, 610 Dupont Street, Toronto, called and sworn:

By Mr. Dyde:

Q. Would you give the committee your full name, please?—A. Harold Bowles Manning.

Q. Your address?—A. 610 Dupont Street, Toronto.

Q. Your occupation?—A. Vice President and Managing Director, George Weston Bread and Cakes, Limited.

Q. Will you give us briefly the nature of the business done by your company? Do you sell retail house-to-house?—A. We do.

Q. Do you supply retail stores?—A. We do.

Q. And institutions?—A. Right.

Q. Do you sell to chain stores?—A. To a very limited degree.

Q. Has George Weston Bread and Cakes Limited any corporate relationship with any other company?—A. We are a subsidiary of George Weston Limited who own all our stock.

Q. And have you any other relationship, corporate relationship with any other company?—A. We own all the stock of Dietrich Bakeries Limited in Kitchener.

Q. And have you any relationship with a flour milling company by way of long-term contract?—A. No, sir.

Q. How do you buy your flour; from day to day or from time to time?—A. We buy it on the open market from four or five different suppliers as required.

Q. Would you name those suppliers, please?—A. The Copeland Flour Mills, in Midland; the Ogilvie Flour Mills in Montreal, the Purity Flour Mills in Toronto and the Robinhood Flour Mills in Montreal.

Q. Mr. Manning, some reference has previously been made to an incident or two with reference to your company. You may have seen some report of the evidence that was given with regard to the supply of bread to Pickering Farms Limited by Mr. Arnold. Do you supply his store with bread?—A. We do.

Q. Have you continued to supply his store with bread for the last 6 months? A. We have.

Q. Was there any interruption ever at any time?—A. Not to my knowledge.

Q. And you supply him with bread at the same price that you supply other retailers?—A. Right.

Q. There is no difference whatever between the way you supply bread to Arnold than there is to any other retail store?—A. Well, of a type similar to Arnold's; Arnold is a large customer and one of those who enjoys the 5 per cent discount; but other than that special discount there is no difference.

Q. The evidence given on page 775 of the proceedings was that a representative of Weston's called on Mr. Arnold some time following January 29 of this year; do you know who that representative was?—A. He was the salesman who operates in that district. I have not his name.

Q. Have you had any report of the reason for his going to see Arnold?—A. He went to see Mr. Arnold in connection with the advance in the price of bread.

Q. And did he say he was going to raise the price of bread?—A. He advised him the price of bread would be raised, yes.

Q. Do you know whether that visit took place after or before the visit to Toronto by someone from Christie's? Do you know that?—A. I do not know, to my own knowledge.

Q. No?—A. But I understand from reports that it was subsequent to the visit from Christie's.

Q. Did you or any official of your company tell Mr. Arnold that he had to sell at any particular price?—A. No, sir.

Q. Is there any price on the wrapper of the bread that you supply to Arnold's?—A. 14 cents, yes.

Q. And that is the price at which you expect the bread to be sold at retail, isn't it?—A. That is correct, unsliced—15 cents on the sliced.

Q. Do you know that Arnold's are selling at a lower price than that?—A. We do.

Q. Have you taken any disciplinary measures or any retaliatory measures of any kind against Arnold?—A. None whatever.

Q. Do you know a retailer by the name of Lucatch in Toronto?—A. No.

Q. Do you know a store that is called the Old Colony Market?—A. No, sir.

Q. Do you know whether your company supplies bread to that store?—A. I do not know.

Q. I am going to ask you to find that out, Mr. Manning, and write a letter letting me know whether you supplied bread to Mr. Lucatch, and at what price, and whether there has been any interruption in your supply to him.

Mr. JOHNSTON: Or threatened interruption; did you include that?

Mr. DYDE: Or threatened interruption.

The WITNESS: Would you give me a memorandum on that?

Mr. DYDE: Yes.

By Mr. Dyde:

Q. I have asked you, Mr. Manning, to bring with you certain information with reference to your company and you have brought with you the consolidated financial statement dated December 27, 1947, audited, have you?—A. Right.

Q. Mr. Chairman, Mr. Manning has co-operated with me to the fullest extent in this regard. This only reached him this morning and it has not been possible to multigraph it but I understand, Mr. Manning, that you will be able to supply the committee with additional copies?—A. Correct.

Q. Would you supply us with, say, 20 copies—A. Yes.

Mr. DYDE: This will be Exhibit 48.

EXHIBIT No. 48: Consolidated financial statement, George Weston Bread and Cakes Limited. (See appendix).

The CHAIRMAN: It may be difficult for members of the committee if there is only one copy.

Mr. DYDE: It has not been possible, Mr. Chairman, to get it down sooner because it was not in Ottawa until this morning.

The CHAIRMAN: Well, then, you will have to have a pretty thorough examination on it, Mr. Dyde.

Mr. IRVINE: We can't do much with something we haven't seen, Mr. Chairman.

The CHAIRMAN: They have not seen this. You will have to take it right the way through.

Mr. FLEMING: If we are going to have additional copies and they will not be available today I would suggest that Mr. Manning, instead of providing additional copies, wait until it is printed in our proceedings. We are getting those quite promptly now.

The CHAIRMAN: I was looking to see how much is in it. It is not very extensive.

Mr. DYDE: No, it is not long.

The CHAIRMAN: Is that agreeable, gentlemen?

Some Hon. MEMBERS: Agreed.

By Mr. Dyde:

Q. Mr. Manning, perhaps you could help the committee in this respect; you have also brought additional information which was brought at my request and would you be able to say whether the additional information which you are about to produce contains most of the information that is in that audit statement?—A. I would feel that the exhibits we are submitting would contain practically everything the committee would require.

Q. Then with reference to the additional information you have brought a statement consisting of 11 pages giving information as requested and you are now producing this, are you?—A. Right.

Mr. DYDE: That will be Exhibit 49.

EXHIBIT No. 49: Statement submitted by George Weston Bread and Cakes Limited, re cost of bread.

EXHIBIT 49

(1)

SUBMITTED BY GEO. WESTON BREAD AND CAKES, LIMITED, TORONTO, ONTARIO. INCORPORATED 1926. A WHOLLY OWNED SUBSIDIARY OF GEORGE WESTON LIMITED, 25 KING STREET WEST, TORONTO, ONTARIO.

The company operates bread bakeries at Toronto, Kingston, Sudbury and Kirkland Lake, in Ontario, and distributes from these bakeries and through depots located at: Toronto, Barrie, Woodstock, Oshawa, Stratford, Belleville, Guelph, Peterborough, and in addition operates a subsidiary, Dietrich Bakeries Limited, with plant at Kitchener, Ontario.

(2) and (4)

GEO. WESTON BREAD AND CAKES, LIMITED

Brands of Bread

First Quality—Weston's Enriched, Buttermilk Scone; sundry—Whole Wheat, Sandwich, French Sticks, Dutch Brown.

Second Quality—Mealtyme, Lunch Box.

BREAD SALES, WEEK FEBRUARY 7, 1948

	Retail	Wholesale	Total	Percentage
Loaves—First quality	209,562	181,205	390,767	92.8
Second quality	14,261	16,195	30,456	7.2
Totals	223,823	197,400	421,223	100.0

(3)

SALES VOLUME (POUNDS) YEAR 1947 AND JANUARY, 1948

(Operating statements are prepared for 9 accounting periods of 5 weeks each and for 1 period of 7 weeks in each year)

Period ending	1947 (pounds)
February 1	3,634,700
March 8	3,641,000
April 12	3,606,700
May 17	3,577,600
June 21	3,554,100
August 9 (7 weeks)	5,033,500
September 13	3,530,100
October 18	3,506,600
November 22	3,409,300
December 27	3,320,600
Period ending	1948 (pounds)
January 31	3,305,900

(5)

PRICE OF BREAD

Ontario

Grade	September 1, 1947 Retail	September 1, 1947 Wholesale	September 18, 1947 Retail	September 18, 1947 Wholesale
First quality	·10	·08	·13	·104
First quality (sliced)	...	...	...	...
Second quality	·08	·065	·11	·095

Grade	November 18, 1947 Retail	November 18, 1947 Wholesale	January 27, 1948 Retail	January 27, 1948 Wholesale
First quality	...	...	·14	·115
First quality (sliced)	·15	·12	·15	·12
Second quality	...	...	·12	·105

(6)

FORMULAE

	First quality	Second quality
Flour (special)	210	
Flour (baking)	390	600
Yeast	12	10½
Yeast food	¾	¾
Salt	15	13½
Sugar	18	6
Milk (sweetened condensed)	18	....
Shortening	15	4½
Malt syrup	6	3
Mycoban	¾	....
Water	384	360
Total lbs.	1,069½	998¼

(7)

COST OF MANUFACTURING BREAD—24 OUNCE LOAF

Period Ended	Materials	Shop Labour	Oven Fuel	Overhead	Manufacturing Cost
February 1, 1947	3.42	.94	.09	.44	4.89
August 9, 1947	3.69	1.08	.10	.37	5.24
September 13, 1947	4.02	1.05	.10	.43	5.60
October 18, 1947	4.45	1.04	.10	.45	6.04
November 22, 1947	5.66	1.07	.10	.53	7.36
December 27, 1947	6.12	1.16	.10	.66	8.04
January 31, 1948	5.34	1.17	.12	.70	7.33

AVERAGE SELLING PRICE AND COSTS PER 24 OUNCE LOAF OF BREAD

	Average Selling Price	Average Mfg. Cost	Wages and Route Expense	Vehicle Expense	Admin. Expense	Total Cost	Profit or Loss per Loaf
February 1, 1947	8.72	4.89	2.16	.93	.50	8.48	0.24
March 8, 1947	8.74	5.11	2.08	.84	.51	8.54	0.20
April 12, 1947	8.67	4.96	2.11	.86	.51	8.44	0.23
May 17, 1947	8.76	5.10	2.18	.90	.51	8.69	0.07
June 21, 1947	8.84	5.21	2.22	.88	.52	8.83	0.01
August 9, 1947	8.68	5.24	2.20	.86	.47	8.77	0.09
September 13, 1947	8.70	5.60	2.23	.96	.59	9.38	0.68
October 18, 1947	11.37	6.04	2.60	.98	.70	10.32	1.05
November 22, 1947	11.64	7.36	2.60	1.00	.74	11.70	0.06
December 27, 1947	11.82	8.04	2.78	1.29	.68	12.79	0.97
January 31, 1948	12.06	7.33	2.91	1.33	.67	12.24	0.18

(8)

INGREDIENT COST PER LOAF

First Quality

	Flour	Other Ingredients	Total
September 1, 1947'	2.11	1.59	3.70
November 1, 1947	3.95	1.59	5.54
January 1, 1948	3.71	1.63	5.34
February 1, 1948	3.64	1.63	5.27

Second Quality

	Flour	Other Ingredients	Total
September 1, 1947	2.17	.61	2.78
November 1, 1947	4.13	.61	4.74
January 1, 1948	3.86	.61	4.47
February 1, 1948	3.80	.61	4.41

WAGE INFORMATION

Toronto Labour Cost per Pound of Bread—Includes supervision, baking, wrapping, packing and general shipping maintenance:

Period	Cents
Year 1943	.57
Year 1944	.50
Year 1945	.51
Year 1946	.60
Year 1947—	
February 1	.63
March 8	.63
April 12	.63
May 17	.64
June 21	.65
August 9 (7 weeks)	.72
September 13	.70
October 18	.69
November 22	.71
December 27	.77
Year 1948—	
January 31	.78

Salesmen's Commission Rates—

Retail	15%
Wholesale	9%
Guarantee	$10.00

Salesmen's Average Weekly Wage—

February, 1943	$36.41
February, 1948	46.10

FLOUR INVENTORY

	Barrels
Inventory, September 13, 1947	3,352
Received:	
September 13—September 18	2,325
	5,677
Used:	
September 13—September 18	1,606
Balance on hand September 18	4,071

(Approximately ten days supply.)

AVERAGE FLOUR INVENTORY PRICES

September 1, 1947	$3.95
November 1, 1947	7.90
January 1, 1948	7.20
February 1, 1948	7.10
Current	7.00

CONDENSED OPERATING STATEMENT FOR THE YEARS ENDING 1943-1947 AND FOR JANUARY, 1948

Year	Operating profit before taxes	Per cent on sales	Operating profit after taxes	Per cent on sales
1943	$116,201	4·13	$59,469	2·11
1944	105,623	3·59	60,389	2·05
1945	110,433	3·55	45,833	1·47
1946	89,739	2·57	44,739	1·28
1947	90,627	2·29	....	2·29
January 1948	18,212	....	....	4·70

NET PROFIT ON INVESTMENT

	Investment	Profit	Per cent on Investment
1943	$1,450,000	$59,469	4·10
1944	1,438,000	60,389	4·21
1945	1,586,000	45,833	2·95
1946	1,521,000	44,739	2·94
1947	1,982,000	90,627	4·57

By Mr. Dyde:

Q. Mr. Manning, who owns the stock of George Weston Limited, do you know?—A. There are over 3,000 shareholders scattered across North America and Europe.

Q. Are you an officer of that company?—A. I am a director.

Q. Is there any majority shareholder, a large shareholder of George Weston Limited? When I say large I mean quite considerable?—A. Mr. W. Garfield Weston is the largest individual shareholder.

Q. Do you know what he holds as shareholder?—A. I do not.

Mr. DYDE: Mr. Chairman, I have not many questions to ask but I will be glad to go through this page by page which worked very well with an earlier witness; and I have no questions to ask on this page 1 of Exhibit 49.

Mr. FLEMING: May I offer this suggestion? I think we got into some difficulty yesterday or the day before— it was the day before yesterday—by not going through the whole of an exhibit like this. I suggest Mr. Dyde ask the witness to make any comment on it page by page and go right through and then we come back and ask questions by individual pages.

Mr. DYDE: I will be glad to do that, in fact I would prefer to do that.

By Mr. Dyde:

Q. Mr. Manning, would you turn to page 2 which seems to be marked pages 2 and 4 in my copy, and I call your attention there to one or two matters. First of all I note toward the bottom of the page you show a percentage of 92·8 as being the percentage of first quality bread?—A. That is correct.

Q. I just call attention to that for this purpose that that indicates that a great percentage of your bread is of first quality; and may I ask this, why have a second quality—it comes to a very small proportion of your sales—why do you have it at all?—A. Some of our customers demand it.

Q. How much less per loaf does it sell at ertail?—A. Two cents.

By Mr. Maybank:

Q. Both of these loaves are of the same size?—A. They are both 24 ounce.

Q. On these pages 2 and 4 of that first quality and all of the second quality are 24-ounce loaves?—A. That is correct; and I might mention the reason the page is marked 2 and 4 in this, Mr. Dyde, over the phone, asked for certain information in numerical order and I have endeavoured to incorporate the answers to that information according to the numerical order in which he gave

it; in other words, the first item 2, that he requested, was the different brands of bread; and then item 4 was relative sales volume. That is the reason 2 and 4 are on the one page.

By Mr. Dyde:

Q. Who are the customers of your second quality bread; can you answer that?—A. Do you mean the type of customers?

Q. No, I was thinking of the actual customers; do you sell that house-to-house?—A. The bulk of it I would say would be sold house-to-house.

Q. And do you recall at this minute any retail stores to whom you supply it?—A. Oh, we supply second quality bread to hundreds of retail stores but the volume of the second quality bread in relation to the total would be mostly in rural areas, the percentage in metropolitan areas is quite small.

Q. And I am correct am I—I am not referring to that same page—in pointing out that your retail sales constitutes something more than half the total sales?—A. That is correct.

Q. And retail means house-to-house?—A. That is correct.

Mr. MAYBANK: And the retail price of these two, the first and second qualities?

The WITNESS: 14 cents and 12 cents.

Mr. MAYBANK: Oh, I see that is on the next page.

The CHAIRMAN: You refer to a second quality bread; what about the quality of that bread, is it very much below nutritionally your No. 1?

The WITNESS: The formula follows on a subsequent page. I think that is the answer.

The CHAIRMAN: All right, thank you.

By Mr. Dyde:

Q. Then on page 3 there is one point which I would like you to comment on, Mr. Manning; I note that for your period ending January 31—is that a 5-week period?—A. That is correct.

Q. There are sales of 3,305,900; that is for the last year, is it not?—A.—That is correct.

Q. It is not below the period for December 27 by very much but it seems to be a trend downwards since August, but August, of course, was a seven-week period?—A. A seven-week period, yes.

Q. There is a trend downwards; how do you account for that?—A. The availability of other food items in the market.

Q. Is that what you mean as being the sole reason for that?—A. That is the major reason.

Q. Has price had anything to do with it?—A. Well, bread is still the cheapest food and I would be surprised if price had much to do with it.

Mr. FLEMING: The trend downward really began in March; if you take five-sevenths of the August figure you find there is an unbroken downward trend that began in March.

Mr. DYDE: You are quite correct; did you notice that, Mr. Manning?

Mr. FLEMING: It began in March of 1947.

The WITNESS: And since the spring of 1947 it has been generally downwards.

The CHAIRMAN: What does the witness mean by "the cheapest food"? Bread is much higher now than it was before World War II?

The WITNESS: Well, based on a calorie intake you get a much higher percentage of actual food value for the funds expended in bread than in any other food to my knowledge.

The CHAIRMAN: That is what you mean, I just wanted to know what you meant when you said that it is the cheapest food.

By Mr. Dyde:

Q. Now, Mr. Manning, I am turning to page 5 where you give the retail and wholesale price of both qualities. I should have asked you earlier about prices. I am asking you that now. You do not show on pages 2 and 4 the proportion of sliced bread to unsliced bread although you refer to sliced and unsliced bread on page 5.—A. Sliced runs about 15 per cent.

Q. Do you know whether there is an increase in the sales of your sliced?—A. A steady increase since its introduction.

Q. It was introduced about November?—A. That is correct.

Q. Actually on November 18?—A. I am not positive as to the exact date, but I am reasonably certain that was the date.

Q. Are your wholesale prices subject to volume discounts?—A. No, except in a very limited number of cases.

Q. Would you be able to say, perhaps, what cases they are, that is, purchasers of how much bread?—A. Well, in our dealings with the retail merchants we have no stated volume of business which would entitle a merchant to a discount. The bulk of those discounts would be to institutions such as hospitals or railways, and certain small chains such as Power stores or Pickering Farms, accounts of that type.

Q. And when a purchaser is entitled to a volume discount can you tell the committee what it amounts to?—A. Five per cent.

Q. And has that 5 per cent in any way been taken into account in the whoesale figures on page 5?—A. No, sir.

Q. So that the members of the committee would have to understand that while the wholesale prices as quoted on this page are certain figures that some sales would carry a volume discount of 5 per cent?—A. That is correct.

Mr. JOHNSTON: Why is that not applied to all customers? Are there some preferred customers? Do I understand that? I understand it is not based on volume.

Mr. DYDE: He explained what it was based on although I am sure you may wish to ask him further questions on that.

Mr. JOHNSTON: I am wondering why there are any preferred companies that get this, and why not give the same discount to everybody who deals with you.

The WITNESS: It is not our policy to give it to merchants generally. Hotels, large restaurants, hospitals, government institutions, railways, and any large account of that type have been in the habit of enjoying that discount although there are a few store outlets which get it such as Power stores or Pickering Farms, small chains of that type, but it is not our policy to give it to the store trade generally regardless of the volume.

The CHAIRMAN: Mr. Fleming makes the suggestion we ought to go through this first and then come back to questions. Perhaps you could make some notes as you go along.

By Mr. Dyde:

Q. Would you turn now to page 6? You have been kind enough to supply the formulae. May I ask if there has been any change of formula since

September 1, 1947?—A. We have made two changes, one in October and one early this year. This formula is as it stands today.

By Mr. Maybank:

Q. What are those two times?—A. In October and early January.

By Mr. Dyde:

Q. Are you able to say what effect those two changes of formula had on your cost? Have you got that information?—A. I have not it accurately, but I think I could quickly estimate. It is approximately 30, sir.

Q. Are you referring to the change of formula in October, 1947?—A. The first change would be approximately 30, and the second change—

Q. Just one minute before you leave that. What do you mean by approximately 30? Is that an increase or decrease in cost?—A. That is an increase in cost.

Q. Thirty what?—A. ·30 cents. If you will turn to No. 8, other ingredients, 1·59, that would be increased from approximately 1·29.

By Mr. Irvine:

Q. Is that ·30?—A. That is right, 3/10ths of a cent. The other increase early in the year would be somewhat less than that, possibly half.

By Mr. Dyde:

Q. Possibly ·15?—A. Possibly, approximately.

Q. Approximately?—A. Yes.

Q. That would also be an increase?—A. That is right.

Q. In January?—A. That is right.

Q. How many loaves of bread does the formula as set out on page 6 make in the first quality? I am referring to 24-ounce loaves.—A. About 590.

Q. And in the second quality that formula would produce what?—A. Oh, approximately 560.

Q. Also 24-ounce loaves?—A. That is correct.

Q. Would you turn to page 7, please. While there are a good many figures there I am not going to refer to any particular figures at the moment, but I am going to tell you in the first place that the committee has been interested in delivery costs, and I should like to ask you whether you are able to assist the committee with reference to delivery costs with special reference to the comparison between delivery house-to-house and delivery to stores. Have you any information that will help the committee?—A. Well, that is a rather tough question, sir.

Q. If you have any information that will help us I would be glad if you would give it.—A. That has been a rather contentious point over the years, not only among those directly associated with the industry, but from the accounting standpoint and others seeking information as to its operation. I think one reason why it is so difficult to arrive at anything exact or concrete in that respect is because the common method of distribution of bakery products in this country is on what is known as combination routes. The same salesman from the same vehicle will sell to the housewife and also the store, and it is very difficult to pin down the apportioning of distribution costs such as wages, gasoline or oats for the horse, or what have you. I was rather interested in the account of the proceedings which was in the *Globe and Mail* yesterday morning and the comment on the evidence of one of the other companies which operates a strictly wholesale business. They show their selling cost is a total of 2·39.

Q. We do not mind if you name that company.—A. The Christie company. It is named in the paper. Keeping that in mind the best way to answer that, I think, would be to take one of our operations which is practically all retail. By that I mean practically all the sales are to the housewife. From our operating statement of that particular branch I find that for the period ending January 31 87 per cent of the bread sales were retail, that is, sold direct to the housewife. I think that is as large a percentage of retail as it would be possible to find in any branch of the industry. Using that as a yardstick to measure the cost of distribution I find there are a total of 419,000 loaves sold in that period for a net sale return of $52,990, and if we divide the one into the other we get the sale return per loaf.

By Mr. Lesage:

Q. How much did you say?—A. $52,990.

By Mr. Johnston:

Q. Would that be all bread or cakes, too?—A. It is all bread. That is the number of loaves of bread that were sold retail from this branch. That is roughly 12·60.

By Mr. Dyde:

Q. When you say 12·60 what is that?—A. That is the net amount per loaf realized from the sale. In other words, there would be retail sales at 14 cents and there would be retail sales at 12 cents, and then there would be 13 per cent of the total sales which would be at wholesale prices, in other words, 11½ and 10 cents, so that the average return per loaf for the 419,000 loaves sold is 12·6 cents.

As to the breakdown of the distribution expense that covers route expense such as sales manager's salary, supervisor's wages, salesmen's wages, bad debts, shippers' wages, depot rent and so on, all items applicable to the handling and distribution of that bread through the depot, and the delivery to the housewife such as horse and wagon expenses, stable wages, feed, and so on, and truck expenses, gas, oil, and so on, and transportation from the point of production, the main plant, to this branch. That all totals 34·4 per cent. I might mention here if we want to work it down to 100 per cent retail we would have to increase that percentage slightly to make up for the 13 per cent which is wholesale, but that in turn would increase the return per loaf slightly, so I think it is safe to use that percentage as a rough yardstick. If you take 34·4 per cent of 12·60 that is 4·28. So that it might be assumed—

By Mr. Winters:

Q. What are the figures?—A. 4·28.

Q. No, the other figures.—A. 34·4 per cent of 12·60.

Mr. WINTERS: That looks like it is a little out but it is all right.

Mr. DYDE: Mr. Wilson says it is correct.

Mr. LESAGE: It is 4·33?

Mr. WINTERS: It is close to that, anyhow.

By Mr. Dyde:

Q. Is it larger than 4·28. It is 4·33.—A. That is right. So 4·33 cents is the cost of distributing that loaf to the housewife.

Q. Before I leave that are these salesmen who are going out from that branch not also carrying sweet goods?—A. That is correct, sir.

Q. How have you arrived then at the cost per loaf if the man is also carrying sweet goods?—A. We take it as a percentage of the value of the sale. That is where you get your 34·4. The fact he has other goods does not relate to it because we are dealing only with the value of the bread sold.

Q. I think I asked someone the other day whether it did not take a longer time for the salesman to sell a cake than it did for him to sell an ordinary loaf of bread. My impression was the answer I got was it did take more time.—A. That is quite correct. As a rule he expends a lot more energy and time which costs money, but he gets a much greater dollar sale, so that one offsets the other. In other words, he sells a 14-cent loaf of bread without very much effort but if he has to wait two or three minutes trying to persuade a housewife to buy a 30-cent cake it is reasonable to assume that in relation to the dollar sales the cost or time element is comparable. You will never get it any closer than that.

Mr. WINTERS: What is that figure again?

Mr. DYDE: It is 4·33 cents, as being the cost of distributing a loaf of bread.

By Mr. Winters:

Q. Is that comparable to the cost of your wages and route expense plus your vehicle expense as shown on page 7, 2·91 plus 1·33?—A. That is essentially correct.

Q. That comes to 4·24 as compared to 4·33.—A. That is the average, and I have taken this one branch, which is practically all retail, so we would be sure we were correct. Then referring again to the figure given by the Christie company, which is a strictly wholesale operation—I think it was 2·38 I mentioned.

Mr. DYDE: It was 2·39.

The WITNESS: 2·39 is correct. So that for comparable purposes we may assume that it costs 4·33 to deliver a loaf of bread from the point of production to the housewife, direct. Then, using the figures given the committee by the Christie company of 2·39 as to the wholesale delivery cost and adding to that the margin of profit on a regular 14-cent loaf of bread which is 2·50, that adds to 4·89. It would appear, on the surface, that house to house is comparable in cost, in this particular instance slightly more favourable than through the merchant. Remember that I have no brief for either method. Mr. Dyde simply asked me if I could throw any light on this. We sell wholesale and retail and frankly it is immaterial to us how we get our volume as long as we get it.

Mr. WINTERS: That is the consumer who gets delivery at the house is being favoured in this delivery cost?

The WITNESS: In this particular instance. Let us assume a certain merchant averaged instead of 2½ cents profit a 2 cent margin you would have a cost of 4·89 as against 4·33. It would be comparable if he wanted to work on a 1½ cent margin and the customer could conceivably get a little break through the store, but the difference is quite negligible.

The CHAIRMAN: I was suggesting to Mr. Dyde, not that I want him to leave this unless he has exhausted his questions, but I point out that he ought to go into the production cost of the loaf itself, up to the point of delivery from the factory.

Mr. DYDE: Perhaps you might say something, Mr. Manning, on where that appears.

The CHAIRMAN: It is on page 7.

The WITNESS: Yes, page 7. The manufacturing costs on January 31 are 7·33; December 27, 1947, 8·04; November 22, 1947, 7·36, and so on.

The CHAIRMAN: Well, on those figures, the story of A & P who produce a loaf of bread at 10 cents and still allow for a profit, is possible.

The WITNESS: No, sir; I would not subscribe to that at all. I do not think it is possible for any operator today to produce, distribute, and merchandise through a retail channel, a loaf of bread at 10 cents. My own feeling is that it is what is referred to as a loss leader.

The CHAIRMAN: Do you want to pursue that?

Mr. DYDE: Not at the moment.

The CHAIRMAN: Well, I will pursue that just for a moment. Take the figures on page 7. The highest manufacturing cost for December 1947 was 8·04. That would still leave at that highest figure a margin of something between one and two cents.

The WITNESS: That is correct. Assuming that it cost eight cents a loaf at the plant door, you have got all your shipping expenses, and then the cost of the normal operation through the chain outlet too. I understood from the comment that the actual A & P situation was to be investigated, but my own feeling is that it cannot be done.

By Mr. Winters:

Q. It cannot be done by the retailer, or the baker?—A. It cannot be done by anyone.

In other words, it is just not possible to produce a loaf of bread, distribute it to store outlets, add the cost of operating that store or outlet, and sell it at ten cents.

Q. When you speak of loss leadership you feel there is a loss to both the baker and the retailer?—A. I am not considering the baker particularly. I am just dealing with the hypothetical case of an individual who bakes and distributes a loaf of bread through his own outlet, such as a chain store.

Mr. PINARD: Not even your second quality bread?

The WITNESS: I would not like to put together figures on the second quality bread. That bread would come closer to the breaking even point, but my feeling is you cannot do it even at that.

Mr. WINTERS: What would you say about a store like Steinberg's, selling Richstone bread?

The WITNESS: I have no knowledge of Steinberg's bread and I do not know anything about his operation.

By Mr. Dyde:

Q. Still referring to page 7, your manufacturing cost set out there is with reference to first quality bread?—A. That is correct, and the formula is given.

Q. Yes, but I want to make it clear that page 7 refers to first quality bread only? Is that correct or is it consolidated?—A. No, this is the average for those periods.

Q. Yes, but right at the first row of figures you have given the period at February 1 as having a manufacturing cost for the 24-ounce loaf of 4·89. Can you say whether that is purely for the first quality bread or whether it is a consolidation?—A. A consolidation; those are the actual figures taken from our manufacturing statements for the period.

Mr. MAYBANK: It refers to the 7·2 per cent of your business as well as the 92·8 per cent as shown on page 24.

The WITNESS: That is correct.

By Mr. Dyde:

Q. But you have already pointed out to us 92 per cent of your business is in first quality?—A. That is correct.

Q. Now I have no further questions with particular reference to page 7, or page 8 at the moment, but I would like you to turn to page 9. I just want to clear up one point which I thought was a little doubtful when I read it. The figures for 1943 are ·57; for 1944, ·50, and those are cents??—A. Yes, that is correct.

Q. Cents per pound?—A. That is correct. In other words, in 1944 it cost ·50 cents per pound for the labour cost of a loaf.—A. In other words ·75 or ¾ of a cent a loaf.

Q. All those figures are cents per pound?

Mr. MAYBANK: Per pound, and not loaves?

Mr. DYDE: Pound. "Per pound" is the heading at the top of the page and I just wanted to call particular attention to it so there would be no confusion.

Mr. MAYBANK: That is right.

By Mr. Dyde:

Q. Further down on the same page, page 9, there is a small heading "Salesmen's commission rates." Are there changes in the commission rates when the price of bread increases?—A. There was no change in the commission rate but there was a change in the guarantee.

Q. Have you got figures to give the committee on that ?—A. Yes, sir; the guarantee prior to the price increase was $10.95.

Q. Are you referring to the price increase in January? What price increase are you referring to?—A. The September one.

Q. All right.—A. There was no change in January.

Q. Prior to the September increase the guarantee was $10.95. That is the only change that has taken place in the guarantee since the first of September? —A. Yes, the only change for four or five years.

Q. The rate of commission did not change in September, or January, or February of this year?—A. That is correct.

Q. On page 10 I have done some calculating. I see that the balance you had on hand in your flour inventory at September 18 was 4,071 barrels. Purely for the purpose of getting the dollar value, I multiplied that figure by $3.95 which gives a figure $16,080.45. If my multiplication is correct that is the benefit you received, is it not, out of the fact you had an inventory on hand when the price went up?—A. Because it doubled.

Q. Yes?—A. That is correct.

Q. Then in the table below that is given the average flour inventory—and I would remind the committee we already have the names of the companies from whom Mr. Manning purchases his flour. Then on page 11, with reference to the first table, are you able to supply the operating profits or losses for each month of 1947. You have given the figure there, a red figure of $90,627.— A. No, sir, I have not got those with me.

Q. You would be able to supply those to the committee?—A. Certainly.

Q. And you will do so by letter?—A. Right.

Q. And lower down on that page you have a heading "Net profit on investments". Under the heading of "Investment" there is a column of figures for each of the years, the first being $1,450,000. Is that the capital stock, or capital and surplus?—A. Capital and surplus; the amount of money invested.

Q. Those are all the questions I have, Mr. Chairman.

Mr. JOHNSTON: Well—

Mr. FLEMING: May I ask a question?

The CHAIRMAN: Well perhaps Mr. Johnston could carry on.

By Mr. Johnston:

Q. I wanted to ask something on that matter of discount. It came to my mind that while the larger stores got a discount, the smaller ones did not get it, and they were really the ones in need of a discount in view of their turnover?—A. Well, sir, as I outlined, the number of stores that get a discount is practically nil. There are only possibly half a dozen store outlets of the type of the smaller chains which get it. It is not our practice to give quantity discounts for volume to the retail merchants generally. It has never been our custom.

Q. You sell a 13 and 14-cent loaf?—A. A 14, and a 12-cent loaf to the housewife.

Q. Yes, and that is the same price at which Christie's sell in Toronto, is it not?—A. That is the same price at which the stores sell their bread.

Q. Those stores which handle Christie's bread?—A. That is correct.

Q. There is not any difference between the sale price of your bread and Christie's?—A. That is correct.

By Mr. Fleming:

Q. Mr. Manning, have you any analysis which would enable you to say whether you make a profit on the cheaper loaf, the second quality bread?—A. No, sir, we do not.

Q. You have not any breakdown as between the first quality and the second quality?—A. I have not submitted any but I know we are worse off on the second quality than on the first quality because there is a difference of approximately 1 cent in the formula; and the wrapping cost is practically the same. You save a little in salesmen's commission but it takes up just as much room in the vehicle, so we actually lose more money on the loaf at 12 cents than we do on the 14-cent loaf.

Q. Why do you bother with the cheaper loaf?—A. Competition.

Q. From whom?—A. Competitive companies.

Q. Such as what companies?—A. Do you wish me to name them.

Q. Yes.—A. Canada Bread, Consolidated, and the chain stores.

Q. The first two you have mentioned are bakeries that are selling to chain stores?—A. No, Consolidated to my knowledge has no tie-up with a chain store.

Q. Perhaps I am thinking of the other one, General Bakeries.—A. I do not know.

Q. To what extent do you attribute the necessity for meeting competition with the cheaper loaf? Is it due to the fact that it is the policy of the chain stores to have, as we have been told, a 10-cent loaf?—A. Well, I would say that the fact the 10-cent loaf is available to the consumer through the chain stores means that if we want to maintain our position in a community, and continue to supply and make available to the householder a product as close to the chain store price as possible, that we are forced to handle the 12-cent loaf.

Q. Does that fact compel you and your competitors to make up on the first quality loaf—would you consider you are not making sufficient profit on the lower quality?—A. No sir, I would not put it in the way that it compels us to make up. We are primarily concerned with making a good loaf of bread and distributing it at the lowest possible cost to the housewife, but, in order to satisfy a certain percentage of the consumers who want a loaf at a lower price, we do supply it to the extent of approximately 7 per cent of our production.

Q. As a result of competition and the fact that other people are doing it?—A. That is correct.

Q. If other people did not do it would you carry a second quality loaf at all?—A. We would prefer not to.

Q. Then if conditions of competition were normal in both fields, that is regarding both the first quality and the second quality, would the differential in price between the two loaves, either at the wholesale level or the retail level, be as great as it is today or would it tend to be equated with the difference in the ingredients?—A. I would say it would tend to follow more closely the actual cost or the difference in cost of the two loaves. Perhaps I did not get the question though?

Q. I think you have it. We know the differential in selling price as between the first and second quality, both at wholesale and retail level, is greater than the relative cost of production between the two?—A. That is correct.

Q. And I would like you to state for the record the reason for the difference in your price on January 27? —A. Well, that, briefly, is because we had been losing money since June.

Q. And you are going to supply us, I understand, with the figures on operations for the five-week period after the advance in price on January 27?—A. That is correct, sir.

By Mr. Maybank:

Q. Mr. Manning, you were saying that the fact that the 10-cent loaf is being sold has had some influence on your determining to keep on producing this second quality loaf of your own. Would it not be correct to say then that the 10-cent loaf tends to hold down all other bread prices of all companies?—A. Well, when you speak of us producing a 10-cent loaf, you mean our 12-cent loaf, our second grade loaf?

Q. I was not referring to you using a 10-cent loaf, I was referring to the fact that you produced a lower-priced loaf; and then, after that, I spoke of the 10-cent loaf being produced to sell in the same store. I knew you did not produce a 10-cent loaf; but that apparently has had an influence on your business and caused you to put out a second quality loaf?—A. That is correct.

Q. Would it not be correct to say that as long as that is the situation, whether it is sold at a profit or a loss it does not matter, but as long as it is there that it tends to keep down bread prices generally?—A. Yes, I would agree with you on that.

Q. Now, even though it does not represent a very large percentage or proportion of the Canadian bread business the fact of it being there results in the housewife getting bread as low as 14 cents which she would not otherwise get; would that be correct?—A. No, sir, I would not agree with that. As a matter of fact, it might work out theoretically, at least, in the reverse. In other words, if that 10-cent loaf wasn't there we would not have a 12-cent loaf, therefore we would have to get 14 cents instead of 12 for the 7 per cent of our production which means that we would have increased income which would enable us to turn around and put a little more into the bread or reduce the price, or maybe get a little extra profit.

Q. Well now, if that 10-cent loaf cuts into production, your cheaper loaf, would you not think that it would also tend to hold the producers back from taking 15 cents instead of 14 cents?—A. No, sir, I do not think it would have any bearing in that respect.

Q. You do not?—did I break in and interrupt you at that moment? Did I stop you from fully answering the question I asked just now?—A. Would you put it again, please.

Q. I will have to ask to have it read. I think I would say that apart from it being your work you just don't think the fact of the 10-cent loaf being there had anything in the nature of great influence on further price increases?—A. That is correct.

Q. You do not think that?—A. No, I do not think that, because competition in this business is so keen that the competitive position of all bakers is such that I do not think the price of the 14-cent loaf would be affected by the 10-cent loaf.

Q. And you think that the competition would still result in the housewife getting the 14-cent loaf even if the retailers did not have a 10-cent loaf?—A. That is right.

Q. You think that is so?—A. Because over the years the profit margin in this business has been very, very close and I feel it has and always will be. The industry has had its ups and downs. We have been in business since 1890 and we have managed to survive 50 odd years on a pretty slim margin, I guess we can continue to do it. I think the competitive situation will be such that it will always be that way in this business.

By Mr. Lesage:

Q. Is there any other difference in the cost between your 12-cent loaf and your 14-cent loaf than the cost of ingredients?—A. Well, the ingredients are the main difference. In normal times our second grade loaf has a one colour wrapper of the cheapest type obtainable but because of the tight situation in the paper industry there is today no difference in the wrapper cost between the two. Naturally there is some difference to us in the commission which is based on 12 cents rather than on 14.

Q. Oh, I understand that.—A. Other than that there is practically no difference.

Q. Practically none so the difference in cost to you would be the difference in the commission?—A. That is approximately correct.

Q. And the difference in that would be ·86 cents?—A. We usually regard the difference as being 1 cent at the point of production.

Q. The difference in cost would be about 1 cent but the difference in price is 2 cents, which means that you are losing more money on your cheaper bread than you are on your first quality?—A. That is what I confirmed to you earlier.

By Mr. MacInnis:

Q. On page 8 we have the flour in your first quality loaf as 2·11 and in the second quality loaf it is 2·17; would that be accounted for by the lesser quantity of flour in the first quality loaf?—A. Yes, and for the reason that in addition to flour in the first quality loaf you have a much higher poundage of sugar, milk, shortening and other ingredients, with the result that there is actually a little less flour and a little more sugar and other ingredients in the first quality loaf.

Q. Do you know what the average worker or salesman gets per day or per week?—A. They work usually 48 hours, possibly 50 hours in some cases.

Q. Have you with you the average weekly wage of bakery employees other than salesmen, those working inside, for 1943 and 1947?—A. I haven't got that with me, but I can tell you there is very little difference in wages in the various bakeries in Toronto, and I understand that Consolidated Bakeries submitted their wage scale and I can tell you that our own is practically identical to theirs.

Q. Do you know the hourly rates?—A. That varies, we have our operators classified as to jobs.

Q. Yes?—A. Off hand I cannot give it to you but I can submit that with the other data you wish from me if you desire it.

Q. You say that the quality of flour which goes into the loaf is not the same?—A. That is correct.

Q. What is the difference between these two?—A. I did not get that.

Q. What is the difference between the two?—A. Well, as you know, the milling industry designates the quality of their flours as first patent, second patent and so on; and the special flour is of a higher grade than the other flours shown. There are just the regular second patent figures.

The CHAIRMAN: Are there any other questions? There is not very much profiteering in this case.

Mr. JOHNSTON: He is selling his bread at the same price as the others.

The CHAIRMAN: Pardon.

Mr. JOHNSTON: You say there is not much profiteering.

The CHAIRMAN: I would say on the basis of the evidence there is not much evidence of profiteering.

Mr. JOHNSTON: We have not had their financial statement yet.

The CHAIRMAN: Yes, I said based on this evidence.

Mr. JOHNSTON: The fact is though that he is selling his bread at the same price as the others.

Mr. FLEMING: You have the financial position on page 11.

Mr. JOHNSTON: Not for the over-all.

The WITNESS: Page 11 covers the operation on bread, sweet goods and cakes. The over-all is in that.

Mr. JOHNSTON: The over-all?

The WITNESS: Yes.

By Mr. Johnston:

Q. I would like to ask one question about this keen competition, I am a little bit worried about this keen competition.—A. So am I.

Q. I am glad you are. Where does that keen competition come in. The fact is that the price is pretty uniform on all bread sold by the different bakeries?—A. Does that not denote the keenest type of competition.

Q. I do not know whether it does or whether it denotes a combine. The point is this, that the only place where your keen competition would come in would be on your endeavour to get the greatest volume of sales. All your prices are practically the same.—A. How could there be any difference when our costs are so close?

Q. Well, of course A & P do not agree with you there, they maintain that they are making a satisfactory profit on the 10-cent loaf, all the other bakers say they can not possibly make a profit on the 10-cent loaf?—A. I also say that.

Q. I beg your pardon?—A. I also say that.

Q. Of course, their financial statement did show that they were making a profit.

Mr. HARKNESS: But, Mr. Johnston, I would remind you that we never had a breakdown of their financial statements so we could not tell whether they made a profit or not.

The CHAIRMAN: There is the division bell, gentlemen.

Mr. JOHNSTON: They did say they were satisfied with the margin of profit they were making on their bread.

The CHAIRMAN: There is no doubt that they said that. We will have to see if we can get more information on that point in another way.

Mr. JOHNSTON: When I hear this word "competition" I am just a little bit suspicious.

Mr. FLEMING: May I refer Mr. Johnston to what Mr. Taylor said at page 556 of the evidence:

> Competition, of course, can take a variety of forms. In some areas price competition is at least partially replaced by what we commonly call service competition. I would say further for what it is worth as a general impression that the baking industry is pretty competitive. It is, of course, one of the paradoxes of the competitive system that if you have perfect competition you must have uniform prices in the sense that prices must settle down to a uniform level. It is an old economic dogma that you cannot have two prices for the same goods at the same time in the same market if you have perfect competition.

The CHAIRMAN: We will now adjourn for the vote.

On resuming.

The CHAIRMAN: Mr. MacInnis:

By Mr. MacInnis:

Q. Referring to page 7 may I ask Mr. Manning what type of vehicle they use for delivery? It is under delivery expense, the lower set of figures.

The CHAIRMAN: What Page?

Mr. MACINNIS: Page 7.

By Mr. MacInnis:

Q. I note that vehicle expense increased by about 35 per cent, or pretty close to that, from October, 1947 to January, 1948. What constitutes that increase? —A. Well, we handle our deliveries by wagons and trucks. Horse and wagon expense is broken down into one category and the truck expense is broken down into another category. Under horse and wagon expense there are stable wages, horse feed, shoeing and veterinary, stable supplies, wagon and maintenance repairs, depreciation and insurance.

Mr. MAYBANK: I think you went over that horse pretty fast for the reporter. Your horse was going pretty fast.

The WITNESS: They do not as a rule do that. Shall I repeat it?

Mr. MACINNIS: Yes. It comes under this heading, vehicle expense. Is that motor driven or horse?

The WITNESS: That would be truck expense, and the wages and wagon expense would be on the other.

By Mr. MacInnis:

Q. What particular part of the truck expense would cause this high increase in expense?—A. I could not answer offhand but I can run over the items under truck expense. I would say truck repairs are not increased over the year. Gas and oil would definitely increase. Truck licences would not change. Tires and tubes, negligible; garage wages are up slightly. Depreciation would increase because we got quite a number of new vehicles during the year.

The CHAIRMAN: Mr. MacInnis, I do not want to suggest anything to you but the total cost at January 31, as compared say with September 13, 1947, is quite different, almost 3 cents.

Mr. MACINNIS: Included in that is the increase in materials.

The CHAIRMAN: Oh, yes.

Mr. MACINNIS: The increase in flour would be the major part of that.

The CHAIRMAN: Mr. Winters, you had some questions.

By Mr. Winters:

Q. I wanted to ask the witness if the company is showing a profit for this present month at the 14-cent price.—A. I could not answer that until we get the figures which I expect will be after next week.

Mr. FLEMING: He said he would furnish that later.

Mr. WINTERS: In the absence of that that is all I have.

The CHAIRMAN: Any other questions? I think that is all.

The WITNESS: Thank you, sir.

The meeting adjourned to resume on Friday, March 12, 1948, at 11 o'clock a.m.

APPENDIX

EXHIBIT No. 48, March 11, 1948

GEO. WESTON BREAD AND CAKES LIMITED AND ITS SUBSIDIARY DIETRICH BAKERIES LIMITED

CONSOLIDATED FINANCIAL STATEMENT, DECEMBER 27, 1948

EDWARDS, MORGAN & CO., Chartered Accountants

To the Shareholders
George Weston Bread and
Cakes Limited.

We have audited the Consolidated Balance Sheet of your Company and its subsidiary as at December 27, 1947, and certify that our requirements as Auditors have been complied with.

The annexed Consolidated Balance Sheet is, in our opinion, properly drawn up so as to exhibit a true and correct view of the combined position of your Company and its subsidiary at December 27, 1947, and as shown by the books of the Companies.

EDWARDS, MORGAN & CO.
Chartered Accountants.

February 12, 1948.

Consolidated Balance Sheet.

GEO. WESTON BREAD AND CAKES LIMITED

(Incorporated under the laws of the Province of Ontario)
and its subsidiary
Dietrich Bakeries Limited

CONSOLIDATED BALANCE SHEET

December 27, 1947

ASSETS

Current Assets:		
Cash on hand and in banks	$ 273,002.37	
Accounts Receivable less Reserve for Doubtful Accounts	95,173.37	
Inventories, as determined and certified by the Management; Raw Materials and Supplies at cost, Finished Goods at less than market, less Wartime Reserve	159,871.14	$ 528,046.88
Refundable Portion of Excess Profits Tax		23,012.58
Prepaid and Deferred Items		11,253.26
Fixed Assets:		
Land, Buildings, Plant and Equipment	2,263,859.17	
Deduct:		
Reserve for Depreciation	949,756.50	1,314,102.67
Goodwill, Patents and Drawings		357,798.09
		$ 2,234,213.48

LIABILITIES

Current Liabilities:		
Accounts Payable and Accrued Items	$ 263,053.19	
Taxes	10,591.32	$ 273,644.51
George Weston Limited:		
Notes Payable	729,295.00	
Mortgages Payable	186,000.00	
Bond and Mortgage, Interest Accrued	19,300.00	
Current Account	318,976.40	1,253,571.40
Salesmen's Guarantee Deposits		19,419.00
Funded Liability:		
Fifteen Year 5% First Mortgage Bonds due April 1, 1947— Authorized, Issued and Outstanding		200,000.00
Shareholders:		
Capital Stock—		
Preferred 6% Cumulative Par Value $100.00.		
Authorized and Issued 1,656 shares		
Deduct: Redeemed 901 shares		
Outstanding 755 shares	75,500.00	
Common, No Par Value.		
Authorized and Issued, 50,000 shares	500,000.00	
Surplus Accounts—		
Capital Surplus	$ 18,413.03	
Earned Surplus	92,520.98	
Deferred Earned Surplus	23,012.58	
	87,921.43	487,578.57
		$ 2,234,213.48

Certified as per our report of this date.

February 12, 1948.

Edwards, Morgan & Co.
Chartered Accountants.

GEO. WESTON BREAD AND CAKES LIMITED

and its subsidiary
Dietrich Bakeries Limited

CONSOLIDATED EARNED SURPLUS ACCOUNT

For the fifty-two weeks ending December 27, 1947

Balance at credit, December 29, 1946	$ 223,076.94
Deduct:	
Dividend paid on common stock	223,076.94
Net loss for the period as per Statement of Income and Expenditure	$ 90,627.58
Adjustment of prior period	1,529.67
Life Insurance adjustment	363.73
Deficit, December 27, 1947	$ 92,520.98

CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE

For the fifty-two weeks ending December 27, 1947

Net Operating Profit before deducting Remuneration etc., Depreciation, Interest, Income and Excess Profits Taxes		$ 50,509.09
Deduct:		
Remuneration of Executive Officers	$ 16,000.00	
Reserved for Depreciation	105,836.67	
Interest on Funded Indebtedness	19,300.00	141,136.67
Net Loss for the fifty-two weeks carried to Earned Surplus		$ 90,627.58

CONSOLIDATED TRADING STATEMENT

For the fifty-two weeks ending December 27, 1947

Sales	$ 4,380,721.93	
Deduct: Wholesale Allowances, Stale, Cripples, etc.	426,949.63	$ 3,953,772.30
Cost of Goods Sold—		
Ingredients	1,688,735.03	
Shop Expense	693,806.13	
Goods purchased for resale	64,903.56	2,447,444.72
Gross Profit		1,506,327.58
Deduct:		
Administrative Expense	249,145.07	
Route Expense	968,554.03	
Vehicle Expense	399,994.36	
	1,617,693.46	
Less: Miscellaneous Income	20,738.30	1,596,955.16
Net Operating Loss		90,627.58
Add:		
Expenditure Items shown in Statement of Income and Expenditure—		
Remuneration of Executive Officers and Legal Advisers	16,000.00	
Reserved for Depreciation	105,836.67	
Interest on Funded and Other Indebtedness not maturing within one year	19,300.00	141,136.67
Net Profit before deducting Remuneration of Executive Officers etc., Depreciation, Interest and Income and Excess Profits Taxes		$ 50,509.09

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 23

FRIDAY, MARCH 12, 1948

WITNESSES:

Mrs. R. J. Marshall, President, Canadian Association of Consumers, Agincourt, Ontario.

Mrs. F. E. Wright, Corresponding Secretary, Canadian Association of Consumers, Port Credit, Ontario.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

FRIDAY, March 12th, 1948.

The Special Committee on Prices met at 11.00 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Cleaver, Fleming, Harkness, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, McCubbin, Merritt, Pinard, Winters.

Mr. H. A. Dyde K.C., Counsel to the Committee, in attendance.

Mr. P. Manross, M.P., by leave of the Committee made a brief statement.

Mrs. R. J. Marshall, President, and Mrs. F. E. Wright, Corresponding Secretary, Canadian Association of Consumers, were called and sworn.

Mrs. Marshall read a brief, and with Mrs. Wright, was examined thereon. Mrs. Marshall filed,

Exhibit No. 50—Copy of brief and attachments identified as Appendices A, B, C, D, E, F, G, H. *(Appendices G and H printed immediately following the brief).*

Exhibit No. 51—Memorandum re study of effect of increased cost of living on family life, by the Family Service Bureau of Hamilton, as compiled by Kunio Hidaka, M.A. *(Printed as an Appendix to this day's proceedings).*

At 1.00 p.m., witnesses retired and the Committee adjourned to meet again at 4.00 p.m. this day in Executive Session, and on Monday, March 15, at 11.00 a.m., in public session.

R. ARSENAULT,
Clerk of the Committee.

8288—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
MARCH 12, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Honourable Paul Martin presided.

The CHAIRMAN: The meeting will come to order.

Mr. MANROSS: Before you proceed, as a private member, I wonder if I might have the permission of the committee to ask a question. I know I have to have the permission of the committee.

The CHAIRMAN: I think so, Mr. Manross. You are a member of the House. What is it?

Mr. MANROSS: I should like to ask the committee to put the investigation of the price of fuel oil for domestic heating as close to the top of their agenda as it is possible in view of the fact there are only about two and a half months to go and it is a very important part of the cost of living. Distributors of fuel oil have sent out circulars increasing the price from 17¼ cents to 28 cents due to the fact that they say there is a severe shortage and import restrictions. There is no shortage of 28-cent oil. You can get all you want. I do not know where the shortage is, and there are no import restrictions. It is not on the banned list at all. There is no import restriction whatever. I wonder if the committee would give their attention to it as early as possible.

The CHAIRMAN: I may say that the committee has considered that matter and is going to consider it further today among other things. We will note your representations.

Mr. MANROSS: Thank you.

The CHAIRMAN: Gentlemen, we have with us this morning the executive of the Canadian Association of Consumers who have circulated the brief which I believe is in the hands of members of the committee. We have with us Mrs. Marshall, the president of that organization, and Mrs. Wright, who is the corresponding secretary. We will now proceed with them.

Mrs. R. J. Marshall, President, Canadian Association of Consumers, called and sworn.

Mrs. F. E. Wright, Corresponding Secretary, Canadian Association of Consumers, called and sworn.

Mr. DYDE: Mrs. Marshall, you have prepared some material to put before the committee, but before we deal with that, or before I ask you to read it, may I ask you some general questions with regard to the Canadian Association of Consumers?

Mrs. MARSHALL: Certainly.

Mr. DYDE: Will you describe that association and when it was formed.

Mrs. MARSHALL: Mr. Chairman, the whole background of the Canadian Association of Consumers is in appendix A in connection with the brief in questions and answers. I may say that in September of last year, the 29th and

30th, representatives of our fifty women's organizations, national organizations and major French-speaking groups, met here in Ottawa. Out of that national conference grew the Canadian Association of Consumers, a permanent consumer association.

Mr. DYDE: Would you describe your membership, how it is made up?

Mrs. MARSHALL: The membership of the association is individual membership open to every woman in Canada no matter where she lives, in a remote area or in one of the large cities, regardless of whether she belongs to any other organization or association or whether she just wants to come in as an individual. It is actually an association of Canadian consumers.

Mr. DYDE: You have an executive for the association, and I understand that you are the president. Would you tell the committee, please, the other officers?

Mrs. MARSHALL: The executive of the association consists of a president, two vice presidents, a recording secretary, a corresponding secretary and a treasurer. The board of directors is made up of 15 representatives of national organizations and 10 provincial representatives. It is made up of urban and rural women, and has no relation to politics or creed or employment or situation in life. They were chosen by the women themselves at that first conference. By the way, the list of the people attending the conference is in this brochure, and the names of the board of directors. Five additional names are being added as members at large.

Mr. DYDE: And the addresses of the various officers are also in appendix A, are they not?

Mrs. MARSHALL: Yes, they are all here, and in the list of those who attended they are listed under organizations that they represent, and the V is for the voting delegate. The other is for a representative, but the addresses and names of all the board of directors are in the appendix.

Mr. DYDE: Are you a nation-wide organization?

Mrs. MARSHALL: Absolutely. The board of directors also is made up of members from Charlottetown, Prince Edward Island, right through to Victoria. Every province is represented.

Mr. DYDE: Have you been active in inquiring in all provinces in connection with your work?

Mrs. MARSHALL: Yes. Before any matter is brought forward or sent down for study it has been asked of us by members from the various provinces.

Mr. DYDE: Now, Mrs. Marshall, I come to the brief. This is prepared by your association for the purpose of presenting to this committee?

Mrs. MARSHALL: Yes.

Mr. DYDE: I think we should exhibit that as exhibit 50.

EXHIBIT No. 50: Brief of the Canadian Association of Consumers. With attached appendices.

Mr. DYDE: I will ask Mrs. Marshall to read the brief.

Mr. PINARD: Before Mrs. Marshall proceeds with the reading of the brief I wish to express my appreciation to the association for having presented that brief both in French and in English. I think it is a very good example that might be followed by others who may be interested in presenting briefs before this committee.

Mrs. MARSHALL: Thank you.

Mr. JOHNSTON: What is exhibit 50?

Mr. DYDE: The whole brief with attachments.

Mrs. MARSHALL: Mr. Chairman, before presenting the brief may I say something I think is rather important. It is that every member of the executive and the board of directors is serving in a voluntary capacity.

The CHAIRMAN: Yes.

Mrs. MARSHALL:

Mr. Chairman and Gentlemen: On behalf of the Canadian Association of Consumers, set up by more than fifty national women's organizations and the major French-speaking groups at a national conference held in Ottawa, September 29 and 30, 1947, we appreciate the opportunity of appearing before the Special Committee on Prices and presenting the point of view of Canadian consumers, whether farm women, office workers, women in industry, housewives, or whoever they may be. Full information regarding the background of our association and its aims, objects and program are contained in "Questions and Answers", attached as Appendix A. You may be interested also in having the first copy of our bulletin, "The Canadian Consumer", which goes out to all our members, attached as Appendix B.

In our presentation we propose to list for you:

1. The various actions taken by the Canadian Association of Consumers in respect to the high cost of living.

2. Some of our findings in regard to the effects of high prices, and

3. Some of the questions consumers are asking and suggestions they are making.

I—Action Taken

(*a*) On October 1, 1947, the day after we were organized, a brief was presented to the Honourable the Acting Minister of Finance requesting that everything possible be done to check the inflationary trend, particularly by bringing down the prices of essential foods like bread, milk, meat and butter, and that the subject of prices be given precedence at the next session of parliament. (Copy of the brief is attached as Appendix C.)

(*b*) On November 27, 1947, representations were made to the Minister of Finance concerning the high prices of fresh fruits and vegetables and the Association offered its assistance in maintaining controls on canned vegetables.

(*c*) On December 21, 1947, representations were made to the Honourable the Ministers of Finance and Agriculture urging that a price ceiling be placed on butter for the storage period.

(*d*) Briefs have been presented by the Canadian Association of Consumers groups in Alberta, Ontario, Manitoba, British Columbia and Quebec to their respective provincial governments or agencies concerning the high prices of fluid milk to the consumer. (Report of action taken as at January 20, 1948, is attached as Appendix D.)

(*e*) On January 14, 1948, following an emergency session on prices, a brief was forwarded to the Right Honourable the Prime Minister and the Honourable the Ministers of Finance, Labour, Trade and Commerce, and Agriculture, with copies to all members of parliament, urging that an immediate limited emergency program be put into effect to stem the inflationary trend,

(i) through selective price controls on essential foods;

(ii) through the lifting of import restrictions on essential vegetables, such as cabbages and carrots;

(iii) through reimposition of subsidies on hard wheat and coarse grains, if this was necessary to bring down the prices of bread, milk and dairy products to consumers;

and furthermore urging that the government call a conference of representatives of agriculture, labour, industry, consumers and government, and that consideration be given at the conference to setting up a prices investigation committee.

At the same time, women were urged to buy only what they need, use everything they buy and to "save waste". (Copy of the brief is attached as appendix E.)

(*f*) On February 12, 1948, a brief was presented to the ministers concerned asking the government to lift the sales tax on essential food and clothing and to continue the controls on commercial rents for another year. (Copy of the brief is attached as appendix F.)

II—The Effects of High Prices

We are aware of the excellent statistical information which your committee already has on the cost of living picture on the national level. Does this accurately reflect the effects of the rapid rise in the cost of basic commodities on Canadian living, particularly among low-income and marginal and fixed income groups, and more particularly in the case of the larger families? It would appear from the cost of living index that where the average housewife in urban areas would have paid one dollar for food between 1935 and 1939, and $1.30 in February 1945, she must now pay $1.86.

We think you would like to have for your information, a survey made by the Visiting Homemakers Association of Toronto, in early February. This statement of food prices, attached as appendix G, gives an estimate of the minimum adequate weekly food list for a family of five in February 1948 as $17.08, as compared with an estimate for February 1945 of $11.62, an increase of 47 per cent.

A more exhaustive study of the effect of the increased cost of living on family life was made by the Hamilton Family Service Bureau in November and December 1947. It appears to point up certain very significant conclusions, although it constitutes a small sampling of our population. It covers 70 families of an average size of 5·8 persons, with an average income of $1,820 (in 1947). This survey showed:

(i) Most families spent from 24 to 39 per cent of their income or amounts ranging from $24 to $45 for food per month per family in 1939, but must now spend 40 to 80 per cent of their income and from $50 to more than $100 per month for much the same standard of food.

(ii) It is not uncommon for families to spend more money and a greater percentage of income on food alone now than for food, shelter and fuel in 1939.

(iii) Families are now re-apportioning their budgets in favour of the immediately consumable necessities, like shelter, food and fuel to the neglect of clothing, personal care, etc., which can be deferred. About one-half of the persons in the $100-to-$399-per-person-per-year-income report no clothing expenditure as against average expenditures of $8 to $15 per month in 1939.

(iv) Because of the gap between prices and incomes many families are now reducing their purchases of essential food products. For example, half the families reported lower milk consumption in most cases by one or two quarts per week, and in some cases by as much as eighteen quarts, per week. Bread purchases were reduced by one to seven loaves per week by 15 families.

Thirty-nine families, or 55 per cent bought from one-quarter to three pounds less butter per week, and 24 families, or 34 per cent used fewer eggs. I quote

from the report: "It would appear that lowering standards have reached the point where families cannot buy more bread as a substitute for higher priced commodities, but have to reduce the quantity of bread as well."

The Hamilton survey also indicated that in order to maintain even the 1939 standard of living the average income of $1,820 for the families investigated must be raised to $2,219 per year. It showed, moreover, that earnings of the main wage earner were being supplemented by cashing bonds, taking out loans, making purchases on credit, mothers working, work permits for juveniles and extra work by the father.

These surveys and widespread reports which we have had from consumers lead us to believe:

(a) Family living costs have increased to a much greater extent than wages and family income;
(b) The standard of living is being lowered;
(c) Many families are reducing the quantities of their food purchases below an adequacy for nutritional health;
(d) Excessively high prices, particularly of essential commodities, are likely to result in many families exhausting their savings, going into debt or over-extending themselves in instalment buying.

The Canadian Association of Consumers is concerned with sound economy in the home and we recognize also that it is a contributing factor to economic stability in the nation. We are vitally concerned also that our Canadian people should in this land of plenty have the essentials for health and well-being at prices which they can afford to pay.

III—Questions and Suggestions

Mr. Chairman, we are glad that the terms of reference provide your committee with sufficient scope to disclose all the fundamental factors in the rise of prices and living costs. We note that at the conclusion of your inquiry into bread, you propose to inquire into other staple commodities of life including butter, meat, vegetables, shoes and clothing.

We feel that any value our appearances may have before your committee is in indicating to you elements in our daily living which are causing women throughout the various parts of Canada the greatest concern and in suggesting to you the questions in the minds of those who are actually doing the buying.

Because of the increasing complexity of our economic system and the ramifications of the productive and distributive processes, it is difficult, if not impossible, for the average consumer to know what she is paying for in the price of the article bought.

The CHAIRMAN: I can tell you that I believe every member of this committee has a wife and I know that every one of those wives supports what you are now saying.

Mrs. MARSHALL: That is fine.

Recent price inquiries appear to reveal that a large factor in price is the cost of service to the consumer which she might be ready to have limited if she knew how much it was adding to the price. At the same time extra costs are added to provide incentives for consumers to buy specific brands or products, for instance, eye appeal, "snob" appeal, excitement in stores, "soap operas", fancy packaging, etc.

The Canadian Association hopes to be of service to consumers through trying to keep them informed of commercial and industrial practices which affect their purchases, so that if free competitive activity is maintained, they may have freedom of choice. Free competitive enterprise can only be maintained success-

fully, we believe, if all the groups within the economy are equally well-informed, and we consider that the deliberations of your committee should be of greatest assistance to the consumers.

The following items which are causing concern have been brought to our attention by our provincial representatives on the basis of reports from consumers in their areas:

1. Bread

We have been watching with interest the evidence in connection with your inquiry into the price of bread. We would like to make reference to certain points contained in it and certain observations of consumers since the inquiry began.

According to evidence on page 597, the cost of the ingredients of a loaf of bread sold by General Bakeries based on Montreal prices, as of February 17, was 5·357 cents. And yet this bread cost the consumer 14 cents. Would it be possible for us to have a breakdown of the other part of the 14 cents, as to labour, wrapping, labelling, sales costs, taxes, bond interest, advertising, etc.

We are interested in the statement of a representative of Loblaw Groceterias Limited on page 358: "We could not afford to sell all our bread at the same margin as we sell the Cottage loaf. The Cottage loaf should not be sold for the best margin because it is not sound business to sell at such a low margin. We only sell a 10-cent loaf because of competition." Later, on page 386, the witness (Mr. Meech) suggests that Canada Bread is sold for the price it is because "that type of bread commands throughout the trade that price. In the grocery business prices are often very much influenced by what other people sell the same commodity for and when we find that this popular loaf with a wide distribution is being marketed by others, being sold from bakers' wagons at that figure, we do not believe it would be good business to take less than what that price offers, particularly when the mark-up is in line with our own mark-ups generally."

From the consumers' point of view it looks as if it would be difficult to justify taking a mark-up of 3·55 cents in Ottawa and 3·65 cents in Toronto on Canada Bread, as compared with only one cent on the Cottage loaf when the evidence suggests the cost to Loblaws of handling Canada Bread is certainly no higher per unit than the cost of handling the Cottage loaf. Can this be justified?

It appears from the evidence given by Mr. Bird of the A and P (Page 678) that he considered the 13 per cent gross margin on the sale of bread at 10 cents a loaf as at February 13, 1948, was reasonable.

We would like to know how much the cost of advertising enters into the price of bread to consumer? What proportion of the total cost, and what proportion of the increase in cost is due to advertising expenditure? On page 373 we read: "You must take into consideration that Canada Bread Company have to advertise their breads in competition with others. We do not have to advertise our bread. We put it on the shelf. They have such competition in the sale of their bread that they must have a larger percentage of return. . . " And again on page 396, Mr. Meech stated: "We have been told that owing to increased advertising, increased costs of ingredients, they have to increase their cost to us."

We are noting more and more advertising of bread in newspapers and magazines. We think you may be interested in seeing three advertisements which have recently appeared. I have two of them with me. One is from *Maclean's* magazine of this week and the other is from the *Star Weekly*. They are both full page advertisements, as you will notice.

I may also say that there was another advertisement in an Ottawa paper last night advertising bread for 9 cents at the Byward Food Market.

Two of the advertisements I referred to are entitled "These Bread Dishes make Budgets Happy" and have been prepared by the makers of Fleischmann's Yeast as a "contribution to the advancement of national health." The third is sponsored by "Bakery Foods Foundations." Could we have information as to the nature of this organization?

One of the things we as consumers are concerned about is that prices should be fair and reasonable, and that there should be fair and reasonable returns all the way along the line. Consumers are noticing that since your committee started to make its investigations into bread prices, more and more independent and local general stores are selling bread at 10 cents. Does this mean that some bakeries are likely to be forced out of business? Or does it mean that undue profits or wasteful practices are being eliminated and bakeries are finding they can produce bread for retail sale at 10 cents?

What is happening to the driver's pay cheque? (Some of the delivery men in Ottawa have suggested to consumers that if the price were reduced to 10 cents, they would lose their means of livelihood.) Are they and their families being victimized by this sudden swing?

Other questions which we would like to ask are:

Why is it that A and P say they can sell bread at 10 cents a loaf and are satisfied they make a profit when some other chain stores maintain that at that price they do not get a satisfactory margin? It would be interesting to know what margin small independent retailers are getting and how they arrive at their selling price?

What is the relation between volume of sales and price?

Is the consumer paying for competitive expansion? Is competition pushing costs up, in other words?

What proportion of overhead is charged against bread as compared to cakes and confectionery?

Would it not be a good idea to have representatives from the smaller individual bakeries appear before your committee since most of the 3,000 bakeries in Canada are small? Also some of the larger independents?

How many large bakeries are owned or controlled by milling companies and how many by confectionery and biscuit concerns, or have interlocking directorates?

We are glad to note that your committee has asked for analyses of the different qualities of bread and we hope that this information will be available to the public. We should like to see the main points of this information printed on the wrapper of the loaf of bread, indicating the grade or standard without adding to the cost.

If competition is not working to keep down the price to the consumer to a reasonable level and since the price level for wheat has already been set, would a subsidy on hard wheat help to bring down the price of bread, "the staff of life"?

2. Flour

We have many reports of the practice of flour milling companies requiring feed dealers and farmers to purchase a proportion of flour as a prerequisite to obtaining their requirements of millfeeds. We feel that this constitutes an unfair situation in respect to prices as well as great waste in the face of human need in European countries and we would like to protest this wasteful practice. We would also like to know what bearing it has actually on the price picture in relation to millfeeds and flour.

3. Milk

Since milk is the most perfect food available, we are concerned with the high price which is being charged consumers for fluid milk in most urban areas

across Canada. We realize that milk prices are a provincial matter, but we feel that milk is of such vital importance to the health of our people that it must have a place for discussion in any national investigation into the price picture. We have reason to believe that high prices are resulting in the reduction of fluid milk consumption. For example, the monthly fluid milk sales on a thirty-day basis in Ontario dropped substantially with the increase of the price of milk on December 1. The following table shows the amount of the fluid milk sales along with the retail fluid milk prices in Ontario in October, November and December, 1947:

	Sales in Millions of Quarts	Prices Per Quart
October	35,982,000	15·2
November	35,685,000	15·3
December	33,682,000	16·8

These figures have been provided by the National Dairy Council of Canada and are supplemented with a chart from the same source showing the trends in fluid milk consumption in Ontario during the years when prices were lower to the consumer and following the withdrawal of the consumer subsidy. (This graph is attached as appendix H.) You will note a sharp drop in consumption following the removal of the consumer subsidy. Mr. Chairman, we are concerned about this, believing as we do, that the health of the children of this country is dependent to a very considerable extent on an adequacy of fluid milk. For many years the Department of Health and Welfare as well as the nutritionists and medical men throughout this country have been urging Canadians to drink more milk. Will Canada's nutritional needs be met if consumption is curtailed as the result of high prices?

Are there any studies which your committee can make, in spite of the fact that the price of milk is controlled by the provinces, which can help to encourage lower-priced milk at the consumer level? Could you ascertain the cost of service to the consumer, and would a subsidy on coarse grains help to keep down the price of milk?

4. Butter

While the Canadian Association of Consumers urged that the price of butter be controlled during the winter months, in other words, during the storage period, and the government has since placed a ceiling on butter, we have had widespread complaints about the high ceiling price. But mainly, we are concerned with what has happened to the butter produced in Canada since June, 1947.

We are glad to note that your steering committee has been requested to obtain complete information with respect to the speculation in or hoarding of butter during the last five months.

5. Fresh Fruits and Vegetables

Following the announcement of import restrictions on November 17, 1947, the prices of domestic fresh fruits and vegetables soared "overnight". Could an investigation of the causes of this be made in order that steps may be taken to prevent this sort of thing happening again?

We have made no mention here of meat. I should like to say, while there is no statement in this brief concerning meat, we desire you to know it is a matter of grave concern to all women. We know that the subject of meat prices and price controls is under advisement and it was for that reason we have not put it in the brief. We hope when the announcement of the ceiling is made, it will be satisfactory to the consumer.

The CHAIRMAN: May I just ask you, in that connection, do you recommend strongly that we go into the question of meat?

Mrs. MARSHALL: I think it would be advisable, Mr. Chairman, yes.

Mr. FLEMING: I think a supplementary question should be asked. How urgent do you rate the inquiry into milk compared with the inquiry into some of these other staple foods? I am trying to rate the priority you give these various foods. How do you rate meat?

Mr. MAYBANK: May I draw your attention to the fact you spoke of milk at first and then you spoke of meat? I believe you meant meat?

Mr. FLEMING: Yes, it was meat I meant throughout.

Mrs. MARSHALL: May I ask Mrs. Wright to answer that question, since she is our economist?

Mrs. WRIGHT: Madam Chairman, I think—

The CHAIRMAN: I am honoured.

Mrs. WRIGHT: I am sorry, but I am used to speaking to groups of women. I think if you look at the minimum adequate weekly food list as provided by the Visiting Homemakers' Association, which is appendix "G", you will see the largest amount of expenditure is on milk.

Mr. FLEMING: I was thinking about meat.

Mrs. WRIGHT: Yes, and the next largest amount is for meat and then fish.

Mr. JOHNSTON: I notice that on page 6 of the brief you have some items listed. Were they listed in order of importance? On page 6, in the last part of the first paragraph, you have mentioned butter, meat, vegetables, shoes and clothing. Are those items listed in order of importance?

Mrs. WRIGHT: No, I think that was just a list without any reference to order of importance. I do not think we have given very much consideration to the importance of priority in discussion because we feel all these basic commodities are extremely important. Some people spend more on meat and some people spend more on milk. I believe it would vary according to the individual standard of living and whether there are children in the home. However, they are all basic commodities for every consumer.

Mrs. MARSHALL: I shall continue with the brief.

6. Household Necessities

Many reports from consumers indicate that many articles essential in the home are either unprocurable or still poor in quality and exorbitant in price, e.g., unbleached cotton sheeting. One example may be taken from mail order catalogues of the T. Eaton Company, Limited, as follows:

Unbleached Cotton Sheeting	1946-7	1948
Medium Quality—73 inch width	$ .37	$ .69
" —82 " "	.42	.79
Heavy quality —73 " "	.51	.98
" —82 " "	.57	1.10
" —90 " "	.63	1.20
Best Quality —66 " "	.55	1.05
" —76 " "	.65	1.20
" —85 " "	.70	1.35

We realize there has been a very substantial increase in the price of raw cotton as noted on page 59 of the minutes of proceedings, but wonder if there are other factors which enter into the increase in price of unbleached cotton sheeting?

In this presentation we are concentrating on the questions being asked by larger numbers of consumers. But one from Regina, which is merely the question of an individual consumer, appears worth repeating: "Why should I pay 15 cents

for a 200-yard spool of white machine cotton when I prefer the 650-yard spool for 29 cents? It takes a lot of white machine cotton to make sheets from flour bags. Why are the 650-yard spools not available?" Why also are we getting such poor quality in sewing thread at the existent high price?

The CHAIRMAN: We often notice that ourselves. Our wives sew buttons on our shirts, but they do not stay on very long.

Mrs. MARSHALL: And there are knots in the thread. Then, too, the thread breaks easily. The quality is not there, considering the high prices charged.

We are concerned also about the high costs and poor quality of the "less expensive" furniture. Complaints come to us, particularly from newlyweds, veterans, etc. The cost of electrical equipment and hardware items bears heavily on those with low and moderate incomes. We would welcome a study of the costs and prices of lower-priced furniture, and of electrical equipment and hardware items which come within the category of essentials.

7. Clothing

The most widespread complaint of consumers everywhere is the high price and low quality of children's shoes. Can a proper relationship between the price and quality be established? We maintain that low quality constitutes a hidden price rise. We have reports that some children's shoes on the market today are so constructed that they cannot be re-soled. Do costs warrant the present price of children's shoes? Mothers are finding it a hardship also to provide underwear, stockings and outer garments for their babies and young children. They claim that the costs of ready-made garments are excessive, (poor workmanship for the price), that flannelette is high in price and of poor quality, and that for their 10 and 11-year old girls they are having to buy women's hose because the stockings for them are so short. The latter constitutes an increase in price. Some mothers asked for information on sample workable budgets in respect to children's clothing. We hope your committee may be able to throw light on the prices of children's garments and the relation of these to their wearability that will assist us in providing them with information.

Another instance of a hidden price rise is in the fact that belts of many women's dresses are lined with materials which cannot be washed or dry cleaned.

The most common complaint of men everywhere is that shirts have nearly doubled in price since the war. Is their price justified?

8. The Cost-of-Living Index

We realize that the Canadian cost-of-living index has a reputation throughout the world for reliability. We feel also that it serves a most useful purpose. But we are concerned as to whether it reflects adequately changes in the Canadian pattern of living since the base period.

We are told that the average Canadian has changed his habits of diet considerably in the last ten years, resulting in the consumption of proportionately more meat, more fresh vegetables, greater consumption of milk per person, etc. This, perhaps, can be explained by two main influences: higher purchasing power in the low-income brackets, and the persistent propaganda of our government health departments stressing the value of certain foods, e.g., dairy products, fresh vegetables and fruits, etc. Most Canadian mothers have come to believe these are necessary for healthful living.

The following Canadian food and nutrition statistics (1935-45), published by the Nutrition Division, Department of Health and Welfare (Book 2), shows the substantially higher use of these in 1945, as compared with 1938.

This table gives detailed estimates of average supplies of food apparently used by civilians in Canada, 1935-1945 inclusive, in terms of pounds-per-person-per-year, national average:

	1938 Pounds	1945 Pounds
Milk (Fluid whole)	350	404·2
Meat	118	140
Pork	37·7	55·2
Tomatoes and citrus fruits	59	95
Leafy green and yellow vegetables	44	52
Fresh cabbage and green vegetables	15·9 (1940)	24
Canned vegetables	6·7	11
Other vegetables	31 (1940)	52

These commodities for the most part are on the higher cost list and were not used in the same proportion in 1938. We note also, that no children's clothes are included in computing the index. This raises the question: How up-to-date is the food and clothing index in relation to actual living conditions?

We would like also to call your attention to the statement of Mr. H. Marshall, Dominion Statistician, on page 17, regarding the index budget. The survey families average 4·6 persons and total incomes were concentrated between $1,200 and $1,600, he said, and added that one in three families owned their own home and operated a motor car.

We question that people in that category today could afford to buy a home no matter how humble, and own a car, let alone afford the cost of operation.

Some Hon. MEMBERS: Hear, hear.

Mrs. MARSHALL: We are told that 65,000 items are priced for the purpose of the index. Are the prices "list" prices or actual prices? What allowance is made for degradation of quality in computing the index? What allowance is made for the disappearance of cheaper lines?

How often is the cost-of-living index for rural families compiled? We note that the last figure given by the Dominion Statistician was for August, 1947, and that it was some ten points above the figure for the same month for urban families.

Mr. MAYBANK: I wonder if there would be any objection to my making a little comment here, Mr. Chairman? I feel that we need to have an answer made soon and I am going to make a suggestion—I do not want to put it in the form of a motion—that we should consider asking Mr. Marshall at once to address himself to these questions and give us a statement which in turn we might pass on to the Association. I am not making that as a motion; I just thought it might be a good idea to throw out.

Mrs. MARSHALL: I am sure we would welcome it.

The CHAIRMAN: The secretariat should follow all these points up along the lines that Mr. Maybank has suggested and be prepared at as early a date as possible to make replies.

Mr. FLEMING: A number of these points were dealt with by Mr. Marshall when he was here.

Mr. MAYBANK: It might be a different sort of thing having it presented in this way, particularly as they have been so ably put—better than the piecemeal manner in which they were gone over when he was here. It is a suggestion and I feel sure the secretariat will follow it up.

9. Re-sale Price Maintenance

Mrs. MARSHALL: Mr. Chairman, we understand that a major function of the Combines Investigation Act is to assist in safeguarding consumers against unjustified price increases and unjustifiable high prices, and that competition at

the distributive level is recognized as a cardinal principle in safeguarding the public. As consumers, we would like to know whether competition in our economy is working freely? In our free competitive economy is it ever right for the manufacturer or wholesaler to tell the retailer what he should charge his public? What part does this play in the prices of consumer goods?

Mr. Chairman, we would like to see an examination made into other commodities than bread, e.g., soap flakes, matches, hardware items and electrical appliances in connection with re-sale price maintenance. We are not in a position to bring any evidence, but we are anxious to have more light thrown on the operations of business in a free economy. We feel that your committee should be very helpful in clarifying for the consumer the practice known as re-sale price maintenance and the way in which, and to what extent, competition in price among dealers protects or fails to protect the consumer. In the case of essential commodities such as bread and milk, if competition does not work to keep prices to the consumer down to reasonable levels, what other means could be adopted to achieve this purpose?

Mr. Chairman, we have presented to you problems and questions in the minds of Canadian consumers. We hope we have been helpful to you in your fact-finding deliberations and that your committee will be able to throw light on the questions which consumers are asking. We realize that external prices have an influence on the prices of many of the goods we buy. We are anxious, too, that all interests in the Canadian economy should have a "square deal". But we do not condone profiteering, hoarding, and excessive profit margins. We think also that ways and means must be found of guaranteeing our people an adequately high standard of living at prices they can afford to pay. We feel especially that the children of this country must not be victims of circumstances over which they have no control. We are primarily concerned with the well-being and stability of the Canadian family and their appreciation of the privileges and responsibilities in our Canadian democracy.

APPENDIX G

Visiting Homemakers Association,
511 Huron Street,
February, 1948.

MINIMUM ADEQUATE WEEKLY FOOD LIST

Food list for 2 adults—3 children—boys 6 and 12 years, girl 10 years
Cost per person per day .49

Food	Quantity	Average cost	Total cost
Milk (quarts)	25	.18	$ 4.50
Cheese (lbs.)	1	.39	.39
Fresh fruit (lbs.)	12	.11	1.32
Apples .08			
Bananas .14			
Oranges .15			
Grapefruit .07			
Dried fruit (lbs.)	2	.19	.38
Raisins .19			
Prunes .19			
Green vegetables (lbs.)	3½	.07	.25
Cabbage .07			
Spinach			
Lettuce			
Root vegetables (lbs.)	9	.07	.63
Carrots .08			
Turnips .05			
Onions .08			
Beets			
Parsnips .11			

MINIMUM ADEQUATE WEEKLY FOOD LIST—*Con.*

Food	Quantity	Average cost	Total cost
Dried vegetables (lbs.)	1	.14	.14
Navy beans .15			
Lima beans			
Yellow peas .13			
Green peas .13			
Potatoes (lbs.)	17	.04	.68
Tomatoes (tins)	3	.23	.69
Eggs—A medium (doz.)	1½	.48	.72
Meat and fish (lbs.)	7	.37	2.59
Haddock .39			
Cod .35			
Salmon .39			
Chuck roast .39			
Hamburg .29			
Lamb forequarter			
Round steak .49			
Stewing beef			
Sausage .39			
Flank steak			
Liver .27			
Bread (loaves)	11	.10	1.10
Cereals (lbs.)	5½	.09	.50
Whole grain—			
Rolled oats .07			
Refined—			
Flour .05			
Pot barley .08			
Pearl barley .09			
Rice .18			
Cornmeal .13			
Farina .07			
Macaroni .10			
Use ½ whole grain— ½ refined			
Butter (lbs.)	2¼	.71	1.60
Other fats (lbs.)	1½	.41	.62
Lard .25			
Shortening .30			
Bacon .69			
Peanut butter .39			
Sugar (lbs.)	1½	.09	.14
Other sweets (lbs.)	1½	.23	.35
Jam .23			
Marmalade .21			
Honey .39			
Molasses .21			
Corn syrup .13			
Condiments			.48
			$17.08

APPENDIX G

Visiting Homemakers Association,
511 Huron Street,
February, 1948.

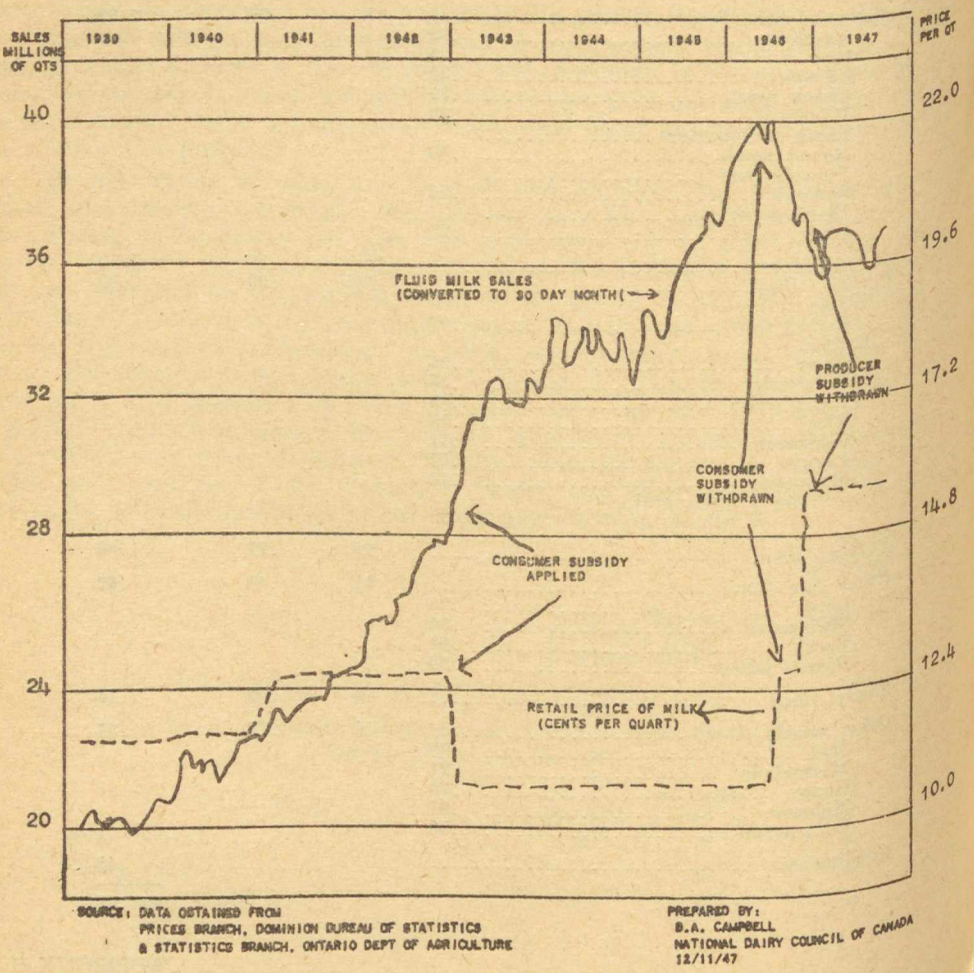
SCHEDULE FOR ESTIMATING FOOD BUDGETS

Monthly amounts (4·3 weeks)

Man	$17.63	Child 7-9 years	13.07
Woman	15.65	Child 10-12 years	14.62
Woman during pregnancy and lactation	19.52	Girl 13-18 years	17.67
Child 1-3 years	9.50	Boy 13-18 years	18.66
Child 4-6 years	10.57	Infant to 6 months	5.29
		Infant 6 to 12 months	8.04

APPENDIX H

MONTHLY FLUID MILK SALES AND RETAIL FLUID MILK PRICES IN ONTARIO FROM 1939 TO 1947



Mr. MAYBANK: That is an excellent brief.

The CHAIRMAN: Before questions are put to you, Mrs. Marshall, I want to say on behalf of the committee that we are very grateful to you for coming at this time and for giving us this brief, which I think can be described as a very excellent one. We note your references to the committee, your commendation of its work and the effect that it can have and is having; and perhaps your association and this committee together can, before our work is done, which I am afraid will be a long way off, have much of the salutary effect which you note in your brief. I want also to congratulate you on the way in which you personally have presented this brief to the committee.

Mrs. MARSHALL: Thank you very much, Mr. Chairman.

Mr. DYDE: Mr. Chairman, I have no definite series of questions with regard to this brief. It seems to me it has put before us a large number of things which will be helpful to the committee and on which further investigation can be pursued; and I do not wish to, shall I say, deprive in any way members of the committee of an opportunity of asking specific questions on things that have come up. I therefore would be glad to give way entirely, if it is your wish, Mr. Chairman, because I am sure there are a lot of general questions that can be brought out.

Mr. FLEMING: Mr. Chairman, I have one or two points, particularly in the early pages of the brief. At the top of page 3 reference is made to the fact that the association has urged women to buy only what they need, to use everything they buy and to save waste. I suppose it is very difficult to get any statistical information on such a campaign, but is Mrs. Marshall in a position to make any comments on the success of that effort? Have you had any reports from your member organizations on that subject?

Mrs. MARSHALL: I would like to ask our corresponding secretary (Mrs. Wright) to answer that. Letters have come in, but I think that women are realizing that it pays to be thrifty and shop around and that the storekeeper really appreciates their interest in what they buy and their intelligent buying habits.

Mr. FLEMING: I can appreciate that it would be very difficult to get any kind of exact information. I was wondering if you had had any response.

Mrs. WRIGHT: Mr. Chairman, I do not think there is any exact answer to that because we have not made any survey. I may say that we are planning to do more work on the "save waste campaign" in our association in the next few weeks. We have our campaign fully outlined and we are doing something on making the consumer's dollar stretch and encouraging thrifty habits. That is one of the programs we have underway at the present time to go out to all national women's organizations and to our own members.

Mr. FLEMING: Then in the next paragraph you speak of having asked the government to lift the sales tax on essential food and clothing and to continue controls on commercial rent for another year. May I ask if you have made any study on the sales tax question, and if you have any detail to offer the committee on that?

Mrs. WRIGHT: We have not made any statistical study. We have discussed the matter with the authorities. We realize that the tax is supposed to be collected at the manufacturers' level. We are not technical experts and have not the information to find out how much of the tax would be passed on to the consumer, but we have no doubt in the prices that the manufacturer charges he gets sufficient to cover what he has to pay in sales tax. We feel that the sales tax of 8 per cent, which would be pyramided by distributors at the different channels, would probably amount to more than that in the final price

that is paid by the consumer for the articles on which the sales tax is levied. We know that the sales tax on things like processed meats, and so on, might be a hardship on people who have to use those for lunches, and on some of the clothing items we feel it might be a contributing factor, but we have no information as to how much it would be.

Mr. MAYBANK: A sales tax of that sort is practically always passed on and pyramided.

Mrs. WRIGHT: We feel that.

Mr. FLEMING: On page 4 you indicate that you think there has been a reduction in bread consumption. We have been quite concerned about that. I think we have asked almost every witness who has been here about his experience with that. Of course, we have been dealing with producers and distributors, but I think it is fair to say that every witness who has been here before the committee has indicated that so far as his particular organization is concerned—I think there were one or two exceptions—production had increased, demand had increased. Our difficulty, of course, is in getting exact and comprehensive figures for the whole of Canada. Have you made any detailed surveys other than those you refer to here in Toronto and Hamilton?

Mrs. WRIGHT: We have not made any detailed surveys other than those. I understand this family service bureau in Hamilton is an agency of the Canadian Welfare Council and has a very high reputation. They felt that the sampling they made of 70 families was a very representative sample. The figures that are here reflect the actual experience of the families which are covered as a representative sample. I have a few extra copies of the detailed survey made by the family service bureau in Hamilton and I would be glad to leave them for the use of the committee if you would like to have them.

Mr. FLEMING: I would suggest they should be filed as an exhibit.

The CHAIRMAN: Yes.

Mr. MAYBANK: It could find its way into the record as an appendix.

The CHAIRMAN: Just to correct you, Mr. Fleming, I think you said that all companies had shown an increase in production. There is a point which I think ought to be noted, particularly in reference to the witness yesterday, something I think we overlooked. I was looking at it last night. That company shows a loss on the statement presented to us, but that company also shows a tremendous lack of progress in increase of production, which suggests an inefficient operation. We should not draw conclusions from those figures yesterday without giving it a great deal more thought.

Mr. FLEMING: We are not drawing any conclusion from the figures. I do not think you are dealing with the same point I am. We tried to get what help we could as to the trend in consumption of bread with the rising cost of it from those who were here before us, who were all either producers or distributors. We have not yet found any satisfactory source of information on consumption because the last figure from the Dominion Bureau of Statistics ends at the end of 1945, which is not helpful to us at all. As I say I think most of the witnesses indicated their experience of that as distributors and producers was that their volume of bread production and distribution was increasing. Then, of course, we have had some others, but there is the problem we are up against. I suggest we might have the details of that survey which has just been produced, and have it marked as an exhibit.

The CHAIRMAN: Make it a part of the appendix.

Mr. IRVINE: May I remind you in this connection that most of those who testified as to the increased sales of bread accounted for it on the ground that other foodstuffs had risen higher in price than bread.

The CHAIRMAN: Yes.

Mr. FLEMING: There were a number of reasons for it. I am trying to isolate, if I can, this one question as to the actual amount of consumption of bread. For instance, we had evidence that there was a shift in the case of some of the distributors of bread from the more expensive loaf to the 10-cent loaf, but if it is possible we should try to get any information we can on total consumption.

Mr. MAYBANK: As far as the evidence has gone, and including the representation this morning, the statements made about the increase by all the witnesses up to yesterday could be right, and yet the suggestion of Mrs. Marshall in the brief could also be right. There could have been a taking over to some extent by the bigger bakeries of some of the business of the smaller bakeries. We are in a very inconclusive state with regard to production and consumption at the present moment. Your suggestion could unquestionably be right even though we accept all the evidence that we have so far.

Mrs. MARSHALL: Mr. Chairman, I have been quoting as to the increased cost of living from the survey which was made by the Hamilton family service bureau, and the last one of the sentences which I quoted was that they had found that bread purchases were reduced by one to seven loaves per week by fifteen of the families.

Mr. MAYHEW: You could probably arrive at a fairly accurate estimate more easily by getting the consumption of domestic flour in Canada rather than bread itself.

Mr. FLEMING: If it is not going into sweet goods.

Mr. MAYHEW: There will be some of it, but that is going down.

Mr. MAYBANK: You could make a percentage allowance for that and come to a fair approximation.

Mr. FLEMING: I have one more question. It is a question about membership. In case we have representations made to the committee at some stage or other by the Housewives Consumers Association, I want to ask you this question. I note on page 17 of appendix A the Housewives Consumers Association is a member of your association.

Mrs. MARSHALL: No, the list that is appended here gives those who were represented at the organizational meeting. We felt that we should invite to attend that meeting representatives from every known national organization, but we were told they should be included as a national group. Therefore two of their members were included, Mrs. Ann Ross from Winnipeg and Mrs. Luckock from Toronto, to sit in with the others, but they are not members of the Canadian Association of Consumers. They have withdrawn their interest, feeling they can carry on their own work.

The CHAIRMAN: They have had nothing to do with the preparation of this brief?

Mrs. MARSHALL: Nothing whatever. They had the opportunity of becoming members and refused to do so.

Mr. MAYBANK: I think there is plenty of internal evidence, even without that statement of the witness, that they had nothing to do with it.

Mr. JOHNSTON: I should like to ask the witness one question. Has there been any evidence of an indication by the consumers as to a choice between the 10-cent loaf and the 14-cent loaf, having in mind the desirability of one loaf or the other either from choice or from economic circumstances?

Mrs. WRIGHT: I did not catch the first part of the question.

The CHAIRMAN: Would you repeat the question?

Mr. JOHNSTON: Has there been any information come to your organization in regard to the choice which consumers make between the 10-cent and the

14-cent loaves? What I am really getting at is this. Is there, in the opinion of the housewives or consumers, any material difference in the quality of the 10-cent loaf and the 14-cent loaf?

Mrs. WRIGHT: I think that varies with the consumer. I think there are some consumers who acquire a taste for a certain type of bread and they feel that is the kind of bread they are willing to pay a little bit more for, whether they know anything about the quality or not. That is one of the reasons we have asked for some information to be put on the wrapper with regard to the nutritional value or the actual quality of the bread, and that so much emphasis should not be placed on the flavour and the texture, but that we actually know. Canadian housewives are becoming more and more conscious of the necessity for nutritional value in food and are looking for sources of information as to what articles contain nutritive factors. We would feel that we might do an educational program on convincing housewives as to foods that are nutritious, and help to bring about really good thrifty buying in the home. That is one of the main objectives of the Canadian Association of Consumers.

Mrs. MARSHALL: May I say, too, that women go into the stores to buy the 10-cent loaf and find it all gone and buy the other. It is always sold out first which I think is proof that they want it.

Mr. JOHNSTON: I think it should be pointed out that is in contradiction to most of the evidence which we have because if my memory is correct in nearly all cases there were 10-cent loaves on the shelves at all times.

Mr. MAYBANK: I do not know that they went that far.

Mr. JOHNSTON: That was the general opinion of the chain stores and bakeries, that there was no cutting off of the supply of 10-cent loaves in order to push the 14-cent loaves.

Mrs. MARSHALL: It may not be done for that purpose but I think women are learning to be thrifty, and they are buying the 10-cent loaf giving it a preference so that it is sold out first.

Mr. MAYBANK: They are learning to be more thrifty. They were always thrifty.

The CHAIRMAN: At page 6 you say in the second sentence of the first paragraph.

> We note that at the conclusion of your inquiry into bread you propose to inquire into other staple commodities of life including butter, meat, vegetables, shoes and clothing.

For your information and the information of your organization and the public generally I think it should be said at this stage that the committee is giving consideration to other phases in connection with bread. I do not think it should be interpreted that the bread inquiry is necessarily concluded. If you have any information which you may wish to pass on to this committee at any time in connection with bread or any other matter I want you to be sure to do so. I also want to say that what the committee is giving consideration to is the question of priorities. Would there be any serious objection from your organization—I am not saying this will be done but just making a suggestion—if, for instance, after we deal with butter we go into meat before milk, because the question was raised a while ago.

Mrs. MARSHALL: No, I think not.

The CHAIRMAN: The committee has to consider its efficiency in terms of preparation, and so on. I want to make that observation.

Mrs. MARSHALL: We always welcome any suggestion.

The CHAIRMAN: You feel the committee is serving a useful purpose?

Mrs. MARSHALL: Oh, definitely, very.

Mr. IRVINE: I should like to draw attention on one sentence on page 4—

The CHAIRMAN: Do you mind my interrupting you? I should like to say one thing.

Mr. IRVINE: No.

The CHAIRMAN: You said the committee was serving a useful purpose. I think I should say as chairman of this committee, because naturally we represent various political parties, that we have been sitting long hours and doing a lot of work in between, and that every member of the committee has been trying sincerely and energetically to deal with this problem as best we know how. I would want your organization to know that is the case with every member of this committee.

Mrs. MARSHALL: We appreciate that, Mr. Chairman. Thank you.

Mr. IRVINE: I want to refer to page 4, the latter part of section 3, which deals with the family service bureau inquiry.

> About one-half of the persons in the $100-$399 per-person-per-year income report no clothing expenditures as against average expenditures of $8 to $15 a month in 1939.

This may be a question that would be more appropriately put to this committee, but it does seem to me in a case like that—if that statement be true—then supply and demand does not seem to be operating, since this manifest reduction in the purchase of clothing has not reduced its price. Have the ladies given any thought to that outstanding fact?

Mrs. MARSHALL: I will ask Mrs. Wright to answer that question. She is our economist.

Mrs. WRIGHT: I think when you look at that, you have to realize this survey covers these two months, November and December, out of the year so that probably those families would have to buy clothing in the other months. On the other hand, I think we all realize that as housewives we can defer the purchase of clothing longer than we can defer the purchase of essential food items. They can defer purchase on things like jewelry and the more expensive types of clothing until prices drop. Those items get beyond the price of the average consumer, and that is the point we have tried to bring out here. Already there is a switch from normal purchases of clothing. I do think that sometimes the law of supply and demand has an effect, but it takes quite a while to reach the consumer. I think when the inventories pile up high enough in the retail and wholesale hands we may see some results. After all it is only two months ago since we saw the beginning and we do know that there was quite a bit of purchasing power last year. The present high price is changing the picture, but at the moment the lack of demand may not be reflected accurately at the consumer level.

The CHAIRMAN: In connection with bread, you have had an economist engaged on that subject, have you not? She is Mrs. Spry.

Mrs. WRIGHT: Yes.

The CHAIRMAN: Is that work of hers continuing? I saw where an interim report had been made and I was very interested in the question of delivery costs which, among other things, you dealt with.

Mrs. WRIGHT: Mrs. Spry has been continually interested in the bread situation and I know she has been following this committee of yours with a great deal of interest. She has been advising us and will continue to advise us on any points of interest. She is a voluntary worker and is not paid so we cannot make any definite claims on her time. We just ask her for advice as she feels able to give it to us. She has a small family, but she is a trained economist.

The CHAIRMAN: Yes, and a very excellent one. I know her very well.

Mr. MAYHEW: Do you find many families where the income is only $100 per person per annum?

Mrs. WRIGHT: In the survey which we have put in as an appendix, the breakdown of income per month would be as follows: 4 out of 70, $33 to $65 per month; 3 out of 70, $66 to $99 per month; 10 out of 70, $100 to $132 per month; 20 out of 70, $133 to $165 per month; and 33 out of 70, $166 plus per month.

Mr. IRVINE: That is very interesting.

Mrs. WRIGHT: That is a total number of 70 families taken as a sample.

The CHAIRMAN: Has your organization given any consideration to the question of consumer resistance in the case of abnormally high prices?

Mrs. WRIGHT: Yes, we have considered it very carefully. We feel that with the information that is available to us it is very difficult for us to advise a buyers' strike. We take the attitude rather of suggesting that we exercise thrift, and that it is only common sense in a period of high prices not to buy things which we consider to be high in relation to their value or in relation to their use to us in our budget. We do not want to take any action that might throw any person out of employment; and we feel that if we definitely set out specific commodities which we refuse to buy we might be upsetting the economic situation and really be causing more harm than good considering the amount of compliance we could get out of an organized buyers' strike.

Mr. MACINNIS: Is it not a fact most low income families cannot go on a buying strike? They never have sufficient purchasing power ahead of their needs, and consequently any strike would be a strike against themselves?

Mrs. MARSHALL: No one should go on a buying strike, but the alternative is smart buying and thrift. Buy what you need to buy.

Mr. HARKNESS: I have been interested in looking at your appendix G which shows the figure $17.08 as the cost for minimum adequate list of food for a family of five per week. I was particularly interested in the fact that figure bears very close relationship, as I remember it, to the cost for a weekly adequate menu as put out by Dr. Pett—a menu for which he has been condemned very considerably in some quarters. I would take it, on the basis of this survey, that you would then be more or less in agreement with Dr. Pett's menu and that it was an adequate one. Would you care to comment on that? ?

The CHAIRMAN: Do you think it is fair?

Mr. HARKNESS: I think it is, yes.

The CHAIRMAN: I think it is important to get the reason why Dr. Pett arrived at his menu; but that menu has been a misunderstood thing. I do not think it is fair to a great public serving or to this organization to suggest that—

Mr. HARKNESS: Personally, Mr. Chairman, I think Dr. Pett's list is quite adequate. As it happens my wife is a dietician, and I have looked quite closely into the matter; but I would just like to get the reaction of these ladies.

Mr. MACINNIS: I do not think there would be any objection providing we had Dr. Pett here afterwards to explain.

Mr. HARKNESS: There was no idea in my mind of being unfair to Dr. Pett as the chairman seems to think.

The CHAIRMAN: No, I am sure of that.

Mr. HARKNESS: As a matter of fact my opinion is quite to the contrary.

Mrs. WRIGHT: I would not mind speaking on that because I feel Dr. Pett has done a public service in showing what can be done on a minimum amount. I do feel we cannot set out a minimum budget and expect every consumer

will follow a minimum budget, because our tastes and habits differ. Our physical requirements also differ, but I do think that the budget we have presented is of value. It is one that was drawn up by the Visiting Homemakers' Association, an agency of the Toronto Welfare Council, and it is on a similar basis as the cost of living study they made in 1939—the same time at which the cost-of-living index was constructed—and it was revised again in 1940, and 1944, and brought up to date as far as the other items are concerned in October and November of last year. The Visiting Homemakers have only attempted to keep the food list up to date. They have made changes that arise out of habits of the type of people concerned, the average low income family. That is their opinion, based on nutritional requirements, as to what is a minimum amount that a family of the size indicated—2 adults, 3 children, boys 6 and 12 years, and a girl 10 years—could live on in Toronto in February. That would vary by families and the actual living habits of the families. Some might be lower and some higher, but it can be taken as a fair minimum list. It does not allow anything for extras.

Mr. MAYBANK: I notice on page 8 there is a question about the difference between 5.357 cents and 14 cents with regard to bread. Reference has been made there, by Mrs. Marshall, to the evidence on page 597 and I think the paragraph ends with a question about further information regarding the difference and how it is used up. I just wanted to point out to you that there has been, since the time of the evidence which you were reviewing, a good bit of additional evidence on the costs about which you inquire and it may be that you have not been able to examine that evidence. Some of the companies have given that additional information. If, in the light of looking at these additional figures, there are any questions that come up in your minds I am sure it would be good for us to have them, in order that it might direct this commitee to inquire further.

Mr. FLEMING: May I just ask one question about page 14 and the heading "Household Necessities." You are dealing with the relative prices quoted in Eaton's mail order catalogue for unbleached cotton sheeting. One column is 1946-47 and the other column is 1948. Are those the average prices for the two years—I am speaking of the first column—and what is the date of the catalogue quoted in that column?

Mrs. WRIGHT: I would think it would be 1946-47. I would think it would be the fall and winter catalogue of that year. I would have to inquire from our source of information however, as I did not take them out of the catalogue. I would think that the 1946-47 figures would be the actual quotations from their catalogue.

Mr. FLEMING: They would be quotations issued by the T. Eaton Company for the fall of 1946.

Mrs. WRIGHT: Yes.

Mr. FLEMING: And the second column is headed 1948?

Mrs. WRIGHT: That would be the current catalogue.

Mr. FLEMING: And you do not know the date that was issued?

Mrs. WRIGHT: No, I would not, but I might be able to find out.

Mr. FLEMING: It would be a matter of interest to us as to how far apart the dates of those columns are.

Mrs. WRIGHT: If you will excuse me a moment I might be able to give you that.

Mr. FLEMING: It is all right; we could get it at some future time.

Mrs. WRIGHT: Yes.

The CHAIRMAN: You say at the bottom of page 11, "We realize that milk prices are a provincial matter, but we feel that milk is of such vital importance to the health of our people that it must have a place for discussion in any national investigation into the price picture."

Do you feel that we should go into the question of milk, even though at the moment it is under provincial control?

Mrs. MARSHALL: We think it would be helpful.

Mr. MAYBANK: I was just going to make this observation if I might. As I recall the readings on the controversy respecting milk in Manitoba, the statements were to the effect that although the price had gone up, and the provincial board had to put it up, there was a very small body of statistical information reviewed by the board or available to the board. I do not say that is a fact, but I recall the statement being made many times, and it just does remind me that an investigation of milk, involving its cost of production, might be very much more difficult than an investigation into some of the other commodities.

Mrs. WRIGHT: May I say that the report of the royal commission in Ontario on milk, had one or two recommendations, one of which was that more information should be obtained with regard to costs, and the report pointed out the difficulties of obtaining such information. As far as the consumers are concerned, we realize that we have no real information as to what the picture is.

Mr. MAYBANK: Milk is produced in so many places in small amounts.

Mr. FLEMING: I would just like to follow your question with this one. Mrs. Wright or Mrs. Marshall indicated that there was some value in an inquiry into milk. Again I would ask the same question I asked in relation to meat. How do you rate such an inquiry on the priority list in the face of these other commodities? Having in mind there is provincial control on milk and we have got to take all these factors into consideration, how do you rate milk on the priority list?

Mrs. WRIGHT: I would hesitate to express an opinion. From the Canadian Consumers' Association point of view the picture is different from province to province. I know some of our provinces feel the price is more out of line than it is in other provinces. The price does vary from province to province. I think on the whole we feel the price is too high over the whole dominion, and we would like to see some investigation or something done to bring down the price of milk. That was a resolution passed at the first national convention of the consumers organizations by all the delegates in session there. Everything was to be done to bring down the price of meat, milk, bread, and butter. Those are the four essential, basic foods which, in September when the delegates of the national organizations were present, were felt to be most important. I would hesitate to give one priority over the other because I think it would vary from province to province, depending upon the local situation.

Mr. MAYBANK: I wonder about this, Mrs. Wright; on page 12 of the brief you have a little table showing the sales of milk in millions of quarts. Just at first glance it would look as if the increase in price from 15·3 to 16·8 resulted in a very considerable drop in consumption. It would look that way at first sight, but it might be, of course, a coincidence. I was wondering whether you had looked into the figures for those two or three months in another year to see whether there is anything connected with the time of year which contributes to that drop? It looks, on the face of it, as if the 1½ cents increase in price was the cause.

Mrs. WRIGHT: There is a chart attached—

The CHAIRMAN: May I point out that you say in the brief, "we have reason to believe that high prices are resulting in a reduction in fluid milk consumption."

Mrs. WRIGHT: I may say that this chart of monthly fluid milk sales goes back to 1939. I have glanced at it to see if, at the end of each year, there has

been a corresponding decrease. It does not appear to indicate that. At the end of 1945, there was a slight depression in the curve but in 1946 the depression was in the middle of the year. I do not think it is a coincidence. Also, it is borne out by the statements made to us by consumers that they have had to cut down. I have heard from many of my own friends and neighbours with children that some of them are buying skimmed milk instead of whole milk; others have cut the quantity they are using. The survey you have from Hamilton indicates that from one to eighteen quarts was the decrease caused by the rise in price.

Mr. MAYBANK: It would seem reasonable that the 1½ cents would have that effect, but I wanted to be sure all the factors had been taken into consideration.

Mrs. WRIGHT: I now have the information with regard to those price quotations. They were from the fall and winter catalogue of Eaton's for 1946-47 and from the spring catalogue for 1948.

Mr. FLEMING: They would be about a year and a half apart?

Mrs. WRIGHT: Yes.

The CHAIRMAN: Am I right in saying that your organization had suggested the setting up of a parliamentary committee?

Mrs. MARSHALL: Yes, very definitely.

The CHAIRMAN: Do you remember when that was done?

Mrs. WRIGHT: It is in the brief which was presented following the meeting of January 14. It is attached to your brief as an appendix.

The CHAIRMAN: I will find it. I did not know you had it in the brief.

Mrs. WRIGHT: Yes, it is in the brief.

Mr. WINTERS: May I ask one question? On page 11, at the top of the page with respect to bread, the brief says: "We should like to see the main points of this information printed on the wrapper of the loaf of bread, indicating the grade or standard without adding to the cost." I wonder if Mrs. Marshall has thought enough about that to say how far the organization would like to go? Do you wish that to be done on a national basis, including the whole analysis, or do you wish a system of government inspection and so on?

Mrs. MARSHALL: I think we would have to leave those details to be worked out. We think it would be most helpful. We did not feel we could ask to have the actual formula put on the loaf, and it was for that reason we merely asked to have the grade or standard indicated. We felt some other advertising could be omitted and thus there would not be any increase in cost to the consumer. We were very careful about that part of it. It would help, in advertising and sales talks, when women are led to believe by the advertising that a correspondingly nutritional loaf is available at 10 cents, in ascertaining whether that is true or not.

Mr. WINTERS: On the face of it, it would have to involve some system of government inspection which would, presumably, add to the cost somewhere along the line.

Mrs. MARSHALL: Yes, it might.

Mr. MAYBANK: How much bread is sold unwrapped, do you know?

Mrs. MARSHALL: No.

Mr. WINTERS: The next question I should like to ask has some local significance. It arises out of a statement made by the Dominion Statistician, Mr. Marshall, who said his statistics show that if Canadian families would eat more fish in relation to meat the cost of living would come down. In view of the difficulty of getting good qualtiy fresh fish before the Canadian public, I should like to hear the comments of Mrs. Marshall on that particular product.

Mrs. WRIGHT: Mr. Chairman, Mrs. Marshall has asked me to answer that question. I may say that fish is another matter of concern to consumers. Unfortunately, it does not bulk as large in our actual diet as some of the items on which we have been pressing strongly for immediate action. I think the Canadian Association of Consumers would welcome anything which would throw light on the reason for the present high prices for fish.

The CHAIRMAN: There is a very good rule which is taught to lawyers concerning cross-examination. It is, never ask a question when you may reasonably anticipate an unfavourable answer.

Mr. MAYBANK: I should like to add to that question this question, if anyone can answer it; does anyone know whether these people down in Nova Scotia eat more fish per capita than the rest of the Canadians? Are they really doing their duty by their fish?

Mr. WINTERS: In reply to Mr. Martin, I should like to say that I had no reason to anticipate an unfavourable answer in the light of the evidence given by Mrs. Marshall. I think the normal thing to ask at this stage is, in the light of Mrs. Marshall's statement, that if more fish were eaten the cost-of-living index would come down. Is your association doing anything to sponsor the increased consumption of fish?

Mrs. WRIGHT: I am afraid we would not be very popular in our local areas if we tried to do that. That might be possible in areas close to the fishing communities. I cannot speak with authority about areas which are close to the sea. I know that, so far as the area in which I live is concerned, and the price around that community, we find that a meal of fish at the present price is too costly.

Mr. WINTERS: What area is that?

Mrs. WRIGHT: Toronto and its locality; I live in a suburb of Toronto. It is an inland section so far as sea food is concerned, and transportation costs, I suppose, make the prices high.

The CHAIRMAN: Do you mean to say that around Toronto and Lake Ontario, you have not got ocean fish?

Mr. FLEMING: I think we will have to get the deepened St. Lawrence waterways before we get salt water fish in Toronto.

Mr. PINARD: You make reference in your brief to surveys made in Hamilton and Toronto. Do you know whether any surveys have been made in the city of Montreal?

Mrs. MARSHALL: I cannot tell you that. I wish I could.

Mr. PINARD: We are told that Montreal is, unfortunately the city in which the cost of living is highest in Canada. Last night's Montreal *Star* stated that, and it would be interesting to find out if a survey had been made what the results were.

Mrs. MARSHALL: I do not know. Unfortunately, our vice-president from Montreal could not be here.

Mr. PINARD: You mean Mrs. Parizeau?

Mrs. MARSHALL: Mrs. Parizeau, yes.

Mr. HARKNESS: On page 11 of your brief, under the heading "Flour," you say, "We have many reports of the practice of flour milling companies requiring feed dealers and farmers to purchase a proportion of flour as a prerequisite to obtaining their requirements of millfeeds." Could you tell us in what part of the country your reports indicate that is the practice and, if possible, to what companies you refer?

Mrs. WRIGHT: I could not tell you offhand, as I have not the correspondence with me. However, I would be glad to send on any information I have to your committee.

The CHAIRMAN: Will you do that? It is very important.

Mr. HARKNESS: This is something we should investigate. It is a very bad practice. Perhaps we will be able to take some action to remedy the situation.

Mrs. MARSHALL: That is why we brought it forward.

The CHAIRMAN: I had already asked counsel to make a note of that.

Mr. LESAGE: I have heard about that practice in the province of Quebec. Perhaps if you asked your vice-president, Mrs. Parizeau, she would be able to tell you of some complaints in that regard.

Mr. MERRITT: On page 15 of your brief under the heading "Clothing", you say you have reports that some shoes on the market today are so constructed they cannot be resoled. You also have reports of poor workmanship for the price in the case of ready-made garments such as underwear, stockings, outer garments for babies and young children. I wonder if you could give the committee some specific example of those complaints because I think they would greatly assist us when we come to consider the question of clothing.

Mrs. WRIGHT: I may say we have not specific examples at the national level. Those are complaints which have come in from the provincial representatives. I have no doubt we would be able to obtain specific examples but, at the moment, we have not them. They are general statements which have been made to us by our provincial representatives based on reports they have been receiving from consumers in their areas.

Mr. MERRITT: I believe it would be helpful to get some specific examples because they would sharpen our inquiry.

Mrs. WRIGHT: I do not think we could give you enough examples to give you a general picture, but we could give you enough examples to indicate the type of thing we mean.

Mr. FLEMING: I could personally contribute some examples concerning children's shoes not being fit for resoling.

Mr. DYDE: You have been very helpful, Mrs. Marshall, in asking specific questions into which the committee might inquire with regard to bread. I wonder if those who are working with you could, very shortly in point of time, give us similar specific questions with regard to one or two of the other commodities—I am thinking particularly at the moment about meat. Would it be possible to give us a list of questions which would summarize the things you think we should be looking for? Would that be possible?

Mrs. MARSHALL: Yes, I think our committee would be very glad to work on some specific requests to help this committee.

Mr. IRVINE: And textiles?

Mr. MAYBANK: Mr. Dyde is working on the question of meat at the moment and it is for that reason he would like it to come in first.

The CHAIRMAN: We would like you to suggest questions into which you desire us to inquire relating to things which may be under inquiry here. We would be very glad to receive them. Mr. Dyde, as Mr. Maybank has suggested, is currently engaged on an inquiry into meat and it was for that reason his question concerned that subject.

Mrs. MARSHALL: We would be very glad to see that such material is sent forward.

Mr. FLEMING: Are you enlarging your request to include any other commodities?

The CHAIRMAN: I have done so.

Mr. MAYBANK: There was one point I wanted to get clear concerning the printing of our evidence, if you would permit an interruption for a moment.

These several appendices which have been presented in connection with the brief, I should like to suggest should be printed as part of the proceedings along with the brief itself. I think it would be well if they were put in the record immediately after the reading of the brief. Could that be agreed upon? I suggest that all of these papers be in the proceedings just as the brief is in the proceedings this morning.

The CHAIRMAN: What is the use of it?

Mr. IRVINE: Does that include these questions and answers, and so on?

Mr. MAYBANK: It is not a very long document and I think it might just as well go in, following the brief.

The CHAIRMAN: Would you include things like "the Canadian consumer"—the first bulletin?

Mr. MAYBANK: It is very short. I think if it is going to be put in anywhere you might as well have it printed as part of the proceedings of the day.

The CHAIRMAN: I would not think you would want to print that, would you?

Mr. MAYBANK: Well, I would print it, but it does not matter very much.

Mr. MAYHEW: It might be creating a precedent.

Mr. MACINNIS: There are two points to be considered, the one mentioned by Mr. Mayhew and also the fact that our proceedings would be enormously bulky if the committee continues to do this as a practice, and those who will be later on reading it will have to go through an awful lot of material.

Mr. MAYBANK: How about this, then: whatever of this is printed would be printed as part of the proceedings rather than as appendices, and that determination as to what would be printed be left in the hands of the chair?

The CHAIRMAN: I think it would be best to decide that right now. Certainly we want the brief.

Mr. IRVINE: Could it not be done by putting in a reference to this "questions and answers" giving the background of the organization?

The CHAIRMAN: I think that could be done. Do we need the other things in, do you think?

Mr. MAYHEW: These are being kept by the members.

Mrs. MARSHALL: Mr. Chairman, if it would be helpful we would arrange to have that brochure summarized instead of putting in the whole thing.

Mr. MAYBANK: Well, all this is printed immediately.

Mr. MACINNIS: The brief which has been presented is so complete in itself that it takes little further supporting material.

Mr. IRVINE: I think notations with regard to these references made in the presentation would be sufficient so that anyone who wanted to investigate in detail as to either the presentation to the government or the paper or the brochure could obtain it.

The CHAIRMAN: What about appendices G and H, for instance? They are short and they might be very valuable information.

Mr. IRVINE: I think they would be.

The CHAIRMAN: I think "G" and "H" ought to go in with the brief. Is that agreed?

Some Hon. MEMBERS: Agreed.

Mr. FLEMING: What about the survey?

The CHAIRMAN: That is going in as an appendix.

Mr. FLEMING: Are you going to deal with these others now? Some of these might go in as appendices. I do not think there is any reason for putting them in the proceedings; this "questions and answers" for instance, and the appendix "C".

The CHAIRMAN: They are already referred to in the brief.

Mr. FLEMING: But it contains resolutions.

The CHAIRMAN: They are in the brief. I do not think these things ought to go in, surely. I don't think that ought to in; "D" would be on hand, "E" is next and that is only resolutions and they are already referred to; but "G" and "H" definitely contain information which will be helpful to the committee in making a judgment on these matters.

Mr. FLEMING: Well, when you come to appendix F, there is another brief dealing with this question of sales tax on which questions were asked this morning.

The CHAIRMAN: But that is a resolution; it does not help us in forming a judgment. It has already been put in the brief with argument. That is what we want.

Mr. FLEMING: It is stated more fully here, Mr. Chairman.

The CHAIRMAN: My opinion is that that definitely does not help us at all. It is referred to in the brief with argument. All you would be doing would be, as Mr. MacInnis said, adding unnecessarily to the record.

Mr. FLEMING: I favour having it in the appendix myself.

Mr. HARKNESS: On page 16 you say, "another instance of a hidden price rise is in the fact that belts of many women's dresses are lined with materials which cannot be washed or dry cleaned." In my home I have found the same thing applies to buttons which are part of the decorative effect and fall to pieces in a short time and the result is that the garment is more or less unwearable. Have you people been able to take any action or to put any pressure on the manufacturer through your association to quit putting out clothing of that kind?

Mrs. WRIGHT: We are taking the matter up with them but we have not succeeded in doing anything yet. After all, our organization has been mainly concerned with a membership drive and our program of development. We have taken the matter up with the manufacturers concerned but have not actually got beyond the point of taking it up and presenting it.

Mr. HARKNESS: I would think myself that pressure on the part of your organization and women generally against practices of that kind would perhaps be the most effective means of persuading manufacturers not to put on any belts or buttons or linings of the kind which would give a garment a short life.

Mr. MAYBANK: This man (Mr. Harkness) knows more about women's clothing than any of the rest of us.

Mr. HARKNESS: I do not know that I have heard any more about it than the rest of you.

The CHAIRMAN: He is more dutiful than the rest of us.

Mr. FLEMING: What is the membership of your association?

Mrs. WRIGHT: We are still in the midst of our membership drive. We have a great many books out and the membership campaign is going on steadily. Our provincial organizations are working on the campaign itself, so that I cannot make any statement that would give you anything like a picture of what membership is just now.

Mr. FLEMING: Would you care to make an estimate?

Mrs. WRIGHT: The last of April we are going to have the books in. In the meantime over half the books are in the hands of the provincial field workers. Really, I could not do anything more than make a guess at the present time and that would not give you anything like an adequate picture of our membership.

Mr. MAYBANK: And you might give a wrong picture?

Mrs. WRIGHT: Yes.

The CHAIRMAN: May I now on behalf of the committee express to you, Mrs. Marshall, and to Mrs. Wright, sincere thanks for this very helpful and suggestive brief. I want to thank you.

There will be an executive session of the committee at 4 o'clock.

The committee adjourned.

APPENDIX

FAMILY SERVICE BUREAU OF HAMILTON

Study of Effect of Increased Cost of Living on Family Life

Compiled by
KUNIO HIDAKA, M.A.

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STUDY OF EFFECT OF INCREASED COST OF LIVING ON FAMILY LIFE

Purpose of Survey

By compiling data on family composition, income and expenditures for Hamilton during November-December, 1947, and by comparing the findings with the Dominion Bureau of Statistics report on *Family Income and Expenditure in Canada 1937-1938* and the standards of the Welfare Council of Toronto, this survey gives a statistical interpretation to the economic effects of increased prices and the higher cost of living on family life.

SUMMARY OF CONCLUSIONS

1. The survey covered 70 Hamilton families with a total of 404 persons. Average size of family with 5·8 persons was larger than the 4·4 average for British families in the DBS survey.

2. As a result of wage increases and family allowances, family income is now higher than 1939. The DBS survey gives the national average for British families in 1939 as $1,433 and $1,537 for Toronto. Average income in Hamilton in 1947 was $1,820.

3. Ten per cent of families reported home ownership as against 29·5 per cent in Toronto and the 32·0 per cent national average in 1939. With rent control and increased incomes, although dollar values increased slightly, budget proportions for rent were lower in 1947 than 1939.

4. Food prices have increased out of all proportion to incomes and much more than any other item of expenditure. Higher budget quantities are spent on food than other commodities with the result that it is not uncommon for families to spend more money and a greater percentage of income on food than for food, shelter and fuel in 1939. With the removal of price controls and subsidies the steep increase in prices of food during the past six months has caused some families to reduce the quantity of purchases. Twenty-two families or 31·4 per cent of the total number, many of them large families with 8 to 14 persons, reported food expenditures below the minimum of the Welfare Council of Toronto.

5. Eighteen families or 26 per cent reported no expenditure for clothing. About one-half the persons in the $100-399 per person per year income group reported no clothing expenditure, as against average expenditures of $8-15 per month in 1939.

6. Although the percentage of budget spent for fuel and light decreases with increases in income, despite the increase in income, because of the increase in price, families paid 6 to 10 per cent of income for light and fuel as against 5·3 to 8·6 per cent in 1939.

7. Food, shelter, light and fuel being daily necessities of existence in some cases took up total income, whereas 1939 expenditures varied from 50·4 to 71·5 per cent of income. In some instances expenditures for food alone were as high as the outlay for these items in 1939.

8. Thirty-seven per cent of families did not report any expenditure for recreation and church and 50 per cent reported amounts less than the 1939 budget. Few families reported regular expenditures for health maintenance as against 3·9 to 4·4 per cent of income on a general average in 1939.

9. About 50 per cent of families reported debts while 13 per cent reported regular savings ranging from 2 per cent to 7 per cent of income. The 1939 survey showed gross savings per year for Toronto families at 9·8 per cent of income.

10. Shelter, food, fuel and light, clothing, recreation and church, and health maintenance were 78·8 per cent of income in 1939. In most instances these items now take up 90 to 100 per cent of income and no funds are left for other budget items such as household operation, personal care, transportation, children's education, and community welfare and gifts which in 1939 were 21·2 per cent of income.

Although a vast majority of families reported expenditures which would indicate a standard of living below 1939, 14 families, or 20 per cent of the total number, reported standards as good as or better than 1939.

11. Following from the non-uniform increases in prices for the different budget items the budget percentages must now be re-adjusted. The general increase in cost of living to November, 1947, has been 44 per cent over 1939. The 1939 average expenditure of $1,428 will have to be increased by $631 to $2,059 in order to maintain the 1939 standard of living; and likewise for the Toronto average of $1,541, an increase of $678 for a total of $2,219 is necessary to maintain 1939 standards.

Assuming the same conditions for Hamilton as Toronto, the average income of $1,820 per year for families in the survey must be raised by $399 for the total of $2,219 per year in order to maintain the 1939 standard of living.

STUDY OF EFFECT OF INCREASED COST OF LIVING ON FAMILY LIFE

Purpose and Method of Study

This report gives the results of a survey undertaken during November and December, 1947, by the Family Service Bureau of Hamilton to determine the effect of increased cost of living on family life. The survey used the interview and questionnaire technique and covered a representative sample 70 client-families.

Genuine concern is felt in many circles over the rapid increase in prices particularly during the past year and official statistics of commodity prices and trends are followed closely. But as yet, no study of the full effect of higher prices on family life is available. It is now generally conceded that while wages and family income have increased during the past few years, first as a result of wage increases won largely as a result of collective bargaining, and secondly, from family allowances, family living costs have increased to a much greater degree and living standards are now being depressed. In order to ameliorate the full force of deficient incomes, families are now re-apportioning their budgets in favour of the immediately consumable necessities such as shelter, food and fuel, and to the neglect of clothing, personal care, etc., which can be deferred.

Food costs have increased out of all proportion to income and other items of expenditure, and have now reached the point where a family spending as much for this one item as for food, shelter and fuel in 1939, is not uncommon.

While it is assumed that the returns reported in the questionnaire were accurate, the scope of the form was limited and some items of expenditure were not recorded, consequently some aspects of this report may not be as comprehensive as desired. This study, however, will serve as a "pilot survey" and by indicating the nature of family problems arising from increased living costs, can be used as a guide in subsequent surveys.

Findings of this survey are compared with the Family Income and Expenditure Survey of the Dominion Bureau of Statistics for 1939 and the report of the Welfare Council of Toronto on cost of living in 1944. The Welfare Council budget for clothing is adjusted to November, 1947, and the food budget to December of this year. These amounts are compiled on the basis of the Council's schedules and makes allowances for number of persons, age and sex of family members. There are essential differences between DBS and Welfare Council figures which should be understood. DBS has given actual expenditures during a part of 1939 and hence gives some measurement of the standard of living at that time amongst the families under survey. The Toronto Welfare Council, on the other hand has set certain minimum standards for health and self-respect, and measures the cost of living at those standards. It has been found that the food allowances in the Welfare Council budget are insufficient for men in manual labour. Budgets for food include the boarder as a member of the family, but it is assumed that they purchase their own clothing and hence are omitted from the family clothing budget.

Family Composition

A breakdown of family composition shows that 70 families with 404 persons were covered in the survey. Average size of family was 5·8. Of the total, 156 or 39 per cent were adults while 248 or 61 per cent were children. Average number of children was 3·5 per family.

TABLE I—SIZE OF FAMILY

Persons per Family	2	3	4	5	6	7	8	9	10	11	13	14	Total
Number of families	1	5	16	19	8	7	6	3	2	2	.....	1	70
Percentage of families	1	7	23	27	12	10	9	4	3	3	.....	1	100%
Number of persons	2	15	64	95	48	49	48	27	20	22	.....	14	404
Percentage of persons	1	4	16	24	12	12	12	7	4	5	.....	3	100%

Average size of family 5·8

TABLE II—DISTRIBUTION OF CHILDREN BY AGE

Age of Child	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Number of Children	12	10	17	18	17	18	16	13	19	13	20	14	17	10	14	13	3	3	1

Total number of children 248

TABLE III—DISTRIBUTION OF CHILDREN PER FAMILY

Children per family	0	1	2	3	4	5	6	7	8	9	10	11	12	Total
Number of children ...	.....	5	41	42	44	35	30	14	24	.....	.....	.....	12	248
Percentage of children.	.....	3	16	16	17	15	12	6	10	.....	.....	.....	5	100%
Number of families....	1	5	21	14	11	7	5	2	3	.....	.....	.....	1	70
Percentage of families.	1	7	30	20	16	10	7	3	5	.....	.....	.....	1	100%

Number of children per family 3·5
248 children were 61 per cent of total number persons.

TABLE IV—DISTRIBUTION OF ADULTS PER FAMILY

Adults per Family	1	2	3	4	5	Total
Number of adults.....	11	80	39	16	10	156
Percentage of adults.....	7	52	25	10	6	100%
Number of families.....	11	40	13	4	2	70%
Percentage of families.....	16	56	19	6	3	100%

39 percent of total persons were adults.

TABLE V—COMPOSITION OF FAMILIES AND DISTRIBUTION OF PERSONS

Adults	Children	Persons per family	Number of families	Percentage of families	Number of persons	Percentage of persons
1						
1	2	3	3		9	
1	3	4	3		12	
1	4	5	4		20	
	6	7	1	16	7	12
2			— 11		— 48	
2	0	2	1		2	
2	1	3	2		6	
2	2	4	10		40	
2	3	5	10		50	
2	4	6	5		30	
2	5	7	4		28	
2	6	8	3		24	
2	7	9	2		18	
2	8	10	2		20	
	12	14	1	56	14	57
3			— 40		— 232	
3	1	4	3		12	
3	2	5	5		25	
3	3	6	1		6	
3	4	7	1		7	
3	5	8	2		16	
	8	11	1	19	11	19
4			— 13		— 77	
4	2	6	2		12	
4	4	8	1		8	
	5	9	1	6	9	7
5			— 4		— 29	
5	2	7	1		7	
	6	11	1	3	11	5
			— 2		— 18	
156	—	—	—	—	—	—
	248		70	100	404	100

39 percent. 61 percent.

Hamilton families had 5·8 persons per family which is 1·4 persons more than the DBS survey average for 1,135 British families in 1939.

Income per Family

Incomes per family in 1947 were higher in terms of dollars than incomes in 1939. This was the result of wage increases won mainly through collective bargaining and from family allowances.

In 1939, according to the DBS survey, 8·4 per cent of Toronto wage earners and 4 per cent of the national total were in the $400-799 per annum category, whereas in the present survey 6 per cent of the total number of families are in this category. At the other extreme, 12 per cent had incomes greater than $2,000 per year but this has now increased to 47 per cent. The average income in Toronto in 1939 was $1,537 and for all British families was $1,433; this has now increased to $1,820 in Hamilton.

TABLE VI—INCOME PER FAMILY

Income per yr. $	Per mo. $	PC national average 1939 p.c.	PC Toronto families 1939 p.c.	No. families Hamilton	PC of families p.c.
400-799	33-65	4	8·4	4	6
800-1199	66-99	26	61·7	3	4
1200-1599	100-132	39	61·7	10	14
1600-1999	133-165	19	29·9	20	29
2000 plus	166 plus	12	29·9	33	47

Average income Hamilton 1947: $1,820.

Table VI shows an upward revision of income from the lower to higher categories. The increase of $283 over 1939, from $1,537 to $1,820 is equivalent to 19 per cent.

Income per Person per Year

Income per person per year shows a trend similar to annual family income given in Table VI. Here again the distribution of income shows an upward trend, although modified somewhat by the larger size of family than the national average of 1939.

TABLE VII—INCOME PER PERSON PER YEAR

Income per person per year	Number of families	Percentage of families	Percentage national average of 1939
$		p.c.	p.c.
100–199	3	4	10
200–299	14	0	29
300–399	23	33	28
400–499	20	29	19
500–599	5	7	9
600 plus	5	7	5

Shelter

Seven families or 10 per cent of the total reported ownership of their homes or were in the process of owning, as against 29·5 per cent in Toronto in 1939 and

the national average of 32·0 per cent. Families in Hamilton have not undertaken long term financial obligations during the past few years, or there may have been an actual reduction in home ownership since 1939.

On the whole, rents paid were below the budget portion of 1939. With effective rent control and increases in income, persons who in 1939 paid 18 to 22 per cent of their income for rent, if they have remained in the same quarters will likely pay a lower percentage, although an increased amount. On the other hand, persons who have moved to quarters in the last three years, particularly quarters not formerly under controls may now be paying rents much higher than the average percentage of income. Persons may also be moving to smaller and poorer quarters yet pay the same dollar quantities for rent.

TABLE VIII—DISTRIBUTION OF FAMILIES ACCORDING TO RENT PAYMENTS AND INCOME CATEGORIES

Income per month	Percentage income in 1939	Average rent per month	Number of families	P.c. fam.	Own	$10 — 14	$15 — 19	$20 — 24	$25 — 29	$30 plus
$		$								
33- 65	22·6	14	4	6	1	.....	1	1	.....	1
66- 99	20·4	18	3	4	.....	.....	.....	1	2	.....
100-132	20·0	23	10	14	2	.....	2	3	2	1
133-165	18·9	27	20	29	2	1	6	3	4	4
166 plus	19·5	35	33	47	5	.....	6	13	4	5
Total	.....	.....	.....	.....	10	1	15	21	12	11
Percentage of total families	.....	.....	.....	.....	14·3	1·4	21·4	30	17·2	15·7

TABLE IX—DISTRIBUTION OF FAMILIES ACCORDING TO PERCENTAGE OF INCOME RENT PAYMENTS AND INCOME CATEGORIES

Income per month	Percentage income in 1939	Own	5–9	10–14	15–19	20 plus	Total
$	p.c.		p.c.	p.c.	p.c.	p.c.	p.c.
33- 65	22·6	1	.....	.....	.....	3	4
66- 99	20·4	.....	.....	.....	1	2	3
100-132	20·0	2	.....	1	4	3	10
133-165	18·9	2	1	8	6	3	20
166 plus	19·5	5	10	12	4	2	47
Total families	.....	10	11	21	15	13	70
Percentage of total	.....	14·3	15·7	30	21·4	18·6	100

Food Expenditures

Because the quantity of food consumed cannot be reduced for long periods without injury to health and morale, the sharp and consistent increase in food prices and the large budget percentage spent for food are acting as parallel forces to necessitate larger and larger portions of the income dollar being diverted for this item. On November 1, 1947, the official index for food was 173·6 over a base of 100 in 1939. Most families spent from 24 to 39 per cent of income or amounts ranging from $24 to $45 for food in 1939, but must now spend 40 to

80 per cent and from $50 to more than $100 per month for much the same standard of food. Sharpest increases have occurred in the past six months after the removal of price controls and subsidies.

Unlike clothing and home furnishings, food is an immediately consumable commodity and, for this reason, its purchase and consumption cannot be deferred. Families find that they can reduce their standard of food consumption only at the risk of lower morale in family life and on the job. It will be noticed that the food allowances of the Welfare Council of Toronto are far below amounts spent by families in the survey. It is apparent that the relief standards are totally inadequate for persons employed in manual work.

A number of the largest families with 8 to 14 persons and a few others, 22 families in total, or 31·4 per cent of families reported food expenditures below the Welfare Council budget. Thirty-nine families, or 55·7 per cent reported larger expenditures than the budget and 9 or 12·9 did not report.

TABLE X—COMPARISON OF FOOD EXPENDITURES WITH WELFARE COUNCIL OF TORONTO FOOD BUDGET

Less than Welfare Council	22 families	31·4 per cent
More " " "	39	55·7 per cent
No report	9	12·9 per cent

Because of the gap between prices and incomes, families are now reducing their purchases of essential foods products. Thirty-four families or 50 per cent, reported lower milk consumption, in most cases by 1 to 2 quarts per week and in some cases as much as 18 quarts per week, while only 4 families with high incomes reported increases. Bread purchases were reduced by 1 to 7 loaves per week by 15 families, or 21 per cent, when one family reported an increase. Thirty-nine families, or 55 per cent, bought from ¼ to 3 pounds less butter per week, and 24 families, or 34 per cent, used fewer eggs.

TABLE XI—CHANGES IN PURCHASES OF MILK, BREAD, BUTTER AND EGGS

	Milk			Bread			Butter			Eggs		
	Fams.	P.c. of fams.	Amt.	Fams.	P.c. of fams.	Amt.	Fams.	P.c. of fams.	Amt.	Fams.	P.c. of fams.	Amt.
Decrease.....	34	50	1–18 qts.	15	21	1–7 lvs.	39	55	¼–3 lbs.	24	34	.....
Increase.....	4	5	.....	1	1	.....	2	3	.....	2	3	.....

The DBS index for food with 1939 as base stands at 176·3 on November 1, 1947; the Visiting Homemakers Association quoted food prices 113 per cent above 1939 for the Research Department of the Welfare Council of Toronto. The DBS survey of 1939 showed Toronto families in the $200 to $399 annual income per person class with an average of 4·8 persons as spending $43.13 per month for food during June, 1939. An increase of 113 per cent would raise the expenditure to $92.32 for December, 1947. The Hamilton families in this survey with an average of 5·8 persons, should they have the same food requirements, will spend more than $100 per month on food.

Food expenditures of more than $100 per month were reported by 22 families, or 31·4 per cent, who were mostly in the highest income group. Tables XII and XIII giving distribution of food expenditures by income groups in dollars and percentages of income show that dollar expenditures have increased for all groups and are taking the greater part of income. In order for families to maintain their food standards they spend, in most cases, from 40 to 70 per cent of their income as against 24 to 39 per cent for food in 1939.

TABLE XII—DISTRIBUTION OF FOOD EXPENDITURES BY DOLLARS AND INCOME GROUPS

Monthly Income	1939 Amt.	PWD or not given	$ -49	$ 50–59	$ 60–69	$ 70–79	$ 80–89	$ 90–99	$ 100 plus
$	$								
33–65	24	1	1	1	1	.....	.....	.....	.....
66–99	30	1	2	.....	.....	.....	.....	.....	.....
100–132	36	1	2	.....	2	2	3	.....	.....
133–165	41	.....	2	.....	4	5	4	1	4
166 plus	45	3	1	.....	.....	.....	8	3	18
Total	.....	6	8	1	7	7	15	4	22
Percentage of total families	.....	8·6	11·4	1·4	10	10	21·5	5·7	31·4

TABLE XIII—DISTRIBUTION OF FOOD EXPENDITURES BY PERCENTAGE OF INCOME AND INCOME GROUPS

Monthly Income	1939 P.c.	PWD or not given	–39 p.c.	40–49 p.c.	50–59 p.c.	60–69 p.c.	70–79 p.c.	80 plus p.c.
$								
33–65	39·3	1	1	1	.....	1	.....	.....
66–99	35·3	1	.....	.....	2	.....	.....	.....
100–132	30·9	1	1	.....	3	3	2	.....
133–165	27·9	.....	2	8	5	3	1	1
166 plus	24·5	3	4	8	11	7	.....	.....
Total	.....	6	8	17	21	14	3	1
Percentage of total families	.....	8·6	11·4	24·3	30	20	4·3	1·4

The quantity of food consumed by wage-earner families is relatively inelastic, consequently when prices increase more rapidly than income a greater portion of income is diverted to food. It is for the same reason that food prices can be increased, within limits, without fear of an appreciable decrease in demand. However, should the critical point be reached then there is a falling off in demand. Reports of reduced quantities as reported in Table XI showing less milk, bread, butter and eggs being used is some indication that the critical stage has been reached for these commodities which have increased greatly in price over the past six months. The reduction in bread purchases is particularly significant in that bread is usually used for "bulk" and demand decreases with rising incomes. In the present instance, it would appear that lowering standards have reached the point where families cannot buy more bread as a substitute for higher priced commodities, but have to reduce the quantity of bread as well.

Clothing Expenditures

Clothing, unlike shelter, food, fuel and light, is not an immediately consumable good, hence its purchase can be deferred for limited periods without acute discomforts nor injury to health and self-respect. For this reason clothing acts

as a buffer in budget items between the immediate day-to-day essentials such as food and shelter and the remaining deferrable items such as home furnishings and recreation. During periods of declining living standards families in their struggle to maintain the existing level by reducing expenditures of least pressing items. In a period such as the present families have long ago eliminated expenditures for these non-essentials and have shifted their economizing program well into the clothing budget.

Table XIV shows no report on clothing from eighteen families, or 26 per cent, while the 1939 survey showed expenditures of $8 to $15 per month or 10 to 11·4 per cent of income with an average of $13 and 11 per cent for all families. Table XV shows that 64 per cent of families are spending less than 10 per cent of their income on clothing, whereas in 1939 the average for all families was 10 per cent.

TABLE XIV—DISTRIBUTION OF CLOTHING EXPENDITURES BY DOLLARS AND INCOME GROUPS

Income per person per year	1939 Amt.	Not given	$ -9	$ 10–14	$ 15–19	$ 20–24	$ 25 plus
$	$						
100–199	8	3					
200–299	12	5	.....	2	4	.....	3
300–399	15	4	4	4	2	7	2
400–499	15	3	4	2	6	2	3
500–599	16	2	1	2			
600 plus	19	1	1	2			
Total	.....	18	10	12	12	9	9
Percentage of families	.....	26	14	17	17	13	13

TABLE XV—DISTRIBUTION OF CLOTHING EXPENDITURES BY PERCENTAGE OF INCOME AND INCOME GROUPS

Monthly Income	1939 P.c.	Not given	-4 P.c.	5–9 P.c.	10–14 P.c.	15 plus P.c.	Number of families	P.c. of total	P.c. total 1939
$									10
100–199	10·0	3	.....	.....	.....	.....	3	4	29
200–299	11·4	5	.....	5	.....	4	14	20	28
300–399	11·0	4	2	6	7	4	23	33	19
400–499	11·9	3	3	5	8	1	20	29	9
500–599	11·0	2	2	1	.....	.....	5	7	5
600 plus	10·0	1	3	.....	1	.....	5	7	
Total	.....	18	10	17	16	9	70		100
Percentage of familie	.....	26	14	24	23	13	100	100	

The clothing budget compiled by the Welfare Council of Toronto, adjusted to December 1947, is given in column 5 of the Master Sheet and sets out the minimum standard for health and self-respect. The amounts listed make allowances for age and sex of children and adults. The actual family expenditures as reported in the survey were, with one or two exceptions, far below minimum requirements and the greatest discrepancies were concentrated about the larger families with one wage-earner.

Fuel and Light

Families spend a smaller portion on fuel and light as income increases. However, since 1939, despite the higher level of income, the more rapid rise in prices is forcing families to make larger expenditures and report a higher percentage of their budget for fuel and light. Fuel and light are daily essentials which have the same quantity demand even after prices increase.

TABLE XVI—DISTRIBUTION OF FUEL AND LIGHT EXPENDITURES BY PERCENTAGE OF INCOME AND INCOME GROUPS

Income per person per year	P.c. 1939 income	Not given	-5 p.c.	6-7 p.c.	8-9 p.c.	10 plus p.c.
$						
100-199	8·6	2	.....	.....	.....	1
200-299	7·6	2	2	1	5	4
300-399	7·1	2	5	6	5	7
400-499	5·8	1	5	4	4	6
500-599	6·3	.....	3	.....	1	1
600 plus	5·3	.....	1	3	.....	1
Total	.....	7	16	14	13	20
Percentage of families	.....	10	22	20	19	29

It may be assumed that the twenty-three families reporting no expenditure or expenditures less than 5 per cent have fuel and in some cases gas and hydro included in the rent payment. The remaining forty-seven families, or 68 per cent, paying 6 to more than 10 per cent of income are exceeding the 5·3 to 8·6 per cent paid for light and fuel in 1939. Whereas in 1939 the lowest income group, being 10 per cent of the total number of families, spent 8·6 per cent of their income for fuel and light, in 1947 a similar percentage was paid by 19 per cent of the families. These families in 1939 paid from 6·3 to 7·6 per cent of their income for these commodities.

Combined Expenditure for Food, Shelter, Fuel and Light

Food, shelter, fuel and light are the three largest items in low income budgets. They are daily essentials and hence are subject to smaller variations in demand than other less essential items.

TABLE XVII—DISTRIBUTION OF COMBINED EXPENDITURE FOR FOOD, SHELTER, FUEL AND LIGHT BY PERCENTAGE OF INCOME OVER 1939

Monthly Income	P.c. income 1939	Not complete	Percentage over 1939 Expenditure (prev. column)					
			Less than 1939	0–99 P.c.	10–29·9 P.c.	20–29·9 P.c.	30–39·9 P.c.	40 plus P.c.
$								
33–65	71·5	3	.....	.....	1	.....	.....	.....
66–99	63·5	1	.....	.....	.....	1	1	.....
100–132	58·0	2	1	.....	1	3	1	2
133–165	53·3	.....	2	4	4	4	4	2
166 plus	50·4	3	2	5	9	7	6	1
Total	.....	9	3	9	15	15	12	5
Percentage of families	.....	13	7	12	22	22	17	7

Table XVI shows 1939 percentages for these most essential items and gives the increases over 1939 budget quantities for different categories of income. With 13 per cent incomplete, only five families, or 7 per cent reported percentages less than 1939, while the remaining 80 per cent had increases as high at 40 per cent. In 1939 expenditures varied from 50·4 to 71·5 per cent of income, but present expenditures take up to 100 per cent of income. In some instances the percentage for food expenditure now exceeds the 1939 percentage for all these items.

Recreation and Church, and Health Maintenance Expenditures

Recreation and church, and health maintenance expenditures are subject to wide variations according to the income of the family. When living costs increase they are among the first items to be reduced.

TABLE XVIII—DOLLAR AND PERCENTAGE EXPENDITURES FOR RECREATION AND HEALTH MAINTENANCE, DBS SURVEY 1939

Income per person	Recreation		Health Maintenance	
	Exp. per family	P.c. income of family	Exp. per family	P.c. income of family
$	$		$	
100–199	44	4·7	37	3·9
200–299	69	5·6	48	4·7
300–399	92	6·4	68	4·7
400–499	108	6·7	74	4·6
500–599	118	6·6	84	4·7
600 plus	155	6·9	98	4·4
Average	89	6·2	65	4·5

SOURCE: Family Imcome and Expenditure in Canada 1937–1938, Table 89, p. 104, Table 106, p. 119: Dominion Bureau of Statistics, 1940.

The Hamilton survey shows no return from twenty-six families, or 37 per cent, for recreation and church, and 34, or 50 per cent, reported amounts less than the 1939 budget. Greater expenditures were returned by the remaining 13 per cent.

In 1939, according to the DBS Survey, average health expenditure per family was $65, or 4·5 per cent of income. Few Hamilton families reported expenditures for health, some 14 families reported regular monthly payments to clear back medical debts, and 14 others reported medical debts ranging from $8 to $244.

Debts and Savings

Thirty-six families, or about one-half the total number, reported debts, ranging from $4 to $430. Eight families were making regular payments on principal. In contrast, 9 families reported savings, ranging from 2 per cent of income for some types of insurance to as much as 7 per cent of income. A survey of Toronto families in 1939 showed annual gross savings at 9·8 per cent of income.

Total of Expenditure Listed in Hamilton Survey

Total expenditure for shelter, food, fuel and light, clothing, recreation and church, and health maintenance amounted to 78·8 per cent of the 1939 budget. At the present time these items alone, omitting household operation, personal care, transportation, children's education and vocational expenditures, and community welfare and gifts, in a number of cases take up the full income. In 1939, on a national average, 21·2 per cent of income remained for these other items.

Columns 13 (*a*), (*b*) and (*c*) of the Master Sheet give the amounts now spent on these items, the percentage of income, and the percentage spent in 1939. Column 13 (*d*) gives the increase in monthly income and the percentage increase required to maintain 1939 standards of living for that category of income. Only 14, or 20 per cent, of families reported standards on a par with or better than 1939.

Cost of Living, November 1, 1947

The various items comprising the cost of living index have increased at different rates to make a re-apportionment necessary in the budget. The budget percentage of 1,135 British families used in the DBS survey of 1939 are given in Table XIX.

TABLE XIX—BUDGET PROPORTIONS FROM DBS SURVEY, 1939, AND NOVEMBER, 1947, PROPORTIONS AS ADJUSTED

Item	1939 Exp.	1939 P.c.	DBS index for item	Increase	Total	P.c. of new total
	$			$	$	
Food	431	30·2	173·6	317	748	36
Shelter	283	19·8	119·9	56	339	17
Fuel and light	100	7·0	122·6	22	122	6
Clothing	159	11·1	152·0	83	242	12
Household operation	123	8·7	.....	.....	.....	.....
Health	65	4·5	151·4	1·9	321	15
Personal care	24	1·7				
Transportation	93	6·5				
Recreation	89	6·2				
Childrens Ed. and Vocation	20	1·4	118·2	44	287	14
Community Welfare and Gifts	41	2·9				
Total	1,428	.....	.....	$631	$2,059	100%

1p. 37, Table 29, Family Income and Expenditure, DBS, 1940.

Table XIX giving increases over 1939, shows that $631 are required on the 1939 national average of $1,428 to bring the total to $2,059. Budget percentages have been shifted in favour of items such as food which show the greatest increases. An over-all increase of 44 per cent of 1939 average income would be required for the same level of living on November 1, 1947. Because of the high cost of food, families must now spend 36 per cent of their budget for food, as against 30 per cent in 1939, provided income has increased as rapidly as the over-all index. If income have not increased at the same rate, as was the case in Hamilton, families must spend a larger and larger percentage as income lags.

Attempts to Increase Income

With income lagging behind increases in the cost of living, families have attempted various means to increase the family income. The survey showed that earnings of the main wage-earner were supplemented by cashing bonds, taking out loans, purchase on credit, working mothers, work permits for juveniles, and extra work by the father. Table XX lists the various methods and the number of families using the methods.

No. of families	Per cent. of families	Method
3	4	Cashing bonds in past 6 months
17	24	Taking out loans (deferred saving)
12	17	Purchases on credit
24	34	Work of mother during past 6 months
7	10	Juvenile work permits
4	6	Extra work by father

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 24

MONDAY, MARCH 15, 1948

WITNESSES:

Mr. K. W. Taylor, Chairman, Wartime Prices and Trade Board.

Mr. J. F. Singleton, Associate Director of Marketing Service, Dairy Products, Dept. of Agriculture.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

MONDAY, MARCH 15, 1948.

The Special Committee on Prices met at 11.00 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Harkness, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, McCubbin, Merritt, Winters.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Mr. Monet filed,

Exhibit No. 52—Butter statistics, 1939-1948, prepared by the Dominion Bureau of Statistics, Agricultural Division. *(Printed in this day's Minutes of Evidence).*

Exhibit No. 53—Chart indicating wholesale prices of butter in New York and Montreal, 1946-47-48. *(Printed as an Appendix to this day's Minutes of Evidence).*

Mr. K. W. Taylor, Chairman, Wartime Prices and Trade Board, was recalled and further examined.

At 12.30 p.m., the Vice-Chairman, Mr. Maybank, took the chair.

At 1.00 p.m. witness retired and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee met again at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Harkness, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, McCubbin, Merritt, Winters.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Counsel filed,

Exhibit No. 54—Copy of Wartime Prices and Trade Board Order No. A-2468, dated January 16, 1948, and amending Order No. A-2485, dated February 26, 1948, regarding maximum prices of butter. *(Printed in this day's Minutes of Evidence).*

Mr. Taylor was recalled and further examined.

At 4.30 p.m. the Members were called in the House for a division and the Committee took recess for twenty minutes.

Witness retired.

Mr. J. F. Singleton, Associate Director of Marketing Service, Dairy Products, Dept. of Agriculture, was called, sworn and examined.

At 6.00 p.m. witness retired and the Committee adjourned until Tuesday, March 16, at 11.00 a.m.

R. ARSENEAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
MARCH 15, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: The meeting will come to order. Mr. Monet, are you ready to start our inquiry on butter?

Mr. MONET: I am.

The CHAIRMAN: Will you kindly proceed.

Mr. MONET: Mr. Chairman, I wish to file as exhibit No. 52 the butter statistics for the years 1939 to 1948, inclusive of January and February of this year, prepared for the House of Commons Special Committee on Prices by the Dominion Bureau of Statistics.

The CHAIRMAN: Are there copies for the members?

Mr. MONET: Yes.

The CHAIRMAN: Well they will be distributed.

Mr. MAYBANK: What was the page in the evidence where Mr. Taylor was dealing with butter?

Mr. MONET: 70, 72, 74, 80, 83.

As exhibit No. 53 I will file this chart and say for the information of the members of the committee that it was prepared by the secretariat. The first segment of the chart refers to the part of the evidence given by Mr. Taylor at page 74 where there was a question of the price of butter in the United States as compared with Canada. The first segment deals with New York prices and Montreal prices. The second and third segments correspond with the figures given in exhibit 52.

Mr. MAYBANK: It might be desirable to decide how we shall print this material.

The CHAIRMAN: What is your thought?

Mr. MAYBANK: No. 52 offers no problem, it is just an ordinary job of printing and I suggest it go in as though read into the record because the questions will be asked upon it. In connection with the other one I do not know, there may be a problem in connection with printing.

The CHAIRMAN: It would have to be a folded page.

Mr. MAYBANK: In view of the fact the questions may not be directly upon the chart would it be satisfactory to have the chart printed as a appendix?

The CHAIRMAN: That is Mr. Arsenault's suggestion. Is it agreed that exhibit No. 53 shall be printed as an appendix but No. 52 shall be printed here?

Agreed.

EXHIBIT No. 52—Butter statistics 1939-1948.

AGRICULTURAL DIVISION
DOMINION BUREAU OF STATISTICS
OTTAWA, CANADA

BUTTER STATISTICS, 1939-1948

Prepared for House of Commons Special Committee on Prices
Session 1947-1948

TABLE I.—DOMESTIC DISAPPEARANCE OF TOTAL BUTTER IN CANADA[1]

(1939 to 1947)

Year	A	B	C	D	E	F	G	H	I
	Production	Stocks first of year	Imports	Total supply (A+B+C)	Exports	Stocks end of year	Total deductions (E+F)	Domestic disappearance	
								Total (D−G)	Per capita[2]
	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	lb.
1939	356,878	45,120	5	402,003	12,399	41,769	54,168	347,835	30·87
1940	350,986	41,769	4	392,759	1,337	34,071	35,408	357,351	31·40
1941	370,795	34,071	482	405,348	1,482	44,368	45,850	359,498	31·49
1942	365,798	44,369	593	410,760	1,601	23,213	24,814	385,946	33·69
1943	369,316	23,213	1	392,530	9,408	46,451	55,859	336,671	29·25
1944	356,013	46,684	1	402,698	4,727	41,247	45,974	356,724	30·81
1945	349,899	41,247	3	391,149	5,598	36,499	42,097	349,052	29·84
1946	328,194	36,499	26	364,719	4,509	44,279	48,788	315,931	25·75
1947	349,145	44,279	5,119	398,544	3,107	44,049	47,156	351,387	27·93

[1] Production and stocks (A+B) include creamery butter, dairy butter and whey butter. In 1947, the production of creamery butter represented 83·3 per cent of the total make, dairy butter 16·1 per cent, and whey butter 0·6 per cent.

[2] Based on population figures which have been adjusted for overseas personnel, 1941 to 1946.

TABLE II.—PRODUCTION OF BUTTER IN CANADA BY MONTHS

(1939 to 1947)

—	1939	1940	1941	1942	1943	1944	1945	1946	1947
	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.
January	16,770	17,192	18,346	17,024	17,603	15,268	15,685	14,039	14,362
February	15,810	16,253	16,959	15,980	16,511	16,713	15,117	13,307	13,429
March	19,225	18,541	20,335	19,235	20,672	19,497	20,019	17,277	17,788
April	23,641	24,186	26,488	23,923	27,851	24,841	25,721	24,420	25,506
May	36,577	35,812	41,470	37,400	37,812	39,700	37,831	37,269	37,032
June	50,912	49,525	49,668	50,227	52,630	51,841	50,221	48,381	49,400
July	45,535	46,921	46,203	47,192	49,414	46,368	47,280	45,804	47,391
August	41,099	40,624	42,156	42,690	43,514	41,501	42,425	38,595	40,932
September	37,948	34,253	39,870	38,808	38,386	36,166	35,318	31,003	38,832
October	31,014	29,631	31,795	31,689	29,744	28,921	28,341	26,663	31,670
November	21,360	20,825	20,601	22,365	19,585	20,322	17,981	17,587	18,928
December	16,987	17,223	16,903	19,265	15,594	15,875	13,960	13,849	13,875
Year—Creamery Butter	267,613	264,724	285,848	284,591	311,709	298,777	293,811	271,491	290,841
Dairy Butter	87,459	84,256	82,796	78,525	55,407	54,580	53,283	54,225	56,295
Whey Butter	1,806	2,006	2,151	2,682	2,200	2,656	2,805	2,478	2,009
Total butter	356,878	350,986	370,795	365,798	369,316	356,013	349,899	328,194	349,145

TABLE III.—STOCKS OF BUTTER IN CANADA AT THE FIRST OF EACH MONTH

(1939 to 1948)

—	Jan. 1	Feb. 1	Mar. 1	Apr. 1	May 1	June 1	July 1	Aug. 1	Sept. 1	Oct. 1	Nov. 1	Dec. 1
	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.
1939[1]	45,120	35,382	23,616	13,213	9,953	15,084	33,047	47,071	55,637	57,852	56,901	50,044
1940[1]	41,769	33,369	23,371	14,232	10,611	15,799	33,763	51,037	59,475	59,681	52,702	42,672
1941[1]	34,071	27,596	18,469	11,150	10,038	20,045	37,711	52,273	62,811	68,785	65,275	54,500
1942[1]	44,368	33,325	21,797	11,261	6,695	11,456	28,331	43,311	51,140	53,454	44,655	32,535
1943[1]	23,213	15,324	12,427	10,026	11,378	19,865	42,265	63,239	75,655	79,318	73,013	59,724
944	46,684	33,648	20,343	11,693	9,541	17,735	38,193	54,378	64,758	68,269	64,141	52,925
1945	41,247	30,826	20,807	13,621	12,816	19,751	40,263	56,960	68,199	71,995	65,556	51,678
1946	36,499	23,011	9,997	5,450	6,872	18,363	40,088	58,799	68,914	71,137	67,441	57,126
1947[1]	44,279	32,016	24,222	15,419	11,327	24,046	42,861	59,430	67,509	73,680	71,426	59,594
1948[2]	44,049	31,703										

NOTE.—Whey butter stocks January 1, 1944 to February 1, 1948, are included.
[1] Includes imported butter; stocks in bond not included.
[2] Preliminary figures.

TABLE IV.—DOMESTIC DISAPPEARANCE OF TOTAL BUTTER IN CANADA, BY MONTHS, 1939 TO 1947

—	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.	'000 lb.
1939....	25,146	25,156	27,450	26,268	30,438	31,662	29,865	31,519	35,500	31,705	27,969	25,157	347,835
1940...	25,498	26,174	27,645	27,720	30,573	31,425	29,519	32,036	33,878	36,465	30,709	25,709	357,351
1941...	24,755	26,068	27,725	27,718	31,375	31,857	31,479	31,476	33,743	35,187	31,187	26,928	359,498
1942...	27,990	27,428	29,726	28,479	33,013	33,267	32,002	34,641	36,216	40,254	34,425	28,505	385,946
1943...	25,449	19,312	23,010	26,479	29,235	30,013	28,350	31,030	34,324	31,399	29,638	28,432	336,671
1944...	28,220	28,565	27,824	26,574	30,790	30,932	29,632	30,671	32,362	32,732	31,208	27,214	356,724
1945...	25,891	24,708	26,660	25,979	30,463	29,193	30,317	30,763	31,155	33,944	31,417	28,562	349,052
1946...	27,225	26,063	21,461	22,836	25,565	26,451	26,760	27,549	28,192	30,080	27,455	26,294	315,931
1947...	26,205	25,061	27,291	29,445	23,803	30,028	30,643	32,709	32,467	33,725	30,662	29,348	351,387

NOTE.—Total butter production includes creamery, dairy and whey butter for all years, but whey butter stocks cover the period commencing January 1, 1944.

TABLE V.—CREAMERY BUTTER-FAT PRICES IN CANADA BY PROVINCES, 1939 TO 1947[1]

—	Canada	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.
JANUARY										
1942	31·3	33·2	33·5	32·5	35·7	33·4	29·6	28·4	27·5	32·3
1943	46·0	51·1	50·5	51·4	47·4	48·3	44·1	42·0	44·3	45·8
1944	44·4	47·1	49·5	49·8	46·2	44·8	45·7	43·0	41·5	42·3
1945	44·4	47·1	50·0	49·5	47·3	44·3	44·1	42·8	42·0	43·8
1946	45·2	48·6	48·2	49·3	47·7	45·9	44·3	43·9	42·2	45·2
1947	49·8	51·3	51·1	50·7	51·0	50·7	48·9	48·6	47·6	48·4
FEBRUARY										
1942	32·6	35·0	35·0	35·0	36·2	35·0	30·7	29·4	29·9	32·5
1943	45·8	48·4	50·8	50·0	46·7	48·2	44·2	42·0	44·8	44·9
1944	44·9	49·4	49·6	51·9	47·2	47·1	44·1	43·1	41·9	42·7
1945	44·8	46·6	50·0	52·1	47·2	45·8	44·4	42·9	42·1	44·4
1946	45·3	49·4	48·3	50·0	48·2	46·4	44·5	43·9	42·4	45·7
1947	50·2	51·4	51·1	51·4	52·3	51·8	48·9	48·7	47·7	49·6
MARCH										
1942	32·7	33·6	37·2	35·8	36·7	34·4	31·0	29·2	30·0	34·4
1943	45·6	50·5	46·6	52·2	46·9	47·1	43·5	42·9	44·6	48·0
1944	44·6	49·5	49·6	50·9	47·3	45·6	44·3	43·5	41·9	43·3
1945	44·5	46·9	50·0	48·8	47·2	45·3	43·0	42·8	41·9	44·4
1946	46·4	48·8	47·8	48·6	48·5	48·3	46·3	43·8	42·2	46·1
1947	50·6	53·7	51·1	51·6	52·3	52·1	48·7	48·8	47·7	50·4
APRIL										
1942	34·0	36·0	37·4	36·2	37·0	35·2	31·6	30·7	31·2	32·7
1943	45·5	49·7	47·2	51·0	46·8	46·7	42·5	42·6	45·3	41·9
1944	45·1	48·0	49·6	48·4	47·1	46·5	42·9	43·7	41·6	42·6
1945	44·9	46·7	50·0	48·8	46·0	45·7	44·7	42·3	42·0	42·7
1946	51·7	53·4	52·7	53·1	53·5	53·6	50·3	48·1	47·0	49·8
1947	51·4	52·5	51·1	51·7	53·0	53·0	48·7	48·2	47·5	50·0
MAY										
1942	34·3	36·0	37·3	37·7	37·0	35·0	31·9	31·6	31·0	32·0
1943	42·3	46·4	48·2	46·8	42·2	45·7	40·0	39·3	39·2	40·2
1944	44·0	46·8	49·8	48·2	45·6	45·3	42·3	41·7	40·9	41·0
1945	44·3	46·1	49·9	47·2	45·2	45·2	44·1	41·1	41·7	41·6
1946	50·6	53·4	53·4	53·3	52·5	52·6	48·0	46·5	46·1	49·1
1947	51·0	52·5	52·6	53·1	52·0	52·2	48·5	48·4	48·9	49·0
JUNE										
1942	34·3	36·7	37·6	38·0	37·0	35·0	31·5	31·5	30·9	32·8
1943	41·0	46·7	46·5	46·2	41·5	42·0	39·4	38·6	38·8	42·4
1944	42·6	44·4	48·0	45·8	44·5	42·9	39·5	41·4	40·1	40·3
1945	43·1	44·3	48·7	45·5	44·7	43·4	40·6	41·0	40·8	42·0
1946	49·3	51·7	50·5	52·3	50·5	51·6	47·6	45·8	44·8	48·4
1947	51·7	52·7	52·5	53·5	52·8	52·6	50·0	49·8	49·4	49·7

[1] All prices are F.O.B. farm—subsidies included and haulage costs deducted.

TABLE V.—CREAMERY BUTTER-FAT PROCES IN CANADA BY PROVINCES, 1939 TO 1947[1]—*Concluded*

—	Canada	P.E.I.	N.S.	N.B.	Que.	Ont.-	Man.	Sask.	Alta.	B.C.
	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.
JULY										
1942	36·0	38·0	38·2	38·0	38·0	37·5	33·5	33·9	33·2	34·5
1943	40·9	42·5	45·7	45·6	41·6	42·9	37·6	38·5	38·7	43·0
1944	42·6	43·6	48·2	46·8	44·6	42·2	39·5	41·3	40·4	41·6
1945	44·3	43·7	48·7	47·1	44·9	45·7	41·5	42·1	41·0	42·4
1946	49·4	51·5	51·7	51·1	51·5	50·4	47·7	47·0	45·3	47·9
1947	52·5	54·1	52·9	53·1	53·0	52·8	52·5	51·6	51·3	49·7
AUGUST										
1942	37·0	38·7	41·7	38·0	37·7	38·6	35·1	36·4	33·8	34·4
1943	40·7	44·9	46·2	45·8	41·9	42·0	38·4	38·3	37·6	42·6
1944	43·4	43·6	49·6	45·8	45·0	44·6	39·2	42·1	40·9	44·4
1945	43·6	43·8	48·6	45·4	45·4	44·0	40·0	42·2	41·1	43·0
1946	49·7	52·2	52·0	51·7	51·8	50·7	54·5	48·1	46·4	49·2
1947	56·2	55·2	56·8	55·8	57·1	56·2	56·0	54·9	55·3	53·7
SEPTEMBER										
1942	42·6	43·6	44·8	44·0	43·7	43·8	41·0	40·8	40·4	40·8
1943	40·8	44·4	46·9	44·6	41·9	41·5	38·0	38·5	37·9	42·2
1944	43·8	45·5	49·6	48·4	45·7	44·9	37·7	41·9	40·9	46·5
1945	43·9	44·0	49·4	46·5	45·6	43·6	41·0	42·3	41·3	43·5
1946	50·4	52·8	52·7	52·2	52·0	51·2	46·1	48·1	46·6	48·3
1947	62·0	61·8	62·0	63·3	62·8	61·5	62·0	61·2	60·7	62·1
OCTOBER										
1942	40·8	44·0	44·0	43·0	42·8	41·5	38·2	37·5	37·7	40·4
1943	41·4	44·9	46·9	45·9	52·5	41·7	38·2	39·4	39·1	44·0
1944	44·1	45·9	49·6	47·4	46·2	44·3	38·7	41·9	40·6	45·9
1945	44·4	45·4	49·5	48·9	46·4	43·7	39·5	43·1	41·5	42·4
1946	51·0	53·4	52·9	52·3	52·5	52·8	47·3	48·0	46·4	49·1
1947	62·2	62·4	61·6	63·0	63·2	62·2	61·1	59·3	59·9	62·6
NOVEMBER										
1942	42·2	43·7	43·6	44·0	43·3	44·3	39·3	39·3	39·5	42·6
1943	42·0	46·2	47·8	46·3	43·4	42·8	41·6	40·3	36·7	45·2
1944	44·8	46·7	49·6	48·3	46·2	45·5	42·0	42·5	41·7	47·4
1945	45·3	47·1	49·6	47·7	47·0	45·1	42·6	43·7	42·5	43·6
1946	50·5	50·9	50·8	53·8	52·5	51·0	47·1	48·1	47·9	48·9
1947	63·2	65·4	64·9	65·5	64·0	63·0	62·5	62·4	60·9	63·4
DECEMBER										
1942	44·3	46·0	47·0	46·5	46·0	46·7	41·9	41·0	41·3	44·0
1943	43·3	45·2	46·7	47·6	46·1	44·7	41·0	40·9	40·1	44·6
1944	44·9	46·7	49·6	50·4	46·2	45·6	43·3	43·0	41·9	46·4
1945	46·1	47·6	50·0	48·6	49·0	46·8	43·9	44·2	42·5	44·9
1946	50·4	50·9	50·8	53·8	53·0	51·0	47·1	48·1	47·9	49·0
1947	65·0	72·4	69·0	69·5	65·0	64·0	65·5	66·6	67·1	63·4

[1] All prices are f.o.b. farm—subsidies included and haulage costs deducted.

TABLE VI.—MONTHLY AVERAGE BUTTER PRICES AT MONTREAL (NO. 1 SOLIDS)

(Based on Daily Quotations of the Canadian Commodity Exchange)

—	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Yearly average
	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.
1939...	22⅞	22⅜	21¼	21¼	20⅞	21⅞	21¾	21½	26¼	27⅜	28⅛	28	23 7/10
1940...	27⅝	26¾	27⅜	26½	23¼	22⅜	22⅝	22⅜	23⅜	27⅞	30⅜	35	26 9/10
1941...	34	33⅜	35	31½	30⅜	31¾	35⅜	36⅝	34½	33	34¼	34⅜	33 7/10
1942...	34⅛	34⅞	35¼	35¼	35	34½	34½	34⅞	35½	35¼	36	36¼	35
1943...	35¼	35¼	35¼	35	33	33	33	33¼	33¾	34⅜	35	35¼	34 3/4
1944...	35¼	35¼	35¼	35¼	35½	33	33⅛	34⅛	34⅝	35	35⅛	35¼	34⅛
1945...	35¼	35¼	35¼	34 7/10	33⅜	34	34½	34½	34½	35½	36	35¼	34⅛
1946...	36	36	36	40	38½	38⅜	39⅜	40	40	40	40	40	38⅞
1947...	40	40	40	40	48½	49¼	49⅞	55¼	59⅛	57⅛	60⅜	66⅛	50½
1948...	68	67½*											

* February 1-11.

TABLE VII.—AVERAGE RETAIL PRICES OF CREAMERY BUTTER PRINTS AT MONTREAL

(Quotations per pound by independent retail merchants)

—	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948
	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.
January	27·2	33·1	38·5	37·2	39·1	39·0	39·3	40·6	45·4	72·8
February	28·0	33·1	36·8	37·3	39·1	39·1	39·3	40·7	45·4	
March	28·0	32·0	37·0	37·8	39·2	39·1	39·3	40·9	45·4	
April	27·0	32·8	37·7	38·1	39·1	39·2	39·4	42·9	45·4	
May	26·4	30·9	33·4	38·3	39·1	39·1	39·4	45·5	54·1	
June	25·7	28·2	34·0	38·5	38·3	38·7	39·2	44·3	55·1	
July	26·7	27·2	35·0	38·1	38·2	38·6	39·2	44·1	55·1	
August	26·6	27·4	39·3	38·0	38·1	38·7	39·4	45·1	55·2	
September	27·2	27·2	40·1	38·2	38·1	38·9	39·4	45·1	64·5	
October	32·6	28·5	37·9	38·5	38·3	39·1	39·4	45·3	65·2	
November	32·9	32·3	36·5	39·1	38·6	39·2	40·1	45·3	61·5	
December	33·4	34·2	37·2	40·3	38·8	39·3	40·5	45·4	67·0	
Year	28·5	30·6	36·9	38·3	38·7	39·0	39·5	43·8	54·9	

TABLE VIII.—DOMINION AVERAGE RETAIL PRICES OF CREAMERY BUTTER PRINTS

(Quotations per pound by independent retail merchants)

—	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948
	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.	cts.
January	27·8	34·2	39·3	38·4	40·0	39·8	39·9	40·6	45·0	73·2
February	28·6	33·9	38·1	38·4	40·0	39·9	39·9	40·6	45·0	
March	28·1	33·0	38·2	38·9	40·0	39·9	39·9	40·7	45·0	
April	28·0	33·7	38·8	39·1	40·0	39·9	39·9	43·2	45·0	
May	27·5	32·1	34·9	39·3	39·9	39·8	39·7	44·8	50·8	
June	26·9	29·1	34·9	39·3	39·1	39·3	39·3	44·1	54·4	
July	27·6	27·8	35·9	39·0	38·9	39·1	39·2	44·0	56·0	
August	27·4	28·1	40·0	38·9	38·7	39·1	39·4	44·8	56·4	
September	27·6	27·9	41·5	39·1	38·7	39·4	39·4	45·0	64·8	
October	33·6	29·2	39·3	39·5	38·9	39·7	39·5	45·0	66·3	
November	34·4	32·9	37·6	40·0	39·3	39·8	40·1	45·0	63·8	
December	34·5	34·9	38·5	41·0	39·6	39·8	40·4	45·0	68·4	
Year	29·3	31·4	38·1	39·2	39·4	39·6	39·7	43·6	55·1	

EXHIBIT No. 53—Butter—Wholesale Prices in New York and Montreal 1946-47-48 (See Appendix).

Mr. MONET: I wish to call as the first witness, Mr. K. W. Taylor, Chairman of the Wartime Prices and Trade Board.

Mr. K. W. Taylor, Chairman, Wartime Prices and Trade Board, called:

Mr. MONET: I understand Mr. Taylor has already given evidence on butter and has answered quite a few questions regarding that commodity.

The CHAIRMAN: Mr. Taylor has already been sworn.

By Mr. Monet:

Q. Mr. Taylor, I understand the price ceiling on butter was removed sometime in June 1947?—A. June 9.

Q. At the time of the removal of the ceiling on butter, Mr. Taylor, what was the ceiling price?—A. 50 cents a pound, Montreal solids basis.

Q. That would be the wholesale price, Montreal, solid?—A. Yes.

Q. And can you tell the members of the committee what butter was selling for at that time?—A. The price had been around about that ceiling level. It had been slightly under that price. I think it fluctuated between 48½ and 50 cents or 49¾ cents—somewhere in that range. In other words the market price was fluctuating very slightly below the ceiling.

Q. Would you tell members of the committee why the ceiling was removed?—A. That, Mr. Monet, was a matter of government policy. The general policy of the government had been to decontrol prices. In March, for example, it decontrolled the price of eggs because that period, March and April, is the time of the seasonal peak production of eggs. June represents the period of peak production of most dairy products and it was felt wise by the government and it was so announced in the House of Commons on June 9. I am quoting from Mr. Abbott's statement—"These products are now at their seasonal peak of production and the price ceilings can therefore be removed with a minimum danger of significant price increases."

Q. As you just stated this was a time when the peak production was about to take place?—A. That is right.

Q. Can you tell us, Mr. Taylor, what were the immediate effects of the removal of ceilings on butter at that time?—A. There were no pronounced effects at all, Mr. Monet. The price continued to fluctuate at close to that level, somewhat below on the average, for the next six to eight weeks. I can refer the members of the committee to exhibit No. 53 where that is indicated. You will see from that chart the ceiling price was raised 10 cents a pound on the 1st of May. It then fluctuated right up until the early part of August at levels between 48 and 50 cents.

Q. And I understand the price kept increasing for quite a while?—A. The price stayed around the same level until about the first week or two of August. Then in August and September it showed a substantial increase of about 10 cents a pound in the course of the next six or seven weeks.

Q. Can you give any particular reason why at that period you just mentioned the price of butter went up again?—A. During June and July, from conversations which I had and which some of my officials had with all sections of the industry, it was quite apparent that there was in the industry some nervousness or uncertainty regarding the possibility of a break in prices. It was known, for example, that Australasian butter was selling at prices considerably below Canadian levels and there was a good deal of uncertainty in June and July by those who normally buy butter for storage that prices might break. There was some disposition to be rather cautious in approaching the market. By the end of July it had become apparent that the concern regarding the possibility of a break in prices had largely disappeared and there developed a rather active trade demand to acquire stocks, normal stocks, for winter use and winter sales. I think about all I can say about that rise in August and early September would be that it reflected an active demand bidding for butter by those protecting their supply for the coming winter.

Q. Mr. Taylor, you used the word "bidding". Do you mean on the commodity exchange?—A. Not entirely. General bidding; general active demand for butter.

Q. Is it not a fact most of the bidding for butter is made on the commodity exchange?—A. The commodity exchange reflects to a large extent the meeting of supply and demand in the major consuming markets. There is, of course, a great deal of butter that never crosses the floor of the exchange. For example, most of the western butter handled by the co-ops does not physically pass through the records of the exchange.

Q. Now, can you tell the members of the committee why the ceiling was re-imposed on butter on January 19?—A. The 15th.

Q. The 15th?—A. The 15th, or thereabouts, I have not got the exact date.

Q. I understand the administrator's order was dated January 19?—A. Yes, the government announcement of the re-imposition of ceilings was made on the 15th.

Q. And the administrator's order?—A. The ceiling was put on on the 19th.

Q. Would you tell the members of the committee why the ceiling was re-imposed on butter at that time?—A. If I may go back. I took you a moment ago up to September when the prices reached 60 cents. At that time there was a good deal of public concern about the price, and also just about that time the production figures for August, and later for September became available. They were unusually high for that season of the year as you may see by exhibit No. 52. The production figures are given in that exhibit.

Q. That would be table 2 of the production of butter in Canada by months. —A. Yes. You will see for example that September production figures are 38·8 million pounds and that is more than seven million pounds greater than for the same month of the previous year. Previously production had been running close to or only slightly above the production for the same month of the previous year. The same thing happened in October when the production was a full 5 million pounds over the production for the same month of the preceding year. That was largely responsible for quite a significant decline of butter price. In the course of September and October prices fell about 5 cents a pound, reaching the level of 55 cents by the middle or the early part of October and they stayed there, close to that level, during most of that month. Then in November production dropped back to a more normal level and it was becoming evident that consumption or domestic disappearance was running at a very high level and it seemed probable that Canadian domestic supplies, in relation to current demands, would not carry through the whole winter season. In other words we would not have enough butter to carry us through until April and May of 1948. There was a renewal of active bidding for butter and prices stiffened rapidly from a level in the high 50's until they moved up to a level between 65 and 70 cents and that level was reached by the latter part of December, 1947. Now from mid-November until the end of the year we had given a good deal of thought to the possibility of re-establishing a ceiling price on butter. We had many representations from various classes and groups of people. Wa had of course a considerable volume of correspondence from consumers. We had no official representation from the producer interests but I think I may say individuals who were representative of producer interests did raise the question with us on a number of occasions. They did not raise the question with me personally but they did with some of my officials. The producer interests were concerned about the high price of butter for two or three different reasons. They realized of course a high price of butter during the winter or early spring months was a benefit only to a moderate number of producers, and a high winter price, followed by a sharp drop when the new season production came along, was always disturbing to the producer interests and gave rise to a certain amount of controversy. The producers were also concerned with the high price in the light of public opinion and arguments in favour of substitutes for butter. I refer to margarine. Those interests were also concerned about the possibility of the high price inducing large imports from Australasia which would result in a price which would be a good deal lower than one that would be satisfactory. We also had representations from what I may call the trade.

By Mr. Maybank:

Q. Those were producer representatives to whom you were referring just now?—A. Yes, representatives is, perhaps, just a little too strong a word. They were conversations which were reported to me by representative producers rather than representatives of producers, if you get the distinction. In talking to my officials—they are into our office frequently—and in the course of these visits a considerable range of subjects are often covered. It was reported to me on several occasions that typical producers expressed some concern about prices getting too high.

Q. Would you mention one or two to indicate the type of producer, not the actual conversation, but just to indicate the type of person about whom you were speaking?—A. As I said before, they did not speak to me personally. These reports would be by Mr. Grisdale.

Mr. IRVINE: They would be dairy farmers?—A. Yes. Mr. Grisdale, for example, comes from Alberta and I know he saw one or two people from Alberta who happened to be down on visits. I would not like to try to recall their names because I may make a mistake and it would be unfair if I did.

Then, on two occasions at the request of the National Dairy Council, I met a delegation from that organization. One occasion was during the last week of September and the second time I met them was in the first week of December.

The meeting in September was a rather general discussion. They expressed some concern about the level of prices, more particularly where prices might go if the ordinary influences of supply and demand took their normal course. Nothing occurred as the result of the September meeting because, just after that prices started to break and went down rather than up for the reasons which I explained a few moments ago.

In the meeting in December—I think it was the 2nd of December—I met the president of the National Dairy Council and, I presume, some of his executive. There were five or six men who came in the delegation. They asked for a general discussion of the butter situation and butter prices. They expressed anxiety about the price and their hopes that it could be held at about the then prevailing level. At that time, butter was selling around 60 to 62 cents.

By Mr. Monet:

Q. Would you be able to give the exact date of the second meeting?—A. December the 2nd.

By Mr. McCubbin:

Q. Who were these men with whom you met?—A. They were representatives of the National Dairy Council. I can give you their names; I think I have them all here. There was Mr. Smellie of Winnipeg, who is chairman of the National Dairy Council this year. Mr. Duplan, of Silverwood's who, as I recall it, acted as spokesman for the delegation.

Q. He is the president?—A. Is he the president?

Q. Yes.—A. Mr. Aird, of Eastern Dairies; Mr. Jones, representing Borden's of Canada; Mr. Olive of Olive and Dorion, Montreal and Mr. St. John, who is secretary of the National Dairy Council.

By Mr. Maybank:

Q. This was when?—A. On December 2. They came in, as they said, for a general discussion. They had no brief. They had no formal recommendations. As I recall it, it was a discussion, but the main tenor of the point of view they expressed was that they were concerned about the possibility of prices going very much higher than the then level because of the short supply. They all agreed on that one point, that we were likely to be short of butter before the end of the winter unless we arranged for substantial imports. The shortage which they anticipated, the figure they mentioned, was something of the order of 10/12,000,000 pounds, as being about the deficiency.

Q. At that time, we were producing about half as much as we were using?—A. Yes, we always do during the five winter months, production amounts to about half of what we use.

It is, of course, a matter of estimation, a matter of opinion as to what consumption will be at any given price over any given period of time. They came to tell us, as representatives of the trade, that they thought we were

going to be short of butter and the shortage would be of the order of 10/12,000,000 pounds. They felt some steps should be taken to arrange to augment our supply by about 10 or 12,000,000 pounds.

The question then arose as to whether or not that butter would be available and there was a lot of discussion about that.

Q. That butter?—A. The imports.

Q. To augment the supply?—A. Yes. There was a lot of discussion as to the mechanics of arranging for imports. Should it be a government purchase? Should the trade handle it? Should it be left to private trade, and so on? The dilemma they proposed was broadly this: if you import butter at prices which are at or below our present prices, you would not need a ceiling.

By the Chairman:

Q. You would not need a ceiling?—A. You would not need a ceiling. If, on the other hand, you had no imports, a ceiling at that level would be useless. It would break down and the black market would take charge.

By Mr. Maybank:

Q. That level then was what?—A. 60 to 62 cents was the prevailing level.

By Mr. Lesage:

Q. The wholesale price?—A. Every time I quote a price, unless I say to the contrary, I mean the wholesale solids, Montreal. I pointed out that if imports were brought in I felt probably a ceiling price would come with it. They agreed, though they felt the ceiling price was probably unnecessary. If you brought in 10 or 12,000,000 pounds at 60 or 62 cents that would, in itself hold the price. On the other hand, if you had no imports but tried to impose a ceiling of 60 cents, they felt the shortage would become so acute by February or March, the black market would take charge. We had a long discussion. I think I was with that group for a couple of hours that afternoon. They raised a couple of other questions. They raised the question, for example, as to whether the government would sponsor or encourage or give its blessing to a publicity campaign to go easy on butter, to moderate consumption so as to make our available supply last a little longer.

The two points which were quite clear were, first, that they would like to see butter stay at about the present level, and the only way you could keep it at that level would be by arranging for imports.

I am aware, at second hand, of further discussions which took place between officials of the Department of Agriculture and between the Minister of Agriculture and various groups in the dairy trades during the month of December, but I am not able to speak at first hand. I will let somebody else tell you about it because I was not present.

By Mr. Maybank:

Q. Who was present at the one you have been describing now?—A. Just Mr. Grisdale and myself.

Q. No, the one which you were referring where you have not first hand knowledge. What is your understanding as to the personnel that were present? —A. I know a meeting was called by the Minister of Agriculture between Christmas and New Year's about December 28 or 29. I met some of the men who were at it and there were representatives of some of the producers in the west and representatives of the National Dairy Council. It was an all inclusive meeting which Mr. Gardiner called in the latter part of December.

Q. I understand Mr. Singleton has been called. Would he be at such a meeting?

Mr. MONET: He will be called as the next witness.

The CHAIRMAN: This was not the same group.

The WITNESS: The meeting to which I have been referring in detail was a meeting with a delegation from the National Dairy Council which asked to be heard.

By Mr. Monet:

Q. On December 2?—A. On December 2.

By Mr. Johnston:

Q. This meeting which the Minister of Agriculture held for the purpose of discussing butter production, would the conclusions from that meeting have been passed on to you as chairman of the board?—A. No.

Q. Because I would think their discussions would have been of material value to you?—A. Well, I think I can say this, Mr. Chairman; I had a number of discussions with my minister on the subject and I have reason to believe that they were discussed in council. It was my understanding that Mr. Gardiner was asked by council to make a more detailed examination of the problem. It was my understanding that Mr. Gardiner then called a meeting of all sections of the trade, producers, wholesalers and jobbers, to meet in Ottawa. My recollection is it was towards the end of December.

Q. You received no written conclusions from them?—A. No, I had a conversation with Dr. Barton one day on certain proposals being put forward. I would not want to speak of them because I was not very clear myself what the proposals were. It then went back—I think I may say this—to council with Mr. Gardiner in charge of the problem and what emerged was that on January 15 the government announced that the ceiling would be reimposed.

By Mr. Maybank:

Q. Would it be fair to describe the situation at that time as being something like this: that you held discussions with representatives from the dairy council in the way you have been mentioning, whose representations resulted in a council discussion of the problem. Then, Mr. Gardiner took over for the purpose of seeing whether the production picture already dealt with by these people with you could be materially changed. Would that be the nature of the situation at that time?—A. Yes, I would think that the question of augmenting our supplies from abroad would also be raised, I do not know whether at that meeting, but it was certainly raised because the official statement issued by the minister on January 15, in referring to butter, said, after referring to the decision to reimpose ceilings;

> The government has also initiated discussions with a view of securing access to additional supplies of butter should current stocks prove insufficient to meet essential requirements.

Q. That would be part of the discussion which would be held for the purpose of seeing whether the production picture already dealt with by you with the Dairy Council could be changed in any way, either by more Canadian production or, in the absence of it, importation. That would be the motive behind the calling of such a widely representative meeting about which you have been telling us?—A. I think I can say the government was definitely concerned about the possibility of still further substantial increases in butter prices.

I want to go on to the next point. As I said, after our meeting of December 2 and consequential discussion with my own minister and, presumably, discussion

in Cabinet, Mr. Gardiner called a meeting to have further discussions with a more broadly based commmitte. We were, in the meantime. giving a great deal of thought to the whole problem of reimposing a ceiling. We have, for example, staff and administrative problems, quite apart from any decision about the level of the ceiling. However, on the level of the ceiling, I think I should make this point, Mr. Chairman: we were very much aware during December that active discussions were in progress with the United Kingdom on the level of agriculture export prices for 1948. One of the most important, from our point of view, was the price of cheese. Now, there is a recognized relationship between cheese prices and butter prices. A rough rule of thumb is that when butter prices per pound are double cheese prices per pound they are roughly in balance.

I recall when war broke out in September, 1939, cheese was about 10 cents a pound and butter was about 20. While that relationship does not hold mathematically every week in the year, broadly speaking the trend of prices for butter and cheese are roughly in the relationship of two to one.

Now, the cheese price for 1947 production had been 25 cents a pound under the British contract. We knew that discussions were proceeding to fix the price of cheese for 1948. It was quite impossible to reach any decision on butter prices until the cheese price had been established. Those prices were announced early in January, a range of prices on Canadian exports to the United Kingdom, and the cheese price was announced at 30 cents; that is the contract price for 1948.

By Mr. Maybank:

Q. When was that announced?—A. The 3rd or 4th of January.

By Mr. Johnston:

Q. What relative effect would that have on butter per pound, cheese at 30 cents per pound?—A. I was just going on to that. In addition to 30 cents, that is the base price for export, there are certain quality bonuses paid on cheese.

By Mr. Monet:

Q. Could you give them, as to amounts?—A. Mr. Singleton can correct me if I am making a mistake, but I think it is 2 cents per pound on top quality—94 score. I think is the terminology. Then, the Ontario government gives a bonus which is 1 cent a pound.

By Mr. Maybank:

Q. That is in the same terminology?—A. The dominion is 2 cents on 94 score and 1 cent on 93.

By Mr. Monet:

Q. Therefore, the price of 30 cents as given by you, plus the two premiums, would become 33?—A. Yes, that is what the producers can expect for cheese because it does not take any more milk to produce 94 score cheese. It just means more care in making it. The quality of cheese production over the last decade or so has improved greatly.

By Mr. Johnston:

Q. Would there be any increased cost in producing 94 score over a lower score?—A. You had better ask Mr. Singleton.

Q. I would naturally assume there was because you said there had to be more care taken which would involve more labour?—A. I think there is just more care taken, a little more time. The bulk of the cheese producers in 1948 can look forward to 33 cents for their cheese which would indicate, roughly, a 66 cent price for butter.

By Mr. Lesage:

Q. Wholesale?—A. Wholesale solids, Montreal.

By Mr. Monet:

Q. To make that perfectly clear again, I understand that all prices mentioned for butter are always wholesale, solid, Montreal?—A. Right.

Q. And throughout your evidence that was what you have been referring to?—A. That is right.

Mr. WINTERS: Does that include on siding?

The WITNESS: There is a ¼ of a cent brokerage charge above the ceiling price of 67 cents on track, Montreal. While we were giving a lot of thought to butter as early as some time during December we were not able to reach a conclusion or to make any recommendation to the government until the cheese price had been settled and that was settled on the 3rd of 4th of January and established that price at around 33 cents, that would indicate a ceiling price of butter of not less than 66 cents; and we were still looking into the possibilities of securing imports.

The CHAIRMAN: I am afraid that some members of the committee may not just understand what you mean when you refer to the ratio of butter as being 2 to 1 in relation to cheese, that they do not understand why it has to be 2 to 1.

The WITNESS: I could give you the figures on that, although Mr. Singleton who will be on the stand later on could give you them in more complete detail. I just copied it from the D.B.S. statistics a couple of years ago. You get approximately 8·9 pounds of cheese out of 100 pounds of milk, 8·93 is the conversion factor used by D.B.S.—that is the number of pounds out of 100 pounds of 3·5 milk; and it is 4·27 pounds of butter. The by-product of cheese is whey and the by-product of butter is skim milk; and there are various values attaching to the feed value of whey as compared to skim milk; on the 8·93 compared to the 4·27 and amended for the superior value of skim milk as a feed, that gives you the rule of thumb of 2 to 1.

Mr. MONET: In other words you are telling us that you get twice as much cheese as butter out of the same amount of milk?

The WITNESS: If butter is twice the price of cheese the farmer gets the same net back on his 100 pounds of milk.

Mr. LESAGE: Which decides whether he goes into cheese or butter. If there is a fractional difference, if the comparative price of butter is higher, producers will go into butter production, while on the other hand if the price of milk or cheese is higher they are going to send their milk to the cheese factory with the result that we may have a shortage of butter in Canada.

The WITNESS: In most of the larger producing areas the majority of farmers have a choice.

Mr. LESAGE: Yes.

The WITNESS: There are some areas where there is no cheese factory within range and therefore the farmer cannot switch to cheese; but there are very large areas—one of the most conspicuous is in Quebec where they have dual factories, making either butter or cheese in the same plant; and the choice of whether to make butter or cheese is based entirely on as little as ¼ of a cent or ⅛ of a cent difference in the market.

The CHAIRMAN: On the market for fluid milk, for butter as compared to cheese, or vice versa?

The WITNESS: In the fluid milk market?

The CHAIRMAN: Yes.

Mr. LESAGE: Not on the eastern market.

The CHAIRMAN: I am speaking of generally. There are places where the availability of a factory is the determining factor in the decision made by the farmer; but the controlling, the over-all consideration, is supply and demand for each product.

The WITNESS: The preferred market is the urban fluid milk market. That is where they get the highest net return normally for their milk. About 25 per cent of all milk goes into the fluid milk market; nearly one-half, a little less than one-half of all milk produced in Canada goes into butter; about 1/6 or 1/7 of all milk goes into cheese; and the rest goes into powdered milk and things of that sort. I make that as a general statement, but if you want more complete details there will be others here who can supply them to you.

Mr. MONET: For the benefit of members of the committee, Mr. Singleton is present and he will be able to furnish particulars with regard to the utilization of milk in Canada and the committee will be able to follow that up in as much detail as they like.

By Mr. Maybank:

Q. I want to go back now and touch on the subject of demand in relation to the cheese contract you have been describing, that indicates plenty of demand for milk.—A. Yes. The demand under the United Kingdom contract is for a quantity of cheese which is probably a little in excess of what we are likely to have available during the coming year. That is a matter of opinion, of course; but that is what it is likely to be compared to what it has been in the past years. In the past the United Kingdom has attached a great deal of importance to cheese and has intimated that they will be in a position to take almost an unlimited quantity of cheese, over and beyond the amount mentioned in the contract.

Q. When the price of cheese is lower?—A. Yes, but the price of cheese from the point of view of the dairy industry as a whole is the king pin, the key to the whole dairy price structure. That is my understanding.

Mr. MONET: While we are on this, Mr. Taylor, I would like to finish with this part of your presentation. Members of the committee may question you as much as they like later on. Are we to understand that the ceiling price date when the 67-cent price was fixed, was the 4th of January; that is when you pressed for a settlement of this cheese contract situation?

The WITNESS: During December the discussion ranged around 61 cents, 62 cents and even 65 cents, but we always came back to the point that there was no use talking about it until the cheese price had been settled. When the cheese price was fixed, the discussions among the officials ranged from 65 cents to 68 cents—and the government finally made a decision to put the price at 67 cents. Now, I would say the reason for the government fixing the 67 cents was twofold; first, they did not want to roll the price too far back to the producer, the producer had been getting 68 to 69 cents over a period of 3 or 4 weeks, and they did not want to roll the price back too far, or we would have a good deal of criticism from the producers.

The VICE-CHAIRMAN: Could you put it this way: That the decision was due to the consideration of the extremities of the farmers, the conditions under which they had to produce during wartime, and reluctance to put an undue pressure on them at that particular time?

The WITNESS: No, the dairy experts thought 67 cents a not too high price for the producer.

The VICE-CHAIRMAN: That is right.

The WITNESS: And that 67 cents was a little roll-back.

By Mr. Maybank:

Q. Did they not represent that they simply could not produce at less than 67 cents in the wintertime; I should think they would represent that?—A. You mean, produce at a profit or a break-even price?

Q. Yes?—A. Yes, as you recall there had been a certain increase in feeding costs.

Q. That is what I was speaking about.—A. Which had taken place in November.

Q. Would you just stop at that first point for a moment, taking these representations that butter could not be produced or milk could not be produced and would not be produced unless there was a 67-cent price for butter; was there some examination or consideration by your board of such representations and was your board substantially in agreement with those representations, that if you rolled back any further you were making it economically dangerous?—A. Yes, although you cannot say that at 67 cents you would get butter and at 60 cents you would not get it. What happens is that as the price goes lower the marginal producer gets out of butter. There is less inducement to the farmer to feed his cows adequately with high protein feeds in order to maintain his flow of milk. To do this he probably requires anywhere from 66 to 68 cents; so, all you can say is that a lower price offers less inducement to the farmer to keep his cows milking, and the higher the price is the more milk he will produce.

Q. Did you conclude that if you set the price lower than 67 cents a considerable number of farmers would not get a fair return for their labour, having in mind their increased costs?—A. Following the announcement of the United Kingdom price we discussed various prices as low as 65 cents and as high as 68 cents, that was the range of discussion—various officials leaned towards the low side, others towards the high side. There was a very careful discussion of the whole thing and I presume the price finally announced really depended on two points; one was a reasonable price from the producers' point of view, the other that it gave just a little extra to butter as against cheese when cheese was fixed at 33 cents a pound. Certainly we in the board were anxious, and I am sure the Department of Agriculture was anxious to get away from these chronic recurring shortages of butter which we have been experiencing in the last four or five winters.

By Mr. Lesage:

Q. You wanted to get an assured winter production?—A. Yes, winter production; and winter production without question has considerable bearing on the rest of production. If you have cows in good shape you are going to have better production during the flush season.

Q. But you wanted to increase production at that time, didn't you?—A. Oh yes, very much so.

Q. And our stocks were low, weren't they?—A. Our stocks were low, but during that period we were running very close to the same figure of last year and last year we imported 5,000,000 pounds.

By Mr. Monet:

Q. In the course of all these talks about fixing the ceiling was the board ready to fix the ceiling at 65 cents?—A. The board, Mr. Monet, is an agent of the government.

Q. Was there any question of fixing it at 68 cents?—A. As I said, various prices were discussed. There were individuals there who thought the price should be 55 cents to 60 cents—those were the individuals who viewed it almost solely from the consumer's standpoint. All I can say is that in the discussions in which I participated all the factors were brought into relation; the consumers' point of view, the producers' point of view, the price of cheese and so on; and the final decision arrived at by the government was 67 cents.

Mr. JOHNSTON: Would the 67-cent rate for butter pay the producer, having regard to his costs?

The WITNESS: My information is that the producer gets almost exactly what the market calls for, and a large part of the production, particularly in the west, comes from the cooperatives.

Mr. LESAGE: The consumer pays about the same price as the producer?

The WITNESS: No. You take the wholesale price of butter in Montreal at 67 cents, that works out, when you deduct freight, that means 65 cents or 64½ cents at prairie points; and the producer, that is the farmer, is paid in terms of butter fat. There is what they call an over-run in the production of butter and with butter say selling at 68 cents the farmer would get about 72 cents per pound of butter fat.

Mr. LESAGE: Their claim is that it costs them 75.

The WITNESS: Yes.

By Mr. Monet:

Q. Mr. Taylor, could you tell the committee what would happen if the ceiling had been set at a lower price than 67 cents, say 65 cents or 64 cents; what would have been the result as far as butter production is concerned?—A. All I can say is that the lower you put the price the less encouragement you give to production. Nobody could tell you how much butter you would have got had you put the price at 60 cents, 61 cents, 62 cents or 65 cents. All I can say is that it is practically certain that as the price goes down you will get less production, and as you move the price up, other things being equal, you are likely to get more production. Looking ahead toward the coming year it was very important not to set the price below what we call parity with cheese.

Q. I understand that at the time the price was set there was already indications that a ceiling would be necessary?—A. Yes. I do not mind saying that I expressed personally the view that butter might cost 80 cents without a ceiling.

Q. Is any butter being imported, or was any being imported at that time?—A. There were possibilities. We knew they were not probabilities. Again, I cannot speak at first hand, although I know discussions were held with the British and with I presume the countries from whom they imported, Australia and New Zealand. The situation is the same there as it is in Canada, in Australia and New Zealand they have contracts with the United Kingdom on butter very similar to the one that we have on cheese; and I understand that the contract reads that Britain takes the entire exportable surplus. There are a few million pounds left out to take care of Australia's normal trade with Singapore, Hong Kong and that area which is the near by market for Australian butter.

Mr. MAYBANK: And so if you wanted to import butter from the Australian market you have to trade with Britain who has the option on it?

The WITNESS: I know that when we imported butter some 14 months ago we had to get the concurrence of the three parties concerned.

Mr. MAYBANK: And by that you mean the United Kingdom, Australia and New Zealand; and we got 5,000,000 pounds?

The WITNESS: Yes.

By Mr. Monet:

Q. I want to go back now and refer to the Dominion Bureau of Statistics' report filed as Exhibit 52, the third column to the left on Table No. 1, relating to prices in 1947; for the year 1947 we understand that there was 5,119,000 pounds imported?—A. Right.

Q. That was in 1947?—A. Right.

Q. And you can see no possibilities of imports now?—A. That was in February, I think February and March or thereabouts. I know it was in the first quarter of 1947 that we negotiated imports through the United Kingdom from Australia and New Zealand which enabled us to maintain our six ounce ration.

Q. If I understood your evidence correctly, very late last fall you could foresee no importation would be possible for 1948? Would that be correct? —A. No, I would say we still felt that imports might be possible until five or six weeks ago.

The CHAIRMAN: There are actually no importations coming in now.

The WITNESS: No. You will observe that in 1945 and 1946 there were little dribbles of butter coming in. Those are small cross border shipments. For instance we get some Alaska butter and Canadian butter goes to certain Alaska communities.

By Mr. MacInnis:

Q. Is it not a fact butter is still rationed in New Zealand to 5 or 6 ounces? —A. I understand it is still rationed.

Q. In order to meet the British demands?—A. Yes. I hasten to say that I am not expressing any dissatisfaction with their decision. We made inquiries but we did not press them. We said to them "If you have some butter to spare we would like to have it, but if you have not we understand."

Mr. MAYBANK: We were endeavouring to get imports until five or six weeks ago when it became apparent we could not get them?

The WITNESS: You would have to ask the Department of Agriculture and the Dairy Products Board who were doing the discussing.

The CHAIRMAN: If there was a decision to import?

The WITNESS: Yes.

The CHAIRMAN: Which is the important question?

By Mr. Maybank:

Q. Yes, that is what I would like to know. Was there a decision to import as far as you know?—A. All I can say is in the official government statement which I quoted a few minutes ago the government said they were initiating inquiries as to the possibility of augmenting our supplies.

Q. Yes. Had the supply been there then, it would have been worthwhile to go into the question of making a decision one way or the other, but you are not suggesting that a firm decision was made to import if the goods were available?—A. No. The Wartime Prices and Trade Board whose primary interest lies with the consumer, and I emphasize the word primary, did express the view that if there were no imports we might have a very difficult distribution problem during the month of March. There might be a shortage of butter and that would lay the basis for a rather serious black market. So far that situation has not developed. We did express the view very definitely that if the government wished to be sure that there would be adequate supplies of butter at the ceiling price we ought to give very serious thought to augmenting our supplies.

Mr. MONET: Well, Mr. Chairman, those are all the questions that I have at the moment.

The CHAIRMAN: Are there any other questions?

Mr. LESAGE: Yes. I do not know if I should ask this question of Mr. Taylor or of Mr. Singleton.

The CHAIRMAN: Mr. Singleton will be called next.

By Mr. Lesage:

Q. Yes. Well I am looking at table 1, and looking at butter exports. I understand it is a very small quantity each year, but I would like to know what our market for export is?—A. Those exports go almost entirely to Newfoundland and the West Indies. As I said before there are very small quantities that go into Alaska for purely physical and geographical reasons. There are certain places in Alaska which can only be served physically from Canadian sources. These exports are subject to a quota and butter is under export control. No person can export butter without a permit from the Department of Trade and Commerce which department is in turn working in collaboration with the prices board and the Department of Agriculture. The quota called, in 1947, for roughly 3,000,000 pounds. There is one year there where you see an export of 9½ million. That I may say occurred in a crisis, when two butter cargoes from Australia enroute to the U.K. were torpedoed. At the urgent request of the British Government we made available 7 million pounds of butter as an emergency shipment to allow them to hold their 3 ounce ration.

Q. When would that be?—A. The figure is 9·4 millions and normally the figure would be 3½ million.

Mr. MONET: That was in 1943.

The WITNESS: Yes.

Mr. MAYBANK: Because of a sinking.

The WITNESS: They lost two boats, one after another, and were desperately short of butter. To hold the ration we rushed through 7 million pounds.

By Mr. Lesage:

Q. The exports would be mainly to Newfoundland, the West Indies, and Alaska. There is a small part in the State of Maine where it is shipped for Canadian lumbermen?—A. Yes, there are some border points. In one place in British Columbia there is a small point that cuts across the boundary and there are a few hundred acres in there. There is an understanding that the Americans at that point can buy their supplies in Canada. In Maine there are a few little tongues of land where we give service because there are no roads.

Q. Exactly.—A. The figures could be produced, the breakdown, but I would say 95 per cent of that export is to Newfoundland and the West Indies.

By Mr. Maybank:

Q. You were saying the price stayed at about the ceiling level when the ceiling was removed in June, and it stayed like that until about August and September—around that time—and it went up then about 10 cents. You remarked about that time, in looking at the possibility of imports, that Australasian prices seemed to be much lower. What were the Australian prices at that time?—A. My recollection is that had we been able to buy Australasian butter at the price which they were selling to Britain in their bulk contract, it would have laid in here duty paid, somewhere between 45 and 50 cents—in that general range.

Q. Did that condition continue to remain throughout the fall—until the end of the year—or would the price have gone up?—A. My understanding is Australian butter can still be laid in here, if it were available, at something under 50 cents if we bought at the export contract price.

Mr. JOHNSTON: What was our export price to Britain?

The WITNESS: We never exported butter to Britain.

The CHAIRMAN: Oh, yes.

By Mr. Johnston:

Q. You said we did.—A. We exported the 7,000,000 pounds.

Q. Yes, that was butter.—A. I do not know what the price was.

Q. That is the butter I had reference to.—A. That was a very special deal. It was an emergency.

Mr. MAYBANK: They probably got it at our ceiling price.

The WITNESS: I would not know.

The CHAIRMAN: Mr. Maybank in your last question you mentioned Australasian butter and the witness said that it would come in here at 45 cents.

Mr. MAYBANK: Between 45 and 50 cents.

The CHAIRMAN: That was for what period?

Mr. MAYBANK: At that time. I had said if the condition which existed back around August and September had continued to the end of the year, and I think the answer was 45 to 50 cents right up to the end of the year.

The WITNESS: My understanding is they have a fixed price for the year for Australasian butter and that price runs through the whole year. Now I do not know at what price the Australians are selling butter to their own limited free market. It is my understanding they keep a few million pounds to take care of their normal contiguous consumers, Singapore, and Hong Kong—that area up in there—and the Dutch East Indies. I have no idea what the Australians get from that area.

Mr. MERRITT: Mr. Taylor, referring to table 1 of this exhibit, No. 52, I see that in the nine years shown, butter production dropped to its lowest point in 1946, and that there was a steady decline from the year 1943 to 1946 in the total domestic production of butter. In 1947 the figures jumped back to approximately the same level as in 1945. Now can you give the committee a reason for that decline in the over-all production?

The WITNESS: The production of butter will be primarily a function of two factors; price, and climatic conditions. If the breaks of the weather go against you, if your pastures burn up in July or August, all milk production declines and, whatever the price, you are apt to get a lower production of butter. I do not recall the seasonal factors there. I think undoubtedly prices would have something to do with it. In 1947 the producing season has been at a high price level, considerably above the price level of other preceding years.

Mr. MAYBANK: At any rate our production last year was lower than any year since 1939 was it not, except for one year—except for 1946. The figures for the other years are higher than for last year.

The CHAIRMAN: Yes, that is right.

Mr. MAYBANK: In 1946 it is 328 million and in 1937 it is 349 million.

Mr. JOHNSTON: The seasonal factor would run all the way through that.

Mr. MAYBANK: I do not suppose you would remember that? It would hardly seem likely that the climatic conditions—

The WITNESS: The Bureau of Statistics shows on that front page an estimate of the total production of butter. I would not like to cast any doubts on those figures except to say that they include an item which must be subject to very wide margin of error, and that is the production of dairy butter. If I might refer Mr. Maybank to the next page—

Mr. MONET: Table No. 2.

The WITNESS: Yes, table No. 2. I refer to creamery butter figures which are in the first of those seven lines near the bottom. Those figures are in my judgment pretty highly accurate; that is the production of butter in cream factories.

By Mr. Maybank:

Q. Becaues the work of gathering statistics there is relatively simple.—A. Dairy butter is a technical term for farm produced butter which the farmer's

wife churns, some of which is consumed on the farm and some of which is sold. Now I suggest that the dairy butter figure is the best that can be possibly arrived at but there is in it a very large element of estimation.

Q. And those two together are column "A" of Table 1.—A. Yes, and include whey butter, the production of which is very small.

Q. Yes, and in total there are 56¼ million pounds which figure is arrived at, as you say by, a process of estimation to a considerable extent.—A. Yes, and I hasten to add the estimate is as good as it is possible to make but it is subject to a very wide margin of opinion.

Q. But for comparison purposes that situation is the same in each of years reflected on page 52—A. Yes.

Mr. MERRITT: You do not suggest the downward trend there was not in fact a downward trend?

The WITNESS: No, I am just suggesting the general point is confirmed by production of creamery butter. Creamery butter production in 1947 was higher than any year prior to 1943.

Mr. MACINNIS: Is there any possibility, Mr. Taylor, the production in those years—in the years when our war production in the cities and urban centres was increased—that there was a trend from farm production and agricultural production to industrial production?

The WITNESS: From farm to industrial production, yes. And that was accentuated by the fact we did not subsidize dairy butter. We only subsidized creamery butter.

By Mr. Monet:

Q. Would you allow me a question on that point? Would you look at table No. 2 for the years 1942 and 1943, under "creamery butter". There is quite a large difference between the production of creamery butter in 1943 and that production in 1942. At the same time there is quite a reduction of dairy butter between 1943 and 1942. Would you be able to give the reasons for that?—A. I think probably it was because in 1942 we commenced to subsidize creamery butter.

Q. That is right.—A. The other factor maintaining dairy butter would be that dairy butter production produced on the farm and consumed on the farm was not rationed.

Q. This subsidy you have just referred to would be the primary cause of dairy butter being turned into creamery butter in 1943—A. I think so.

Q. And that would perhaps explain the increase in one and the decrease in the other?—A. Yes.

Mr. LESAGE: And also the fact dairy butter produced on the farm was not rationed?

The WITNESS: It was quite legal for the farmer to consume on his own farm anything produced on the farm.

Mr. MCCUBBIN: May I suggest that perhaps the trend of the fluid milk trade to other forms—powdered milk, and condensed milk—resulted in that milk being drawn away from butter?

The WITNESS: Yes, and I would say this. I think it was a matter of conscious policy to hold butter production. I would not say hold it down, but to emphasize the production of cheese. Cheese was a munition of war in a very real sense of the term. It was a commodity which the British were pressing us for, and which they could never get too much of from Canada. Throughout the war years the policy of the government was to give cheese an edge, so to speak. Secondly the consumer subsidy on milk, fluid milk, together with the buoyant

purchasing power in urban areas did draw off a great deal more milk into the fluid milk market, and it was the government policy as I understood it, that the requirements of fluid milk had to be met. We tried to maximize our cheese production, but just produced enough butter to get by.

By Mr. Merritt:

Q. What is the present situation with regard to cheese? Is it still government policy to emphasize the production of cheese?—A. I mentioned a moment ago in stating the government policy in January that it deliberately gave a slight edge to butter production.

Q. A slight edge to butter production—you are referring to the present ceiling which we have now—A. Yes.

Q. What would have been the case up until the time ceilings were taken off in 1947? The reverse would have been true?—A. Yes, the cheese price in 1947 was 25 cents. The butter price up to the 1st of May was 48½ cents, to the producer—40 cents to the consumer with an 8½ cent subsidy. Then on the 1st of May the ceiling was raised to 50 cents, which was exactly double the cheese price, so that if anything in the 1947 season there was a slight edge given to cheese rather to butter until June.

Mr. McCUBBIN: A little while ago, Mr. Taylor, you mentioned in the setting of this ceiling on butter a small edge was given to butter over cheese. Is that a fair statement to make?

The WITNESS: Well as I recall the discussions as to whether the ceiling should be 65 cents, 66, 67, or 68 cents, and that was the range of discussion in the last few weeks before the ceiling was finally settled, we leaned towards the high side of that range for the reason that it was desired to give just a little edge to butter.

By Mr. Merritt:

Q. Is it a fair statement, then, Mr. Taylor, the price at which butter sells has probably a greater immediate effect upon its domestic production than other conditions?—A. I would not go quite that far. All I can say would be that during the winter season no matter how high you put the price there is a definite limit to the volume of production you can get, because biological and natural forces are at work there. There are only so many cows that are still in milk. The higher price is to encourage more feeding of concentrates and to get that extra three or four weeks production out of a cow before it goes dry.

Mr. Maybank took the chair.

By Mr. Merritt:

Q. When we find these figures showing the reduction in production on table 1 down to the year 1946, I am reminded of something. I do not know this of my own knowledge but I am told that dairy cattle are being exported to the United States in quite large numbers, and there has been quite a movement in that direction over the past few years. Have you followed the trend of export of dairy cattel and it possible relationship to the production of dairy products and butter?—A. Yes, I have not got the figures with me, Colonel Merritt, but we used to watch those figures very closely. The export of pure-bred dairy cattle has never been under embargo. It is a normal trade that has been going on for a generation or more. It never amounted to very large figures. It is true that in certain years during the war the number exported was double, or more than double the preceding period, but the grand total never exceeded more than a very few tens of thousands of dairy cattle. Mr. Singleton may have the exact figures with him, I do not know. Twenty thousand or thirty thousand head would be a very normal volume of trade.

Q. In what period?—A. In a year. I think the figure crossed sixty thousand in one year but is nothing compared to the number of dairy cattle being milked, some 2,500,000. Percentagewise it is a very small proportion. There are dairy farmers in this area, right around Ottawa for example, whose business is in part set up deliberately to export dairy cattle to New York state. They run dairy farms but they count on selling 2 or 3 or half a dozen head to American buyers. That has been going on for a generation or more.

Q. I noticed in a report which we got over the week-end, the Weekly Marketing Statistics, and I was just reading it this morning, that since the first of this year the export of dairy cattle has been double that of last year, the comparable period. Would you have any comment to make upon that possibility, and the relationship to dairy prices of that movement?—A. No, you are getting me into a field where I can express what I might conversationally call opinions, but I do not think they would be very helpful. I know during the war years exports were higher than for other years, in some cases double. Any figures for say the first two months of this year I would think would have very little significance. My recollection, and I speak subject to correction, is that it would be 60 to 70 thousand in the peak export year and the normal export would run around 25 to 30 thousand.

Q. Well now you said this somewhere I think, that the National Dairy Council, who met you on the 2nd of December, feared there would be a shortage of as much as 12,000,000 pounds unless imports could be arranged, and when you discussed with them a ceiling price of 60 or 62 cents the opinion was expressed that without imports a large black market would appear. Is that a summary of what you said earlier? The question I wanted to ask you is this: When you came to your price ceiling in January of this year is it a fair statement to say that the ceilings were reimposed not because of any fear that there had been hoarding or profiteering which had caused a rise in prices but because of what we might call the supply situation, the over-all supply and demand including lack of imports. Is that a correct statement?—A. That is a pretty fair paraphrase. I might add this, that we could not but be aware that there was a very big increase in price between the June and July price and the prevailing price; and that persons in the butter trade who bought butter in those summer months for winter sales and storage programs would experience a not inconsiderable profit. We were satisfied that there had been no rigging of the market, that the market had not been forced up by an malvelent machinations.

Q. So really you reimposed the ceiling because of what you feared in the future rather than what had happened in the past; is that a fair statement?—A. Yes. The trade was getting—hysterical is probably too strong a word—was getting definitely panicky about the possible shortage. I believe I referred in the opening sessions of this committee to the fact that people in the trade who were short of butter and who had not covered themselves were buying actively, and that bidding for butter would in my judgment be as much or more of an influence in driving prices up than any deliberate holding back working on the supply side.

Q. What total imports of butter would you have thought would have obviated the necessity for reimposing the ceiling?—A. The figure we mentioned was around 10,000,000 pounds.

Q. 10,000,000 pounds you thought would have been necessary?—A. That was what we thought if it was available.

By Mr. MacInnis:

Q. Would not the possibility of a rise in price tend to hold back supply? —A. That could be an influence, of course; we were not aware of any deliberate holding back in the trade. We discussed the matter and we simply had the feeling that they were following their normal policy of taking care of their

customers, putting in enough butter to take care of their normal volume of business.

Q. I think I am right in saying that after the ceilings were imposed, the imposition of the ceilings was followed by freer movement of butter in the market; do you remember that?—A. No, I did not see that.

The VICE-CHAIRMAN: May I just interject one question? I was noticing these figures of storage—on page 3 of Exhibit 52; I think just glancing at them it would appear at a glance that the increment going into storage in August and again in September and again in October, would be about the same as in 1947—as in a couple of years, maybe more than a couple of years preceding that. Just at a glance it would appear that there was not any more being produced at that time, at the time of that 10-cent increase, than had been the case in other years.

The WITNESS: The figures which perhaps give an equally striking demonstration appear in the following table, Table 4, under the heading of "Disappearance of Butter". That indicates the consumption, and there was a movement of butter, a disappearance, obviously going on from year to year—

The VICE-CHAIRMAN: Yes.

The WITNESS: And it indicates that for the months from June on there was more going into consumption, considerably more than in the same month the preceding years.

The VICE-CHAIRMAN: Yes.

The WITNESS: You will recall that the rationing came off in June, prior to June butter was on coupon ration.

By Mr. McCubbin:

Q. May I go back again, Mr. Taylor, to cheese and what you said about butter having a little edge over cheese the cheese price being set at 33 cents; that to me looks like a 33-cent floor where butter would sell at a 67-cent ceiling. Now, would it be fair to the farmer if you set a ceiling at 67 cents during the winter months; I suggest, that to be fair to the producer, he certainly would not have any edge over cheese, and at times of high production during the summer if that ceiling were to be left there and no more authorized for production—would you care to express an opinion that in the interests of the butter producer a floor should be set protecting him during the time of high production the same as on cheese?—A. I would not like to enter on that field. The floor price policy is governed by an act of parliament on the advice of the Minister of Agriculture.

Mr. JOHNSTON: Do you think it is a good one?

Mr. MCCUBBIN: I was just following up what you said with respect to the setting of the price.

The WITNESS: I assume, Mr. McCubbin, that what you are pointing out is that we are operating a ceiling price on butter which is a little more than double the floor price on cheese?

Mr. MCCUBBIN: That is right.

The WITNESS: And it is true that it may be that cheese will trade at a higher level than 33 cents for at least a part of the season. It did last year with a floor at 25 cents—cheese was being sold at 26½ and 27 and 27¼ cents for a good part of the year.

Mr. MCCUBBIN: Yes, then of course butter has only one way to go, it has to go down. Should not the same protection be given to it?

The VICE-CHAIRMAN: Would you have a floor price on cheese and a floor price on butter?

Mr. MCCUBBIN: Oh, no, no; nothing to do whatever with butter.

The VICE-CHAIRMAN: I understand that the evidence is that if you have a certain price on cheese you have got to have a certain price on butter, that there is a ratio always between cheese and butter.

Mr. MCCUBBIN: But wasn't that during the wintertime?

Mr. HARKNESS: A lot of people cannot change from butter to cheese overnight.

The VICE-CHAIRMAN: No, not overnight.

Mr. MACINNIS: I think Mr. McCubbin is trying to convince the wrong person, he should apply himself to the Minister of Agriculture.

The VICE-CHAIRMAN: So far Mr. McCubbin has only been asking questions, whatever they may have had of personal belief in them at the moment does not matter; I think it is all right for him to go on. Did you have some further questions, Mr. McCubbin?

Mr. MCCUBBIN: Yes.

By Mr. McCubbin:

Q. It may be that Mr. Taylor cannot answer this, but if he cannot I will ask somebody else, it will be all right with me. How many years back has there been a change in the butter position in the wintertime, has there been a shortage? I appreciate that that is a very broad question.—A. The most serious shortage was the winter of 1942-43. That is when we introduced butter rationing. My personal recollection goes back to the winter of 1937-38 when butter had been selling around 25 cents in the summertime, and it went to 37 cents, it even went over 40 cents; and I have a personal recollection of housewives' organizations carrying placards around protesting against the price that winter.

Q. And you mentioned something about a black market if these are not maintained, I think you referred to Montreal?—A. Yes.

Q. Is there any black market in Montreal right now?—A. We are not aware of any, of any significance. We do have the usual run of prosecutions going through the mill now, butter being sold at 75 cents. We are not aware of any black market. I think one evdence of that is that butter is selling below rather than above the ceiling.

Q. May I suggest to you that I have been told on good authority within the last 10 days that butter has been offered to certain people in Ottawa here at 85 cents per pound; have you any knowledge of that?—A. No.

Mr. MONET: That would be retail?

Mr. MCCUBBIN: Yes, I was talking about retail.

The VICE-CHAIRMAN: What is the spread for Ottawa?

The WITNESS: The ceiling price of butter in Ottawa for example, is—the maximum price is 74 cents. I do not think anybody could charge higher than 74 cents. Our ceiling price is based upon the normal mark-up during the December period, and my understanding is that the chain stores in Ottawa have a legal ceiling of 71 cents—it depends on what the normal mark-up was; and butter is being sold pretty freely at 69 cents a pound. I know we bought it at that last Saturday afternoon.

By Mr. McCubbin:

Q. I am just saying they are offering, I am not saying they are selling or that anybody has bought, but I am told they are offering butter in Montreal at 85 cents.—A. Even to offer to sell is an offence. There is undoubtedly going to be a number of spotty shortages of butter over the next few weeks. I have information of one or two places in the country where butter is not available. May I make this point, we have been agreeably surprised at the way the ceiling

price has held and the way distribution has been maintained during the past few months. We expected by the 1st of March to be in difficulties but on the whole it is going pretty well and another three or four weeks' time you will be getting out of the problem, production will start coming up, it will pick up in March and April and by May you will be pretty well clear of any shortage.

Mr. LESAGE: What would be the correct situation as far as stocks are concerned, supplies?

The WITNESS: The March figures have come out since this table was prepared, Mr. Lesage. I just jotted the figures down here. The stocks on hand the 1st of March—this is comparable to the 31·7 for February—stocks are down to 18·8 million pounds. That is a stock on hand as of the 1st of March.

Mr. LESAGE: Do you consider that sufficient to carry us up until new production comes in?

The WITNESS: Let me make this very rough calculation: Take roughly 19,000,000 round figures the 1st of March; average March production should be in the neighbourhood of 12,000,000 pounds—

Mr. MCCUBBIN: Do you not think it will be up this year?

The WITNESS: I was using the same as last year—gives you a supply of 31,000,000 pounds available during the month of March. If March consumption is the same it will be about 20,000,000 to 21,000,000; and we should have a stock on hand in storage on the 1st of April of around 10,000,000 to 11,000,000 pounds.

Mr. LESAGE: But we must keep in mind that not only is March production low, lower than the preceding month, but production for April will not be very high.

The WITNESS: Usually in April production and consumption pretty well balance. That depends on whether you get an early season, you may have greater production from an early season, while if you have a backward season you may have lower production in April; but on the average year in and year out April production and April consumption are pretty much in balance.

Mr. LESAGE: So there is no reason to believe or expect any great difficulty this year?

The WITNESS: Well, I would like to think so, and I would like to remind you that as your production increases you get more than half your production in the last half of the month. That applies to creamery butter also. You may have to wait 10 days for a creamery to accumulate sufficient butter to have a carload to ship, you may have to wait that long for your April butter to reach the market, that might be the early part of May. When it comes from the west you have to allow for 10 to 12 days in transit, even when the creamery is running at a fair level you may have to wait 5, 6 or even 10 to 15 days before your creamery butter shows up in the market. They cannot ship butter l.c.l., they wait for a carload lot.

The VICE-CHAIRMAN: Mr. Lesage, I was going to say I think possibly I have been unfair to Mr. Merritt, he was going to ask a question following Mr. McCubbin.

Mr. MCCUBBIN: I have not finished, Mr. Chairman.

The VICE-CHAIRMAN: If you will continue then, Mr. McCubbin, it is all right; I should not have allowed Mr. Lesage to interject, Mr. Merritt had priority over him.

Mr. MERRITT: I don't mind, Mr. Chairman, they want to follow this up, my own was on a different point.

The VICE-CHAIRMAN: Oh well then, we probably better let them go on.

Mr. McCUBBIN: I just want to ask one more question, Mr. Chairman. With the price of butter fat at 73 to 74 cents to the farmers do you think it will not tend to encourage production of butter in March and April?

The WITNESS: I hope so. They have had the same price more or less for the last couple of months, three months now, and production in November was very good, it was about the same; December was down about 1,000,000 pounds; and January was down 1,000,000 pounds.

Mr. JOHNSTON: Relatively it is almost the same in volume of production.

The WITNESS: February was down a half million pounds. I would assume that March production would be the same as last year, which would mean in itself a relative improvement because for the last three months we have been running 1,000,000 pounds roughly below last year.

Mr. WINTERS: According to Table 2, here, it would appear to be down for November and December.

Mr. MONET: Table 2, does not give us the figures for January or February.

The VICE-CHAIRMAN: But we have them for November and December, which is the point Mr. Winters was making.

Mr. JOHNSTON: And it shows a material drop.

Mr. WITNESS: I beg your pardon; those figures from December are the same as last year.

Mr. WINTERS: And it would appear that November was a little better.

The WITNESS: November was a little better. My eyes jumped the column in looking at that. In January we were down, production in January was 9·8 million.

Mr. MONET: Is that January of 1947 or 1948?

The WITNESS: 1947 was 9·8 million.

The VICE-CHAIRMAN: 9·8 million what?

Mr. LESAGE: Million pounds.

The VICE-CHAIRMAN: Yes, but I thought you said down.

The WITNESS: In January of 1948.

Mr. McCUBBIN: Would you check 1948, Mr. Taylor?

The WITNESS: 9·8 million is the figure I have in my notes.

Mr. LESAGE: Your 1947 figure 9·8 million—the figure we have in Table 2 is 14 million.

Mr. McCUBBIN: For January.

Mr. LESAGE: That is for January of 1947; he says it is 9·8 for 1947, there seems to be some question there.

The WITNESS: I beg your pardon.

Mr. McCUBBIN: We are asking the same question and I suggest we should have the same quantity indicated by Mr. Taylor in his answer.

The VICE-CHAIRMAN: That may be, but Mr. Taylor has given the same answer, or is just going to answer it. That is the point which I think we had better have cleared up.

Mr. MONET: I think the difference comes this way, if you look at Table 2, the total of creamery butter is 290,841 pounds; the sum total, 349,000 pounds, but that includes creamery butter, dairy butter and whey butter, and the figures you have for January would be taken out of these figures. The 12-month total shown there of 349,000 pounds includes creamery, dairy and whey butter.

Mr. McCUBBIN: What we are trying to get is the figure for January of 1948.

Mr. MONET: I do not think you have it in this D.B.S. statement, this is the grand total of creamery butter and whey butter.

The VICE-CHAIRMAN: Yes. We need to know the January, 1948 figure anyway.

Mr. JOHNSTON: I see down here it gives the different types of production.

Mr. MONET: That is right.

Mr. JOHNSTON: So that would not have any bearing on what Mr. McCubbin was pointing out.

Mr. MCCUBBIN: The 14,000,000 in January, 1947 does include creamery, dairy and whey butter?

The VICE-CHAIRMAN: That is right.

Mr. MCCUBBIN: We have no breakdown for the creamery butter as such for that month?

The VICE-CHAIRMAN: No.

Mr. MCCUBBIN: Have you got the 1948 total?

Mr. MONET: No, we have'nt got the 1948 figures yet.

Mr. LESAGE: On that point, we were speaking about production; I wondered if a correction should not be made? You said a few minutes ago that you were working out the percentage of the March production to the 12,000,000 pounds, and I think you said that you were basing your figures on the 1947 increase?

The WITNESS: Yes.

Mr. LESAGE: And the 1947 figure which we have on the table here for the production of butter in March of 1947 is 17,000,000.

Mr. MONET: Mr. Lesage, I do not like to interrupt you, but I think the witness said that he was talking about creamery butter only; is that true?

The WITNESS: Yes.

By Mr. Lesage:

Q. But creamery and dairy butter both go into consumption?—A. I think you will find that the storage stocks will be almost entirely creamery, there is little dairy butter.

Q. I see.—A. Very little dairy butter goes into storage, and all our forecasting and discussions are based on the creamery butter picture.

Q. So your figure of 21,000,000 pounds is on creamery butter?—A. Yes.

Mr. MONET: I think, Mr. Lesage, that we have been speaking only of creamery butter all the time because, as Mr. Taylor said, there is very little dairy butter entering the storage picture.

By Mr. Lesage:

Q. It is not all creamery?—A. What I was saying is this, my guess is that when the April figures become available they will show storage stocks around about 10,000,000 to 11,000,000 pounds—it may be 1,000,000 more or 1,000,000 less; in other words, we will not be too badly off. We always took the view during the war with regard to our reserves of butter and butter disappearance that when you drop 10,000,000 pounds in that month you always were facing trouble and you found certain areas short of butter.

Q. But you have no reason to expect any large scale black market?—A. I think not. We have a little bit of it now. As I said before, we have a few prosecutions underway now for infractions of the ceiling regulations.

Q. On a large scale?

The VICE-CHAIRMAN: It is your turn, Mr. Merritt.

Mr. JOHNSTON: It is 1 o'clock.

The VICE-CHAIRMAN: No, it is 12.55.

By Mr. Merritt:

Q. Mr. Taylor I just have one or two short questions. When you were with us on February 12th you said you had no evidence that there was manipulation of the market and no reason to suppose there would be up to that time?—A. Right.

Q. Is your answer a month later the same? Have you had any evidence since you were here before, of hoarding or attempts at profiteering in the butter market?—A. No. I said "no" apart from a limited number of isolated cases of 74 and 75 cent prices being charged in retail stores. We have some prosecutions in the mill for selling over the ceiling.

Q. Yes, but of black market operations at the present time you have no evidence? There are no people trying to accumulate stocks in case the ceiling comes off—A. No.

Mr. JOHNSTON: Have you investigated to be sure of that?

The WITNESS: No, we were aware the secretariat of this committee was calling for all butter stocks and we have not duplicated the work of the secretariat here.

By Mr. Merritt:

Q. And I asked the question—if you had heard of anything like—that because I thought it would be a good thing for us to follow up if you had?—A. I would say my answer a month ago would hold today.

Q. When you were here a month ago you said in answer to a question at page 85—it was a question by Mr. Irvine, "Did your board ever try to make an estimate of what was a just and fair price on butter and how you would allocate that just and fair price, first to the producer and then the wholesaler and then the retailer? How would you arrive at that? Have you any system of figures for that?" Your answer to that question is "No, the primary price, which I call the Montreal wholesale solids price which is really what the producer gets, by and large, was always discussed with our advisory committee of producers, who were representatives of the dairy farmers' federation."

Do I understand that the Montreal wholesale price is the actual price that goes to the producer of butter?—A. Well the farmer produces butterfat.

Q. Yes.—A. He sells that butterfat to the creamery. The price for butterfat is always a certain percentage over the Montreal solids price because you produce something of the order of 115 to 120 pounds of butter out of 100 pounds of pure butterfat. The butterfat price is always higher than the butter price.

Q. Yes?—A. Then it is my general impression that the competition between the creameries and so on is such that, by and large, the producer gets the full value reflected back from the Montreal price. In some cases he gets a little higher than that, and some cases perhaps a little lower.

Q. When you fixed the price, I have forgotten whether it is 67 or 69 cents on the Montreal market, and you would know that, did you follow that back to divide that 67 or 69 cents between the creamery and the farmer, the butterfat producer?—A. No.

The VICE-CHAIRMAN: Do you mean in the fixing of the 67 cent price?

Mr. MERRITT: Yes.

The WITNESS: No, there is no ceiling on butterfat and there is a maximum price at which the creamery sells. That is 67 cents, Montreal basis. It is on the Montreal basis because the creameries are all over the country and the level of maximum price for the creamery is adjusted on freight rates in our order. I am sorry I have not got the order with me but we have a maximum price in each province. It is a maximum price at which the creamery can sell. There is a $\frac{1}{4}$ of a cent booker's margin and then there is the wholesale margin

which includes an allowance for printing,—that is cutting it up in 1 pound blocks and putting it in a wrapper.

The VICE-CHAIRMAN: Well it is 1 o'clock.

Mr. MONET: In connection with the order, No. 2468, I am informed that there has been an amendment and the copy which we have here is not complete. I would suggest that we leave the filling of this order until 4 o'clock when amended copies will be available for all the members of the committee.

The meeting adjourned to meet again this afternoon at 4.00 o'clock.

AFTERNOON SESSION

The meeting resumed at 4.00 p.m.

The CHAIRMAN: The meeting will come to order.

Mr. MONET: Mr. Chairman, before the first witness is called, Mr. Taylor, I would like to file as exhibit No. 54 administrator's order No. A-2468, asked for at the end of this morning's session. I have a copy for each member of the committee. It will also include administrator's order No. A-2485 which is the amendment.

EXHIBIT No. 54—Administrator's Order No. A-2485.

EXHIBIT 54

WARTIME PRICES AND TRADE BOARD

Administrator's Order No. A-2468

MAXIMUM PRICES OF BUTTER

Under powers given by the Wartime Prices and Trade Board to the Co-ordinator, Foods Administration, it is hereby ordered as follows:

PART I—INTRODUCTION

Effective Date

1. This Order comes into force on January 19, 1948, and fixes maximum prices for creamery, whey and dairy butter.

Prices Fixed are Maximum Prices

2. All prices fixed by this Order are maximum prices and must not be exceeded. Except as otherwise specifically provided in this Order, no charge may be made for a container or for packing, handling or any other service which results in the sum of the price and the charge for the container, packing, handling and/or service exceeding the maximum price.

Additional Payments and Considerations are Part of the Price

3. (1) Any consideration, money or money's worth given or paid by the buyer to any person in connection with the purchase of any butter or received by the seller from any person in connection with the sale of any butter shall constitute part of the price of such butter.

(2) This Section shall not apply to any brokerage, commission or other charges paid by a manufacturer to a broker under the provisions of Section 7.

Definitions

4. For the purposes of this Order

(*a*) "broker" means any person who acts as agent between sellers and buyers on a commission basis;

(*b*) "consumer" means a person who buys butter for his personal or household use;

(*c*) "creamery butter" and "dairy butter" means, respectively, creamery butter and dairy butter as defined and described in Section 2 of Part I of the Dairy Industry Act;

(*d*) "first grade", "second grade", "third grade" and "below third grade" means, respectively, creamery butter conforming to the standards for such grades of creamery butter set forth in the Regulations issued under Part II of the Dairy Industry Act;

(*e*) "manufacturer" means any person in Canada making creamery and whey butter for sale;

(*f*) "prints" means packages of butter of the net weight of one-quarter (¼) pound, one-half (½) pound, one (1) pound, or multiples of one (1) pound;

(*g*) "primary producer" means any person who makes dairy butter;

(*h*) "solids" means butter solidly packed in boxes containing a net weight of approximately 56 pounds;

(*i*) "whey butter" means butter which is manufactured from whey and "whey" means the product remaining after removal of the greater part of fat and casein from milk in the process of cheese making;

(*j*) "wholesale distributor" means any person other than a manufacturer or a primary producer, who sells butter otherwise than at retail;

(*k*) "wholesale buyer" means, in respect of any manufacturer or wholesale distributor,

(i) any person why buys creamery butter from that supplier in carload lots; or

(ii) any person who during the basic period customarily bought creamery butter from that supplier at the same prices as wholesale distributors customarily bought creamery butter from that supplier during that period; or

(iii) any retailer who during the basic period customarily bought creamery butter from that supplier at prices less than those at which during that period other retailers customarily bought creamery butter from that supplier; or

(iv) any person designated by the Co-ordinator, Foods Administration;

(*l*) "sell" includes offer to sell and "buy" includes offer to buy.

Part II—Sales of Creamery Butter

Sales by Manufacturers to Persons Other than Consumers

5. The maximum price per pound at which a manufacturer may sell any creamery butter in solids or prints to any person other than a consumer shall be the price for the same set forth in Schedule A hereto according to the class of buyer, the grade of the butter and the province in which it is delivered to the buyer, plus 1 cent per pound if the butter in prints is packed in individual consumer style cartons and plus 1½ cents per pound if the butter is unsalted.

Sales by Manufacturers to Consumers

6. The maximum price per pound at which a manufacturer may, during any week, sell any creamery butter to a consumer shall be the sum of the following:

(*a*) an amount equal to the actual price at which, during that week, the manufacturer sells such creamery butter to persons other than manufacturers, wholesale distributors, wholesale buyers and consumers; and

(*b*) a mark-up not exceeding the mark-up customarily obtained by him during the basic period on sales of creamery butter to consumers but not in any event exceeding 3½ cents per pound.

provided, however, that his selling price shall not in any event exceed an amount equal to the maximum price per pound at which he may sell that butter under the provisions of Section 5 to a person other than a manufacturer, wholsale distributor and wholesale buyer, plus a mark-up in accordance with clause (*b*) preceding.

Brokerage Charges

7. If a manufacturer sells any creamery butter through a broker to another manufacturer, to a wholesale distributor or to a wholesale buyer, he may in addition to the maximum price applicable to that sale fixed by this Order, charge the buyer with the brokerage, commission or other charge paid by him to the broker or ¼ of a cent per pound, whichever amount is the lesser.

Manufacturers' Maximum Prices Include Delivery Except as Specified

8. The maximum prices fixed by Section 5 on sales to manufacturers, wholesale distributors and wholesale buyers include delivery to the buyer's place of business or, if delivery is by railway, to the railway station nearest to his place of business. The maximum price as fixed by Section 5 on sales to buyers other than manufacturers, wholesale distributors and wholesale buyers includes delivery to the buyer's place of business if it is situated within manufacturer's customary free delivery zone. In all other cases the maximum prices fixed by Section 5 are f.o.b. the seller's place of business.

Sales by Wholesale Distributors

9. The maximum price per pound at which a wholesale distributor may sell any creamery butter to any person shall be the price for the same set forth in Schedule B hereto, according to the class of buyer, the grade of the butter and the province in which the wholesale distributor's place of business is situated plus 1 cent per pound if the butter in prints is packed in individual consumer style cartons and plus 1½ cents per pound if the butter is unsalted.

Wholesale Distributors' Maximum Prices Include Delivery Except as Specified

10. The maximum prices fixed by Section 9 include delivery when the buyer's place of business is situated within the wholesale distributor's customary free delivery zone. In all other cases the maximum prices fixed by Section 9 are f.o.b. the seller's place of business.

Sales by Retailers

11. The maximum price at which any person, other than a manufacturer may sell any creamery butter at retail shall be the sum of the following:

(*a*) an amount equal to the maximum price at which the butter may be sold to him by his supplier as fixed by this Order;

(*b*) if his supplier is not required to deliver free to him, the actual amount not exceeding the common carrier freight rate, paid by him in transporting the butter from his supplier's shipping point to the city, town or village in which he has his place of business;

(*c*) one cent per pound if he sells in prints any creamery butter purchased by him in solids;

(*d*) one cent per pound if he packages the butter in individual consumer style cartons; and

(*e*) a markup not exceeding the markup amount customarily obtained by him during the basic period on sales of creamery butter but not in any event exceeding 3½ cents per pound.

Part III—Sales of Whey Butter

Sales by Manufacturers

12. The maximum price per pound at which a manufacturers may sell whey butter in soilds or prints to a buyer in any province shall be the price set forth for that province and class of buyer, as follows:

(*a*) on sales to wholesale distributors;

	Alberta Manitoba Saskatchewan	Ontario Quebec British Columbia	Prince Edward Island New Brunswick Nova Scotia
for solids	63c	65c	66c
for prints	64c	66c	67c

(*b*) on sales to retailers

	Alberta Manitoba Saskatchewan	Ontario Quebec British Columbia	Prince Edward Island New Brunswick Nova Scotia
for solids	65c	67c	68c
for prints	66c	68c	69c

(*c*) on sales to consumers

for solids	68c	70c	71c
for prints	69c	71c	72c

Sales by Wholesale Distributors

13. The maximum price per pound at which a wholesale distributor may sell otherwise than at retail any whey butter in solids or prints in any province shall be the price set forth for that province as follows:

	Alberta Manitoba Saskatchewan	Ontario Quebec British Columbia	Prince Edward Island New Brunswick Nova Scotia
for solids	65c	67c	68c
for prints	66c	68c	69c

14. The maximum prices fixed by Sections 12 and 13 include any brokerage, commission or other charge paid by the seller or the buyer to a broker on any sale of whey butter and such prices shall be f.o.b. the buyer's receiving point according to the established customs between the seller and the buyer; and in the case of sales to a buyer to whom the seller has not previously sold, such prices shall be f.o.b. that buyer's place of business or, if delivery is by railway, f.o.b. the railway station nearest to the buyer's place of business.

Sales by Retailers

15. The maximum price per pound at which a retailer may sell any whey butter in solids or prints to a consumer in any province shall be the price set forth for that province, as follows:

	Alberta Manitoba Saskatchewan	Ontario Quebec British Columbia	Prince Edward Island New Brunswick Nova Scotia
for solids	68c	70c	71c
for prints	69c	71c	72c

Part IV—Sales of Dairy Butter

Sales by Primary Producers

16. The maximum price per pound at which any primary producer of dairy butter may sell any dairy butter in solids or prints delivered to a buyer in any province shall be the price set forth for that province as follows:

(*a*) on sales to wholesale distributors,

British Columbia	Alberta Manitoba	Saskatchewan	Ontario Quebec	Prince Ed. Island Nova Scotia New Brunswick
66½c	65c	64½c	67c	68c

(*b*) on sales to retailers,

British Columbia	Alberta Manitoba	Saskatchewan	Ontario Quebec	Prince Ed. Island Nova Scotia New Brunswick
68c	66½c	66c	68½c	69½c

(*c*) on sales to consumers,

British Columbia	Alberta Manitoba	Saskatchewan	Ontario Quebec	Prince Ed. Island Nova Scotia New Brunswick
71c	69c	69c	71c	73c

Sales by Wholesale Distributors

17. The maximum price per pound at which any wholesale distributor may sell otherwise than at retail any dairy butter in solids or prints delivered to a buyer in any province shall be the price set forth for that province, as follows:

British Columbia	Alberta Manitoba	Saskatchewan	Ontario Quebec	Prince Ed. Island Nova Scotia New Brunswick
68c	66½c	66c	68½c	69½c

18. The maximum prices fixed by Sections 16 and 17 include any brokerage, commission or other charge paid by the seller or the buyer to a broker on any sale of dairy butter and such prices shall be f.o.b. the buyer's receiving point according to the established custom between the seller and the buyer; and in the case of sales to a buyer to whom the seller has not previously sold, such prices shall be f.o.b. that buyer's place of business or, if delivery is by railway, f.o.b. the railway station nearest to the buyer's place of business.

Sales by Retailers

19. The maximum price per pound at which any retailer may sell at retail any dairy butter in solids or prints delivered to a buyer in any province shall be the price set forth for that province, as follows:

British Columbia	Alberta Manitoba	Saskatchewan	Ontario Quebec	Prince Ed. Island Nova Scotia New Brunswick
71c	69c	69c	71c	73c

PART V—GENERAL PROVISIONS AND RECORDS OF SALES AND PURCHASES

Sales from the Central and Western Provinces to the Maritimes

20. Notwithstanding anything contained in this Order, the maximum price at which any manufacturer or wholesale distributor in any province other than Nova Scotia, New Brunswick or Prince Edward Island may sell any creamery butter to any person in Nova Scotia, New Brunswick or Prince Edward Island shall be an amount equal to the maximum price at which he could sell that butter to the same class of buyer in Ontario and Quebec PLUS the difference between the through freight rate on the quantity sold from the shipping point to the buyer's receiving point and the through freight rate from the shipping point to Montreal.

Restrictions on Buying Prices

21. No person shall buy any butter at a price which exceeds the maximum price at which that butter may be sold to him by his supplier.

Sales Invoices

22. (1) Every manufacturer and wholesale distributor shall on every sale of butter, furnish the buyer at the time of delivery to him with an invoice showing the following:

(*a*) the name and identifying address of the seller and the buyer and the date of sale;

(*b*) the kind of butter sold and if creamery butter, the grade, and whether it is in solids or prints; and

(*c*) the quantity sold and the price per pound charged.

(2) Every seller shall retain a duplicate copy of each invoice furnished by him as required by this Section.

Records of Purchases

23. (1) Every person who buys any butter for resale shall at the time of delivery of such product to him, obtain from his supplier an invoice completed in accordance with the provisions of subsection (1) of Section 22 covering that transaction.

(2) Every person who buys any butter for resale, shall, at the time of delivery of the product to him, obtain a receipted bill covering any amount paid by him for the transportation of the product.

Retention and Inspection of Invoices and Transportation Receipts

24. Every duplicate copy of an invoice which a seller is required by this Order to make and keep and every invoice and transportation bill or receipt which a person who buys butter for resale obtains, shall be kept by him available for inspection by any authorized representative of the Board, at any time within twelve months of the date of the transaction to which it relates.

Retail Sales Slips

25. Every person who sells any butter at retail shall, upon request of the buyer, furnish him with an invoice or sales slip showing the date of sale, the seller's name and address, the kind and the weight of the butter sold and the price per pound charged.

Dated at Ottawa, this 16th day of January, 1948.

F. S. GRISDALE,
Co-Ordinator, Foods Administration.

Approved:

K. W. TAYLOR,
Chairman, Wartime Prices and Trade Board.

SCHEDULE "A" TO ADMINISTRATOR'S ORDER NO. A-2468

MAXIMUM PRICES FOR SALES OF CREAMERY BUTTER BY MANUFACTURERS TO ALL BUYERS EXCEPT CONSUMERS

(cents per pound)

Province in which the Buyer's place of business is situated:		P.E.I. N.S., N.B.		Ontario Quebec		Manitoba		Saskatchewan		Alberta		British Columbia	
Class of Buyer	Grade	Solid	Prints	Solid	Prints	Solid	Prints	Solid	Prints	Solid	Prints	Solid	Prints
Manufacturers, Wholesale Distributors and Wholesale Buyers.	First Grade	68	69	67	68	65	66	64½	65¼	64¾	65¾	66¼	67¼
	Second Grade	67	68	66	67	64	65	63¼	64¼	63¾	64¾	65¼	66¼
	Third Grade	66	67	65	66	63	64	62¼	63¼	62¾	63¾	64¼	65¼
	Below Third Grade	65	66	64	65	62	63	61¼	62¼	61¾	62¾	63¼	64¼
All other Buyers except Consumers	First Grade	69¼	70¼	68¼	69¼	66¼	67¼	65½	66½	66	67	67½	68½
	Second Grade	68¼	69¼	67¼	68¼	65¼	66¼	64½	65½	65	66	66½	67½
	Third Grade	67¼	68¼	66¼	67¼	64¼	65¼	63½	64½	64	65	65½	66½
	Below Third Grade	66¼	67¼	65¼	66¼	63¼	64¼	62½	63½	63	64	64½	65½

Notes to Schedule "A" to Administrator's Order No. A-2468.

1. Maximum prices listed in this Schedule for sales to manufacturers, wholesale distributors and wholesale buyers include delivery to the buyer's place of business or, if delivery is by railway to the railway station nearest to his place of business. To any other buyer, they include delivery to the buyer's place of business if it is within the manufacturer's customary free delivery zone.—See Section 8.
2. Add actual brokerage charges paid not exceeding ¼ cent per pound if the butter is sold through a broker to a manufacturer, wholesale distributor or wholesae buyer—See Section 7.
3. Add 1½ cents per pound to price listed if the butter is unsalted—See Section 5.
4. Add 1 cent per pound to price list if the butter in prints is sold in individual consumer style cartons—See Section 5.
5. See Section 20 for limitation in price on shipment to the Maritime Provinces from other Provinces.

SCHEDULE "B" TO ADMINISTRATOR'S ORDER NO. A-2468

Maximum Prices for Sales of Creamery Butter by Wholesale Distributors

(cents per pound)

Province in which the Buyer's place of business is situated:		P.E.I. N.S., N.B.		Ontario Quebec		Manitoba		Saskatchewan		Alberta		British Columbia	
Class of Buyer	Grade	Solid	Prints	Solid	Prints	Solid	Prints	Solid	Prints	Solid	Prints	Solid	Prints
Wholesale Distributors and Wholesale Buyers.	First Grade	68¾	69¼	67¾	68¼	65¾	66¼	65	65½	65½	66	67	67½
	Second Grade	67¾	68¼	66¾	67¼	64¾	65¼	64	64½	64½	65	66	66½
	Third Grade	66¾	67¼	65¾	66¼	63¾	64¼	63	63½	63½	64	65	65½
	Below Third Grade	65¾	66¼	64¾	65¼	62¾	63¼	62	62½	62½	63	64	64½
All other Buyers.....	First Grade	69¼	70¼	68¼	69¼	66¼	67¼	65½	66½	66	67	67½	68½
	Second Grade	68¼	69¼	67¼	68¼	65¼	66¼	64½	65½	65	66	66½	67½
	Third Grade	67¼	68¼	66¼	67¼	64¼	65¼	63½	64½	64	65	65½	66½
	Below Third Grade	66¼	67¼	65¼	66¼	63¼	64¼	62½	63½	63	64	64½	65½

Notes to Schedule "B" of Administrator's Order No. A-2468.

1. Maximum prices listed in this Schedule include delivery to the buyer's place of business when it is situated within the seller's customary free delivery zone. In all other cases the prices are f.o.b. the seller's place of business—See Section 10.
2. Add 1½ cents per pound to price listed if the butter is unsalted—See Section 9.
3. Add 1 cent per pound to price listed if the butter in prints is sold in individual consumer style cartons—See Section 9.
4. See Section 20 for limitation in price on shipments to the Maritime Provinces from other Provinces.

WARTIME PRICES AND TRADE BOARD

Administrator's Order No. A-2485

MAXIMUM PRICES OF BUTTER

Under powers given by the Wartime Prices and Trade Board to the Co-ordinator, Foods Administration, it is hereby ordered as follows:

1. This Order comes into force on March 1, 1948.

2. Administrator's Order No. A-2468 is hereby amended by adding at the end of thereof the following as Sections 26 and 27:

Variation of Maximum Prices on Sales from Western to Eastern Provinces

26. (1) For the purposes of this Section "North-Western Ontario Zone" means the cities of Fort William and Port Arthur, the village of Armstrong, and all points in the Province of Ontario lying to the west of those cities and that village.

(2) Notwithstanding the other provisions of this Order, the maximum price per pound at which any manufacturer whose place of business is situated outside of the North-Western Ontario Zone may sell any creamery butter to any buyer whose place of business is situated within that Zone shall be one cent per pound less that the maximum price fixed by this Order and listed in Schedule "A", hereto, at which he could sell such butter to that buyer on February 28, 1948.

(3) Notwithstanding the other provisions of this Order, the maximum price per pound at which any manufacturer or wholesale distributor whose place of business is situated within the North-Western Ontario zone may sell any creamery butter to any person shall be one cent per pound less than the maximum price fixed by this order and listed in Schedules "A" and "B" hereto, respectively, at which he could sell such butter to that person on February 28, 1948.

(4) Notwithstanding the other provisions of this Order, unless otherwise authorized by the Co-ordinator, Foods Administration or some other duly authorized representative of the Board, the maximum price per pound at which any wholesale distributor whose place of business is situated in the Provinces of Manitoba, Saskatchewan, Alberta and British Columbia, as the case may be, may sell any creamery butter to any buyer whose place of business is situated in the Provinces of Ontario, Quebec, New Brunswick, Nova Scotia and Prince Edward Island, shall be the maximum price fixed by this Order and listed in Schedule "A" hereto, at which any manufacturer whose place of business is situated in the Provinces of Manitoba, Saskatchewan, Alberta and British Columbia, as the case may be, may sell such butter to that buyer.

Sales in Metal Containers Prohibited

(27) No person shall sell, ship or supply to any other person and no person shall buy or otherwise acquire, any butter packed in a container made wholly or in part of metal; provided, however, that the provisions of this Section shall not apply to any butter packed in such a container for ships' stores or remote Northern areas under the authority of a permit issued under the provisions of Section 4 of Administrator's Order No. A-2320, as emended.

Dated at Ottawa, this 26th day of February, 1948.

Approved: K. W. TAYLOR, *Chairman, Wartime Prices and Trade Board.*

F. S. GRISDALE, *Co-ordinator, Foods Administration.*

Mr. MONET: Now I want to draw to the attention of the committee a correction on exhibit 52, table 5. The correction is in connection with the province

of Saskatchewan. During the adjournment I was in touch with Mr. Ferguson of the Dominion Bureau of Statistics who informed me of the correction and authorized me to make such correction here. The correction comes on the fourth page of table 5. The figure for the month of October should read 59·3 instead of 61·4 For December the figure should read 66·6 instead of 62·4.

(Error corrected on exhibit 52, sheet 4 of table V.)

The CHAIRMAN: That will be charged as an error to the Saskatchewan government and not to this government.

Mr. MONET: I think it is a useful correction to be made at this point because tomorrow we will have a witness from Saskatchewan.

Mr. K. W. Taylor, Chairman, Wartime Prices and Trade Board, recalled:

By Mr. Merritt:

Q. Mr. Taylor, just before lunch I had been asking you about this 67 cent price which went to the producer and you explained it went to the creamery and the farmer under free competition, I believe?—A. Yes.

Q. Now have you had any complaints from either of those sources that production will be affected by the ceiling price?—A. As far as I am concerned, no. I cannot vouch for what I call conversational remarks made to my other officials, but I am not aware of any official representations made by either the producing end or the creamery end, that this was an unfair or inequitable ceiling.

Q. When the price ceiling was put on I suppose it was because, lacking import, it was expected prices would go higher in a competitive market? Is that corerct?—A. We had that fear.

Q. There was a fear of actual physical shortage of butter this winter? —A. Yes.

Q. Now has that shortage developed?—A. As I said before the luncheon recess we have been pleasantly surprised by the fact that little or no embarrassment has arisen in the distribution of butter. We have had occasional reports that in some areas in Canada the odd store here and there is out of butter on certain days, and is having difficulty maintaining supplies, but there has been no serious shortage in any substantial area so far.

Q. Yes, you gave us some figures this morning as to what you estimated to be the storage at the end of March, and the production in March. You discussed what was likely to happen to the butter produced in April?—A. Yes.

Q. Now from the best forecast you can give do you think we are going to get to a period where production exceeds demand without a shortage of butter? A. It is hard to say. We will be working with a very limited supply of butter, an uncomfortably low working stock of butter, for the next three to five weeks.

Q. If we get through the next three to five weeks then no actual physical shortage which denies people butter will have developed?—A. I would say by the middle of April, the third week in April, we should be over the hump. or out of the trough, whichever metaphor you prefer.

The CHAIRMAN: Over the hump.

By Mr. Merritt:

Q. In your price fixing order and any other means you had at your disposal you have not actually done anything to increase the actual production of butter this winter, have you?—A. The price itself was fixed at a level which it was felt gave every reasonable encouragement to the production of butter for the balance of the winter season. We have used our good offices here and there to endeavour to allocate butter to areas which seemed to be running short. We have no formal distribution control this year such as we had during the war years.

Q. On the over-all picture, unless the price you have set is attractive to the producer, no action was taken or no action was possible to increase the actual amount of butter?—A. No.

Q. Are we not led to this position, Mr. Taylor? It might have happened then that the price would not have gone above 73 cents retail—or very much above 73 cents retail—without a price ceiling?—A. It already had.

Mr. LESAGE: It was above 73 cents.

The WITNESS: Yes. Our ceiling did constitute a moderate roll-back. It was a roll-back of 2 or 3 cents on the wholesale price and from 2 to 6 cents on the retail price. Butter was being sold as high as 78 or 79 cents retail in Toronto, for example, shortly before our order came into effect.

By Mr. Merritt:

Q. Now with that qualification, that it was around 78 cents I think you said, from the fact that no physical shortage has developed or seems imminent at 73 cents, is it not logical to assume that fear of a great price rise in butter was unfounded?—A. I would not entirely agree with that because the imposition of ceiling provided a steadying effect on butter prices. It meant that people in the trade could not bid higher than that, and the trade had assurance that it would be able to secure butter at 67 cents, Montreal basis.

Mr. MAYBANK: The price rise was about 33⅓ per cent in a few months was it not?

Mr. MERRITT: I do not know about that, I am talking about the price at the time the ceiling was re-imposed.

Mr. MAYBANK: That is what I meant.

Mr. MERRITT: I wish that you would wait for just a moment.

Mr. MAYBANK: Well we are agreed on that.

By Mr. Merritt:

Q. I will take whatever you say because it does not enter into my line of questioning at the moment. What I had in mind was this, Mr. Taylor. I can quite see that the imposition of this ceiling price would iron out fluctuations caused by fear of certain butter dealers that they might not be able to get supplies a week or two weeks ahead. I do not understand how they are any more assured of getting supplies later in the season by having the price fixed at 73 cents than they would have been had there been no ceiling, because you have no power to hold back stocks from going on the market at a lower price.—A. No, but when you have a rising market and a free market the tendency of prices to keep on going up can be very strong. We have had cases, for example, where on a rising market bidding is much more active to protect commitments still further ahead than on a fixed price basis. I said this morning that I had expressed the personal view in our discussions that I could not guarantee the price not going up to 80 cents without some ceiling being imposed. I do not know whether it would have gone to 80 cents but the market certainly had that kind of a temper. I think the chart, exhibit No. 53, shows the offering price in western Canada was substantially above the Montreal price throughout the six or eight weeks preceding the imposition of the ceiling.

Q. Your estimate then of how high it would have gone is somewhere around 80 cents, is that correct?—A. That was my estimate at the time.

Mr. LESAGE: Along the same line Mr. Merritt—

Mr. MERRITT: I would just like to finish, I have only one more question.

Mr. LESAGE: All right.

By Mr. Merritt:

Q. In the free market, had the price gone up even above 80 cents because of the fear of butter dealers that they would not have been able to get supplies ahead, if an over-all actual physical shortage had not developed, then I take it prices would have very likely dropped sharply as soon as it was clear we were getting through to the end of April without an actual shortage? Is not that correct?—A. Yes, but another point has to be made. It is very difficult to forecast the rate of consumption at any given price. The apparent disappearance of butter in October and November was very high. The high price for butter has undoubtedly had some effect on the consumption, and with a price considerably higher than the ceiling undoubtedly there would have been some reduction in consumption. At the present ceiling there has probably been some reduction in consumption. I think the figures indicate a decline in the rate of disappearance of butter since the end of November. Now the disappearance of butter is not completely consistent with physical consumption because disappearance includes small quantities of butter which are bought by retailers, for example, and which are withdrawn from common cold storage and kept on the retailers own premises. That butter disappears and is part of the apparent consumption. There was a very heavy disappearance during September, October, and November; then the disappearance moderated and in January and February I think the rate of disappearance was slightly below the rate of disappearance in the same month of the preceding years.

Q. Well the fixing of the ceiling at 73 or 74 cents would presumably bring about the likelihood of greater consumption than if the price had been 78 or 80 cents. Is not that correct?—A. I think so.

Q. What means would have been at government disposal or at your disposal to deal with the situation if an actual over-all shortage had developed?—A. We had almost no means to deal with that. If we assume that imports were out, and it was inconceivable to resume rationing to moderate consumption—it was inconceivable for administrative reasons—the best we could have done would have been to re-impose formal distribution controls as we had during wartime where no car of butter could move without a permit from the government. We would have been able to allocate such butter as there was to various areas which were running seriously short.

Q. So really you had to fix your ceiling so close to the free market price that you might hope to get through without resorting to physical controls?—A. We had the same experience back in 1940 when we first fixed a temporary price ceiling on butter. At that time we found that a rising market has "an appetite that grows by what it feeds on". It tends to snowball. In December 1940 we imposed a ceiling on butter at 35 cents which was the point which the market had reached.

The CHAIRMAN: A ceiling of how much?

The WITNESS: 35 cents a pound in December 1940. In that case butter had gone up from 26 and 27 cents in September to 35 cents in December. At that time we intervened and imposed a ceiling of 35 cents in the face of a rather short statistical position. We got through that following winter and early spring season by a little allocation here and there and by keeping an eye on the market. We got through without any serious distribution troubles. Now we hoped to get through this season in the same way so in December and January, as chairman of the Prices Board, I told my minister I could not guarantee, in the light of the then statistical position that we would get through to the 1st of April without a serious shortage or black market unless we imported butter. The decision, made after consideration, was to get along with the supply we had, partly because imports were just not available and because we seemed to be getting through fairly well. As I said the next three to five weeks, will be the most difficult time. I think we will probably reach the 1st of April with something like

10,000,000 or 11,000,000 in storage. That is getting uncomfortably close to a shortage of working capital but we have been lower than that in wartime. Then of course we had rationing but now we have not got rationing. I do not overlook the possibility of there being spotty shortages but I rather think we are going to get through without too great confusion.

Mr. MERRITT: If you were not right and a shortage did develop you would have to resort to distribution control, or rationing?

The WITNESS: Rationing is completely impractical for the reason that we have not got coupons in the hands of the public, and I give away no secret when I say that no printing order has been placed. There is no thought of going into rationing and we will have to get by as best we can from now to the end of what is probably a very short period. We can see daylight now but there may be little shortages here and there—nothing serious.

The CHAIRMAN: What would you say about the fact that at one period we have a surplus of a commodity and in about six months there is a dearth, a scarcity period? Now with that plentiful condition and the scarcity condition following there is an effect, quite obviously on the price. Have you given consideration, apart from controls, to what might be done to take care of that annually recurring situation?

The WITNESS: As exhibit 53 indicates, Mr. Martin, the whole butter business in Canada is carried on on a basis where we produce something like two-thirds of our supply in five months of the year. That surplus goes into storage and comes out of storage during the deficiency period. There are, roughly, five months of the year when we produce only about half of what we consume. There are two months in the year when we just about break even. Then, there are another five months in the year where we produce a significant surplus over the current consumption.

Mr. IRVINE: Before you leave that point, may I ask a question?

The CHAIRMAN: Yes.

By Mr. Irvine:

Q. Taking the periods given here, from 1939 to 1947 and taking the total consumption of butter and the total production for the same period—

The CHAIRMAN: To what table are you referring?

By Mr. Irvine:

Q. Exhibit 52, table 4, as to the disappearance and, as to the production, table 2. My arithmetic is so delicate, I would not risk the figures I got by totalling these but I was going to ask you if you had totaled them and if the average, taking the average of the shortage, would find Canada quite a few million pounds behind each year in relation to the average consumption?

Mr. MAYBANK: That is, we produce, continually, a little less than we eat?

By Mr. Irvine:

Q. Yes.—A. Obviously, we can only consume the net available supply. The net available supply is your production plus imports, minus exports.

Q. I was just figuring on our own production?—A. Historically our position has been and, I think it has been a matter of government policy for many years in the past, that it would be desirable to be just self-sustaining in butter. We have never regarded ourselves as a primary exporter of butter and, normally, we do not import much butter. The British preferential duty is 5 cents a pound. In the pre-war years, if we produced a little too much butter our price dropped to the world level. If we produced a little too little butter our price went up to the world level plus 5 cents. So, you had butter prices always in a somewhat vulnerable position, for that reason. The 5 cents duty plus the ocean freights

made a big difference in the net receipts of the farmer in the days when butter was selling at 20 to 25 cents at the farm.

It is my understanding it has been government policy, to the extent government can influence these things in peace time, to direct agricultural production towards a self-sustaining position in butter rather than being on an import or export basis.

Q. Do you not believe that to achieve that, in view of the great disparity between our seasonal production, it would be necessary to have a guaranteed stable price throughout the whole year?—A. Well, that gets into the realm of—

Q. Policy?—A. —of high policy, but I would suggest it would mean pretty much the government taking over the butter business. Certainly, that would be the simplest way of handling it if you wanted to give a guaranteed price throughout the year.

Q. It would be something like the wheat board only handling butter?—A. Yes, except that you are dealing with a more perishable commodity than wheat and with a commodity that can deteriorate in value. I do not know much about the wheat business but I think if you have No. 1 northern and put it into storage, it stays No. 1 northern for quite a while.

Q. You would have this advantage, that you could consume all the butter in Canada but you cannot consume all your wheat, so people would store it for us if we gave them a chance?—A. Yes.

By Mr. Merritt:

Q. We made an attempt at balancing production and consumption before the war, but we had, as a sort of a way out, imports from Australia and New Zealand who were surplus butter-producing countries, is that not correct? We could always bring about a balance between supply and demand?—A. Yes.

Q. Now it appears that, because of the world situation, there is not available that source of import over a 5 cent duty. It, therefore, makes it much more difficult to bring about that balance during any year?

The CHAIRMAN: I wonder if that is a fair question because you suggest we did, before 1947, a lot of importing.

Mr. MERRITT: I do not suggest that. I only say that there was available a world surplus on which we could draw to bring about a balance. Whether we did it in any one year or not, I frankly do not know, but that is what I gathered from the evidence.

The CHAIRMAN: Table 1 shows the figures, and the amount is very small.

Mr. MERRITT: Only for the war years.

The CHAIRMAN: There is the bell. We will have to vote. Please come right back.

—The committee resumed at 4.55 o'clock p.m.

The CHAIRMAN: The meeting will come to order. I do not know what the pleasure of the committee is. I was hoping that we might be able to dispose of Mr. Taylor today. All right, gentlemen.

By Mr. Johnston:

Q. I would like to ask one or two questions in regard to this matter. Mr. Taylor, when your ceilings were about to be imposed did you advise the government as to what the price should be?—A. The government asked opinions from all competent officials.

Q. What is that?—A. All competent officials; and the Prices Board have no monopoly on competent officials.

The CHAIRMAN: I just tell you, Mr. Johnston, on that point this present witness is not competent; the government makes up its own mind on the basis of what it gets from its officials.

Mr. JOHNSTON: That was not my question though, Mr. Chairman.

The CHAIRMAN: Oh.

By Mr. Johnston:

Q. I take it from what you have said that the government asked your opinion in regard to what price should be?—A. Yes. I think I can say this much; that there are consultations usually at the request of a responsible minister with officials of the various departments concerned. Out of these consultations there may be a certain measure of agreement. In this particular case it pretty well came down to a discussion of somewhere between 65 and 68 cents; although, as I said before, prices as low as 60 cents were mentioned, and prices as high as 70 cents were mentioned.

Q. When you are giving your opinion to the government I suppose you have some very concrete facts on which to base those opinions. What investigations had you made before you arrived at your opinions as you formed them? What I mean to say is do you go into the matter, certainly you do, to see if there is any point which may affect price, or do you make any investigations to see whether or not there is any undue profiteering?—A. I can answer that in this way, gentlemen, that I have been rather intimately concerned with dairy products as well as other products for about eight or nine years. Mr. Singleton, for example, can look back on 35 or more years of experience in the dairy industry. On this particular case we felt reasonably certain from the statistical position on storage and on disappearance that there was not any large scale hoarding.

Q. Not sufficient at least to affect the price?—A. No.

By the Chairman:

Q. As of what date is this?—A. I was referring to the general period from say the 1st of September on. Including December.

Q. Excuse me, this is a very important matter.—A. Yes. We knew, of course, that there were large quantities of butter in store; but the storage statistics in relationship to normal, and disappearances or consumption relationship to normal did not give us any prima facie evidence that there was any withholding on any large scale.

By Mr. Johnston:

Q. What type of investigation had you in regard to storage of butter? To what extent did your investigation go?—A. It did not extend at this particular stage beyond the D.B.S. figures.

Q. And you consider those to be pretty accurate?—A. Yes.

Q. Because they would be prepared pretty carefully?—A. The D.B.S. figures are based upon returns made under the Statistics Act which makes it a serious offence to put in a false return.

Q. You did not then just base the ceiling price, or the average price, or the market price, whichever it may be—more likely the sale price that existed at that time?—A. No. In arriving at what the ceiling price should be, when I receive an intimation from the government that a ceiling probably ought to be reimposed, we draw from our whole background and experience, including officials of the Deparment of Agriculture. We made no investigation at that time as to the cost of producing butter.

Q. Did you before that time?—A. No, we never did in the Prices Board. We had representations placed before us at various times in the last several years indicating what the cost should be, or what costs were. I recall the Federation of Agriculture putting a statement before us about a year ago showing costs something of the order of 72 cents to 74 cents a pound for production of butter fat.

Mr. MAYBANK: Whose figures on production costs were finally taken?

The WITNESS: Well, our theory is that costs of producing any commodity, and this is particularly true of a primary form product, are extremely difficult to ascertain with any degree of accuracy. There are hundreds of thousands of producers whose costs vary, due to geography, due to quality of soil, due to efficiency and so on. The costs which were produced to us, or shown to us perhaps I should say, by one agricultural group were based upon information which they believed to be accurate which were not unreasonable in all the circumstances—it was based on what it takes to produce 1,000 pounds of milk and that sort of thing. We have left that kind of examination pretty much to the Department of Agriculture which has a very efficient economics branch which is constantly engaged in studies of that sort.

By Mr. Johnston:

Q. Do you consider, in view of all the data you have in regard to storage and prices and profiteering—if you want to use that term—do you consider that this price of 67 cents as a ceiling price is just and reasonable?—A. Yes.

Q. Fair both to the consumer and to the producer?—A. Our feeling was that the 67 cents was a fair compromise, shall I say, between the various interests; the consumer interests, both short-run and long-run; and the producer interests, both short-run and long-run.

Q. You consider it fair and just now too?—A. Yes.

Q. How does the production and manufacture of ice cream and commodities of that kind affect the price of butter?—A. May I suggest that that is the kind of a question which gets pretty technical and I think perhaps succeeding witnesses will be able to deal with it better than I can.

The CHAIRMAN: Mr. Singleton would be better able to answer that.

Mr. JOHNSTON: I just wanted to ask the question.

The WITNESS: I think figures will be produced showing the total quantities of fluid milk which go into all things of the kind you mention, ice cream, powdered milk and so on.

Mr. JOHNSTON: Perhaps I should save that question for Mr. Singleton when he comes on. That is all I have, Mr. Chairman.

By Mr. Lesage:

Q. When the price of butter was fixed at 67 cents in January I understand by the figures here, by the chart that we have in Exhibit 53, that western butter was offered on the Montreal market at a price which would be as high as 72 cents wholesale?—A. I agree with this, Mr. Lesage, that western butter generally was being offered at a price that would average above 2 cents a pound higher than the Montreal market eastern price. The figures are indicated on the chart in the form of a dotted line which you will observe runs above the solid line all the way through until the ceiling was reimposed when the dotted line drops below the Montreal price.

Q. A few days before the imposition of the ceiling is it not true that a certain quantity of butter, quite a large quantity of butter, western butter, came on to the Montreal market at a price higher than 67 cents?—A. I m not familiar with the actual movement of carload lots, but I do know that a certain quantity of butter was received in Toronto at as high as 72 cents.

Q. 72 cents wholesale?—A. That is my recollection.

Q. That was only a few days before the ceiling of 67 cents was imposed?—A. Yes.

Mr. JOHNSTON: How would this company dispose of that butter and make a profit?

The WITNESS: That is a pretty hard question to answer.

Mr. JOHNSTON: Would they have to hold it until such time as the ceiling was removed?

The CHAIRMAN: Mr. Johnston, may I suggest, knowing the plan of counsel which ultimately will be disclosed to you, that we not push that right now? We want to get that out, but I suggest here is a more effective way of getting that out.

Mr. JOHNSTON: If this witness is in a position to give us any information on that I think he should be allowed to do so.

The CHAIRMAN: Counsel assures me that that point will be taken care of.

Mr. JOHNSTON: It might be dangerous to pass it over.

The CHAIRMAN: We don't want to interfere with our plans. There may be a more effective way of getting it. I think you will get it all right.

By Mr. Harkness:

Q. Mr. Taylor said that when this price was being discussed prices from 60 cents to 70 cents were mentioned. Would it be fair to say that the reason the price was not set shall we say at the lowest of these figures was because that would dry up the supply of butter; in other words, it would have thrown our farmers out of production?—A. That certainly was a very important element in the consideration. Might I correct my evidence at this point? I do not recall 60 cents being advocated by anybody seriously at any recent date.

Q. You did say it had been mentioned?—A. At one time, back in November perhaps. There had been certain considerable increases in coarse grains, for example, since that time. I would have felt had I been asked the question as to whether we should reimpose the ceiling in September or October that 60 cents would have been a fair price, but with the increase in coarse grains and other feeding costs in my judgment 60 cents would be unreasonably low to the producer.

Q. It would be fair for this committee to take it that a price of 60 cents would have cut down production?—A. I could think so, that is my own personal opinion.

Q. And as a result the supply of butter would not have been adequate to meet requirements?—A. I think we would have less butter than we have now.

Q. Yes. You said something a while ago about the difficulties as determining the cost of production. Is it not a fact that it is impossible to say what the cost of the production of butter is, that it varies so greatly from area to area and from one farmer's situation and set-up to anothers it is almost impossible to determine that?—A. I cannot say that it is impossible to say what it is because some people do say what it is. All I can say is that figures can be prepared in a way that are useful as indications, but they are not and cannot be accurately determined in quite the same way for example as you could determine the cost of a fully manufactured product produced by a small number of firms.

Q. Yes, but at any rate based on the evidence you had on the subject you concluded that a price below 67 cents would have cut down production?—A. Yes, again it is a question of degree; if it had been 66½ cents there would not have been any difference.

Q. But had you put it at 60 cents you would have cut down production materially?—A. In my judgment a 60-cent price on this winter season would have had an adverse effect on production.

Q. Have you in going into this matter investigated at all the return per hour to dairy producers?—A. No.

Q. You think that might not have a very important bearing on this whole question of what the butter price should be?—A. As I said before, we have never gone in any detail into the cost of production of primary farm products, largely because that is a field of study in which the Department of Agriculture is doing continual work.

Q. What I had in mind, more particularly, was the income for dairy farmers when it is divided up into the number of people employed, which gives you roughly the income per year, which again can be reduced to an hourly return. It is just an approximate figure, a guess to some extent, but I suggest it is quite a low hourly return. Any figures I have seen, or any calculations I have seen, show a very low hourly return for dairy farmers?—A. I can say that we have had the general impression that the 67 cents price would be by and large acceptable to the spokesmen for the dairy producers.

Q. In other words it was just sufficient not to drive more of them out of production?—A. All I can say is we got the impression that it was an acceptable or an agreeable price.

The CHAIRMAN: Have you anything to pursue on that, Mr. McCubbin?

Mr. MCCUBBIN: No, I have nothing on that.

By Mr. Winters:

Q. I have just one question with regard to table 1. For the year 1947 the total production is shown as 349,145,000 pounds, which includes dairy butter and whey butter, does it?—A. Yes.

Q. And the dairy butter figures you indicated this morning are pretty unreliable because it is hard to get statistics on that. The figures on table 2 regarding dairy butter—would they be figures reported by retail stores?—A. I beg pardon?

Q. Would you imagine those figures for dairy butter on table 2 are figures reported by retail stores?—A. I do not know how they are prepared but I understand they are estimates prepared by the Bureau of Statistics after interviews and correspondence with their farming correspondents in various parts of the country.

Q. In addition to those figures for dairy butter there would be some additional amount of butter manufactured by the farmers and sold to consumers? —A. I understand that all butter produced, whether consumed on the farm or sold to local markets, is in that figure.

Q. The conclusion you draw from those figures regarding production and domestic disappearance is they are pretty well reliable. The total production of Canada did not meet the total demand for 1947?—A. Based on—

Q. Table 1?—A. Well domestic disappearance is a matter of recorded fact. You had a production of 349,145,000 pounds; you add the opening inventory; you add the imports; you deduct the exports and deduct the closing inventory; that gives you the domestic disappearance.

Q. Which exceeds production by roughly 2,250,000 pounds?—A. Yes, by about 2,000,000 pounds.

Q. When you add to that the exports of about 3,000,000 pounds you conclude, do you not, that we used approximately 6,250,000 pounds more than we produced in Canada last year?—A. Yes.

Q. That is a rough approximation?—A. It is about 2 per cent, or a little less than 2 per cent.

Q. You indicated you were thinking in terms of bringing in 10,000,000 or 12,000,000 pounds last year?—A. Yes.

Q. Why would you think in terms of figures that large?—A. In November we were working with October figures of production and disappearance, and the figures as they then were showing up indicated that we would need 10,000,000 or 12,000,000 pounds to carry through at the prevailing price. Since that time consumption has fallen off a little bit more than we expected and production has gone up a little bit more than we expected.

Q. It that a trend which is continuing into this year?—A. We only have the figures for butter production of January and February and they are slightly below the figures for last year.

By Mr. Merritt:

Q. I would like to ask this question, Mr. Taylor. At the time the ceiling price was re-imposed, and the free market price was then somewhere I understand between 74 and 78 cents, was there evidence before you of buyer resistance at that price?—A. No very clear evidence. You see when you have a rising price, as distinct from a high price, disappearance tends to keep on increasing because of the disposition of the housewife who thinks that the price may be 2 or 3 cents higher the next week. She is inclined to buy a pound or two or three or four pounds to put in the pantry or the refrigerator. One of the first effects of the imposition of a ceiling was that sales slumped for a week or two. There was no longer any necessity to buy it up and the housewife consequently reduces her inventory.

Q. Consumption was actually increasing at the time you put on the ceiling? —A. Consumption, or rather disappearance. We use this word consumption a little too loosely.

Q. Disappearance was increasing?—A. Yes.

By Mr. Harkness:

Q. When you were before the committee on February 12th, on page 94 of the evidence, I asked you a question. "In connection with that 73 cent a pound butter, can you provide us with information which would show us of that total what amount the producers got, and what amount the manufacturer—the creamery—got, what the wholesaler got and what the retailer got?" Your answer was "That could be given you completely accurately in the order. I have not got a copy of the order with me". I presume this exhibit is the order you referred to, is it?—A. Yes.

Q. Looking it over I see a lot of prices which the wholesalers are allowed to receive and so forth, but I do not see anything as to what the producer would get out of these 73 cents?—A. No, I think I said this morning our initial price fix starts with the wholesaler or with the creamery.

Q. You have no figures as to how much of that 73 cents the producer actually gets?—A. No. I think it appears in this exhibit No. 52, but I only saw it this morning. There are tables on the butterfat prices.

Mr. MONET: I think you will get that in exhibit 52, table 5. It gives the creamery butter prices in Canada by provinces, and that would give you the actual price that the farmer gets for his butterfat.

Mr. HARKNESS: That does not bring it down to the part of the 73 cents, which the retailer pays for the pound of butter, that the producer gets.

The CHAIRMAN: I suggest that when Mr. Singleton comes on the stand that evidence will be available more directly.

Mr. HARKNESS: Well I asked for a more complete breakdown of the pound of butter. There were some other questions and Mr. Taylor said that some of the information ought to be given by the Bureau of Statistics and some by the Department of Agriculture. Has that information been compiled in one table? I think that is the way that we want this so that we can see where the 73 cents goes.

The CHAIRMAN: The next witness is from the Department of Agriculture.

Mr. HARKNESS: Has the secretariat prepared a table?

Mr. MONET: You have that in table 5. Table 5 shows the amount received by the farmer for his butterfat.

Mr. HARKNESS: Yes but it does not show how much of the 73 cents goes to retailer, how much to the farmer, and so on, because from a 100 pounds of butterfat you get something like 120 pounds of butter.

Mr. MONET: I think Mr. Singleton can answer the question.

Mr. HARKNESS: We should have one table showing that the producer gets so much, the wholesaler so much, and the producer so much.

The CHAIRMAN: When we come to Mr. Singleton we will get that.

Mr. HARKNESS: Yes, but I think the secretariat will have to prepare for us one table. We do not want to have part of the information from the Bureau of Statistics, part from Mr. Singleton, and part from the Department of Agriculture.

The CHAIRMAN: Yes, that is right.

All right, thank you very much, Mr. Taylor.

Now I had intended calling an executive session at 5.30 p.m. and I made some commitment to Mr. Irvine on that matter. I have discussed it with him however, and it will be tomorrow.

John Franklin Singleton, Associate Director of Marketing Service, Dairy Products, Department of Agriculture, sworn:

By Mr. Monet:

Q. Mr. Singleton will you give us your full name?—A. John Franklin Singleton.

Q. And your address?—A. 216 Metcalfe street.

Q. Ottawa?—A. Ottawa.

Q. And your occupation, Mr. Singleton?—A. Civil servant.

Q. To what department are you attached?—A. The Department of Agriculture.

Q. How long have you been attached to that department?—A. This is my thirty-fifth year.

The CHAIRMAN: Thirty-five years.

The WITNESS: Thirty-four years on the 1st of January.

The CHAIRMAN: You must have gone into the department when you were very young?

The WITNESS: I had nine or ten years with the provincial government before that.

The CHAIRMAN: You were born in the Department of Agriculture.

The WITNESS: No, just in the dairy business, Mr. Martin.

By Mr. Monet:

Q. So you have been in the dairy business forty-five years?—A. Yes, all of that.

Q. Now, Mr. Singleton, I understand you have prepared a brief or memorandum for the members of this committee, is that correct?—A. Yes.

Q. And this brief is a review of the Canadian butter market for the years 1938 to 1947 inclusive?—A. Very briefly.

The CHAIRMAN: Is this in mimeograph form?

The WITNESS: Yes.

Mr. MONET: I understand you have copies of the brief for each member of the committee?

The WITNESS: Yes.

The CHAIRMAN: I would ask that it be circulated.

The CHAIRMAN: I suggest the witness make his statement and we will interrogate him after he has finished reading it.

The WITNESS:

Review of Canadian Butter Market 1938-1947 Inclusive

Production of butter in Canada is highly seasonal and during 1947 production of creamery butter during the months May to October inclusive, was 73·5 per cent of the year's total with 26·5 per cent produced during the other six months. These figures are reasonably normal.

During only five months of 1947, May to September inclusive, did production exceed disappearance and, of course, during these months the surplus moved into storage. The accumulation in storage during months of heaviest production must be such as will supplement sufficiently, production during the other months, if Canada is to produce enough butter to supply the year's requirements.

1938—

All through the year the Montreal price of butter was above an export parity based on London, England prices. There were short periods during the second week of August and the first week of October when the premium at Montreal over export value was about ½ of a cent per pound and during that period, about 3,370,000 pounds were exported to the United Kingdom. The heavy production, together with lack of sufficient export, resulted in the accumulation of heavy stocks which accounts for the average monthly low price for the year occurring in December, rather than during one of the summer months when production is heaviest.

1939—

The heavy butter production during the year 1938 and lack of sufficient export movement, accounted for the unusually high stocks at the beginning of the year under review. This heavy carry-over, coupled with a winter production greater than that of the previous year, resulted in the supply of butter greatly in excess of domestic requirements.

The September average price of 26.23 cents, as compared with the August average price of 21.53 cents, an increase of 4¾ cents per pound, undoubtedly resulted from the declaration of war. During the early summer the premium at Montreal was narrowed to around ¼ of a cent per pound over export parity and as supply was in excess of domestic requirements, 11,109,200 pounds of butter were exported to the United Kingdom.

As exporting to relieve the domestic situation was not profitable, it was apparent that an alternative should be sought if market prices were to be maintained. There was also the problem of relief in Canada, with those on relief and others in the low income brackets being unable to buy butter freely even at the low prices prevailing. Consequently, at the 1939 session of parliament, the sum of $1,000,000 was voted to aid in the distribution of surplus butter (approximately 3,000,000 pounds to the families on relief and those in the low income class.

Distribution commenced about the 15th of May and was hurriedly brought to a close in September, shortly after war was declared. Under the scheme, 3,081,697 pounds of butter were distributed.

In comparing the average monthly wholesale jobbing prices for creamery butter in Montreal, it is noted that during the month of March 1939, the price was 13.83 cents per pound lower than the price during the same month of the previous year. During April and May, the difference was reduced to 10.31 cents and 4.73 cents respectively and for each month following, the difference was progressively reduced until September. The price for the remainder of the year 1939 was above that of the corresponding period of 1938.

1940—

Prices throughout the year 1940 were substantially higher than those of 1939 and were more nearly in line with the prices of 1938.

Exports during the year amounted to only about 1⅓ million pounds, shipped in small lots to countries other than the United Kingdom.

The Wartime Prices and Trade Board introduced for the first time, effective the 28th of December, 1940, maximum seller's prices for butter, based on the maximum wholesale prices at which the individual sellers sales on the 12th day of December, 1940.

1941—

Prices continued to advance in 1941 over those of 1940.

In May, 1941, an Order in Council was passed establishing a schedule of prices for first grade creamery butter delivered to the purchaser, at which the Dairy Products Board would be prepared to purchase butter. The support prices during the month of May for butter packed in solids, from the provinces of British Columbia, Ontario, Quebec and the three maritimes provinces, was 29½ cents per pound first grade delivered to the board in the respective provinces, while for the provinces of Alberta and Manitoba, it was 27½ cents and for Saskatchewan 26½ cents delivered. This price schedule was effective during the months of May to December inclusive with a half cent per pound increase in each successive month to take care of storage and other charges. Stock of creamery butter were not burdensome during the year and the price of butter was maintained above the minimum prices. Consequently, no butter was tendered to the Dairy Products Board.

During the month of July, 1941, the British Food Mission at Ottawa, has diverted to Canada 67,000 pounds of New Zealand butter with the object of such supplies being used for re-export to the British West Indies. This butter was placed in bonded warehouse by the Dairy Product Board and as it was considered that there was sufficient Canadian butter to meet the British West Indies' requirements, the New Zealand butter was eventually shipped to the United Kingdom.

1942—

On May 1, 1942, the Wartime Prices and Trade Board established uniform maximum wholesale prices for butter in each province, allowing a monthly price increase of ¾ cents per pound for carrying charges.

The Wartime Prices and Trade Board also announced that, effective the 6th of July, 1942, the Commodity Prices Stabilization Corporation would pay a producers' subsidy of 6 cents per pound of butterfat used in the manufacture of creamery butter. It was further announced that to ensure an adequate supply of butter, the Dairy Products Board would be prepared to support the market at what was essentially a schedule of minimum prices at levels of 2 cents below the maximum prices already referred to as having been established by the Wartime Prices and Trade Board order.

On the 21st of December, 1942, the maximum price of butter was reduced to the level prevailing during the basic period of September 15 to October 11, 1941. In order to compensate the producers for giving up the higher maximum prices for the winter months, the producers' subsidy was increased from 6 cents to 10 cents per pound of butterfat, effective the 21st of December, 1942, and the Prices Stabilization Corporation Limited compensated every person who on the 1st of December, 1942, owned or held in his own account for sale, any quantity of creamery butter in excess of 1,000 pounds in solid pack, for the reduction in price.

On the 21st of December, 1942, rationing of butter was introduced in Canada. The ration was eight ounces per person per week.

The Dairy Products Board purchased no butter during the year as the price was maintained above minimum prices established.

1943—

The Dairy Products Board supported the market at minimum prices throughout the year and purchased 15,875,279 pounds of butter. This butter was later disposed of on the domestic market and 7,088,506 pounds exported to the British Ministry of Food, in order to assist the United Kingdom through a period of short supply. The minimum prices at which the board bought butter for the month of May onward, were 32 cents per pound first grade delivered in British Columbia, Ontario and Quebec and 33 cents per pound first grade creamery butter delivered in the Maritime provinces. The schedule provided increases of $\frac{3}{8}$ cents per pound per month to $34\frac{5}{8}$ cents per pound in December in British Columbia, Ontario and Quebec and $35\frac{5}{8}$ cents per pound in the Maritime provinces. These support prices were in effect until the 30th of April following and $\frac{3}{8}$ cents per pound below ceiling prices as authorized by the W.P.T.B.

1944—

The Dairy Products Board supported the market at the same minimum prices schedule as during the previous year. Total butter purchased was 2,697,261 pounds of which 2,294,011 pounds were later sold to the domestic trade, and 403,250 pounds were sold to the British Admiralty to provision warships in the Pacific.

During the year, reductions took place in the butter ration and finally the ration was reduced to six ounces per person per week, effective the 1st of January, 1945.

1945—

As during previous years, the Dairy Products Board purchased creamery butter in support of the market. 4,324,976 pounds were purchased and later in the season, sold back to the trade, with the exception of 55,964 pounds shipped to the government of Bermuda and Jamaica under quota agreement arrangements and 409,180 pounds supplied to the British Ministry of Food to serve the British Admiralty ships calling at Canadian ports on the Pacific coast.

1946—

On the 31st of May, a delegation of Montreal cheese exporters interviewed the Minister of Agriculture to discuss the export of cheese. Following this, a discussion on the butter situation took place. Shortly afterward the market, which had been $38\frac{1}{4}$ to $38\frac{3}{8}$ cents per pound wholesales at Montreal, showed added strength and the average price during July was 40·16 cents as compared with 38·70 cents per pound during June. During each of the remaining months, August to December, the average price was 40·5 cents.

1947—

In view of the short supply of butter during the winter months, coupled with heavy consumption, an arrangement was made between the governments of Canada and the United Kingdom for the purchase of creamery butter to supplement the Canadian supply in order to maintain rationing on the basis of six ounces per persons per week. Through this arrangement, the British Ministry of Food shipped to the Dairy Products Board 4,945,640 pounds of New Zealand and Australian butter. This butter was distributed largely in the Maritime provinces, in the Toronto area and a relatively small amount on the Pacific coast.

During the spring of 1947 many controls affecting the dairy industry ended. On the 1st of May the payment of subsidy on butterfat used in the manufacture of creamery butter was discontinued. At the same time it was announced that, effective May 1, the ceiling price would be increased ten cents per pound of butter, thus assuring the cream producers a possible increase of price amounting

to between 1½ and 2 cents per pound of butter in excess of the equivalent of the 10 cents per pound of butterfat subsidy. At the same time it was announced that in view of the increase in the ceiling price of butter the Canadian Prices Stabilization Corporation Limited would take action to secure the increased inventory value of stocks of creamery butter held at the time the ceiling was increased, which increase was considered to be 8½ cents per pound. On the 9th of June rationing and ceiling prices on all dairy products were removed.

As a result of these important changes affecting the butter industry, prices during the year were substantially higher than those of the previous year. During May the price increased as a result of the increase in ceiling price and later in June onward there was a further increase after ceilings had been removed.

As the result of the removal of restrictions on the 1st of April on the volume of ice cream which might be maunfactured, that branch of the industry had an increase of over 50 per cent in production during the year as compared with that of 1946. Also, as a result of the removal of ceiling prices and rationing of evaporated milk, there was a 10 per cent increase in the production of that product as compared with that of 1946. Diversion of butterfat to the manufacture of increased quantities of ice cream and evaporated milk production was, in part, at the expense of butter.

Appendices

No. 1—Exports of dairy products from Canada to the United Kingdom in fulfilment of contracts between the governments of the two countries.

No. 2—Unit values of dairy products to the United Kingdom.

Dairy Products Division,
Department of Agriculture,
Ottawa, 10th March, 1948.

APPENDIX No. 1

EXPORTS OF DAIRY PRODUCTS FROM CANADA TO THE UNITED KINGDOM IN FULFILMENT OF CONTRACTS BETWEEN THE GOVERNMENTS OF THE TWO COUNTRIES

CHEESE

Years	Agreement Lbs.	Amount Shipped Lbs.	Invoice Value $
1940-1041	78,400,000	93,081,238	13,009,729 00
1941-1942	112,000,000	115,392,071	18,381,330 00
1942-1943	125,000,000	142,092,573	28,712,008 00
1943-1944	150,000,000	116,200,000	23,365,530 00
1944-1945	125,000,000	123,138,058	25,933,280 00
1945-1946	125,000,000	126,687,236	25,894,214 00
1946-1947	125,000,000	92,104,624	18,801,081 00
1947-1948	125,000,000	56,104,066	14,253,458 00

EVAPORATED MILK

	Cases	Cases	
1940-1941	300,000	709,025	2,817,056 00
1941-1942	658,000	643,659	2,632,723 00
1942-1943	668,000	668,402	2,907,386 00
1943-1944	300,000	300,828	1,428,933 00
1944-1945	300,000	300,434	1,445,088 00
1945-1946	300,000	703,542	3,672,431 00
1946-1947	600,000	610,924	3,024,074 00
1947-1948	600,000	600,000	3,510,000 00

DRY WHOLE MILK

	Lbs.	Lbs.	
1945-1946	3,300,000	4,224,720	1,629,508 00

DRY SKIM MILK

	Lbs	Lbs.	
1946-1947	6,720,000	6,281,800	741,273 00
1947-1948	8,000,000	7,984,303	1,069,621 61

BUTTER

	Lbs	Lbs.	
1943-1944	7,000,000	7,088,506	2,939,555 50

Dairy Products Division,
Department of Agriculture,
March 10, 1948.

APPENDIX No. 2

UNIT VALUES OF DAIRY PRODUCTS TO THE UNITED KINGDOM

CHEESE

Year	Price
1940-1941	14c. F.O.B. Boat or Car Montreal
1941-1942	14.4c. F.O.B. Boat or Car Montreal from May 25 subsidized to 16c.
1942-1943	20c. F.O.B. Boat or Car Montreal
1943-1944	20c. F.O.B. Factory Shipping Point
1944-1945	20c. F.O.B. Factory Shipping Point
1945-1946	20c. F.O.B. Factory Shipping Point
1946-1947	20c. F.O.B. Factory Shipping Point
1947-1948	25c. F.O.B. Factory Shipping Point

EVAPORATED MILK

Year	Price per case
1940-1941	$3.75 F.O.B. Steamer Can. Ports (Fibre or Export corrugated cases)
1941-1942	$4.12½ F.O.B. Atlantic Ports $4.00 F.O.B. Vancouver or New Westminster
1942-1943	$4.32½ F.O.B. Steamer or Car Vanc. or New Westminster $4.45 F.O.B. Steamer or R. R. Car Montreal
1943-1944	$4.75 F.O.B. Steamer or R. R. Car Montreal, Vancouver or New Westminster
1944-1945	$4.81 F.O.B. Steamer or R. R. Car Montreal, Vancouver or New Westminster
1945-1946	$4.81 F.O.B. Steamer or R. R. Car Montreal, Vancouver or New Westminster
1946-1947	$4.95 F.O.B. Steamer or R. R. Car Montreal, Vancouver or New Westminster
1947-1948	$5.85 F.O.B. Steamer or R. R. Car Montreal, Vancouver or New Westminster

SKIM MILK POWDER

Year	Price
1946-1947	11½-13½c. per lb. F.O.B. Car or Boat Montreal
1947-1948	13½c. per lb. Basis First Grade F.O.B. Boat or Car Montreal

WHOLE MILK POWDER

Year	Price
1945-1946	Bulk 32½c. per lb. F.O.B. Car or Boat Montreal No. 1 tins 41c. per lb. F.O.B. Car or Boat Montreal

BUTTER

Year	Price
1943-1944	41½c. per lb. basis First Grade F.O.B. Boat or Car Montreal.

Dairy Products Division,
Department of Agriculture,
March 10, 1948.

APPENDIX No. 3

DOMINION DEPARTMENT OF AGRICULTURE
MARKETING SERVICE

Average monthly wholesale jobbing prices of creamery butter for the years 1934 and onward at Montreal

MONTREAL

No. 1 Pasteurized

Month	1934 Cents per lb.	1935 Cents per lb.	1936 Cents per lb.	1937 Cents per lb.	1938 Cents per lb.	1939 Cents per lb.	1940 Cents per lb.
January	25·25	22·98	25·50	26·32	31·88	22·92	27·70
February	27·47	24·91	23·22	24·98	34·29	22·55	26·81
March	29·45	24·06	22·58	26·04	25·75	21·92	27·61
April	25·32	23·04	22·38	26·52	31·72	21·41	26·34
May	20·45	21·27	20·05	23·49	26·67	20·94	23·48
June	20·66	19·64	21·83	24·67	25·30	21·99	22·65
July	19·08	20·44	23·37	26·00	25·17	21·86	22·72
August	19·03	20·80	24·89	26·77	23·67	21·53	22·46
September	19·57	22·75	24·79	26·64	22·94	26·23	23·59
October	19·80	24·17	23·96	28·39	23·07	27·83	27·69
November	20·50	25·04	25·34	29·92	22·08	28·18	30·22
December	20·87	26·04	26·03	30·06	21·60	28·04	35·91
Average for year ..	22·29	22·93	23·66	26·65	26·98	23·78	26·43

Average monthly wholesale jobbing prices of creamery butter for the years 1941 and onward at Montreal

MONTREAL

No. 1 Pasteurized

Month	1941 Cents per lb.	1942 Cents per lb.	1943 Cents per lb.	1944 Cents per lb.	1945 Cents per lb.	1946 Cents per lb.	1947 Cents per lb.
January	*34·10	*34·10	*35·375	*35·375	35·375	36·500	40·500
February	*33·84	*34·95	*35·375	*35·375	35·375	36·500	40·500
March	*34·97	*35·25	*35·375	*35·375	35·375	36·500	40·500
April	*31·58	*35·25	35·33	35·360	35·000	40·500	40·500
May	30·59	35·00	33·17	33·765	34·025	38·887	49·325
June	31·84	34·52	33·19	33·475	34·234	38·703	50·094
July	35·48	34·34	33·31	34·000	34·703	40·156	50·625
August	36·70	34·90	33·42	34·687	34·712	40·500	56·391
September	34·36	35·41	33·90	35·234	34·812	40·500	59·734
October	32·89	35·38	34·67	35·312	35·812	40·500	57·625
November	34·00	36·13	35·14	35·375	36·450	40·500	61·125
December	*33·97	*36·28	*35·375	35·375	36·500	40·500	66·875
Average for year ...	33·69	35·13	34·47	34·892	35·198	39·187	51·150

Now, attached to this brief you will see two appendices. One shows, year by year, the contracts with the United Kingdom for cheese, evaporated milk, dry whole milk, dry skim milk and butter. The second appendix shows the price per pound of cheese, the price per case of evaporated milk and the price per pound of dry skim milk and dry whole milk. The prices quoted on this statement are all wholesale jobbing prices at Montreal.

I have here, as an exhibit, a statement showing the price, month by month, from 1934 to 1947 inclusive. I have gone back a little further than the manuscript to give you the price in 1934 because, sometimes, there are wide variations in a year and high prices following the winter are a common feature of the butter industry.

Mr. MONET: Then, would you file this document to which you have just referred, Mr. Singleton, the average monthly wholesale jobbing price of creamery butter from the years 1934 onward?

The CHAIRMAN: These two appendices attached to the brief, for the convenience of the committee and of those who read the evidence, should go in immediately after that statement. They should be put in in consecutive fashion. They will form part of the brief and not be an exhibit.

Now, you are adding this as part of the memorandum. This is a statement of the average monthly wholesale jobbing prices of creamery butter for the years 1934 onward at Montreal. You have not copies of that?

The WITNESS: We haven't enough copies for distribution. These are just added as an afterthought.

The CHAIRMAN: This is a very important statement.

Mr. MONET: Could we have a notation made to enter them tomorrow morning?

The CHAIRMAN: They should be available to all members of the committee.

Mr. MONET: Perhaps we could call that Appendix 3.

The CHAIRMAN: Yes. Just by way of explanation now, what I am trying to get—I do not know if we have got it yet—is the price of butter to the consumer as of today back to 1934? Have we got that?

The WITNESS: I think it is in the D.B.S. figures.

The CHAIRMAN: Yes, but not in the form I am talking about. I do not think so; and then we should have it broken down.

Mr. MONET: Is that not in Table 6, Mr. Chairman?

The CHAIRMAN: Yes, is that to the consumer?

Mr. MONET: No, that is not to the consumer, that is wholesale.

The CHAIRMAN: The wholesale price, yes.

The WITNESS: Table 7, Mr. Chairman.

Mr. MONET: Table 7 would show the average retail price on creamery prints in Montreal for the independent retail merchants from 1939 to 1947 inclusive.

Mr. LESAGE: To January, 1948.

Mr. MONET: Yes, and January, 1948.

Mr. MERRITT: Do these figures go back to 1934?

The WITNESS: It shows the wholesale jobbing average monthly.

Mr. MERRITT: Have you got the average retail price back that far?

The WITNESS: No.

The CHAIRMAN: Could you get that for us?

The WITNESS: That would be the same source as this, the D.B.S.

The CHAIRMAN: Then perhaps the secretariat could get that for the committee. Before we examine the witness I want to get some figures. Do you have any figures—or perhaps counsel might prefer to bring this out in another way—I am anxious to get the figures paid to the middleman, people like the packers and so on. How do you propose to get that?

Mr. MONET: I was going to ask Mr. Singleton if he knows what prices were paid.

The CHAIRMAN: I have to have that back to 1934.

Mr. MONET: Back to 1934?

The CHAIRMAN: Yes. If we are going to have the retail price we ought to know the full picture.

The WITNESS: What is that, Mr. Chairman?

The CHAIRMAN: The prices paid to what we call the middleman, the wholesaler.

Mr. MONET: Would you have that?

The WITNESS: Do you mean the price at which he sold?

The CHAIRMAN: Yes, because we should have the various prices which would show the margins so we can determine later on the margin of profit. We want to have the whole picture.

Mr. MONET: As I understand it, we have the price paid to the farmer, for instance—

The CHAIRMAN: Yes.

Mr. MONET: The price paid to the producer, and then we would like to have the price paid to the wholesaler so we will know the difference between that paid to the farmer producer and the wholesaler.

Mr. LESAGE: But, Mr. Monet, haven't we got all that in Exhibit 52? We have on Table 5 the price paid for butter to the producer, that shows the prices paid to the producer by months.

The CHAIRMAN: Yes.

Mr. LESAGE: Then on Table 6, they have the prices, the wholesale prices in the Montreal market.

Mr. MONET: But that is only back to 1939.

Mr. LESAGE: Then on Table 7, we have the retail price. I think we have the three, Mr. Chairman, back to 1939 only, we don't go back to 1934.

The CHAIRMAN: That is what I wanted, back to 1934.

Mr. MONET: You would like the same figures back to 1934?

The CHAIRMAN: Yes.

Mr. LESAGE: If we had Tables 5, 6 and 7 back to 1934—

Mr. MONET: Yes, that would make them complete.

Mr. MCCUBBIN: These are the prices at Montreal.

Mr. MONET: Except butter fat, which you have for the whole of Canada.

Mr. MCCUBBIN: Yes.

By Mr. McCubbin:

Q. Mr. Chairman, may I ask a question there? How many pounds of butter do you get out of 100 pounds of cream?—A. It depends on the fat in the cream.

Q. I understand that.—A. You mean, in 100 pounds of fat, how much butter you get out of 100 pounds of butter fat?

Q. Yes.—A. You said milk.

Q. It is difficult for some of the boys who come from urban districts to understand the system we work on. We talk about cream, butterfat and solids. The farmer sells 100 pounds of cream which goes to the factory, that is tested under test. Can you work that out for us?—A. Oh yes.

Q. This is just for their information.—A. Let us suppose the fat content is 30 per cent, you would have 30 pounds of fat in 100 pounds of cream, that would produce 37 pounds of butter on the basis of 23 per cent.

Q. And that is average?—A. Pretty close to it, some butter makers say they could get up to 25.

Q. But 23 is the average?—A. Yes.

Mr. JOHNSTON: How much butter would be made from 100 pounds of butter fat?

The WITNESS: Say 123 to 125, or a little better; it depends on the efficiency of the operation.

Mr. WINTERS: I wonder if we could go back one step beyond that. This morning you said that 100 pounds of milk would produce 4·32 pounds of butter. I wonder if you could take 100 pounds of milk and break it down into butter fat, skim milk and other components and by products so that we could follow it right through?

The WITNESS: I should have given you the basis of Mr. Taylor's calculation, 100 pounds of 3·5 milk, would make 4·2 pounds of butter.

The CHAIRMAN: Have you completed the answer?

The WITNESS: Yes.

The CHAIRMAN: May I suggest that we allow counsel to proceed first?

Mr. JOHNSTON: Just following along that—

Mr. MONET: I was going to ask a question or two of him about that.

The CHAIRMAN: I think counsel should be allowed to proceed.

Mr. JOHNSTON: In figuring that 100 pounds of butter fat, do you consider the amount of salt and water that you put in?

The WITNESS: That is what makes the difference between 100 pounds and 123 pounds or 125 pounds, whatever it is.

Mr. MONET: I was planning to bring that out.

The CHAIRMAN: Counsel has been preparing this material and I think he ought to be allowed to follow his plan. When he is through members will of course be free to ask any further questions they wish to complete the examination.

Mr. MONET: Now, Mr. Chairman, I have just a few questions that I have in mind.

The CHAIRMAN: Bearing in mind what we are after now on this particular inquiry; hoarding, and whether or not there has been excessive profits.

By Mr. Monet:

Q. So, Mr. Singleton, would you tell us how many pounds of milk there are to a pound of butter fat; or, in other words, how many pounds of milk does it take to produce 1 pound of butter fat?—A. That would all depend on the fat content of the milk.

Q. Well, as an average, what would you say—around 20 pounds or so?—A. Oh, no, there is a lot more than that. It would take pretty well up to 24 pounds.

Q. 24 pounds of milk to a pound of butter fat?—A. Yes, sir.

Mr. MCCUBBIN: Of 3·5—

The WITNESS: Yes.

By Mr. Monet:

Q. —Of butter fat; to produce a pound of butter fat—I want to start in with the butter fat before we get into the butter.—A. About 28·6.

Q. 28·6 pounds of milk to a pound of butter fat?—A. To produce, yes, if the milk has a fat content of 3·5.

Q. All right; now, how much butter do you get out of a pound of butter fat?—A. Well, it varies in different creameries, as I remarked a moment ago; we based our calculations on an average of 1·23.

Q. 1·23, I think you said—out of a pound of butter fat you get 1·23 pounds of butter?—A. Yes, some men will go 1·25; others may not get the 1·23.

Q. But 1·23, it would be a fair average?—A. Yes, a conservative average.

Q. Now, Mr. Singleton, coming back to your statement, to page 6 of your statement at the bottom of the page, you say:

> At the same time, it was announced that, effective May 1, the ceiling price would be increased ten cents per pound of butter, thus

assuring the cream producers a possible increase of price amounting to between 1½ and 2 cents per pound of butter in excess of the equivalent of the 10 cents per pound of butter fat subsidy. At the same time, it was announced that in view of the increase in the ceiling price of butter, the Canadian Prices Stabilization Corporation Limited would take action to secure the increased inventory value of stocks of creamery butter held at the time the ceiling was increased, which increase was considered to be 8½ cents per pound.

Would you tell the members of the committee if any action was taken in that respect?—A. Yes, action was taken to recover the 8·5 cents per pound on holdings of creamery butter at the time the price increase went into effect.

Q. And was it recovered as a matter of fact?—A. I believe it was substantially all recovered.

The CHAIRMAN: Now what does that mean?

By Mr. Monet:

Q. Would you tell the committee what you mean by that, give us the story of it?—A. The ceiling price was increased by 10 cents per pound and there was that increase or possible increase in inventory value as soon as the ceiling was increased, and it became a matter of government policy to recover that increase in inventory values. Now, while the ceiling price went to 10 cents it was considered that many holders might not be able to realize the full 10 cents per pound advance in the price, so the holders of butter were asked to remit to the government 8½ cents per pound, which left them a cent and a half between the 40—after the 8½ cents, under the new ceiling.

Mr. LESAGE: I understand that those who had butter on their hands on that date asked a cheaper price for it on account of the fact that subsidies had been paid the producer of 8½ cents per pound?

The WITNESS: Well, they bought butter I presume within the ceiling, below the ceiling price; the Wartime Prices and Trade Board price was kept down and the farmer's income was supplemented by subsidy.

Mr. LESAGE: That is what I mean.

The WITNESS: When the subsidy was removed the price was allowed to go up 10 cents per pound.

By Mr. Monet:

Q. Would you explain, Mr. Singleton, Exhibit 52, Table 6; would the evidence just given refer to the 8·5-cent rise between the months of April and May of 1947, as shown on Table 6?—A. Yes, sir. That is right.

Q. Now, Mr. Singleton, while we are on the rise in the price of butter, looking at this Table 6 of Exhibit 52, I notice there is quite a substantial rise between the months of July and August; can you give the committee any explanation of that rise?

The CHAIRMAN: July and August of 1947?

Mr. MONET: 1947, yes.

The CHAIRMAN: From 49 cents to 55 cents.

Mr. MONET: It is 49⅞ cents to 55¼ cents.

The WITNESS: Well there is much more statistical information available to traders at the present time than was the case a few years ago.

The CHAIRMAN: But this is 1947.

The WITNESS: Yes, I know it is 1947. We get more prompt and wider swings in market prices than we used to get a few years ago. Between January 1 of 1947 and 31st of July, 1947 the production of creamery butter—and I am

speaking of creamery butter exclusively—increased 219,000,000 pounds as compared with the same month in 1946. In these 7 months we had an increase of 219,000,000 pounds in production. Disappearance increased by 14·9 million pounds during the same month, and stocks were 740,000 pounds lower as compared with stocks at the 1st of August, 1946, plus what we imported between that date, 1st of August, 1946 and April of 1947. In making these calculations in our division we take stocks on a given date in any year and add to that what we may have imported during that period and the close of April. For example, last year we imported almost 5,000,000 pounds of butter from the United Kingdom, as I have already indicated. We add that to storage stocks. You have the marks there of a very strong market. You had an icrease of 219,000,000 pounds in production in 7 months. You have an increase of disappearance amounting to 14·9 million pounds during the same month as compared to the corresponding months of the previous year. You have an increase in production, a very considerable increase in disappearance of stocks, slightly more than the previous year; and following that the market had advanced very rapidly. Now, these data regarding the production and disappearance during any month and stocks as at the beginning of the month following are available on about the 10th of each month, are available for the preceding month on the 10th for the preceding month. Now, that statistical position would be known about the 11th of August and on that date the market rose by $\frac{1}{4}$ cent per pound in Montreal, and on the 12th of August it went up another $\frac{3}{4}$ of a cent. On the 13th of August it went up another cent and $\frac{1}{8}$. During the whole month the price action I am speaking of, wholesale, advanced 5·36 cents per pound, and during September 3·8 cents per pound. Now, there was undoubtedly active buying by those in the trade because most dealers had been short of butter for several years. It is only reasonable to suppose that they would buy some supplies.

Mr. MONET: So this active buying at the prices you have just referred to would be one of the main reasons for the rise in price between July and August? Would that be right?

The WITNESS: I should think so, and sellers would be holding up their asking price because they knew the statistical position as well as anyone else.

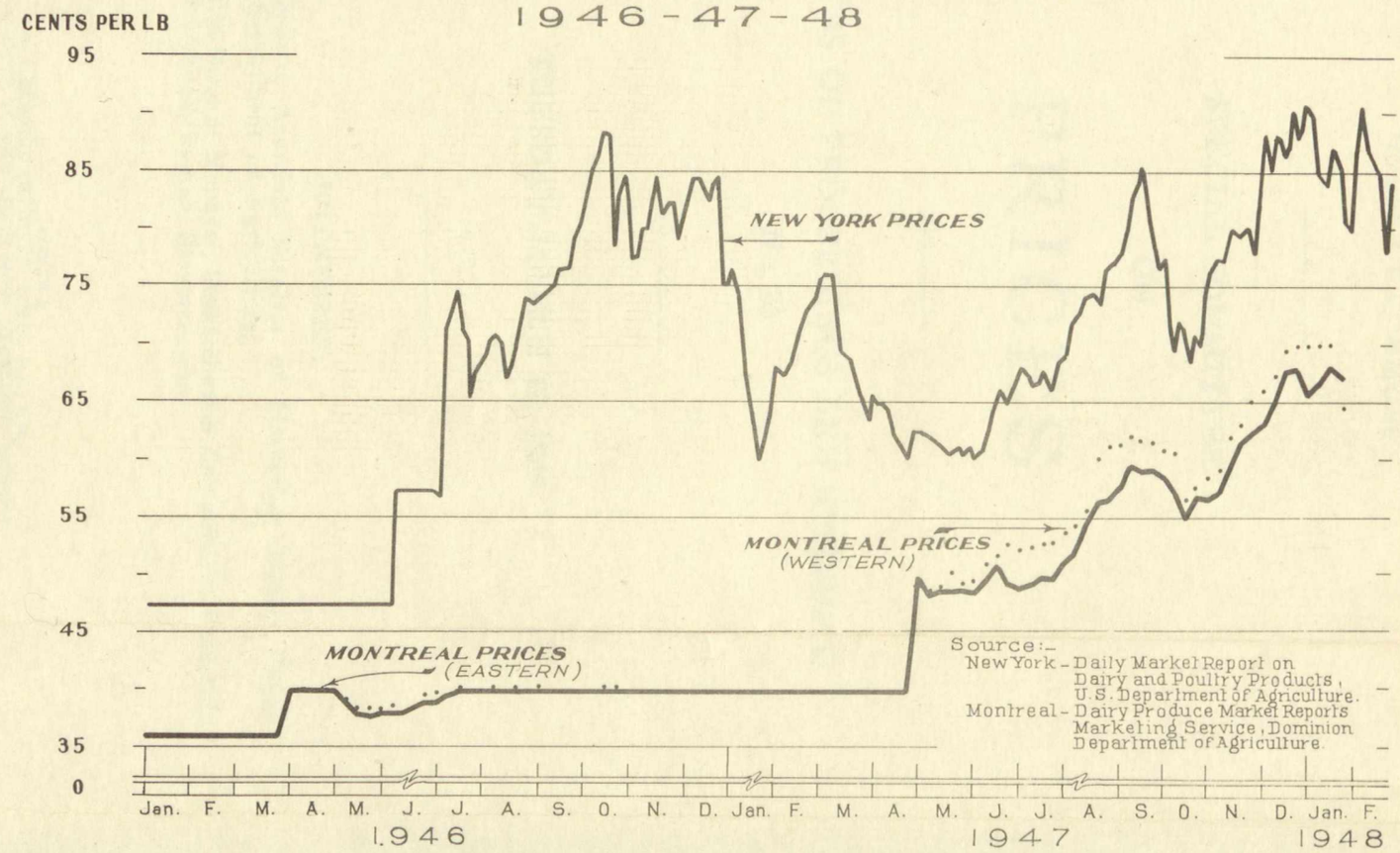
The CHAIRMAN: Do you have in your own department any machinery by which you gather this information about accumulations, or do you rely on D.B.S.?

The WITNESS: On D.B.S.

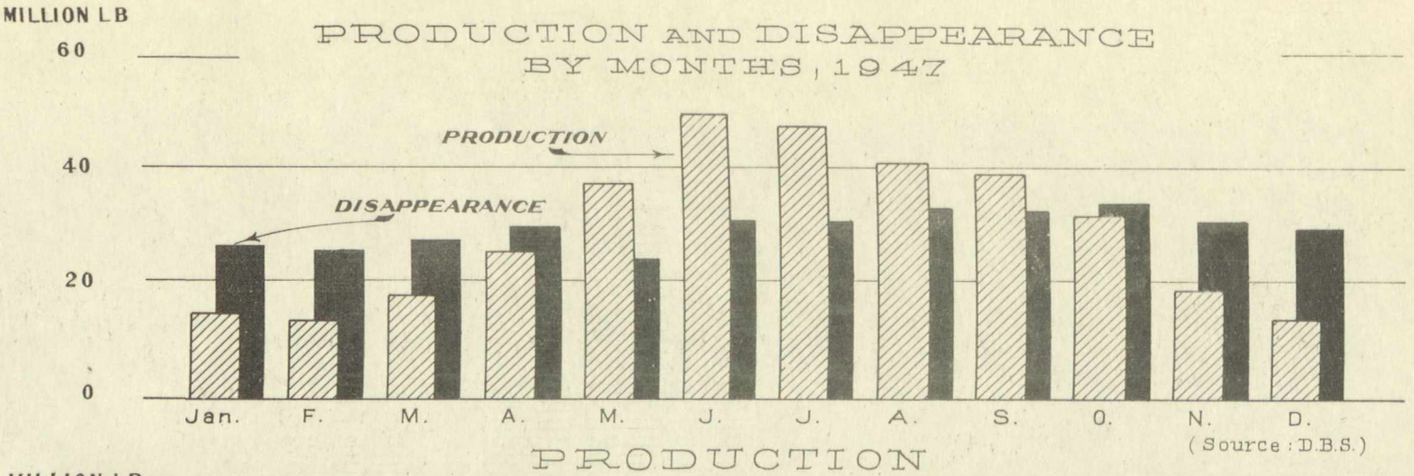
The CHAIRMAN: The meeting is adjourned until 11 o'clock tomorrow morning.

Note: See next page for Chart filed as Exhibit No. 53 and ordered to be printed as an Appendix to this days' evidence.

BUTTER
WHOLESALE PRICES IN NEW YORK AND MONTREAL
1946-47-48

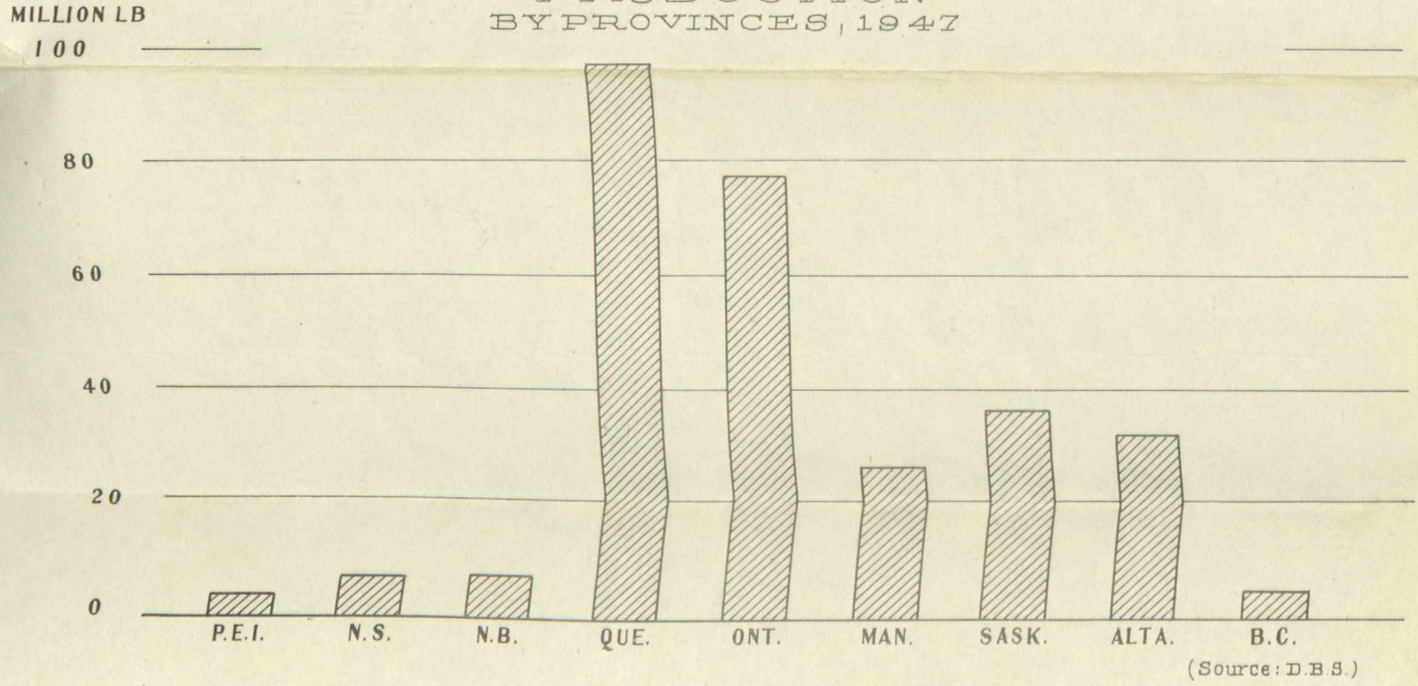


PRODUCTION AND DISAPPEARANCE BY MONTHS, 1947



(Source: D.B.S.)

PRODUCTION BY PROVINCES, 1947



(Source: D.B.S.)

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 25

TUESDAY, MARCH 16, 1948

WITNESSES:

Mr. J. F. Singleton, Associate Director of Marketing Service, Dairy Products, Department of Agriculture.

Mr. J. S. Turnbull, General Manager, Saskatchewan Co-operative Creamery Association Limited, Regina, Saskatchewan.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

TUESDAY, March 16, 1948.

The Special Committee on Prices met at 11 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Cleaver, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, McCubbin, Pinard, Winters.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Mr. J. F. Singleton, Associate Director of Marketing Service, Dairy Products, Department of Agriculture, was recalled and further examined. He filed,

Exhibit No. 55—Statement showing percentage utilization of milk in Canada, 1942 to 1947 inclusive. (*Printed in this day's Minutes of Evidence*).

Witness retired.

Mr. J. S. Turnbull, General Manager, Saskatchewan Co-operative Creamery Association, Limited, Regina, Saskatchewan, was called, sworn and examined.

At 1 p.m. witness retired and the committee adjourned until 4 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Cleaver, Harkness, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Merritt, Pinard, Winters.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Mr. Turnbull was recalled and further examined. He filed,

Exhibit No. 56—Buttermake by Saskatchewan Co-operative Creamery Association Limited, and other butter statistics relative to the said association. (*Printed in this day's Minutes of Evidence*).

Exhibit No. 57—Statement showing butter department earnings by the Saskatchewan Co-operative Creamery Association Limited. (*Printed in this day's Minutes of Evidence*).

Witness retired.

Mr. Maybank read into the record a letter addressed to the Chairman by Mr. George Christensen under date of March 11.

Mr. Maybank also brought to the attention of the committee a request by Mr. J. F. Singleton that a correction be made in his evidence submitted this day. Accordingly it was ordered that the quantity of *500,000 pounds* be substituted for that of *4,300,000 pounds* quoted by witness, as representing the increase in the disappearance of butter in February 1948 as compared with February 1947.

At 5.40 p.m. the committee went into executive session, adjourning its public session until Wednesday, March 17, at 4 p.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
March 16, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: The meeting will come to order. I believe you had an appendix to produce today, Mr. Monet.

Mr. MONET: Yes, I now produce Appendix 3 to Mr. Singleton's brief. This was introduced yesterday and printed in the evidence. These copies were made for the convenience of members of the committee.

The CHAIRMAN: That arises out of Mr. Harkness' request.

Mr. MACINNIS: Before you begin with the witnesses may I ask a few questions? Last Friday we were given a copy of a questionnaire that was supposed to be sent out.

The CHAIRMAN: On meat?

Mr. MACINNIS: Yes, meat, and we were asked for suggestions. I was wondering when they were to be picked up. I have one suggestion to make.

The CHAIRMAN: The idea, as you know, is to have an executive session at 5.30 o'clock today so I suggest we might deal with that matter when we have that meeting.

Mr. MACINNIS: My other question then is, there was a questionnaire sent out early in this investigation to ascertain the amount of butter that was in storage at certain periods; has information on that point been received and will it be passed on to the committee?

Mr. MONET: I can tell you this, that we have received so far replies from twenty-eight of the largest holders of butter, statements from large firms. We have those in such forms as they can be distributed this afternoon to members of the committee if they wish them. As to the small holders, returns are coming in very slowly. Some of them have no holdings to speak of at all, or very little. We are dealing with them all now and at a later date we will be able to supply that information to you. I may say that there is not much information in these later returns.

Mr. MACINNIS: Thank you.

Mr. MONET: There was a questionnaire also which was sent out the middle of last week. We are working on that now, and we have decided to proceed in a similar manner with respect to meat. If members of the committee would like to have copies of the questionnaire, which of course is in blank, the copies can be supplied and they might be very useful to members of the committee when examining witnesses. Shall I distribute those this afternoon with the others?

The CHAIRMAN: Yes.

John Franklin Singleton, Associate Director of Marketing Service, Dairy Products, Department of Agriculture, recalled.

By Mr. Monet:

Q. Mr. Singleton, at adjournment yesterday afternoon you said active buying by those in the butter trade would be one of the main factors in the rise in the price of butter from July to August as shown on Table 6, for the year 1947; a rise from 49⅞ cents to 54¼ cents; that is the answer you gave yesterday afternoon as to the cause for the rise in price which took place during July and August; do you wish to say anything further about that?—A. I have nothing to add to that.

Q. You have nothing to add to that?—A. No.

Q. Then we follow on with this Table 6, for the year 1947, I notice there is another substantial rise between the months of August and September of the same year, a rise from 54¼ to 59⅛?—A. Yes, sir.

Q. Would you tell the members of the committee what would be the main factors in the rise in prices for that period?—A. Well, I should say in a general way conditions were quite similar to those that prevailed in the previous month, with this exception that on the 10th of August the statistics revealed that disappearance had increased during August by 5·2 million pounds and that increase carried over into September although not at quite as big a rate; the increase was 3·4 million pounds in disappearances in September as compared to that of September, 1946. The statistics showed a remarkable increase in the production of butter throughout December, 28·1 per cent, but that was due to a great extent to production during this time when the producers' strike was on in the previous year in western Canada, in Alberta and to a lesser extent I believe in Saskatchewan, so that would make September and a part of October abnormally low and the 1947 production showed a remarkable increase for those two months. With those two exceptions, conditions were just the same as the previous month.

Q. You mean as between July and August?—A. Yes.

Q. Now, Mr. Singleton, always remaining on this question of rising prices, we will jump over the month of October, we will return to it later on, will you explain to the members of the committee the increase from 57⅛ to 60⅜ as between October and November of 1947?—A. It was made clear I think to most students of the situation at that time that unless something entirely unexpected occurred we were heading into a very short position. Now, we made a calculation in my own division a little later on with respect to distribution, disappearances, from June 1947 to October, 1947 inclusive and the disappearances during the same months of 1946. Now, during those five months, June to October inclusive, disappearances of 19·2 million pounds showed a 16·77 per cent increase during the first five months in which there was no rationing. To maintain that rate of disappearance through to the end of April would mean that stocks would have to be supplemented by makes, an increased amount November to April inclusive of 26·55 per cent over the production during the same month of the previous year to get enough butter to sustain this increase to rate of disappearance of 16·77 per cent we would have had to have had an increase in production of 26·5 per cent from November to April inclusive, and that production from June to October inclusive was up only 10 per cent, so that it was quite apparent that unless higher prices curtailed disappearances the supply position would be very, very short before the make comes on this coming spring.

Q. What was that?—A. I said it would require increased production of 26 per cent from November to April to sustain the increase rate of disappearance that prevailed from June to October inclusive.

Mr. CLEAVER: And that increase later of disappearance was 19 per cent?

The WITNESS: I said it was 16·77 per cent.

By Mr. MacInnis:

Q. Did you have any reason to suspect that this increased disappearance was not accounted for altogether by increased consumption? Have you any facts to support that?—A. I have no facts concerning that. The thing that was most prominent in my mind from month to month at that paricular season was anticipation of increase in disappearances owing to the higher price levels. Now, that just did not develop, and we did not know to what extent butter might have been in household refrigerators or in retail store warehouses—those stocks are not reported, no retailer reports his stocks except in the case of chain stores who operate warehouses, and they do report.

Q. But you have no facts or information on that at all?—A. No, I haven't, Mr. MacInnis. I was told by one vendor that some butter was coming back occasionally, a bit of butter from a householder, that was predated—the date is printed on the wrapper—and occasionally a bit would come back that had been out four or five weeks, which would look as though there had been some holding, but that would be relatively unimportant.

The WITNESS: As though there had been some buying in anticipation of requirements.

By the Chairman:

Q. Actually, there is a great deal of that, isn't that true? I am not suggesting that your answer does not give the full picture, I think there was a great deal of that.—A. On the part of the consumers?

Q. Let us say on the part of individuals or companies.—A. Those who serve the retail trade do buy in anticipation of future requirements. That is their business.

Q. Yes.—A. But I thought this question referred to consumer buying.

Mr. CLEAVER: Disappearances.

The WITNESS: Yes, disappearances.

By Mr. Lesage:

Q. There are quite a lot of consumers who buy their winter supply of butter during the fall?—A. I would not know what extent that obtains, Mr. Lesage. Going down the page you will be interested in these quantities of increased disappearances month by month: In June it was 3,000,000, July 3·6, August 5·2, September 3·4, October 3·8, November 3,000,000, and December, 3·1. Now, if such consumer buying as you suggest, Mr. Lesage, is important it would be somewhat at variance with the drop in disappearances during November and December as compared with earlier months, would it not?

Q. It is important though.—A. It would appear in both years. We are dealing this year with consumer buying, not earlier years.

Q. Yes, I did not mean this year especially, but I say that every year in rural communities people will buy their winter's supply of butter during the fall.

Mr. MACINNIS: You said I think, Mr. Singleton, that you expected there would be a decrease in disappearances after control was removed because of the increased price. I think that is what you said. If prices were going up would there not be a tendency there such as the one you suggested of curtailment in consumption in certain income groups because of the increased price, and greater buying on the part of those in other income groups because of a fear of a further rise in prices and in order to have a little stock on hand at a cheaper price?—A. Well, I do not know to what extent that might obtain, Mr. MacInnis. There might be some, but what I—I do not know just what word I used—what was in my mind, what I was watching most however during the later months, from June and July on was during September your buying, your disappearances, would drop off, and it seemed at the time to me that unless that happened we would be in an overall short position.

By Mr. Cleaver:

Q. Have you the information for January and February on disappearance of production?—A. Yes, it was 300,000, ·3 million pounds.

Q. Not so fast, please.—A. January, 1948, disappearance was down ·3 million.

Q. What do you mean by ·3 million?—A. 300,000.

Q. 300,000, down in January?—A. And February—

Q. Just a minute, that would mean that the January disappearance was how much?—A. 21·2 million.

Q. And what about February?—A. An increase of 4·3 million.

Note: **A correction subsequently authorized by the committee at witness' request, indicates that the increase in the disappearance of butter in February 1948, as compared with February 1947, was 500,000 pounds instead of 4,300,000. This should be taken into account in respect of the examination which follows on this particular subject.**

By Mr. Maybank:

Q. That is down from what, an increase from what; January is down from the former January or down from December?—A. The former January.

Q. As compared with a year ago?—A. As compared with a year ago.

Q. 300,000 pounds less?—A. Yes.

Q. And this increase which you mentioned for February is likewise to be compared with February of 1947?—A. Yes sir.

By Mr. Cleaver:

Q. February was down?—A. February was up.

Q. Up?—A. 4·3 million pounds.

Q. That is 4,003,000?—A. No, no; 4,300,000.

Q. 4,300,000, and the total figure there was up how much?—A. 20·7 million.

Q. Would you give the committee then the production figures for the same months?—A. January of 1948 was 8·9 million pounds. This is creamery butter in every case. I am not taking any quantity of dairy butter into this increase at all. February, 8,000,000 pounds.

Q. Would you give us the January increase in production over the previous January?—A. You want it in pounds? I have it in percentage.

Q. Percentage is satisfactory.—A. A decrease of 8·8 per cent in January, and a decrease of 7 per cent in February.

The CHAIRMAN: Have you any further questions, Mr. Cleaver?

Mr. CLEAVER: No, thank you, Mr. Chairman.

By Mr. Monet:

Q. Now, Mr. Singleton, I see that between November and December there was another very substantial rise, from 60⅞ cents to 66⅛ cents, would your explanation be the same as for the other raises which you have just explained?—A. It would be, yes.

Q. Now, can you tell members of the committee who would benefit most from the rise in prices from the month of June to the month of December inclusive?—A. Well, the producers would have benefited through it in so far as production is concerned. Following the various advances in price their returns would be advanced accordingly—the cream position. Those holding stocks of butter would likewise have profited by the increased price.

Mr. MACINNIS: What do you mean exactly by producers, the farmers or the creameries?—A. The cream producers.

By Mr. Monet:

Q. That would be the farmers?—A. Yes.

Q. Then you mentioned other categories?—A. The holders of butter.

Q. That would be the wholesalers?—A. Yes, and the creameries in some cases.

Q. Can you tell the members of the committee if the butterfat price has raised in proportion to the rise in the price of butter?—A. I do not follow these prices closely, Mr. Monet, and I think it would be preferable—I haven't got the information here anyway, it could be prepared for you later. As far as our returns go, in a general way I would say yes, the price of fat did rise.

Q. Can you say whether that rise was proportionate to the rise in the price of butter?—A. I could not say that.

Q. Could you get that information for us?—A. I think so.

Mr. IRVINE: I think we should have it.

Mr. CLEAVER: Mr. Chairman, would you mind if I asked a supplementary question?

The CHAIRMAN: Do you mind if we just complete this?

By Mr. Monet:

Q. This is the last question I am going to ask in this group, but I will have other questions on another group later. I think I should like to have an answer to this question. Could you get this information for us?—A. It is a question of comparison, is it not? This is in your table No. 5.

Q. Well, I should like to have your opinion?—A. It is a question of the ratio. We will be pleased to work it out later and hand it to you.

Mr. MACINNIS: You will need it from month to month. You only have it here from year to year.

By Mr. Monet:

Q. Yes, and we will need it especially, Mr. Chairman, for those months covering the period from May, 1947 to February, 1948 inclusive, when the big rise in butter prices took place?—A. Yes, a comparison between the monthly average butter prices and the monthly average fat prices.

Q. Yes. Would the members of the committee be satisfied to have that? I think it should be satisfactory to have that information covering the period from May because, until May, there was a ceiling price. I think the information should cover the period from May, 1947 to February, 1948 inclusive. It would be most interesting to have those figures. I am finished questioning on this part of the evidence, but I will have questions to ask later on another subject.

By Mr. Cleaver:

Q. Mr. Singleton, I wanted to make sure I understood the answers which you gave me a few moments ago in regard to production and disappearance of butter for January and February of this year compared with January and February of last year. I wanted to make sure I have the correct answers and that I understand them. Table No. 2 shows the production of butter from 1939 to 1947?—A. Yes, sir.

Q. I notice that this table includes all types?

Mr. IRVINE: Which table is that?

By Mr. Cleaver:

Q. Table No. 2. Creamery butter is a very large item compared with the other two items of dairy and whey butter. Would the production of those three types of butter in the month of January compare reasonably well with the

average production throughout the year, or have you a heavier percentage of production in, say, dairy butter in mid-summer than in mid-winter?—A. Well, I should expect it would be heavier in the summer months.

Q. Coming to this table, what do you mean by the figure I am now looking at, January, 1947, the total figure of 14,362,000 pounds?—A. That, as I understand this table, includes creamery, dairy and whey butter.

Q. Then, coming further down to creamery butter for the year, is that 290,841,000 pounds for the entire year?—A. I understand it is.

Q. All right. Then, coming to the answers which you gave me, I understood you to tell me that the production of creamery butter in January of 1948 was 8·9 million pounds; is that right?—A. Yes, sir.

Q. How does that tie in with this other statement? That would appear to me to be a very much greater reduction than the 10 per cent, when I compare the 8·9 million pounds with the January production for 1947 which was 14·362 million pounds; that would appear to be a much greater reduction than 10 per cent?

Mr. WINTERS: If you deduct from the 14,362,000, the amount of dairy butter for the month, it might work out that way.

The WITNESS: We now have the statistics for dairy butter production. In the month of January, it was 4,514,000 pounds and for whey butter it was 42,300 pounds.

By Mr. Cleaver:

Q. I am sorry, I did not hear that answer.—A. Dairy butter, during January was 4,514,000 pounds and whey butter was 42,300 pounds.

Q. That would appear to clear that point up in my mind. Then, coming to the disappearance figures, did I understand you correctly that the disappearance was down in January, 1948 as compared with January, 1947 by just 300,000 pounds?—A. Yes.

Q. And when we move into February, the disappearance is up for February, 1948 as compared with February, 1947 by 4,300,000 pounds?—A. Yes, sir.

Q. And that the total disappearance in January, 1948 is 21·2 million pounds?—A. Yes.

Q. And in February of 1948 is 20·7 million pounds?—A. Right.

Q. Now, referring back to your chart—I do not know the exhibit number of that.

Mr. MONET: Exhibit 53.

By Mr. Cleaver:

Q. With a total disappearance of 20·7 million pounds in February, this chart should show an increase of 4·3 over the black mark in the chart?—A. I do not follow your question, sir.

Q. Well, if we were to add to this chart, as you have shown it for 1947 the increase to the black chart mark for February of 4·3 million pounds, would that not bring the black marking in the chart up more than 20·7 million pounds?—A. I think the difference is that this black mark in the chart would include all butter, creamery, dairy and whey butter, whereas the figure I gave you was for creamery butter only; that is, the disappearance figure.

Q. Well, in looking at the chart for February, 1947, that chart looks to me as if the February disappearance would be, perhaps, 25 million pounds. Does it not look that way to you?

Mr. MACINNIS: That is what it is on table 4.

By Mr. Cleaver:

Q. Then, how can 20·7 million pounds be an increase in that? Do you see my point; if your chart shows a February disappearance in 1947 of 25 million

pounds, how on earth could 20·7 million pounds be an increase in that? I would say it was a decrease?—A. Dr. Derby has just pointed out, it is 1947 as compared with 1946. The figures I gave you were 1948 compared with 1947.

Mr. IRVINE: The chart at which you are looking is 1946, is it not?

Mr. MONET: The figures for disappearance are by months in 1947.

Mr. CLEAVER: The heading on the chart says both production and disappearance by months, 1947; that is not 1946.

Mr. MONET: No, Mr. Cleaver, for the first segment you have 1946-1947, as to prices. The second segment has production and disappearance by months for 1947 only.

Mr. CLEAVER: I should not take up the time of the committee on this matter; I will try to worry it out for myself.

The CHAIRMAN: Are there any other questions?

Mr. LESAGE: I believe Mr. Merritt asked Mr. Taylor yesterday to give a break of the retail price of 73 cents for butter, as to how much would represent the wholesale price; the amount of money that would go to the producer, and so on. He is not here this morning but I thought it was a very interesting question which should be pursued.

Mr. HARKNESS: It was I who asked that.

The CHAIRMAN: That is being considered now.

Mr. MONET: We will probably have that information available this afternoon. The secretariat is gathering all the information from the Minister of Agriculture and other sources and it will probably be available this afternoon.

The CHAIRMAN: All right, Mr. Monet.

By Mr. Monet:

Q. Coming to another part of the evidence, would you describe the utilization of fluid milk in Canada? Before you do so, I understand you have prepared a document containing this information, which I should like to file as Exhibit 55.

EXHIBIT No. 55: Percentage utilization of milk in Canada.

PERCENTAGE UTILIZATION OF MILK IN CANADA

—	1942	1943	1944	1945	1946	1947
Total production of milk (millions of pounds)	17,489	17,519	17,624	17,627	16,937	17,214
Percentage Utilization	P.c.	P.c.	P.c.	P.c.	P.c.	P.c.
Creamery Butter	38·1	41·6	39·7	39·0	37·6	39·6
Dairy Butter	10·5	7·4	7·2	7·1	7·5	7·7
Total Butter	48·6	49·0	46·9	46·1	45·1	47·3
Cheese	13·3	10·7	11·5	11·8	9·7	8·0
Fluid Sales	19·4	21·2	22·2	22·8	25·1	24·2
Concentrated	3·0	3·3	3·5	3·5	3·7	3·9
Ice Cream	1·4	1·5	1·6	1·5	1·3	1·9
Consumed on Farms	9·9	9·8	9·8	9·8	10·3	10·0
Fed on Farms	4·4	4·5	4·5	4·5	4·8	4·7
Total used on Farms	14·3	14·3	14·3	14·3	15·1	14·7
	100·0	100·0	100·0	100·0	100·0	100·0

Based on statistics obtained from Agricultural Branch, Dominion Bureau of Statistics.

By Mr. Monet:

Q. Would you describe utilization of fluid milk in Canada as shown on this exhibit?—A. Well, I presume all it would be necessary to discuss would be the variations between 1946 and 1947, which are shown at the right hand end of the table. In 1946, 37·6 of the total fat production of Canada was utilized, or the total milk production was utilized in the making of creamery butter, and 7·5 per cent in the manufacture of dairy butter. The figures for 1947 were 39·6 and 7·7, a total of 47·3 per cent which means 3·2 per cent more of the total fat production was used in producing butter in 1947 than in 1946.

Now, whey butter has been mentioned here. It does not enter into these calculations because it is a by-product of the manufacture of whey.

By Mr. MacInnis:

Q. How is whey butter manufactured and what, really, is it? When I was on a farm whey was not much used for anything. You could not get much butter out of it.—A. Whey will have an average fat content of from $\frac{1}{3}$ to $\frac{1}{4}$ of 1 per cent under good manufacturing practice. It is now profitable to skim that whey and churn the cream. This has become profitable owing to the fact that separators have been developed with much greater capacity than we had fifteen or twenty years ago. Most of the larger factories are now skimming the whey, recovering the cream and churning it into butter. Most of the butter is consumed by the men who have supplied the milk to the cheese factories.

By Mr. Harkness:

Q. How does that butter compare with ordinary butter?—A. Well, it is a matter of preference.

Q. Is it a poorer product, generally speaking, so far as most people's taste is concerned?—A. I would say it is a very good quality of butter, providing it is manufactured under sanitary conditions. There is no reason why it should not be a very good quality of butter.

Now, as for cheese; in 1946 9·7 per cent of the total milk production was used in cheese manufacture. That decreased to 8 per cent last year, a decrease of 1·7 per cent which is reflected in the latest cheese production figures for 1947. The milk sold for fluid consumption was 25·1 per cent in 1946 and 24·2 in 1947, a decrease of ·9 per cent. Concentrated milk, that is evaporated milk and dry whole milk powder was 3·7 per cent in 1946 and 3·9 per cent in 1947, an increase of ·2 per cent. Ice cream represented 1·3 per cent in 1946 and 1·9 per cent in 1947, an increase of 0·6 per cent.

Now, the production of ice cream was restricted for several years. That restriction was removed on the 31st of March, 1947. The total ice cream production during the entire year of 1947 showed an increase of approximately 50 per cent over that of 1946, but if you take the last nine months of 1947 and compare it with the same months of 1946, the increase is 58 per cent. Those nine months were unrestricted.

Consumed on farms and fed on farms, 15·1 per cent in 1946 and 14·7 in 1947, a decrease of four-tenths of 1 per cent.

Mr. MONET: Mr. Chairman, I have no more questions to ask the witness on this exhibit. If there are any questions to be asked by the members, I think they could be asked at this time.

By Mr. Winters:

Q. Yesterday, I asked Mr. Singleton, I think it was, if he would take, as an example, 100 pounds of milk and break it down to show what processes it goes through and what by-products result. It would be beneficial to me, I know, but probably the other people know about it.

Mr. Taylor said 100 pounds of milk made 4·3 pounds of butter. I should like you to go all through the process and tell us what is left over; what you do with it; and so on, right down until it is all used up?—A. The by-products from the manufacture of butter are skimmed milk and buttermilk.

Q. Could you take this 100 pounds as a base and tell us how much of the different qualities are involved? I should like to get some idea how much value is attached to it, to evaluate this 100 pounds of milk that goes into the production of butter?—A. Let us take one at a time. We have 100 pounds of milk; we have the skim milk; then take one-tenth as cream; that would give us 10 pounds of 3·5 per cent cream if the milk contained 3·5 per cent butterfat. That 10 pounds is churned and we get about—according to Mr. Taylor's calculations—4·2 pounds of butter and that would leave us 5·8 pounds of buttermilk. 100 pounds of milk gives 10 pounds of cream, that is of 3·5 per cent butterfat and ignoring the loss in skimming, when churned would make approximately 4·2 pounds of butter leaving 5·8 pounds of buttermilk. Now that would leave 90 pounds of skim milk.

Q. Yes.—A. That might be returned to the farms; it is returned in some cases and in others it is dried. Last year the dairy products board exported about 14,800,000 pounds of dry skim milk.

Q. Suppose you made whey butter out of it?—A. You would not make whey butter when you make regular butter; we will get into that in the making of cheese.

Mr. McCUBBIN: Yes, but 90 per cent of that skim milk never leaves the farm.

The WITNESS: That is quite true. I would not know whether it is 90 per cent or not but there has been a big switch-over to collecting of cream as against whole milk, particularly in Quebec.

Mr. McCUBBIN: That is not true in our country.

The WITNESS: No.

Mr. WINTERS: What is buttermilk worth per pound?

The WITNESS: I do not know the feeding value of that. It depends on the people who use it. It is used for poultry feeding and hog feeding. That is outside of my field altogether and I will not attempt to put a valuation on it.

Mr. HARKNESS: In some places there is really no market for it and a large part of it is wasted.

The WITNESS: I believe some of it is wasted.

Mr. JOHNSTON: Could you take 100 pounds of whole milk, as you did in the case of butter, and tell us how many pounds or gallons of ice cream it would make?

The WITNESS: Have we got this butter matter cleaned up?

Mr. WINTERS: No, I am not finished.

By Mr. Winters:

Q. Supposing an efficient creamery were doing the operation, that is disposing of the buttermilk and the skim milk, can you say how much they would expect for buttermilk in an area where it is consumed?—A. Very often it is dried and sold for animal feed. The larger creameries, many of them, are trying that.

Q. Is there not a fair market for buttermilk? You get it in most hotels and restaurants and in the parliamentary restaurant?—A. The buttermilk you get in the parliamentary restaurant is not buttermilk at all.

Mr. HOMUTH: No it is not.

Mr. JOHNSTON: Then we have been gipped.

The WITNESS: No, I think you are getting the best of it. The process is that you take skim milk and inoculate it with a souring organism which sours it while it is still sweet and it is then delivered to the home.

Mr. HOMUTH: It has the same fat value as skim milk.

The WITNESS: Yes, but many people prefer it to skim milk.

Mr. WINTERS: If it is used as dried skim milk what is it worth?

The WITNESS: Last year we sold 8,000,000 pounds to the United Kingdom for 13½ cents for first grade.

By Mr. Mayhew:

Q. Is there any manufacture at all in Canada of casein?—A. The production of casein last year was about 6,000,000 pounds.

Q. It is growing?—A. Yes, tremendously, since the beginning of the war.

By Mr. Winters:

Q. How many pounds of fluid skim milk are required for a pound of dried skim milk?—A. 8 to 8½ pounds of dried skim milk are received from 100 pounds of fluid skim milk.

Q. 100 pounds to 8½?—A. 100 pounds of fluid skim milk produces 8 to 8½ pounds of dried skim milk.

Q. That, you would say, would be the total utilization or the maximum utilization of milk?—A. Yes.

Q. Butter, buttermilk, and skim milk?—A. Yes.

By Mr. Lesage:

Q. As a matter of fact skim milk in most parts of the country is taken back by the farmer to his farm to feed the animals?—A. It is in the case of the smaller creameries, but as Mr. McCubbin points out, in the case of what represents the far greater part of butter production in Canada the milk is skimmed on the farm and the skim milk is used on the farm for feeding the stock. The skim milk never leaves the farm except in the fashion that the farmer markets his pigs.

Q. That would apply to buttermilk?—A. Buttermilk comes from the creamery where the butter is churned.

Mr. MCCUBBIN: The beef man sells his cream but keeps the skim milk and feeds the calves and pigs. We put a value on that skim milk of 50 to 75 cents per 100 pounds.

The WITNESS: The value depends, I think, Mr. McCubbin, wholly upon the purpose for which the skim milk is used. I remember once being told by a breeder of purebred dairy cattle that he considered the cream to be a by-product of skim milk. The skim milk was worth more to him than the cream for feeding highly bred stock.

Mr. MONET: Now, Mr. Singleton, on exhibit No. 53 there is a third segment showing the production by provinces for the year 1947. I think it would be interesting for the members of this committee to know which are the surplus and which are the deficiency areas?

Mr. JOHNSTON: Before you leave that, I wonder if it would be possible to go into the question I asked regarding the 100 pounds of milk being developed into ice cream. I am interested in knowing about this whole milk which could be used for the production of butter and yet some of the creameries, the large creameries, are converting it into ice cream rather than putting it into butter because of the extra profit that they have there.

The CHAIRMAN: Can you help us on that?

The WITNESS: Dr. Derby has been figuring that out and he tells me it will take 14·2 pounds of milk to make a gallon of ice cream.

Mr. HOMUTH: Is that in the modern method of making ice cream, because I am wondering how much milk or cream is now in ice cream?

By Mr. Johnston:

Q. There is very little.—A. The fat standard was altered during the war to conserve fat. When war was declared the standard was a minimum of 13 per cent fat. The present standard is a minimum of 9½ per cent and a maximum of 10½ per cent fat.

Q. That is in ice cream. Is there a standard which they are required to follow?—A. Pardon?

Q. Is there any standard under the Foods Act?—A. Yes, there is a standard under the Dairy Industry Act. We have inspectors out all over the country working on that matter continuously and ice cream must weigh at least five pounds per gallon.

Q. Have you ever thought, when there was a scarcity of butter, of turning more of this cream which is used for making ice cream into the manufacture of butter?—A. That was done for years during the war and control just came off on the 31st of March. There was a restriction on the volume of ice cream which might be produced.

By Mr. Harkness:

Q. The point is that only 1·9 per cent of the milk production went into ice cream in 1947?—A. That is quite true.

Q. In other words, it is a small percentage?—A. It is a small percentage, yes.

Mr. JOHNSTON: There was a 50 per cent increase from 1946 to 1947?

The WITNESS: That is true.

By Mr. Winters:

Q. Mr. Chairman, may I just go one step further on the line that I was following? In 100 pounds of milk would there be approximately 40 quarts?—A. It is a little less than that; the figure is 38½—something like that.

Q. If the utilization out of 100 pounds of milk were 40 pounds of butter and nothing else, that would be worth about $2.85 to the farmer, assuming butter to be worth 67 cents a pound?—A. We had an estimate made the other day on present butter prices which indicates creamery is returning to the farmer $2.62 per 100 pounds of milk. That is to say, if the farmer delivers cream, every 100 pounds of milk would be worth $2.62.

Mr. LESAGE: Plus the skim milk?

The WITNESS: The skim milk would not be taken.

Mr. IRVINE: At what period would you fix that value? Would it make any difference which month or year you took?

The WITNESS: That is at the present time.

Mr. WINTERS: If he were to get the maximum out of the skim milk he would get about a dollar for the balance of the ninety pounds, which is skim milk?

Mr. HOMUTH: No, no.

Mr. MCCUBBIN: He does not get anything.

Mr. WINTERS: I am just trying to find all this out.

Mr. HOMUTH: It depends entirely on the use to which he puts the skim milk and the value he puts on it himself.

Mr. WINTERS: I am trying to find some figure at which it is more profitable if the milk is turned into butter than if it is sold for consumption as raw milk for instance, and it looks like about 7 cents aquart.

Mr. LESAGE: In Quebec the consumer receives 10 cents a quart f.o.b. the farm.

Mr. WINTERS: And that would seem that it is slightly more profitable to sell it for butter.

Mr. LESAGE: Yes, definitely.

Mr. MCCUBBIN: No, you are going to get into an argument straight off there, you see. As Mr. Homuth has said, it is difficult to place the value on skim milk.

The WITNESS: I would place a $1 value on it and another man might place a 40-cent value on it. It is a matter really of where you live and what you use skim milk for.

Mr. HOMUTH: And also it depends on the type of farming.

The WITNESS: I got the idea Mr. Winters was trying to figure the problem out placing a value on 8 pounds of dried skim milk at 13½ cents.

Mr. WINTERS: Yes.

The WITNESS: Not feeding it at all.

Mr. WINTERS: That is right.

Mr. MACINNIS: Is it not a fact the fluid milk market is the most profitable market in the dairy industry? It might depend to some extent on the proximity of the large consuming centres and so on—

Mr. MCCUBBIN: Well, that is not true as far as the land is concerned. If you are farming you are mining the land, you are not farming it. In one instance the ingredients go back into the land but if you sell all the milk off it does not return.

The CHAIRMAN: The relevancy of this discussion I suppose turns on the question of butter production?

Mr. WINTERS: Yes, and we have found it economically possible to lean toward production of butter rather than milk.

Mr. HOMUTH: The question before this committee is a question not of what is most profitable to the farmer but it is a question as to whether butter is too high or too low in price.

The CHAIRMAN: The last question on production may be a very big factor in the price that certain people receive. However, I have been wondering, as the discussion took place, just exactly the interest it has here for our immediate purpose.

Mr. HOMUTH: I think what we want to get at is whether there have been speculators in the butter market?

The CHAIRMAN: We are going into that but we must take it step by step. Counsel has a plan. We are definitely interested in the matter of speculation but let us not hurry counsel on that very important particular.

Mr. HOMUTH: What I am trying to get at is, I think, if we start to delve into questions of what is most profitable to the farmer we will have to go into the whole scheme of farming, dairy cattle, hogs, and everything else. We will never get anywhere.

The CHAIRMAN: I think that is right.

Mr. MCCUBBIN: Yes, but Mr. Winters is just asking for his own information.

Mr. HOMUTH: I realize that but I think we might get too involved in the whole question of types of farming and we might forget all about the butter part.

Mr. WINTERS: I just want the information.

Mr. LESAGE: I have one question. Mr. Taylor said yesterday the price of butter should be about double the price of cheese. I would like to know, just to complete the picture, how many pounds of cheese you can get from—

The CHAIRMAN: We are coming to that. May I just suggest that counsel has possibly been too respectful. He had a certain line which he was following and I think he ought to proceed with that. Counsel's course will not be altered.

Mr. MONET: My next question had to do with the production of butter as against cheese, and vice versa. We will then have the whole story.

The CHAIRMAN: You had better proceed with the examination and the committee will help you.

Mr. MONET: I will come to the question asked by Mr. Lesage.

Mr. LESAGE: Right.

Mr. MONET: Before we reach that I had put another question to Mr. Singleton with regard to the third segment of the chart, exhibit No. 53, and the production by provinces for 1947. I think it will be most important that the members of the committee receive an explanation as to this production? You will make the explanation as briefly as possible.

Mr. HARKNESS: What chart is under discussion?

Mr. MONET: Exhibit No. 53, the third section, relating to production by provinces.

Mr. HARKNESS: Yes.

The WITNESS: You want figures?

By Mr. Monet:

Q. Yes.—A. Production was as follows: Prince Edward Island, 4·1 million pounds; Nova Scotia, 9·3 million pounds; New Brunswick, 11·64 million pounds; Quebec, 105·8 million pounds; Onatrio, 86·9 million pounds; Manitoba, 32·2 million pounds; Saskatchewan, 51·1 million pounds; Alberta, 41·5 million pounds; British Columbia, 6·1 million pounds. That is all creamery butter and whey butter. Now certain of those provinces produced a surplus but others did not produce sufficient for their own requirements. It is impossible to get exact figures as to the disappearance of butter in any province because there are no official records of interprovincial movement of butter. However, last year the figure on disappearance for all of Canada was 27·9 pounds per capita. If that per capita figure of disappearance is applied to the population of the various provinces we find that we have surpluses as follows: Prince Edward Island, 1½ million; Quebec, 1 million; Manitoba, 11·5 million; Saskatchewan, 27·6 million; Alberta, 18·6 million.

There were shortages as follows: Nova Scotia, 8 million; New Brunswick, 2 million; Ontario, 30 million; British Columbia, 23·6 million.

Q. Would you give some of the reasons for those figures, Mr. Singleton?—A. One reason is the variation in numbers of cows in the various provinces. Those figures have been reduced to a basis of the number of cows per 100 human beings or per 100 of the population. In British Columbia, one of the deficiency areas there are 9·1 cows per 100 people; Ontario is the next deficiency area and they had 30 cows per 100 people; Quebec is a surplus area with 30·1 cows per 100 people; New Brunswick, a deficiency area, had 22·6 cows per 100 people; Nova Scotia, a deficiency area, had 15·9 cows per 100 people; Alberta, Manitoba, Saskatchewan, surplus areas show the figure for Alberta is 38·4 cows per 100 people; Saskatchewan 36·7 cows per 100 people; Manitoba 35·9 cows per 100 people; Prince Edward Island, 45·7 cows per 100 people. The average for all of Canada was 29·4.

By Mr. Harkness:

Q. Those are dairy cows?—A. Yes, dairy cows, as of the 1st of June, 1947.

Q. Those figures do not include beef cattle?—A. No.

By Mr. MacInnis:

Q. Can you give the figure for the number of cows per 100 persons in Quebec and Ontario again?—A. Ontario, 30; Quebec, 30·1.

Q. How do you account for the large shortage?—A. You mean the shortage of butter in Ontario?

Q. Yes.—A. There are several reasons for that. Ontario produces 72·26 per cent of the cheese produced in all of Canada last year.

Q. Oh, that is it.—A. Ontario produced enough cheese last year to supply their own requirements on average disappearance of 21·2 million pounds, and out of 67·8 million total, exports to the United Kingdom were about 56,000,000; or, in other words, Ontario produced enough cheese last year to supply all required for the United Kingdom except 11·1 per cent.

By Mr. Monet:

Q. Now that you are talking about cheese may I ask this question: What influences the production of cheese as compared to butter?—A. It is the return to the producer. Where the producers have an option as to which way they go, and this ratio of 2 to 1 in the price has been mentioned freely here, that is reasonably correct; and there are other reasons than monitary returns for diversion from one to the other. It may be the value placed on the skim milk on the farm for feed purposes. The creamery usually supplies the cans thoroughly cleaned and ready for use whereas in the case of the cheese factories the cans brought back are filled with sweet whey to the farms and the farmer's wife must wash the can and scald it. Labour is a factor. But it is a fact that when butter gets to a price which is about 2⅛ times the prices of cheese or more than that there will be a diversion from cheese to butter and when it gets down around 2 cents in price or less there will be a diversion from butter to cheese.

Q. I understand there is a premium for cheese in the province of Ontario?—A. The Ontario government has during recent years been paying a premium of 2 cents per pound on all cheese produced during the time that cheese is requisitioned for export to the United Kingdom.

Q. Is there any other premium on cheese besides that 2 cents?—A. No.

Q. That is the only one?—A. That is the only one. I was thinking that was the only one—there is another premium.

Q. What is it?—A. It is the Cheese Factory Improvement Act passed by the parliament of Canada in 1939. 92 points is the minimum score for first-grade cheese. Cheese which scores the 92 points is eligible for a premium of 1 cent per pound, going 94 or more it takes an extra premium of 2 cents a pound.

Mr. HOMUTH: Mr. Monet, right here might we get an estimate of how much cheese scores under 93?

The WITNESS: I haven't got that information with me but I will be glad to file it. It is compiled.

By Mr. Merritt:

Q. Would you describe very briefly for the members of the committee the functions of the independent creamery; describe briefly the operation and function of the independent creamery?—A. I presume by independent creamery you mean privately-owned?

Q. Yes, I do.—A. The privately-owned creamery receives milk or cream, and it is usually cream, from the producer of the milk or cream, churns it into butter, makes the butter. Usually the privately-owned creamery purchases the cream outright from the farmer on a basis of a fixed price per pound of fat—sometimes that price is not fixed until the close of the payment period.

Q. Will you excuse me if I interrupt you there? Would you tell the members of the committee whether it is the price of butterfat that will set the price

of butter, or whether it is the price of butter that sets the price of butterfat?—A. It is the price of butter that sets the price of buterfat. The creamery buys the cream on a fat basis, churns the butter, makes the butter and pays the farmer. Ownership of the butter is vested in the creamery which has bought the cream, that is the raw material it is manufacturing, it manufactures the butter and it becomes his product.

Q. You mean the farmer gets paid for his butterfat from the creamery and whatever profit there is goes to the management?—A. Correct.

By Mr. Johnston:

Q. And the price paid by the creamery to the farmer depends on the price of butter?—A. Absolutely.

Q. And the price of butter has a very direct effect on the price the creamery pays to the farmer for his butterfat?—A. Yes.

Q. That is probably what you meant when you stated that the price of butterfat was determined by the price of butter?—A. Exactly.

By Mr. MacInnis:

Q. Mr. Chairman, would the witness define more clearly what is meant by the independent or private creamery? Is there any distinction there as between them and co-operative creameries?

Mr. MONET: I was just coming to that.

Mr. MACINNIS: All right.

By Mr. Monet:

Q. Now, Mr. Singleton, would you describe for the benefit of the committee—I understand that in addition to the independent creameries there are also what are known as co-operative creameries?—A. That is correct.

Q. Would you briefly describe their operation?—A. The cream is received by the co-operative creamery as by the privately-owned creamery. It is churned into butter and butter is marketed and the money is apportioned among the producers from whom the cream was received. Sometimes the co-operative creameries will pay the same price as the independent creameries, they may or may not pay the producer a dividend at the end of the year based on operating profits. The main difference between privately-owned creamery and the co-operatively-owned is that the butter, the manufacturer of the product, is property of the owner in the privately-owned creamery, whereas in the case of the co-operative the butter is owned, ownership of it is vested in the ones who provided the cream; and they can control the selling policy, and they get the total returns from the sales of butter less the cost of collection of cream, the cost of manufacturing the butter, depreciation and that sort of thing.

Q. What would you have to say about the functions of the specialized butter wholesaler?—A. What do you mean by that?

Q. The wholesaler of butter, one who does not manuacture any butter but purchases butter and sells it to the retail trade, like Canada Packers for instance or like Swift's.—A. The specialized wholesaler, by that do you mean the wholesaler who does not manufacture it. Canada Packers do manufacture butter in Montreal, you know.

Q. Yes, but they also buy and sell it, and Swift's too. —A. Yes.

Mr. WINTERS: Have you the brokers?

Mr. MONET: Yes, I am coming to the brokers a little later on. I would like to give members of the committee a picture of the specialized functions of the butter wholesaler.

The WITNESS: The wholesaler, as apart entirely from the manufacture of butter; the wholesaler buys butter, he usually has his own premises for storing it, he sometimes rents space in a public cold storage warehouse. He buys the butter and makes it into prints, he usually buys it in solids, 56-pound solid fat; and he may cut it into prints and sell those prints to the chain store, the small independent grocer and so on; and he may sell solids in car lots or important quantities to others who cut butter into prints to serve retailers. The printing of butter and the sale of prints on the part of the wholesaler may be a major part of his business but I think that ordinarily it is a minor part and would be preceded in importance of volume by the sale of solids to others who in turn serve the retailers.

By Mr. Monet:

Q. Now, would it be correct to state that the butter wholesaler buys most of his butter on the Montreal commodity exchange?—A. I cannot answer that, Mr. Monet. I should rather doubt the accuracy of that.

Q. Do they not do most of their buying on the Montreal commodity exchange?

The CHAIRMAN: I must confess that I would like to get the question you put just before that.

Mr. MONET: The question was if the witness could tell us whether the butter wholesaler would buy most of his butter on the Montreal commodity exchange.

By Mr. Monet:

Q. And your answer to that is?—A. I cannot answer that. I think that might be obtained from a wholesaler when he is giving evidence.

Q. Would you think he would buy part of his butter from the exchange? —A. I would fancy most of the wholesalers in Montreal might. I am not so sure about those located in other cities.

Q. Would you know about the functions of the Montreal commodity exchange?—A. Well, butter is traded there, butter on spot is sold and traded in; butter to arrive is traded in—I would interpret that as arriving within two or three days—and butter futures are traded in.

Q. Am I understand, Mr. Singleton, that most of the trading to which you referred in your evidence last night at adjournment would be done on the commodity exchange by the wholesalers?—A. Not necessarily.

Q. But quite a part of it would be?—A. Well, the commodity exchange is an important factor in fixing the price.

Q. That is what I am driving at.

The CHAIRMAN: What is that last answer?

Mr. MONET: The commodity exchange is a great factor in fixing the price of butter.

By Mr. Monet:

Q. Would that be right?—A. Yes, I think that is right.

Q. Now, does the exchange fulfill a useful function?—A. I would say it does, yes.

Q. In what way?—A. Well, it brings buyers and sellers together and the transactions are published, the result of the transactions; there is more or less open trading. Starting back about I think 1918 probably the Co-operative Federee of Quebec started holding auctions, butter auctions, twice weekly on the Montreal Board of Trade and those were reported and were an important factor in fixing the price throughout all of Canada. It was so-called open trading, but the buyer took delivery physically of the butter. The butter was on spot and delivered to the buyer.

By Mr. Winters:

Q. Would you say that the process is one of setting prices rather than actual trading?—A. I would not say it is, rather it is a case of striking a bargain, if you like.

Q. You spoke in terms of fixing a price.—A. I perhaps was unfortunate in the term I used. Butter is offered at a certain price. People bid on it and finally a price is reached which is satisfactory to buyer and seller and the transaction is made.

Mr. MONET: And that buying, of course, would be the cause of a rise in prices?

The WITNESS: It might be, it would if the bidding was at higher levels than previously.

Mr. HOMUTH: But if the supply of butter was heavy, if there were a surplus, it would have the opposite effect?

The CHAIRMAN: Would you permit counsel to proceed? He is going to follow that up.

By Mr. Monet:

Q. I was just going to follow that up. Now, if the supply would not be the demand would not that commodity exchange be a great factor because of the way in which they conducted their transactions, would it not be a great factor in causing a rise in prices?—A. Well, those desiring to buy would presumably increase their offers in order to secure their requirements.

Q. I understand that last fall, all through from the month of June to the end of the year, there was an apparent shortage, was there not?—A. Quite true.

Q. And the price of butter did rise to a considerable extent during that period?—A. That is correct.

Q. Now, Mr. Singleton, are there possibilities of abuse through the operation of the commodity exchange?—A. I think there might be, yes.

Q. Would you give members of the committee some explanation of that answer?—A. Well, the commodity exchange facilitates dealing in butter by people who have no trade requirements at all. Anyone who wants to can go to a broker who is a member of the exchange and have him buy a futures contract for him—that is usually 400 boxes of butter—and the buyer would pay usually about $1,000. The price at which that futures contract is negotiated covers the cost of carrying the butter through to the delivery date. For example, you buy in June or July butter for delivery in January, February or March. And the price at which the butter is purchased covers the storage charges, the insurance on that butter from the time of purchase to the date of delivery; and it also protects the purchaser against a drop in grade. That is not a very serious risk but it does happen occasionally that butter put away as first grade comes out of storage as a lower grade deteriorating in storage. Now, if one buys a futures contract for the delivery of first-grade butter and the seller has put that butter away to protect his sale and if when he comes to deliver that butter the grade is lower than the grade he has sold he must get other first-grade butter to deliver against the contract.

Mr. JOHNSTON: Is that butter always in existence when trading in futures. If not in storage does it actually exist?

The WITNESS: I do not know about that. If I may just finish: This purchase and sale of futures is very useful in some instances. For example, there might be a large creamery which has quite high a trade with retailers and a jobber in some cases who does the printing of butter for the retail trade may want to protect his winter requirements and to do that he buys futures and he can regulate his supply and have the delivery of that butter come along to him as he anticipates he will require it.

By Mr. Monet:

Q. I understand that these futures contracts to which you have been referring can be purchased by anyone even people who are not in the butter trade?—A. I think so, if they have the money to pay the deposit on it.

Q. Would not that be a cause or a factor in making the demand larger and in that way increasing the price of butter?—A. If the buyer had no trade requirements, yes.

Mr. BEAUDRY: Might I ask a question?

Mr. MONET: Just a moment, please.

By Mr. Monet:

Q. What percentage of people who are not in the trade would buy through the commodity exchange?—A. I have no information that anybody did, but the possibility remains.

Q. Would you think that some people would buy through that system?—A. It has been rumoured. I do not know. I have no knowledge of it.

The CHAIRMAN: There is no doubt about that, there are lots of cases of that kind.

By Mr. Monet:

Q. Now, coming to the brokers, the last of the group, would you describe the functions of the broker?—A. The function of the broker is to act as a medium between a seller and a buyer. He has an order from a buyer to buy, or he may have an order to sell. In the first case he goes out and buys butter to the order of his buyer and in the other case he goes out and tries to find a buyer for the man who wants to sell. He gets a commission on his operation. Usually in proper brokerage transactions the broker does not handle the product at all.

Q. But he would work on a commission basis?—A. He would work on a brokerage basis, yes.

Q. He would do his trading on the Montreal commodity exchange I presume?—A. He might, I presume. Yes.

Mr. PINARD: What is the usual commission paid to brokers?

The WITNESS: I do not know. I could not answer that.

Mr. IRVINE: You will be having the brokers here in due course, I presume.

Mr. MONET: Yes.

Mr. BEAUDRY: You mentioned a moment ago that anyone can buy butter futures on the market. Could you tell us how much money such a buyer is required to put up in the way of deposit?

The WITNESS: I understand it is $1,000 for a contract for 400 boxes of butter.

Mr. BEAUDRY: Could you give us that in relation to the value of the butter at a price of 60 cents?

The CHAIRMAN: I think the witness already gave that information.

Mr. MONET: I think it is something we should have on the record.

Mr. HOMUTH: I think he said that $1,000 would buy 400 boxes of butter.

The WITNESS: What is the question again, please?

By Mr. Beaudry:

Q. What is the amount of the deposit required?—A. Well, $1,000 for 400 boxes, that is $2.50 per box, and there are 56 pounds in a box; a little over 4 cents per pound, 4·5 cents.

Q. Somewhere between 10 and 15 per cent, depending on the price of butter—no, it would be between 7 and 10 per cent.—A. I am advised that it

varies with the value of the butter. The rules of the exchange are not familiar to us. We are not members of the exchange. I suggest that someone more competent should be asked that.

Q. Roughly, based on your answer, would say that 10 per cent would be a fair figure for our immediate purposes?—A. Well, according to my calculation it would hardly be 10 per cent.

Q. No, not on butter at 67 cents a pound.—A. This figure would be 10 per cent on 45-cent butter.

The CHAIRMAN: We will be calling witnesses on that?

Mr. MONET: Yes, there will be witnesses from the exchange called.

The CHAIRMAN: Did you have some other questions, Mr. Beaudry?

Mr. BEAUDRY: But I do not know whether I should put them to this witness or not.

The CHAIRMAN: They were based on the tables?

Mr. BEAUDRY: Yes, they are based on these tables, and I arrive at certain figures which do not look just right to me. Perhaps I should refer them to our accountant for verification. They deal with the production and utilization of butter. According to Table 2, the total butter production in 1947 was 349,145,000 pounds. It also shows that we required for use or consumption 47·3 per cent of the total production of milk—17,214 million pounds. In 1947, the total production was 328,194,000 pounds and that required 45·1 of the total production of milk, which was 6,937 million pounds. In both cases we arrive at an approximately similar consumption of milk per pound of butter—20·3 and 20·2—23·2—but when I try to arrive at the difference in flow in pounds of milk between 1946 and 1947 and the difference in pounds of butter, I arrive at a figure of 24·04, which I cannot explain. Perhaps my figures are wrong. That is why I say that perhaps I had better ask our accountants to check on them; because it appears to me that by using these figures we arrive at an increased production of butter in 1947 as against 1946 and apparently it required a greater use of pounds of milk per pound of butter than is the answer given by dividing butter or milk into the butter for 1946 and 1947—a difference of somewhere around 4 per cent. That is why I thought I should bring it to the attention of our accountants.

The CHAIRMAN: We will have the accountant take a look at that. Now have you any more questions, Mr. Monet?

Mr. MONET: No.

By Mr. Lesage:

Q. I would like to know, as I asked previously, how many pounds of first grade cheese are obtained from 100 pounds of milk?—A. Well it differs, depending on the fat content of the milk.

Q. What is the average?—A. Oh, it is about 8·8 pounds of cheese per 100 pounds of milk.

Q. 8·8 pounds?—A. Yes, 8·8 to 9 pounds.

Q. And the balance of the 91 pounds of milk is whey?—A. Whey, yes.

Q. How much is whey worth? Is there any known worth for it?—A. Mr. McCubbin could perhaps answer that better than I can. Some people value it at a very low figure. There is a considerable amount of whey being sold for the production of lactose which is in turn used in the production of penicillin. There is a plant at Cornwall, Ontario, drying whey.

The CHAIRMAN: Do you want to be sworn and tell us about this, Mr. McCubbin?

Mr. MCCUBBIN: I would call it no good at all.

The WITNESS: Those people sell it, I believe, for around 3 cents a gallon.

Mr. McCUBBIN: That is something new that has turned up.

The WITNESS: Yes, but they are not paying nearly as much as they were when they started. During the war lactose was urgently needed to produce penicillin for war purposes.

By Mr. Lesage:

Q. This whey is used for feeding hogs, is it not, as well as skim milk?—A. Skimmed whey is frequently fed to hogs.

Q. I did not get that.—A. After skimming it is frequently fed to hogs.

Mr. WINTERS: I would like to ask just one more question. Is there any sizeable production of cheese in the maritime provinces?

The WITNESS: It is relatively unimportant. There is none of importance in Nova Scotia. The production in Prince Edward Island was 476,000; New Brunswick 2,489,000.

Mr. McCUBBIN: So the farmers in Nova Scotia do not have an option of turning milk into cheese.

The WITNESS: They did not seem to want the option. There were a lot of cheese factories down there at one time but they have all passed out of existence.

The CHAIRMAN: Well, thank you very much, Mr. Singleton.

John Seeman Turnbull, General Manager, The Saskatchewan Co-operative Creamery Association Limited, sworn.

By Mr. Monet:

Q. Would you please give the committee your full name?—A. John Seeman Turnbull.

Q. Your address?—A. 154 Angus Crescent, Regina, Sask.

Q. Your occupation?—A. General manager of the Saskatchewan Co-Operative Creamery Association Limited.

Q. Where is your head office?—A. Regina, Saskatchewan.

Q. You have been general manager for how long?—A. Since mid-summer 1942.

Q. Would you kindly outline, for the benefit of the committee, the nature of your organization speaking from the standpoint of the co-operative set-up, and dealing among other things with the number of members, the patrons, the conditions upon which butterfat is purchased, the basis for payment, what factors establish the price paid for butter; what percentage of the total butter is produced by your organization in Canada, in the three prairie provinces, and in Saskatchewan? That is a general question that I am asking the witness but I will break it down later item by item. I give it that way for the benefit of the members of the committee who will know what I am trying to establish. Would you first outline the nature of your organization from the standpoint of the co-operatives?—A. Mr. Chairman and gentlemen:

The Saskatchewan Co-operative Creamery Association Limited, and/or its predecessors in an operating sense is older than the province of Saskatchewan as such, and its history and development to a considerable degree is indeed that of the dairy industry in Saskatchewan.

The organization as operated today was made possible by a special act of the provincial legislature which became effective April 1, 1939. It has since complied with all of the requirements of the Saskatchewan Co-operative Marketing Association's Act, and is registered thereunder. We operated under a provincial government appointed board to the spring of 1946, and since that

time have operated under a member-elected board. The membership fee is $3 upon payment of which the patron shares in the earnings of all departments patronized on a product shipped basis. We have received shipments in a single year from over 95,000 individuals with our paid-up membership at present involving approximately 85,000 producers. All active paid-up members have the right to vote in the election of delegates, for which purpose the province is divided into ten geographical areas each of which is sub-divided into six smaller areas. The six delegates elect one of their number a director, providing a total of ten directors for the province. The ten directors elect one of their number as president, another as vice-president, and the board guides and directs the association's affairs. The association by-laws require not less than four full board meetings, and three executive meetings each year. The delegate body of 60 meet in annual meeting once each year. The association's assets are exclusively owned and controlled by its producer members at the present time.

The Saskatchewan Co-operative Creamery Association Limited accepts dairy and poultry produce from patrons, processes and markets the same allocating the earnings, if any, in each business year according to the product shipped.

The association's physical assets with the exception of a small and now closed warehouse located at The Pas, Manitoba, lie within the province of Saskatchewan, where during the year 1947, we operated 30 combined creameries, poultry and egg plants. Associated with these plants we conducted a pasteurized wholesale and retail milk and cream business at 15, manufactured ice cream at 5, a hatchery at one plant, and maintained limited storage facilities at 7 plants. With one exception all plants are equipped with mechanical refrigeration facilities of sufficient capacity to satisfactorily serve our needs under pre-war railway minimum carlot shipping weights. These facilities are generally so located throughout the province as to serve the needs of members without entailing what might be viewed by some as uneconomic overlapping under immediate past production conditions.

The number of the association's plants has varied considerably from year to year since April 1, 1939, in which year we were operating only 21 creameries in the province. The additions and/or deletions in plant facilities should be taken into account in appraising the association's earnings or production picture in any one year.

The manufacture of creamery butter was the major departmental operation of the association down through the years, although it should be recorded here that we are at present large handlers of eggs and poultry, and distributors of pasteurized milk and cream manufacturers and sellers of ice cream within the province.

The Saskatchewan Co-operative Creamery Association Limited has manufactured approximately 50 per cent of the Saskatchewan creamery butter output since 1945. Saskatchewan has been the third largest butter-producing province in each of those three years, and as a larger percentage of the total make is surplus than in either Manitoba or Alberta, our production is significant, and more so during years of short or near short supply.

Practically all creamery butter manufactured in Saskatchewan is made from butterfat coming forward for processing in the form of separated cream, thus leaving the skim milk in the hands of the producer on the farm. Our members and patrons ship cream which is paid for on a grade and butterfat price basis, and subject to a grade problem peculiar to Saskatchewan, producers receive the same price for the same grade on the same day. Our prices in all cases but one are net the producer. Thus the transportation cost is pooled. This program is followed to build up voluntary opposition to uneconomic duplication of creamery facilities.

The association pays for all butterfat received daily, using what we are pleased to call the open market as a basis. In other words our grade prices are

based on the major surplus creamery butter markets in Canada which from our point of view are located in British Columbia, Ontario, Quebec and the maritimes, and for trading purposes centre in Vancouver, Toronto and Montreal. These markets do not move up or down in complete harmony due to varying production conditions, so that we are constantly seeking the most attractive markets and adjusting prices to producers accordingly, or at least to the extent that competition permits. With the market known we work back from the market price and having in mind production trends, freight rates and our own manufacturing costs, we arrive at a producer price. We endeavour to maintain an operating spread of not less than ½ cent per pound of butter made and not more than 1 cent per pound. We do not deliberately seek a wider margin as to do so would foster operating problems that are just as embarrassing to the association as a small earning. The price spreads between grades are controlled by provincial statute and together with the seasonal variations in the quality or grade of cream which is likely to be received must be taken into account.

The factors primarily responsible for establishing the producer butterfat price are: The Canadian open market—namely, Vancouver, Toronto, Montreal; production trends which have a very important bearing on manufacturing costs; the season of the year and its effect on quality, which alters the average price and the competitive factors that may prevail within the province for the time being.

The Saskatchewan Co-operative Creamery Association Limtied production ranged from 4·4 per cent in 1940 to 6·8 per cent in 1944 and 1946 of the total creamery butter produced in Canada. The association's butter production ranged from 13·6 per cent in 1940 to 19·7 per cent in 1946 of the total creamery butter produced in the three prairie provinces. Our creamery butter production ranged from 40·6 per cent in 1940 to 50·8 per cent in 1947 of the total creamery butter produced in the province of Saskatchewan.

The association maintains a sales force of its own within the province and sells to members, stores, etc., at a price related to the open market price with the objective of obtaining the same net return as on surplus which is the substantial percentage of our output. We maintain our own surplus selling agency at Regina and sell through competitive brokers in all major centres of Canada. A small percentage is sold direct to distributors at certain points where suitable brokerage facilities are not available. We are not members of any produce exchange and have not to the present time used such facilities either directly or indirectly. We require our brokers to advise us regarding the name of the purchaser of any carlot of butter, as we believe this course to be helpful in maintaining the most satisfactory sales outlets.

Q. Now, Mr. Turnbull, would you stop there for a moment and give us a little bit more information about the factors which enter into the consideration of a set price paid to the farmers for butterfat. I undersand from what you have said you pay a price for butterfat to the farmer as they deliver you the cream?—A. That is correct.

Q. Would you tell the members of this committee what is the basis of determining the price to be paid to the farmer?—A. As pointed out in the brief statement we start with the open market price, east and west, whichever happens to be the higher, from our point of view. The province of Saskatchewan is located in the western freight zone and, all other things being equal, our products in Saskatchewan would normally be shipped to British Columbia. The division of the freight rates is approximately the Manitoba-Saskatchewan provincial boundary so we have to keep fully informed with respect to eastern and western markets, our objective being to return the highest possible price to our members. We naturally operate on the most attractive market. With that idea determined we work back. We have our operating records over a period of years; we know our manufacturing costs per month based on a fixed production; we know pro-

duction trends within the province; we know fairly accurately the current increases in operating costs; we know the percentages of grades of cream bought—there are five in the province of Saskatchewan. Through all those factors sir we make provision for a ½ cent operating margin and not more than 1 cent margin per pound of butter. We eventually arrive at what looks like a fair price based on the market for that date and we repeat the process every time there is from our point of view a significant change in the market.

Q. Do I understand from there on the butter you do manufacture belongs to the co-operative and not to the farmer any more?—A. Everything we do belongs to our members at all times.

Q. But you do manufacture butter do you?—A. As a co-operative we process cream into butter for our members—for the members.

Q. But you have already paid the price on delivery for the butterfat delivered to you?—A. What we call the daily market price, yes.

Q. Which price you arrive at as you have just stated?—A. That is right sir.

Q. And from there on you manufacture butter and sell butter to the prairie provinces and throughout Canada? Is that correct?—A. In a broad sense, yes.

Q. Would you have some information to give to the members of the committee as to the way that you dispose of your butter?—A. We maintain our own sales force, sir, within the province. A varying percentage of our production is marketed within the province itself. That percentage has increased to approximately 20 per cent of the total. I have exact figures somewhere but approximately 20 per cent of our total output—I will say between 20 and 30 per cent of our total output—is sold within the province and the balance is sold in car lot quantities almost exclusively to some market other than in the province of Saskatchewan. It is shipped to British Columbia, Ontario, Quebec and the maritimes. Very little butter is traded in or sold to the other two prairie provinces in so far as our organization is concerned.

Q. And is it not a fact, Mr. Turnbull, that western butter, No. 1, did command a premium over No. 1 eastern butter during the last summer?—A. That is very definitely correct, sir.

Q. Would you tell the members of the committee why that is so?

Mr. JOHNSTON: They are better farmers.

The WITNESS: Well, the statement "did command a premium" has to be qualified a little bit to begin with.

Mr. MONET: Well, give your explanation.

The WITNESS: In the beginning, that is referring to the period from June 9 which I believe was the last effective date of price controls, to mid-July, the Vancouver market as a result of their early spring experience and the fact that they were without butter for a period of three to six weeks, was at a much higher level than was the eastern market. Of course during that period we sold our butter on the British Columbia or the Vancouver market. That information was relayed east and if we had made sales east at that time—which was not the case—they would necessarily have been made at a higher price than was then prevailing in Toronto or more particularly Montreal. I think possibly that for storage purposes the trade generally views western butter, not Saskatchewan butter in particular but western butter, as a more suitable product for long-term holding. I do not know that it is necessary to go into details because I am quite sure there is a lot of very fine butter made in the eastern provinces. I simply express it as an opinion that western butter will keep a very long period. The reason we have to make good butter is because we have a large percentage of surplus and we must make a product that is most attractive to buyers who are buying it for storage purposes.

The CHAIRMAN: You have heard of Ontario butter being very good, have you?

The WITNESS: Oh, yes, quite.

The CHAIRMAN: I just did not want to overlook that.

Mr. HOMUTH: I was all ready for him.

By Mr. Monet:

Q. Is it your policy to sell the butter as soon as it is manufactured, or do you hold it for a while?—A. Generally speaking, sir, our policy is to sell the butter within six weeks of the time it is manufactured. We have of course, as I indicated in my earlier remarks, certain minimum storage facilities of our own. If in our opinion free selling, or dumping, or anything of that kind, would undoubtedly depress the market we are inclined to withhold a certain percentage of the production at that time, rather than to create a situation which would not only work out to the disadvantage of our members but to the disadvantage of the producers generally throughout Canada. Our policy is quite flexible but we do not pretend over a long-term period to store, to hold what might be viewed as large stocks of creamery butter, a million and a half pounds of creamery butter in our hands at any time; which means that we pretty nearly have to have a working stock of $\frac{3}{4}$ million pounds. That would just about represent our peak holdings, which would mean that about $\frac{3}{4}$ million pounds might be viewed as being in storage at any particular time.

The CHAIRMAN: Does that answer your question? I do not understand that answer. You say that $\frac{3}{4}$ million pounds would be the most in storage at one time?

The WITNESS: A million and a half would be our total holdings, and usually $\frac{3}{4}$ million pounds should be viewed as working stock. We have 30 plants and we have to hold when the minimum freight rate requirement applies 40,000 pounds per plant before we can ship a carload, and that gives you 1,200,000 pounds.

Mr. MONET: Just a minute, that is what you have to hold in store?

The WITNESS: During the summer months since the mid-war years we had to have 40,000 pounds before we could ship east of Fort William. We were required to have only 30,000 pounds to ship west to British Columbia. So if you take the lower figure and make a reasonable allowance for the change—you don't have 30 cars at one time, they work in different slots—we have $\frac{3}{4}$ million pounds or more of butter still outside the market because we haven't got a carload lot at any one plant.

Mr. HOMUTH: Is that regulation still in force in regard to the car weights?

The WITNESS: It was temporarily eased here about January 19. I do not quote that as exact. Some time in January we obtained permission freely now to ship 20,000 pound lots east.

The CHAIRMAN: But a million and a half pounds is enough for the purpose of covering your 27 units?

The WITNESS: 30 units.

By Mr. Monet:

Q. In 1947, you had 30 units?—A. That is correct.

Q. And in 1946?—A. Yes.

Mr. MONET: Mr. Chairman, we will come back on this this afternoon.

The CHAIRMAN: We will meet again at 4 o'clock.

AFTERNOON SESSION

The committee resumed at 4 o'clock p.m.

The CHAIRMAN: Order. Generally, Mr. Monet, we were at the point I think where the witness had told us they had a million and a half pounds maximum for their 30 units, is not that right?

Mr. MONET: Yes, and a minimum of three-quarters of a million.

John Seeman Turnbull, General Manager, The Saskatchewan Co-operative Creamery Association Limited, recalled:

By Mr. Monet:

Q. Would you care, Mr. Turnbull, to give more information to the members of the committee about this million and a half pounds of butter you referred to and the three-quarters of a million of pounds which you referred to?—A. It is a point to bear in mind that approximately 75 per cent of our total output is surplus, therefore it clears in what we commonly refer to as carload lot quantities during the summer months and continuing until recently into January. If we ship east of Fort William we are required to have 40,000 pounds minimum per car of butter. If we ship west of Vancouver we are required to have a minimum of 30,000 pounds.

Mr. MAYBANK: Excuse me just there; what about in a car, what proportion of a car would that be?

Mr. JOHNSTON: A full load.

Mr. MAYBANK: It is not a full load.

The WITNESS: It is the minimum load we are permitted to ship.

By Mr. Maybank:

Q. Yes, but what is the capacity of these cars?—A. They are refrigerator cars and the capacity varies. I could not tell you, sir.

Q. I see. Quite a deal less than a normal car, 40,000 pounds; I wonder what that figure would be.—A. Excuse me, sir, it is double the prewar minimum car.

Q. Is it?—A. Yes, it was 20,000 pounds.

Q. But the capacity would be larger than that?—A. Oh, yes.

Mr. MAYBANK: That is what I had in mind.

The WITNESS: What I wanted to make clear in respect to that was this, that with 30 units and selling 75 per cent of their entire make in carload quantities you could have 1,200,000 pounds of butter on hand in the province without having any butter that you could move. That is the possibility. It is extreme. On the other hand, the more normal figure, because half of your units would be somewhere between nothing and half a car whereas the others would be between a half a car and up, the more normal figure would be 750,000 pounds. That is the explanation of the 750,000 pound figure, that under normal summer production conditions it is extremely difficult in most places to reduce our stocks of butter within the province below that figure.

Mr. JOHNSTON: And that amount would be spread over the province with the different creameries?

The WITNESS: The 30 creameries, that is capacity stock.

Mr. IRVINE: What would you have by way of normal stock at the present time of the year, 750,000 pounds?

The WITNESS: No, I was coming to that.

Mr. MAYBANK: That is summer conditions.

Mr. IRVINE: Yes

The WITNESS: That is the summer situation. In the wintertime when production is lower you might get down to half a million pounds. That is approximately what we consider our minimum position although our records which will come before you will indicate that on occasions down through the years we have been actually below that figure, but not very much.

Mr. MAYBANK: Mr. Turnbull, is this another way of putting that?

Mr. IRVINE: A little louder, Mr. Maybank, please.

Mr. MAYBANK: I beg your pardon.

By Mr. Maybank:

Q. Is this another way of putting that? You have, we will say, 750,000 pounds divided into 30 places and the reason that you have no butter for export is that there would be a little bit here and there and you could not measure that up into carload lots without first of all having a special assembly place?—A. That is correct.

Q. Or else waiting until there is still more production so that the various of the 30 units will be able to make deliveries measuring carload lots. Is that the situation?—A. That is correct.

Mr. IRVINE: And so to assemble it would be uneconomical, would it?

The WITNESS: That is right.

Mr. MAYBANK: Uneconomical as applied to each of the 30 units. You cannot do that without putting it in from the various places and assembling it.

Mr. LESAGE: But at the end of March or the beginning of April would the stocks be doubled by half a million pounds?

The WITNESS: You might be able to do that at a particular point if you planned well in advance and if you held back butter deliberately so as to have a car of butter available for shipment at the end of a given month. You could in that way get your stocks on hand down to 200,000 pounds, but in order to do that you would have to start many months back in the year so you would have that much butter on a given date. Otherwise, it could not be done.

Mr. LESAGE: Even if there is an acute shortage of butter in a given year in either British Columbia or the Maritimes say at the beginning of April it would not be possible to do that unless special consideration was given by you to accumulating it?

The WITNESS: We have special accommodation now in that we can ship 20,000 pounds.

Mr. LESAGE: Oh, you have that now.

The WITNESS: I mean the industry has it.

Mr. LESAGE: Yes, that is what I mean.

The WITNESS: Yes.

The CHAIRMAN: I was wondering if counsel is proposing to establish some sort of measurement. We now know the accumulation of surplus of this particular co-operative, I mean as to the quantity they must have on hand, and we will want to judge that surplus in the case of other groups by the same standard. Do you hope to be able to establish that in any way, Mr. Monet?

Mr. MONET: Well, Mr. Chairman, I am going to file shortly, when I reach the question, the information required from Mr. Turnbull as to the holdings of butter and the production of butter for the years 1939, 1940, 1943, 1944, 1946 and 1947; and this exhibit will then be referable at a later date when we examine other witnesses whom I have requested to give us the same information, so that will facilitate a comparison between the figures filed by this witness and those filed by others who will be coming before the committee.

The CHAIRMAN: That is fine.

Mr. IRVINE: Would not the nature of the co-operative association be such that they would naturally have more butter on hand than an ordinary private corporation; I mean, their set-up demands it, does it not?

The WITNESS: I would not say so.

Mr. IRVINE: Except for the fact that you have units all through the province which a private corporation might not have, in which case they would not have the same reason for holding large stocks.

Mr. WINTERS: That is not essentially inherent to a co-operative though.

Mr. IRVINE: Except that they have the organization.

Mr. MACINNIS: They would have to have the same sized organization.

Mr. IRVINE: I agree to that, but they likely would not have that.

Mr. MONET: Now, Mr. Turnbull, I was coming to this other part of your evidence. You have a statement here showing the percentage of total butter produced by your organization in the three prairie provinces and more particularly in Saskatchewan. I think this is the proper time to file that statement as an exhibit. I refer to the statement which you were requested to prepare for use of the committee and which you have prepared. I will file that as Exhibit 56.

EXHIBIT No. 56: Buttermake and other butter statistics—Saskatchewan Co-operative Creamery Association.

SASKATCHEWAN CO-OPERATIVE CREAMERY ASSOCIATION

BUTTERMAKE

—	Saskatchewan	Saskatchewan Co-operative	Percentage Co-operative to total
1940	28,307,000	11,572,295	40·8
1941	37,127,000	15,078,693	40·6
1942	41,306,000	17,152,143	41·6
1943	47,721,000	19,829,742	41·6
1944	48,264,000	20,281,148	42·0
1945	41,074,000	20,048,418	48·8
1946	37,205,000	18,465,677	49·9
1947	36,100,000	18,343,396	50·8

SASKATCHEWAN CO-OPERATIVE

—	Make	Local sales	Percentage Co-operative sales outside of Province
1940	11,572,295	2,168,212	81·3
1941	15,078,693	2,189,544	85·5
1942	17,152,143	2,604,129	84·8
1943	19,829,742	3,364,271	83·0
1944	20,281,148	4,008,294	80·2
1945	20,048,418	4,688,866	76·5
1946	18,465,677	5,149,063	72·2
1947	18,343,396	5,079,772	72·3

—	Buttermake prairies Percentage of Canada	Saskatchewan Co-operative Percentage of prairies	Saskatchewan Co-operative Percentage of Canada
1940	32·3	13·6	4·4
1941	36·2	14·6	5·3
1942	38·6	15·6	6·0
1943	38·6	16·5	6·4
1944	39·3	17·2	6·8
1945	35·0	19·7	6·8
1946	34·6	19·7	6·8
1947	32·6	19·3	6·3

BUTTER STATISTICS, SUPPLIED BY THE SASKATCHEWAN COOPERATIVE CREAMERY ASSOCIATION

—	On hand first of month	Produced during month	Sales			On hand end of month	Sales Value of production	Average per pound			
			Inside province	Outside province	Total			Sales	Cost of production	Selling	Margin
1939											
Month—											
April	N.A.	441,071	155,008	N.A.	N.A.	2,270,022					
May	270,022	1,183,899	156,302	668,446	824,748	629,173					
June	629,173	1,846,455	182,237	1,356,911	1,539,148	936,480					
July	936,480	1,790,197	182,553	1,229,722	1,412,275	1,314,402					
August	1,314,402	1,483,623	204,043	778,734	982,777	1,815,248		Not available			
September	1,815,238	1,102,031	266,008	1,003,589	1,269,597	1,647,682					
October	1,647,682	842,849	165,783	568,511	734,294	1,756,237					
November	1,756,237	527,366	140,939	567,518	708,457	1,575,046					
December	1,575,046	434,387	148,569	243,115	391,684	1,607,749					
(Year 1939—9 months only)											
1940											
January	1,607,749	417,608	146,252	763,087	909,319	1,116,038					
February	1,116,038	408,099	154,996	460,770	615,766	908,371					
March	908,371	477,813	187,851	758,777	946,628	439,556					
April	439,556	623,521	184,341	342,362	526,703	536,374					
May	536,374	1,143,809	158,716	869,939	1,028,655	651,528					
June	651,528	1,798,098	155,834	1,274,436	1,430,270	1,019,356					
July	1,019,356	1,948,662	186,232	1,140,593	1,326,830	1,641,188		Not available			
August	1,641,188	1,626,817	202,910	1,229,642	1,432,552	1,835,453					
September	1,835,453	1,063,477	238,931	900,893	1,139,824	1,759,106					
October	1,759,106	914,729	225,329	743,499	968,828	1,705,007					
November	1,705,007	602,980	163,313	710,144	873,457	1,434,530					
December	1,434,530	546,632	173,022	287,195	460,217	1,520,995					
Total	1,607,749	11,572,295	2,177,707	9,481,342	11,659,049	1,520,995					

1943 Month—											
January	1,062,207	969,077	233,672	1,404,291	1,637,963	393,321					
February	393,321	937,083	168,171	648,009	816,180	514,224					
March	514,224	1,107,415	214,331	996,496	1,210,827	410,812					
April	410,812	1,384,116	260,499	1,218,842	1,479,341	315,587					
May	315,587	1,919,778	268,321	1,201,402	1,469,723	665,642					
June	765,642	2,838,544	308,646	2,260,730	2,569,376	1,034,810					
July	1,034,810	2,910,300	281,186	2,180,734	2,461,920	1,483,190		Not available			
August	1,483,180	2,491,198	298,717	2,240,021	2,588,738	1,435,650					
September	1,436,650	1,838,021	304,242	1,998,603	2,302,855	970,816					
October	970,816	1,431,553	340,654	1,209,157	1,549,811	852,558					
November	852,558	1,044,550	316,262	906,376	1,222,638	674,470					
December	674,470	957,707	369,560	693,540	1,063,100	569,077					
Total	.....	19,829,342	3,364,271	16,958,201	20,322,472	569,077					
1944											
January	569,077	931,381	328,569	621,603	950,172	550,286					
February	550,286	1,031,170	328,443	645,065	937,498	607,958					
March	607,958	1,268,569	298,312	1,015,095	1,313,407	563,120					
April	563,120	1,447,580	287,715	1,410,608	1,698,323	312,377					
May	312,377	2,286,760	328,613	1,310,385	1,638,998	960,139					
June	960,139	3,101,034	315,063	2,543,177	2,858,240	2,202,933					
July	1,202,933	2,875,904	318,727	2,615,087	2,933,814	1,145,023		Not available			
August	1,145,023	2,446,421	348,406	2,453,348	2,801,754	789,690					
September	789,690	1,782,916	372,068	1,481,604	1,853,672	718,934					
October	718,934	1,328,407	364,983	1,011,082	1,376,065	670,276					
Nov	670,276	928,324	371,954	688,708	1,060,662	537,848					
December	537,848	852,772	345,451	544,089	889,540	501,080					
Total	.....	20,281,148	4,088,294	16,339,851	20,348,154	501,080					

BUTTER STATISTICS, SUPPLIED BY THE SASKATCHEWAN CO-OPERATIVE CREAMERY ASSOCIATION

Month	On hand first of month	Production	Sales			Inventory end of month	Produced	Dollar value sales	Average per pound		
			Inside province	Outside province	Total				Production	Selling	Margin
1946											
January	436,790	822,702	436,057	374,042	810,099	449,393					
February	449,393	800,699	481,967	277,605	758,672	491,420					
March	491,420	980,259	406,386	433,105	839,491	632,188					
April	632,188	1,218,058	386,630	927,948	1,314,574	535,668					
May	535,668	2,005,126	386,463	1,246,452	1,632,915	907,879					
June	907,879	2,751,491	379,656	2,203,430	2,583,086	1,076,284					
July	1,076,284	3,005,116	391,200	2,378,656	2,769,856	1,311,544					
August	1,311,544	2,443,651	492,609	2,114,492	2,607,101	1,148,094					
September	1,148,094	1,603,187	449,889	1,068,364	1,518,253	1,233,028					
October	1,233,028	1,285,510	464,004	787,902	1,251,916	1,266,622					
November	1,266,622	879,017	425,818	398,929	824,737	1,320,902					
December	1,320,902	670,861	448,384	543,279	991,663	1,000,100					
Total	.....	18,465,677	5,149,063	12,750,304	17,902,367						
1947											
January	1,000,100	747,806	443,700	570,234	1,013,934	733,972					
February	733,972	715,712	420,455	230,182	650,637	799,047					
March	799,047	904,408	493,898	315,179	809,077	894,378					
April	894,378	1,164,200	553,458	381,991	935,449	1,123,129					
May	1,123,129	1,832,669	291,127	1,137,312	1,428,439	1,527,359					
June	1,527,359	2,593,820	352,904	2,588,700	2,941,604	1,179,575					
July	1,179,575	2,891,891	381,955	2,136,237	2,518,192	1,553,274					
August	1,553,274	2,472,149	458,801	2,085,789	2,544,590	1,480,833					
September	1,480,833	2,037,244	427,529	1,729,629	2,157,158	1,360,919					
October	1,360,919	1,534,792	468,637	1,137,196	1,605,833	1,289,878					
November	1,289,878	813,377	416,053	658,939	1,074,992	1,028,263					
December	1,028,263	635,332	371,255	263,636	634,891	1,028,704					
Total	.....	18,343,400	5,079,772	13,235,204	18,314,796	1,028,704	.....	.....	48·2	49·9	1·7

Mr. MONET: The first page of that exhibit shows the total production of butter for Saskatchewan, that is in the second column—

Mr. LESAGE: Will you wait until we have that before us, please.

Mr. MONET: Certainly. Mr. Chairman, I think this would also be the appropriate time to file as Exhibit 57, the statement of earnings of the Saskatchewan Co-Operative Creamery Association Limited. This exhibit will work in with Exhibit 56, and I think members of the committee will find it interesting. I suggest that it be filed now as Exhibit 57.

EXHIBIT No. 57: Butter department earnings, Saskatchewan Co-Operative Creamery Association Limited.

SPECIAL COMMITTEE ON PRICES
SASKATCHEWAN CO-OPERATIVE CREAMERY ASSOCIATION LIMITED
BUTTER DEPARTMENT EARNINGS

Period	Earnings	Earnings Per Pound Cents
29 February, 1940—11 months	$ 60,679 08	0·57
28 February, 1941—12 months	110,184 16	0·92
28 February, 1942—12 months	184,504 46	1·21
28 February, 1943—12 months	228,518 34	1·28
29 February, 1944—12 months	81,444 69	0·41
28 February, 1945—12 months	37,968 20	0·18
28 February, 1946—12 months	34,532 64	0·17
31 December, 1946—10 months	93,441 68	0·55
31 December, 1947—12 months	318,143 40	1·74

Monthly Butter Department Earnings subject to adjustment at end of business year to cover patron indexing cost and pension plan.

	1946		1947		1948
January	Loss $ 15,184 17		$ 1,324 97		$ 17,124 32
February	Loss 28,434 09	Loss	20,378 33		
March	Loss 7,720 63	Loss	2,224 93		
April	27,030 52	Loss	3,575 89		
May	3,936 91		28,657 53		
June	56,020 72		108,717 87		
July	53,459 87		53,933 44		
August	14,532 06		149,310 85		
September	Loss 3,213 23		49,047 13		
October	639 49		10,945 84		
November	Loss 11,337 34		19,158 39		
December	Loss 29,794 69	Loss	50,344 33		

Mr. MAYBANK: Is there a statement here showing the location of the various 30 units of your organization?

Mr. MONET: No, but the witness could tell us that if you wish to have it. We could have it mimeographted and given out to you tomorrow.

The CHAIRMAN: I am just wondering, we are getting into evidence now which is very germane to this committee, and I presume when you call each of the witnesses you are going to produce corresponding tables?

Mr. MONET: Yes.

The CHAIRMAN: I wonder if this should not go right into the record.

Mr. MAYBANK: Oh, yes. I would recommend that. We have done that in some cases.

The CHAIRMAN: I think this should go right into the record.

Mr. MAYBANK: I think we should take it as though we had read it in right now.

The CHAIRMAN: Is that agreed?

Some hon. MEMBERS: Agreed.

By Mr. Monet:

Q. Then, Mr. Turnbull, for the benefit of members of the committee, would you explain what these figures mean on the first page of Exhibit 56?—A. The figures on the first page, at the top of the page we show the province of Saskatchewan total creamery butter production for the years 1940 to 1947. We show the poundage of butter make of our association as such, and the percentage that they are to the provincial total ranging from 40·6, as was mentioned this morning, to 50·8 in 1947. In the middle section we show the make for the Saskatchewan Co-operative Creamery (it is a repetition) in each of the same years, 1940 to 1947. We show you all the butter sales within the province and the percentage of our butter in each of those years that was sold outside of the province or in carload lots—that we have also referred to. In the bottom section we show the percentage of the total Canadian butter make in each of those years made in the three prairie provinces, the percentage that our association made to that total, and the percentage that our make represents of the total Canadian butter production in each of those years.

Mr. WINTERS: Is any distinction made between winter make and summer make?

The WITNESS: No.

Mr. MONET: So that the figure 50·8 which appears for the year 1947 at the end of the third column would represent the total make by your corporation of the whole production of butter in Saskatchewan?

The WITNESS: In that year.

Mr. MAYBANK: May I ask a question there, or should I wait?

Mr. MONET: Go ahead.

By Mr. Maybank:

Q. It would appear, Mr. Turnbull, that the province of Saskatchewan over the years has been producing this butter make—that is your first column. It would likewise appear from your second column that nearly all of the increase in Saskatchewan is your own; is that right?—A. That is right. That is due in part to changes in plant facilities. We have acquired additional plants or creameries.

Q. I see. It may be common to the thirty units you now have, but if you look back over the years you can see that it would have been less. Would that not in part account for the increase that you show in your own column; and is that what you mean?—A. No. I mean for example there are 63 creameries in Saskatchewan at the present time. That figure has ruled over a number of years, I can't tell you offhand how long but quite a number of years. At one time we had 21 of these creameries. Last year we operated 30, we owned 30, so that our figures go up not so much because we are getting more production from the plants but because we control more of the plants.

Mr. IRVINE: As a matter of fact your butter make for the province is down very considerably in 1947.

Mr. MAYBANK: Well, it is up from the commencing figure. I jumped from one to the other.

Mr. IRVINE: But much larger in the middle years, 1942, 1943 and 1944.

Mr. MAYBANK: That is right.

By Mr. Maybank:

Q. Now, dealing with the question of shipments outside the province. That has dropped, your own percentage has dropped from the first year to now. Do you know whether that is peculiar to your organization or has that shipment outside of the province been kept up or taken up by those organizations which are not comprised in your own?—A. I would say, sir, that our trend is the provincial

trend for the whole industry; that is, in recent years, there has been more creamery butter consumed in the province than in the early war years.

Q. Is it a fact, then, that more consumption in Saskatchewan accounts for the drop in export out of Saskatchewan?—A. Creamery butter replacing dairy butter.

Q. Yes, in consumption?—A. Yes.

By Mr. Monet:

Q. While we are at this stage, can you give us now the number of plants or units operated by you during the years 1940 to 1947 inclusive?—A. I have that.

Q. Would you give us the number of plants for 1940, so we can write it down opposite the year?—A. 1940, 21.

Q. 1941?—A. 24.
Q. 1942?—A. 25.
Q. 1943?—A. 25.
Q. 1944?—A. 25.
Q. 1945?—A. 31.
Q. 1946?—A. 31.
Q. 1947?—A. 30.

By Mr. MacInnis:

Q. According to the total at the top, in 1947 you produced 50·8 per cent of the total production in Saskatchewan. Then, the statement shows your sales in the province are only about 27 per cent or a little better. What is the reason that your sales in the province are not in proportion to your share of the production?—A. Our competition in the industry within the province of Saskatchewan largely lies in the cities which are the larger creamery butter consuming areas. The city creameries sell a larger percentage of creamery butter in relation to the whole than do the country creameries. We have the misfortune or the good fortune, depending on how you look at it, to control a large percentage of the country creameries where creamery butter sales are not large.

By Mr. Monet:

Q. Turning to page 2 of this exhibit 56, Mr. Turnbull, I understand that there you have given the information requested for the years 1939, 1940, 1943 and 1944; that is on page 3, and for 1946 and 1947 the information is on page 4. Would you explain to the members of the committee this statement which has been filed as Exhibit 56?—A. Yes, in the first column you see the months. In the second column, the on hand, in pounds of butter on the first of the month; the third column gives the quantity of creamery butter made or manufactured during that month. Then, we show the net sales. Our within the province sales are referred to as "inside" in the form and our export sales as outside the province. In the last column we show our on hand in pounds of butter at the end of that month. That covers the columns completed on the first page.

Q. Now, taking the year 1946, Mr. Turnbull, the month of August, we see the inventory at the end of the month was 1,148,094 pounds of butter. Then, we find that the amount of butter on hand in August of 1947 was 1,480,833 pounds.

The CHAIRMAN: That is for September.

Mr. HARKNESS: It is for the end of August and the 1st of September.

Mr. MONET: I have here August, 1,480,833 pounds.

Mr. MAYBANK: Are you reading the statement for the inventory at the end of the month or the beginning of the month?

By Mr. Monet:

Q. Is that statement for the end of the month or the beginning of the month?—A. In the right hand column, it is for the end of the month.

Q. Taking the inventory for the end of the month of August, 1946, which is the last column, it shows the total on hand as 1,148,094 pounds, as compared with 1,480,833 for 1947. Would you explain the difference in the inventory on hand at that time to the committee?—A. I would first point out that the difference is not very large, involving some 300,000 odd pounds. It is less than 10,000 pounds per plant. There is a partial reason why there is that difference in the figures, and it was even more pronounced, I think, at the end of July and in June. We are a producer organization owned and controlled by our members. We are manufacturing creamery butter in a province where, under suitable weather conditions, we can grow grain very readily. Grain prices have—well, you are familiar with grain prices over the last twelve months.

As a result of, and facing the declining production which you observed on the first page, there, in 1944, there was a continuous urge to do what we could to keep our dairy production or cream production at the highest possible level. We did not view cream prices or we did not consider cream prices arising out of the butter market about August 1 as sufficiently satisfactory to protect our productive position. In other words, we were trying to bring about a situation from which a higher return might be made to the producer in the form of a daily price. That explains why, during the months of June, July and August, possibly, our stocks were slightly higher than they were in the previous year. We were deliberately withholding a small quantity of butter from the market in the hope that it might assist in working the market up to a level where a more satisfactory daily price would come back to our producers, in the hope of keeping them interested in dairy production for a longer period of time than might otherwise prove to be the case.

Q. Did you wait a long time before releasing that butter, Mr. Turnbull? You used that expression, you just said you were holding it?—A. I would say not, sir, in that during the month of September our production was in excess of 2 million pounds and we actually reduced our holdings at the end of September to 1,360,000 pounds. In other words, we sold 120,000 pounds, in round figures, more than we made during the month of September.

Q. Would I be correct in saying that you kept on decreasing your holdings until the end of the year? I mean, your holdings would keep on decreasing through that time?—A. They did not decrease very much in December.

Q. I mean, they decreased between the months of October and November? —A. In fact, they actually went up 500 pounds. Yes.

Q. I mean, your holdings at the end of the month?—A. That is right.

By Mr. Maybank:

Q. Did this holding policy have the desired effect at the time? Did the price go up?—A. It did.

Q. What was the price recorded at that time when you were holding for a rise?—A. Well, that has been submitted, I guess, in previous evidence. I am working from my own records here.

Mr. LESAGE: We have that in table 6.

By Mr. Maybank:

Q. It is probably in the evidence before the committee, but your recollection of this period when you were holding is that the operation was successful in that it did bring a higher price? Is that your recollection?—A. I would say during that period the market advanced somewhere between four and five cents a pound.

Q. It would not be entirely due to what you were holding, I presume?—A. I would not think so.

Q. Because it is only 332,000 pounds; is that not right?—A. More than the year before?

Q. Yes.

By Mr. Johnston:

Q. Did you have sales for it but just held it?—A. We could have sold it, but we held it.

Q. You held it in the hope you would get an increased price?—A. In the hope we would help work the market higher.

By Mr. Lesage:

Q. The sales you would have made at that time would have been to wholesalers who would have kept that butter in stock, for the most part?—A. That is correct; it would not have gone into consumption.

Q. It would not have gone into consumption at that time?—A. That is correct.

Q. Could I refer the witness to table 6 of Exhibit 52? I do not know whether you have seen it, Mr. Turnbull, but it is a table of retail prices—no, the Montreal wholesale price in 1947. In the last line you will see that, from July to September the price advanced 10 cents and not 5.

Mr. IRVINE: Is that Exhibit 52?

The WITNESS: Oh yes, but I was referring, sir, to August.

By Mr. Lesage:

Q. It would be 5 cents in August, but 10 cents in September?—A. Yes, as a matter of fact, this table shows it to be about 5½.

Q. 5½ cents in August and 10 cents in September?—A. Yes.

Mr. MAYBANK: I believe my question related to the figures which were for August. It would appear that you sold a little more in the next month, September and, even if the price did go up in September, it does not follow that you were getting the top prices all the time. Is that a correct statement?

The WITNESS: Our reduced stocks in September would indicate we were free sellers to the extent of our make during that month. We were not holding.

By Mr. Johnston:

Q. The only time you were holding was from May, June and July—A. June and July, in the main.

Q. Then, in August you reduced your inventory a little bit, but very definitely, I think it could be called hoarding to obtain a price. What would you say to that?—A. We would call it orderly marketing, as a producer organization.

Q. You did hold off a considerable amount in order to raise the price. I am not saying that is not the general practice, but according to the evidence here that would be the interpretation of it, would it not?—A. I doubt that we held off half a million pounds because we would first have to have three quarters of a million as our working stock. We have not got any to sell when we have that.

Q. In May, you had a working stock of 907,000 some odd pounds. Then, you increased your holdings in June to 1,076,000 pounds. Then, the next month you still increased your holdings to 1,311,000 odd pounds. You then began to sell—no, that very month you began to sell when you obtained the higher price?—A. Where are you getting those figures from?

Mr. WINTERS: You are looking at 1946.

Mr. JOHNSTON: That is true, but the same thing applies, in principle, in the year 1947.

The CHAIRMAN: Is not the significant thing that we ought to follow up at this stage the question which came out of Mr. Lesage's question and which was not followed up? The witness has said there were buyers available at this time when they were holding.

Mr. LESAGE: Yes, but I asked the witness whether those buyers were wholesalers and the answer was, yes. This butter would not have gone into consumption at that time. My comment on that would be that I would rather have the producers hold the butter than the wholesaler, if there is a profit to be made.

The CHAIRMAN: That may be, but should we not follow it up by finding out whether the available buyers were all wholesalers?

Mr. LESAGE: Yes.

The CHAIRMAN: Potential buyers?

Mr. JOHNSTON: It would make no difference, it was being held and it does not make any difference whether the co-operative was holding it or the wholesaler.

Mr. LESAGE: We cannot forget butter has to be stored for wintertime. It is not necessarily holding if the figure keeps much along the same lines each year with respect to a given co-operative or producer.

Mr. MAYBANK: I suggest perhaps the members are attaching a moral significance to this evidence a little too soon. The witness has been perfectly frank in saying that the co-operative held this butter for a certain purpose. He thinks such holding had some result and I must say I would not draw any moral conclusions. It is purely a factual matter as far as it goes and the possibility of where the butter might have gone has no place, it seems to me, in this purely statistical inquiry.

Mr. JOHNSTON: I would not like the committee to understand that I was drawing any moral conclusion, I was drawing a logical conclusion.

Mr. MAYBANK: It was not you that I had in mind, Mr. Johnston, it was Mr. Lesage. Mr. Lesage was arising too quickly to the defence of the co-operative when it was not being attacked.

Mr. LESAGE: Mr. Johnston said it was hoarding and I just made the point clear that it was not hoarding.

Mr. IRVINE: I cannot see any sign of hoarding here. In 1946, in the month of September, they had on hand an inventory of 1,233,000 pounds and in the corresponding month of 1947 the figure is 1,360,000. There is a very small margin between the two years and in 1946 I presume the ceiling was on and it would not result in any holding.

Mr. HARKNESS: The point is the witness has said they did hold some of this butter for a specific purpose which he described as "marketing in a more orderly way."

The CHAIRMAN: And also it was held to get a higher price.

Mr. HARKNESS: Yes, and I think we should accept what the witness has said and that it was for such a purpose.

Mr. MAYBANK: The witness has not evinced any signs of turpitude as yet, and I do not think any such conclusion should be drawn at this stage.

The CHAIRMAN: That is a matter which is measured in each case—each case must stand on its own feet. The witness has said a certain amount of butter was held for an acknowledged purpose of obtaining a higher price and Mr. Lesage has elicited that butter was for the wholesalers. Now were the only available buyers wholesalers?

The WITNESS: Before I answer that question sir, I would wish to know what you mean by "wholesalers"?

The CHAIRMAN: People like the packing houses.

The WITNESS: In my view most of the available buyers—I would say all the available buyers—would be wholesalers. There might have been creamery men among them, those are men engaged in the same business we are but who are located in Ontario or Quebec instead of Saskatchewan. They might have been packers or creamery men but they were of that type of buyer.

Mr. JOHNSTON: Would your records show to whom you made sales?

The WITNESS: Definitely, but I have not got them with me.

The CHAIRMAN: The reporter cannot get down what two members of the committee are saying at the same time. I do not know which one he is taking.

Mr. HARKNESS: Some of the buyers may be chain stores—just following up the chairman's question regarding people who are buyers in the wholesale sense—some of them might have been chain stores and therefore retail outlets?

The WITNESS: We sell carlots of butter through brokers to chain stores.

Mr. MACINNIS: Would it be sold at wholesale prices to the chain stores?

The WITNESS: It would be sold at the market price for Toronto, Montreal, or Vancouver, whichever the case might be.

By Mr. Lesage:

Q. I understand the clients at that time who were after you to buy butter were in your judgment anxious to have it for storing purposes and not for immediate consumption?—A. It would be difficult to make a 100 per cent accurate statement on that point as we were in a surplus production period at that particular time. It would, however, be a reasonably correct statement to say we assume most of the buyers were buying for storage purposes.

Q. And that is why you kept it until the price went up, and then you sold to those people who wanted to buy it for storage?—A. We felt we might as well hold it as against them holding it, and we had a specific purpose, as I have already stated, for holding it.

By Mr. Monet:

Q. Did you have any demand from wholesalers to purchase butter at that time?—A. Oh, indeed we did.

Q. Can you give the names for the members of the committee?—A. I have no knowledge of who was inquiring except where a sale was made.

Mr. JOHNSTON: Would the witness not have knowledge from his books? If a wholesaler wrote in asking for a million pounds of butter, or whatever the amount happened to be, you would have a record? You might refuse the sale but you would have a record.

The WITNESS: The majority of sales are conducted via the telephone. If they wrote, the answer would be yes, but very few sales were made in that manner.

By Mr. Monet:

Can you recollect, Mr. Turnbull, if you had many requests from the wholesalers—A. Inquiry was quite active through brokers. We did not deal directly with the wholesalers.

Q. But the demand was quite large?—A. That is right.

Q. The supply was quite low, or getting low?—A. No, the supply at that time was fairly satisfactory.

Q. Was there not a shortage foreseen at that time?—A. There was a shortage contemplated by some.

Q. So I would fancy you would have requests from large wholesalers to buy butter?—A. We had daily requests from brokers asking us to offer at a price. That is the way we do business.

Q. Did they actually mail you bids and offer you prices?—A. There were many bids made that we declined.

Mr. WINTERS: Did you offer at a price in those days?

The WITNESS: We did a certain amount of that, the proof being that in the months of August and September our stocks declined, which means we did sell our production of that month.

Mr. LESAGE: Would you look at the sales for June, July, and August?

The CHAIRMAN: Are you going on to another subject matter?

By Mr. Lesage:

Q. No, no, it is the same thing. The largest volume of your sales was in June and July, is that right—A. 1947?

Q. Yes, 1947.—A. That is correct

Q. Now in May, June, and July, the price was 49¾—in June it was 49¾, in July it was 49⅞, is that correct?—A. Right.

Q. About 50 cents wholesale price in Montreal, so the bulk of the sales made in June and July were to wholesalers for storing purposes?

Mr. JOHNSTON: Oh, he would not know that.

The WITNESS: I can only express an opinion, I do not know.

By Mr. Lesage:

Q. What is your opinion?—A. My opinion is that 50 per cent or more of those sales represented butter that subsequently went into storage.

Q. It represented butter which went into storage, and it was sold to wholesalers, the packing companies?—A. Yes.

Q. Are Swift's and Canada Packers your clients for butter?—A. Anyone in Canada who desires a car of butter and who will pay the market price is a client.

Q. Were they your clients in 1947?—A. We sold butter through the brokers to Swift's and to Canada Packers.

Q. How much was the volume?—A. It was not very large to Swift's to my knowledge, but there was a fair volume to Canada Packers.

By Mr. Johnston:

Q. Did you say you were selling it at market prices?—A. Oh, definitely.

Q. In some of those cases where you refused to sell did you refuse because they were not offering you the market price or was it because you wanted to hold it a little longer?—A. We refused to sell because their conception of the market price was not the same as our conception.

Mr. MACINNIS: Mr. Chairman, may I draw attention to exhibit No. 56 and you will note on the second page for the years 1939 and 1940 the holdings at the end of the month are shown there. If you take the next page, 1943 and 1944, you will find the pattern corresponds. Before I go on may I ask why the years 1941 and 1942 are not here.

Mr. MONET: I think I can answer that. When we requested this information we had no reason to ask for any particular year and we felt that it would be sufficient if we picked out 1939 and 1940, immediately after the war started, and then 1943 and 1944, and then 1946 and 1947.

Mr. MACINNIS: That is quite satisfactory. Now in 1939 and 1940 there was no price control while in 1943 and 1944 there was price control. When you turn again to the third page you will find the pattern corresponds in those uncontrolled years to the period in 1946 and 1947 where there was no control.

Mr. JOHNSTON: I would not think so.

The CHAIRMAN: What do you mean by pattern?

Mr. MACINNIS: The figures are almost identical.

Mr. IRVINE: They are higher in 1939.

Mr. JOHNSTON: The holdings in 1943-44, except for three months in 1943 were much higher than in 1946 and 1947.

Mr. LESAGE: In 1943-44?

Mr. MACINNIS: They were much higher.

Mr. JOHNSTON: The inventory at the end of the month was higher.

Mr. MACINNIS: No, no no. In the two years there are five times where it went over the million, and the statement is pretty much the opposite.

Mr. JOHNSTON: No.

Mr. LESAGE: Yes, I think it is opposite.

By Mr. Monet:

Q. Mr. Turnbull you have just answered Mr. Lesage to the effect that you sold some butter to Swift's and a fair volume to Canada Packers. Would it be possible for you to give us the dates of those sales, and the price for which the butter was sold. I presume you could not do it today but would you be kind enough to send us that information?—A. I could give the information on some sales but not in all cases because we do not know in all cases to whom the butter is sold.

Q. No, but could you give us all the sales you made to Canada Packers from May to December 1947, and all the sales made to Swift's; the quantity, the dates, and the sale price?—A. During what period?

Q. Let us say from the 1st of April 1947 to the 1st of February 1948. Would you give the dates of the sale, the number of pounds sold, and the price at which the butter was sold? Now, Mr. Chairman, I do not know whether you would want to ask Mr. Turnbull to come back to provide that information?

The CHAIRMAN: You could send it by wire.

Mr. JOHNSTON: Lest there be any misunderstanding about the holdings mentioned a moment ago, I say that generally speaking they were less in 1946 and 1947.

Mr. MACINNIS: That is the point I was trying to make. 1946-1947 corresponds closely to 1939-40.

Mr. JOHNSTON: Other than the fact the holdings were more in the last two years.

Mr. MACINNIS: No, they were more in 1940.

The CHAIRMAN: The information that counsel has asked for could perhaps be sent to us by telegram. You are hoping to get away tonight, Mr. Turnbull, and it is desirable that we have the information by Thursday.

The WITNESS: I arrive home Thursday night if I get away tonight.

The CHAIRMAN: Thursday or Friday because we may have some witnesses here then.

By Mr. Irvine:

Q. Could you phone for the information and give instructions?—A. I could phone.

Mr. MONET: Could you phone tonight before you leave because I may say at this time—I think the chairman will allow me to say this—that if it is at all possible Mr. Turnbull would like to leave tonight. He has been here already over ten days but it, of course, depends on whether members of the committee will be finished with him. If you will wire tonight to your manager or whoever it is and ask him to send us that information we might get it by Thursday morning. I think it would be very useful for us if we had it by Thursday morning.

The WITNESS: I will do that.

The CHAIRMAN: Is the question complete? You have asked for Canada Packers and Swift's.

Mr. MONET: Canada Packers and Swift's, and also I would like any other wholesalers.

The WITNESS: That is impossible. We would have to send you all our car files.

By the Chairman:

Q. Can you tell us how much you sold Olive & Dorion in Montreal?—A. I do not think we sold Olive & Dorion any.

By Mr. Monet:

Q. Lovell and Williams?—A. I do not think we sold them any.

Q. J. C. Edwards and Company?—A. I do not think we sold them any.

Q. A. A. Hare?—A. A few cars.

Mr. MACINNIS: I wonder if we can get over the difficulty this way, by asking for the names of those to whom they sold over a certain amount, 500 or 1,000 pounds, something like that. Would that be satisfactory?

The WITNESS: There are 40,000 pounds in a car.

Mr. JOHNSTON: Say 40,000; that is a carload.

Mr. MACINNIS: I had those figures in my own mind.

By Mr. Monet:

Q. You said you recollect having sold some to A. A. Hare?—A. I am of the opinion a few sales were made to A. A. Hare.

Q. Would you include those in the information we are asking for? Have you some remarks you would like to make?—A. With your permission I should like to speak to the point raised when it was pointed out that there was a similarity between the stock trends in our case comparing 1946 and 1947 with 1939, but which was not the case in 1943 and 1944. The main explanation on 1943 and 1944 as to the difference in stocks is that the government at that time was in charge of distribution in many of those months, and we were co-operating to the best of our ability. They were obtaining permits which we could not get as a business concern. They were shipping 20,000-pound cars when we had to ship 40,000. That situation, to a considerable extent, accounts for the difference in our stock figures in 1943 and 1944. We were only able to get down to those figures because of the fact the government was in charge of distribution and obtaining privileges under wartime conditions which we did not have extended to us in 1946 and 1947.

By Mr. Johnston:

Q. Did you make application for those same privileges and were you refused?—A. We made application. I will not say we were refused. They declined to act accordingly.

By Mr. Monet:

Q. Mr. Turnbull, I should like to refer now to exhibit 57 which is described as butter department earnings of the Saskatchewan Co-operative Creamery Association Limited. Would you explain briefly to the members of the committee the figures that are listed there on the first part of this exhibit?—A. The figures listed there are for our business periods which you will notice are fiscal years, business years, which change little. They show our total butter department earnings in each of those periods. That is a converted figure in that our earnings are all on the basis of butter fat, and our cream shippers share in the earning of our ice cream department and milk and cream departments so I have had to convert our statement back into terms of butter. In other words, what I am trying to say is this is converted. We have no balance sheet which would give you those figures.

I have taken the figures on our balance sheet and worked them back for this group in terms of butter. On that basis the earnings are shown for each period. The first one is 11 months ending February 28. Our business year ended at the end of February until December, 1946. In the last column I show you our net earnings per pound of butter in cents, the first figure being slightly over half a cent a pound. The second figure—

The CHAIRMAN: I suggest to the members of the committee this is very significant. I am not calling attention to this particular company, but these figures are very significant when we get into a comparative basis.

Mr. MONET: I must state at this stage the same questionnaire has been sent to all those who will be summoned. The same question has been asked, and we do hope we will get the same information.

The CHAIRMAN: If we do not get it one way we will get it another way.

By Mr. Monet:

Q. Would you carry on now, Mr. Turnbull.—A. I think that is a satisfactory explanation of the first section.

Q. This would show then that during this period from 1940 to 1947 your minimum earnings per pound net would have been 0·17 for the period ending February 28, 1946?—A. Correct.

Q. And the highest would be for the year ended December 31, 1947, which is 1·74?—A. Correct.

By Mr. Johnston:

Q. Is that your net earnings per pound after your pension plan and other things were taken out?—A. Yes. There is a partial estimate with respect to 1947 but the other figures are net.

Mr. IRVINE: 1942 and 1943 are fairly comparable to 1947.

By Mr. Monet:

Q. We have 1·21 and 1·28 for those two years just mentioned by Mr. Irvine. —A. That is right.

Q. Now, as to the second part of exhibit 57—

Mr. LESAGE: Would it be all right to ask questions on the first part now? Do you intend to ask any, Mr. Monet?

Mr. MONET: That is all on the first part. I have no more questions on the first part. I should ask one more.

By Mr. Monet:

Q. This would be your net profit? The 1947 figure of 1·74 would be the net profit per pound of butter?—A. Available for allocation back to our members.

Q. That was returned to your members?—A. Available to be returned.

By Mr. Lesage:

Q. That was one of my questions, but I should like to know now why the net profit in 1947 was much higher than in 1946. Will you tell us the reason why?—A. On a rising butter market which, of course, we had in 1947, the manufacturer of butter, more particularly buying cream as we do in the west, is in a much happier position than when the market is going the other way. We buy that cream daily on the basis of the market. It takes ten days or more to make a car. If the market goes down you lose financially. If the market goes up you make money despite yourself. In 1947, as you know, from the middle of July approximately right to the end of the year there was a steady upward progress in price. That is the main reason.

Q. Would it be all right to ask now what was the average payment to producers per month in 1947 in butter fat?—A. I could give you our exact prices

but I think that question is answered by the previous exhibit, table 5, where they show the prices.

Q. Yes, but we do not have them by month?—A. Yes.

Q. Do we have them by months for 1947?—A. Oh yes. The first one is January, 1947, Saskatchewan, 48·6 cents.

Q. Which table?—A. Table 5.

Mr. MONET: There are four pages to that exhibit.

Mr. LESAGE: Oh yes, by month.

Mr. MONET: The first page of table 5, the third column to the right.

By Mr. Lesage:

Q. The amounts mentioned for Saskatchewan would be approximately the amounts received by your patrons?—A. Yes, approximately so. I would not disagree with those figures without making extensive calculations. They appear correct to me.

Mr. MONET: Mr. Lesage, I suppose you have made the correction for the months of October and December?

Mr. LESAGE: I have.

By Mr. Monet:

Q. Mr. Turnbull, was that net profit of 1·74 for the period ending December 31, 1947 a fair profit in your opinion?—A. We would be delighted to receive it in future years. We considered it very satisfactory indeed.

Q. I understand it was at least three times higher than for the previous year.—A. Yes, but we would say only about twice as high as a fair reasonable normal profit on a manufacturing operation as large as ours.

Q. At all events, you were very satisfied with the result?—A. Indeed.

Q. And would be very satisfied with the same result every year?—A. Well, in straight operating, yes, but we would not like to see the butter market do as it did this year because it could do the industry more harm than good.

Q. But you consider it was a nice profit?—A. That is right.

Q. Coming to the second section of exhibit 57 you have your monthly butter department earnings. I understand you have the earnings for each month of 1946 and 1947 as was requested of you?—A. That is what is set out.

Q. Would you have any comments to make as to the last column, December, 1947, where a loss of $50,344.33 is shown? Have you any comments to make on that?—A. The explanation of that is this, that we control all capital expenses, maintenance and repair items, for the thirty units in the central office in Regina. The bookkeeping entries after the work is done are provided by our office. In other words, the branches must send in a statement indicating the work done and the cost of the work and we give them the bookkeeping disposition.

In the ordinary course of events these items would be spread over the 12-month period. Due to staff difficulties, delays with work and what-have-you in 1947 these items are largely accumulated to December, and then the operation for the whole year was taken care of in one month. That is why we had a loss. We did not have an operating loss in the month of December. We only indicate one because of the fact that expense items for the whole twelve months were written off in that one month. The earnings of previous months should have been less or the loss more rather than showing an operating loss in December. Nevertheless that is the way it appears on our books.

By the Chairman:

Q. If you had not allowed for that kind of maintenance expense what would the figure have been? What would it have shown in that month?—A. I think it would have been about even, no loss and no profit.

By Mr. Johnston:

Q. Would that loss not have accumulated just from April because in April you did show a loss? Therefore I imagine you had your accounts straight at that time?—A. That is not correct, sir. That December figure includes items right from the 1st of February for certain. Our loss should have been larger in February, March and April.

Q. Then that loss should be shown as a partial loss?—A. Pardon?

Q. The loss in February, March and April is just a partial loss?—A. Yes. I have explained the abnormal figure for December.

Q. That makes the one in December seem large in comparison with the others?—A. That is right.

Q. Because the figure in December was not complete?—A. We had operating losses aside from those expense items during those three months of 1947.

By Mr. Monet:

Q. Is it possible, Mr. Turnbull, that some wholesalers in the butter business or some manufacturers would write down a net profit of say 10 cents a pound of butter sometimes last fall the way the market was going?

Mr. JOHNSTON: I did not get the question. What was the question?

By Mr. Monet:

Q. Is it possible that some people in the butter business, some trade people in the butter business, wholesalers or manufacturers, could have made a profit of 10 cents a pound of butter during last fall on account of the market acting as it did?

The CHAIRMAN: Would you mind, Mr. Monet, if I suggested a question there?

Mr. MONET: Not at all, Mr. Chairman.

The CHAIRMAN: Would you have been satisfied if you had received 10 cents instead of 1·74? How would you have felt? You would have been in heaven, wouldn't you?

The WITNESS: No, we would not if it were 10 cents because I would lose my job. I would not be paying a fair initial price.

Mr. WINTERS: Would there not be a difference in the 10-cent price and that figure of 1·74 to which you referred?

The CHAIRMAN: I had in mind earnings.

Mr. WINTERS: Which is quite a different thing. This is after overhead and all other operating expenses have been charged.

The CHAIRMAN: That is right.

Mr. WINTERS: Now, might I ask a question, Mr. Chairman?

The CHAIRMAN: Yes.

By Mr. Winters:

Q. Do you buy any butter as such or do you manufacture your own?—A. We manufacture all our own. We do not buy or trade in anybody else's butter.

Q. Do you know on the average what it costs you to produce a pound of butter?—A. We know the exact amount.

Q. How much does it cost you to produce a pound of butter?—A. You name any period within the last two years.

Q. Let us take the month of June, 1947?

Mr. LESAGE: Let us start with May.

Mr. WINTERS: All right, start with May.

The WITNESS: The month of May, 1947, our average manufacturing cost—

Mr. WINTERS: Yes, just labour, materials but not overhead.

The WITNESS: Power, light, water and everything—2·9 cents.

By Mr. Winters:

Q. 2·9 cents?—A. That was on average. We have 30 plants. During that month our minimum cost at any one plant was 1·8 cents a pound and our maximum cost at any one plant was—I think it is correct to say 4·5 cents.

Q. Does that include labour, material, ingredients and everything?—A. No. That is our manufacturing expense entirely aside from raw materials.

Q. All right, how much does it cost you to lay down a pound of butter in your stock room on the average?—A. For that particular month it cost us 45·6 cents on the average, which includes the 2·9 cent figure.

Q. It includes all your administrative costs and handling charges of all kinds?—A. That is right, 45·6 cents is our total cost.

Q. For the month of May?—A. For the month of May, 1947.

Q. What would it be for the month of June?

Mr. JOHNSTON: I think that information would be extremely valuable if the witness would table that as an exhibit because he has all the cost figures there for the various months.

The WITNESS: I am not supposed to have them. This is for my own information.

Mr. WINTERS: I don't want it all; I just want one or two months.

The WITNESS: These are my private operating records. It is all right. If you ask for it you shall get it.

The CHAIRMAN: That is the right attitude.

Mr. LESAGE: Could you let us have the corresponding figure for the month of June?

The WITNESS: 45·6 cents, the same.

Mr. LESAGE: What about manufacturing costs?

The WITNESS: 2·4 in June, with a minimum of 1·6 and at any one branch a maximum at any one branch I think of 3·7.

By Mr. Johnston:

Q. How would you account for the variation between minimum and maximum?—A. Your manufacturing costs largely depend on the individual production of that branch. If your branch makes 50,000 pounds of butter a week, you will probably make it for 1·2 cents a pound. If you make 25, it might cost you 2·4.

Q. It would depend on the volume?—A. That is the answer, volume.

By Mr. Winters:

Q. Mr. Turnbull said this morning, I think, he needed to get from a ½ cent to a cent, and I was not clear at the time whether he meant a mark-up or earnings per pound?—A. We aim at an earning per pound of ½ cent to not more than 1 cent.

Q. Now, how much did you have to sell that butter at which cost you, laid down, 45·6 cents? How much would you have to sell your May and June production at which cost you 45·6 cents, to realize that earning?—A. Add a ½ cent to whatever figure you use. A ½ cent gives us a ½ cent.

Q. So, it is a straight mark-up of a cent. There are no other charges?—A. Oh no, that is our cost and anything we get over that represents our margin.

Q. So, in order to realize a profit, you could have sold that at 46·6 cents per pound?—A. That would have given a one cent margin.

By Mr. Lesage:

Q. What is the cost of freight to Montreal on 1 pound of butter?—A. Well, the average from Saskatchewan is just slightly under 3 cents a pound.

Q. I want to compare that with table 6. I think, Mr. Winters, you will have your answer there.

By Mr. Winters:

Q. What were the bids, in that period in which you were holding butter from the market?—A. Our average selling price for the month of June, on all butter sold, was 48·5 cents. That, I guess, reflects our bids.

Q. But you said during that time there were bids made by prospective customers which you did not honour because you did not feel the bids were high enough?—A. We did not feel the bids were high enough because our cream price was not sufficiently high at that time, in our opinion, to bring about the desired result in production.

Q. You were holding quite a stock of butter which cost you 45·6 cents a pound, and which you could have sold at a good profit at 46·6 cents a pound, but you did not choose to sell because people were not bidding enough for butter at that time. What were the bids running at? Could you tell me those bids you turned down?—A. That is indicated in that exhibit yesterday. At that particular time we were selling what butter we did sell on the Vancouver market; it was not being sold in the east at all. I am speaking of the month of May and the fore part of June, and the price would approximate 50 cents a pound, Montreal or Toronto.

Q. Then, you held that butter you say until you got a satisfactory price for it. What was the satisfactory price you did get for that 45·6-cent per pound butter?—A. I cannot answer that without tracing the butter. What I intended to say, sir, was this. We felt the cream price at that particular time was too low, having a long-term supply picture in mind and not overlooking the wheat price in the province of Saskatchewan. Unless we could work the cream price up to a satisfactory point our production would continue to deteriorate.

The CHAIRMAN: We understand that, but it is not an answer to the question.

By Mr. Winters:

Q. You had a laid-down price of 45·6 cents and you needed the profit of 1 cent, which would make a total of 46·6 cents. There was in addition a 3-cent freight to Montreal which would make a total of 49·6 cents. Now I go back to your 46·6 cents, the price you needed to realize the profit you wanted, and you were apparently holding for a higher price. Now what price did you hold for, and what price did you get?—A. I cannot answer that question in terms of butter made in a specific month. The price we had in mind was one that would return a maximum of 55 cents to our cream shippers.

Q. Yes, but you had already manufactured this butter?—A. That is right.

The CHAIRMAN: And you were holding it?

Mr. WINTERS: You were holding it so the cream was already taken care of for that butter?

The WITNESS: That is right.

Mr. HARKNESS: The thing is, between any one of those two months you did sell a million or two million pounds?

The WITNESS: Yes.

Mr. HARKNESS: And you had another three or four hundred thonsand pounds that you could have sold but you did not?

The WITNESS: Yes.

The CHAIRMAN: Mr. Winters wants to know the price at which that butter was sold.

Mr. HARKNESS: They sold between one and two million pounds at whatever the going price was, and I would say that the bid they turned down was the bid for the three or four hundred thousand pounds they had left.

Mr. WINTERS: Maybe he can give us that figure. If he can, let us have it.

Mr. HARKNESS: I was just trying to get the thing speeded up a little. That is what you wanted?

By Mr. Winters:

Q. Yes, because referring to table 6 of exhibit No. 52 we see from May onwards a price rise which indicated there was a consumer demand which might be somewhat ahead of supply. During that period you were holding butter, and in the face of that, you say if you had released the butter it would not have gone beyond the wholesaler?—A. You are talking about the month of May?

Q. The period during which you were holding butter?—A. We were not holding butter in the month of May.

Q. Well, June and July?—A. In the month of June it could hardly be holding; we were holding butter in that we made 2,593,820 pounds; we reduced our inventory 352,904 pounds, so we must have sold all we made at least and some that we had on hand, because the inventory at the end of the month was only 1,179,575 pounds.

Q. We will leave that, because you are the one that said you were holding butter.—A. In June and July?

Q. In June and July you held butter in the face of what seems to be an increase in price, according to table 6, which would indicate a good consumer demand. Then you made a statement which I find hard to reconcile, coming from you, and that is if you had released butter it would not have gone beyond the wholesaler, who would have held it. Now what reason have you got for saying the wholesaler would have held it any more than you would have held it, in the face of what appears to be a good consumer demand?

Mr. LESAGE: Not a consumer demand?

By Mr. Winters:

Q. It might be.—A. In the first place maybe we are wrong in talking about holding. We might have sold more butter than we did. We could have reduced our supplies but it is quite apparent that we sold more than we made in that particular month.

Q. Did you have more definite knowledge than that which you have given the committee that wholesalers were buying for the primary purpose of hoarding it?—A. No, the only knowledge I have on that is during the months of June, July and August, the surplus production, or most of the butter bought by the deficiency provinces, goes into storage. It does not all go into storage but most of the butter bought from the prairies goes into storage. Now I cannot go beyond that statement, and the statement is based on long-term experience.

Q. You said there was quite an active demand from the wholesalers during that time that you were holding butter?—A. Yes.

Q. I will ask you again can you say at what price they were bidding?—A. Yes. Vancouver was bidding about 49½ to 52½ cents; on June 20 they were bidding about 52½ cents.

Q. Then if you had wished to realize only between a ½ and 1 cent it would have paid you to sell then?—A. That is correct but that ½ of 1 cent refers to the total average over any 12-month period. You cannot work as close as any one month.

Q. You were trying to average it over the year?—A. That is right.

Q. On the basis of the offers you had every reason to sell at that time?—A. That is correct.

Q. Do you feel then you were not holding out for a higher price but to average it over the year, to realize a 1 cent profit on the over-all operation?—

A. At that time we were not thinking in terms of margin of profit, we were thinking in terms of getting the butter market up to a level which would maintain production in the province of Saskatchewan in competition with grain prices.

Q. It seemed to have been all right there with quotations of 49½ and 50 cents.

The CHAIRMAN: Mr. Winters, you have not got the answer you are after. We understand why. You have told us the reason why you wanted the price up to a certain level, but the question Mr. Winters is asking is not quite the same. You accepted certain bids. What bids did you turn down?

The WITNESS: Mr. Chairman, I think as far as I can go there is to say we had definite capital limitations.

By the Chairman:

Q. I am not asking you why you turned them down. I am not criticizing. We just want the facts. We would like to get some idea what those bids were. —A. I cannot tell you what bids we turned down. I can only tell you what sales—I cannot do that either, but I can tell you the price at which sales were generally made. I cannot tell you the bids that were turned down.

Q. You do not keep a record of that?—A. No.

Q. When you say Vancouver, who do you mean in Vancouver?—A. It might be Canada Packers. It might be Swift Canadian Company. It might be Burns and Company. It might be a chain store.

By Mr. Monet:

Q. Burns and Company are from Winnipeg?—A. The head office is Calgary.

Q. I have a few more questions. Mr. Turnbull, would you tell the members of the committee what, in your opinion, were the main reasons for the substantial increase in the price of butter during the period of last year from June to December inclusive?—A. There were a number of reasons. As has already been indicated during the forepart of the season, subsequent to decontrol which took place on June 9, up to the first week in August there was very little change. That situation might be attributed to a lack of adequate storage space in Montreal and Toronto, and it could certainly in part be attributed to uncertainty in the industry as to production and consumption prospects. We had just moved out of an era of control, and we were feeling our way along. Nobody knew the answers. Everybody was trying to do a little guessing.

I think most of this information has come out before. On August 10 when the Dominion Bureau of Statistics figures were released it appeared to indicate a high level of disappearance without a relative increase in production. It was at that point, or thereabouts, that the price started to rise fairly consistently. There were, of course, unfavourable weather conditions here in the east, I believe, last spring which had some considerable bearing on the long-term possibilities and suggested to many there might be a production deficiency on that account.

Then the production of stock reports as released by the Dominion Bureau of Statistics during September, October, November and December, all indicated the continuation of a high level of consumption without a relative increase in production. In order to obtain supplies the butter industry on a free market was more or less compelled to purchase at higher prices. There was, of course, an interruption in the price trend between October 1 and October 29. I think that might be attributed to uncertainty again on the part of the industry, more particularly with respect to government policy in the matter of imports. There was the possibility that something might be done to import butter at prices lower than those prevailing in the domestic market. Mr. Taylor covered that fairly fully yesterday. There was the possibility that a ceiling might be

reimposed which brought about some deterrent to price advances at that time. Then there was a definite shortage of storage space at that particular time, more particularly in the east. I do not think I could add very much more unless one attempted to analyse the stocks in detail. I doubt that it is necessary for me to do that in the light of previous statements.

Q. All right, I am satisfied.

The CHAIRMAN: I just wanted to raise the question. It was my intention to call an executive session of the committee now, but apparently there are a lot of other questions for this witness.

Mr. HARKNESS: I have one or two I wanted to ask.

Mr. JOHNSTON: I have one which bears on the point now being discussed.

The CHAIRMAN: We have to decide this question. We would like to meet the convenience of this witness if we can and I understand he would like to get away tonight. However, there is the fact that we were to have an executive session, and unless the questions you wanted to ask can be taken care of within 5 minutes I think we will have to make other arrangements.

Mr. JOHNSTON: Mine are short.

By Mr. Johnston:

Q. I would like to ask the witness, you spoke of the D.B.S. giving information here the other day. Do you make your monthly records of storage to D.B.S. or to Wartime Prices and Trade Board?—A. They go to D.B.S.

Q. Do they go there regularly?—A. Yes.

Q. Have you ever had any inquiries from the Wartime Prices and Trade Board in regard to your holdings?—A. No, they would obtain that information if they wished it I presume from the Bureau of Statistics.

Q. How often do you turn these figures in to the Dominion Bureau of Statistics?—A. Once a month, and they are audited by our provincial branch before they go forward to the federal department.

Q. Coming back to this question of the amount of butter you hold in storage, if you held any in storage, for as you have suggested an increased price, the information would have been available to the Wartime Prices and Trade Board through D.B.S., would it not?—A. The stocks we hold would be available to them.

Q. So D.B.S. certainly would know what your holdings were from month to month and therefore the Wartime Prices and Trade Board would have access to the information?—A. So far as my knowledge goes, that is correct.

By Mr. Harkness:

Q. Mr. Turnbull, you said that the working stock you require is $\frac{3}{4}$ of a million pounds. Now, would it be fair for us to say then that in 1947 whenever you show on hand the first of the month an amount in excess of $\frac{3}{4}$ of a million pounds that that excess is butter which you could have sold but which you held for some purpose or other?—A. That would be fairly reasonable.

Q. And the reason that you held that butter was in order to try and get a better price eventually for your cream producers who constitute your company?—A. During the forepart of the season only.

Q. That is right. Now, just one or two other questions. Do you take any other cream from non-members in your organization?—A. We accept cream from anyone.

Q. You accept cream from anyone. Do people who are not members share the profits?—A. No, not until they acquire a membership.

Q. How do they acquire a membership?—A. Through the payment of the required fee of $3.00.

Q. That is all that is required of any creamery producer to join your organization, he can join on the payment of $3.00?—A. Providing he at the same time becomes an active shipper.

Q. That is what I mean, you are not in a position where you are taking cream from a lot of people who are not members and who cannot become members?—A. No, we are not in that position.

By Mr. Maybank:

Q. Would it be correct to say that practically all the cream you get comes from members?—A. I would say that over 90 per cent of the cream we receive at the present time comes from members.

By Mr. Irvine:

Q. I have just one question to ask, Mr. Chairman. What was your answer to the question as to what made the price of butter rise? Did I understand you to say that one of the reasons was the increase in the cost of production of cream, and that that was due to the increase in the price of feed stuffs to dairy farmers which would have been caused by the removal of the subsidy on coarse grains, and that this led to the possible belief there might be a shortage of butter which would stimulate the bidding for the butter on the market?—A. I did not say that.

Q. Was that the idea you were getting at?—A. I did not express that opinion. That, of course, occurred during the time when prices were reasonably high. I would not state that, personally, as a reason.

Q. I got that idea from your statement.—A. I am sorry if you did, but I do not think I said it.

Mr. LESAGE: I have no question to ask, but I believe the witness' train leaves later tonight and I was wondering whether it would be possible for him to leave with us the four figures he gave Mr. Winters for May and June for every month of 1947. Would it be possible to leave those figures with us tonight?

The WITNESS: With your permission, I should like to suggest that you need more figures. You should also know our supply cost per pound which was not asked for.

Mr. LESAGE: All right; can you leave those figures with the committee for every month of 1947?

The WITNESS: I will leave them with Mr. Monet.

Mr. LESAGE: I should like to compare the cost of production per pound during the low production months with the cost of production per pound during the high production months for the year 1947.

The CHAIRMAN: I take it every member has finished his questioning. I wish to thank you, Mr. Turnbull, for your evidence. I think we were all greatly impressed with your presentation.

Mr. MAYBANK: If you are going to call an executive session, there are two small matters which should be dealt with while the reporter is here. Mr. Chairman, I have to put something on the record as the result of a letter I wrote. At the conclusion of the letter I said that the point raised in the letter to which I was replying would be brought to the attention of the committee. A letter was addressed to the chairman, under date of March 11 from Mr. George Christensen, in which he gave certain information. In the ordinary course of events the letter came to me for acknowledgment. Mr. Christensen states that he has been reading the evidence of the Christie Bread Company and he thinks there are some things wrong with the evidence and he could make certain suggestions. It is a short letter and I would suggest that it be printed in the record now for the attention of the members. I do not think it is necessary that my own reply—which is only an acknowledgment and a statement that the point would be brought to the attention of the committee—need be printed.

The CHAIRMAN: Has Mr. Christensen gone into the matter of bread?

Mr. BEAUDRY: Is that the vegetable man?

Mr. MAYBANK: I do not know anything more than the letter, and it speaks for itself. It is a very short letter.

423 St. Clair Ave. East,

Toronto, Ont., March 11, 1948.

Hon. Paul MARTIN,
Chairman, Committee on Prices, House of Commons,
Ottawa, Ont.

Dear Mr. Martin:

I have just finished reading evidence uncovered by your committee yesterday, re Christie's profit on bread.

Your investigation has already uncovered the fact that Christie's Bread Limited made an excellent over-all profit before they increased the price of bread, the fact that they bake and sell a large and varied line or assortment of sweet goods on which they make a very large net profit, should be taken into consideration. It is an easy matter for them to charge overhead to the bread department that might better be charged to the sweet goods department, at any rate the all-over position is all that should be considered, not just bread. In fact if they baked bread only then there would be no excuse for many of the expense items now included in their general operations covering all bread, cake and other sweet goods.

The information I have leads me to believe that the Christie Bread Limited could well afford to sell 24-ounce wrapped bread to retailers, fifty loaves or more to a delivery at from ten to ten and one-half cents per loaf. In which event retailers could afford to sell same for 12 cents.

The consuming public that must economize should not be compelled to pay any part of the delivery cost of bread or milk to householders.

Yours sincerely,

GEORGE CHRISTENSEN

Mr. IRVINE: By the way, are we to hear from Mr. Christensen any further or is that a thing of the past?

The CHAIRMAN: Fruits and vegetables are still under consideration.

Mr. MAYBANK: Now there is one other matter. Mr. Singleton sent word that a correction ought to be made in the figures that he gave this morning. He has sent word back as quickly as possible in order that the record could be corrected before it was printed. Apparently Mr. Singleton gave some incorrect figures on the increase on butter disappearance for February of this year. The actual figure was 500,000 pounds over February of last year and not 4·3 millions.

The Committee went into Executive Session.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 26

WEDNESDAY, MARCH 17, 1948

WITNESSES:

Mr. R. W. Morrison, Secretary, Ontario Creamery Producers Marketing Board, Toronto, Ontario.

Mr. Henri C. Bois, General Manager, Coopérative Fédérée de Québec, Montréal, Québec.

Mr. J. E. Lussier, Chief of Butter Department, Coopérative Fédérée de Québec, Montréal, Québec.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

WEDNESDAY, March 17, 1948.

The Special Committee on Prices met at 4 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Cleaver, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Mayhew, Merritt, Pinard, Winters.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Counsel filed, as part of Exhibit No. 52, table VII showing average retail prices of creamery butter prints at Montreal, 1934-38. (*Printed in this day's Evidence*).

Mr. R. W. Morrison, Secretary, Ontario Creamery Producers Marketing Board, Toronto, was called, sworn and examined.

Witness retired.

Mr. Henri C. Bois, General Manager, and Mr. J. E. Lussier, Chief of Butter Department, Coopérative Fédérée de Québec, Montreal, were called and sworn, and Mr. Bois was examined in French. (*Translation of Mr. Bois' examination appears at the end of this day's Minutes of Evidence*).

Mr. Bois filed,—

Exhibit No. 58—Comparative statement of butter operations, 1940-1947—Coopérative Fédérée de Québec. (*Printed in this day's Minutes of Evidence*).

At 6 p.m. witnesses retired and the Committee adjourned until Thursday, March 18, at 11 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
March 17, 1948.

The Special Committee on Prices met this day at 4.00 p.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: The meeting will please come to order.

Mr. MONET: Mr. Chairman, I wish to table a few documents before the first witness is called. These documents have been requested by some of the members of the committee. The first request was for the average monthly wholesale jobbing prices of creamery butter, Montreal, for the period 1934 to 1939, to complete table 7 of exhibit 52. Those figures are not available because the commodity exchange did not open for butter transactions until late in 1935. I wish to table, however, as part of Exhibit 52, the average retail prices of creamery butter prints at Montreal for the years 1934 to 1938. This was requested on March 15.

I am also tabling production cost by months for the year 1947, of the Saskatchewan Co-operative Creameries, as requested of Mr. Turnbull on March 16. These three documents are here and available for distribution to all members of the committee.

Mr. MACINNIS: Will Mr. Turnbull's figures be made a part of Exhibit 56?

Mr. MONET: Mr. Turnbull's figures are contained in the last document showing production costs by months of the Saskatchewan Co-operative Creamery Association.

The CHAIRMAN: That should go in the evidence as it is an answer to a question. It should go in right after the evidence.

The other document is entitled "Spreads in butter prices, March, 1948".

Mr. MONET: That was requested by Mr. Harkness.

This document was requested by you, to complete table 7, and it shows the average retail prices of creamery butter prints at Montreal from 1934 to 1938. This request was made during the evidence of Mr. Singleton.

The CHAIRMAN: It is part of exhibit 52.

Mr. MONET: That is right.

SASKATCHEWAN CO-OPERATIVE CREAMERY ASSOCIATION LIMITED—COST PER POUND OF BUTTER MANUFACTURED—AVERAGE FOR 30 BRANCHES

1947 Month	Products Cost	Transportation	Supplies	Manufacturing Expense	Total Cost
January	32·1	1·2	·6	5·8	39·7
February	31.9	1.1	.8	6.1	39.9
March	32·0	1·1	·7	4·8	38·6
April	31·5	1·2	·7	4·0	37·4
May	40·8	1·1	·8	2·9	45·6
June	41·2	1·1	·9	2·4	45·6
July	42·4	1·1	·9	2·4	46·8
August	45·3	1·2	1·0	2·7	50·2
September	50·5	1·1	·8	3·1	55·5
October	49·0	1·1	·9	3·6	54·6
November	49·5	1·1	·7	6·0	57·3
December	52·5	1·2	·7	13·7*	68·1
Average	42·5	1·2	·8	3·7	48·2

*Refer statement of J. S. Turnbull re apparent loss this month. Requested by the committee from Mr. J. S. Turnbull on March 16, 1948.

SPREADS IN BUTTER PRICES, MARCH, 1948

	Saskatchewan Butter Sold in Montreal	London, Ont., Butter Sold in London, Ont.
	Cents per lb.	
Price to butterfat producer	55·3—56·1 (*a*)	61·0 (*b*)
Price to creamery (W.P.T.B. Order A-2468)	64¼	67.0
Ceiling price at wholesale, solids (W.P.T.B. Order A-2468)	67·0	67·0
Price to retailer, prints (W.P.T.B. Order A-2468)	69¼	69¼
Price to consumer	70·0 (*c*)	72·0 (*d*)

(*a*) Based on 68-69 cents per lb. of butterfat, Regina, f.o.b. shipping point, 23 per cent overrun.

(*b*) Based on 77 cents per lb. of butterfat, delivered London less 2 cents for delivery, 23 per cent overrun.

(*c*) average price, independent retailers Montreal (range, 69 to 73 cents)

(*d*) assuming same figure as in Montreal.

Prepared for the committee by the secretariat, as requested by Mr. Harkness, March 15, 1948.

March 16, 1948.
(Supplementary to EXHIBIT 52)

TABLE VII: AVERAGE RETAIL PRICES OF CREAMERY BUTTER PRINTS AT MONTREAL, 1934-38

(Quotations per pound by independent retail merchants)

	1934	1935	1936	1937	1938
			—cents—		
January	28·3	25·0	29·8	30·0	33·8
February	29·5	27·6	29·4	30·0	35·6
March	33·1	28·9	27·9	29·1	38·1
April	33·6	27·6	26·8	29·7	39·2
May	26·6	27·0	25·2	28·8	31·6
June	24·5	25·1	23·7	27·7	30·5
July	24·5	24·2	25·9	28·6	29·6
August	23·6	24·4	27·2	30·4	29·1
September	23·3	25·1	29·1	30·6	27·8
October	23·8	27·2	28·7	30·6	26·5
November	23·8	28·3	27·8	32·0	26·9
December	24·6	29·7	28·6	33·8	26·1
Year	26·6	26·7	27·5	30·1	31·2

Requested by the committee on March 15, 1948.

Robert William Morrison, Secretary, Ontario Cream Producers Marketing Board, sworn:

By Mr. Monet:

Q. Mr. Morrison, will you give us your full name please?—A. Robert William Morrison.

Q. And your address?—A. 409 Huron street, Toronto.

Q. What is your occupation?—A. Secretary of the Ontario Cream Producers Marketing Board.

Q. How long have you been connected with that creamery board?—A. Since last summer, since about August.

Q. When was the association which you represent formed?—A. It came into being on the 1st of October last year, following a vote that had been taken in the month of April by the cream producers themselves as to whether they wanted to form a marketing board.

Q. Would you give us the exact and full name of the association?—A. The Ontario Cream Producers Marketing Board.

Q. Would you describe the objects of this board?—A. The objects of the Cream Producers Marketing Board are, in a word, to look after the interests of the cream producers—the farmers who produce cream. I might give a word or two of background in order that you will understand more accurately the function of the board. We have in Ontario provincial marketing legislation which enables groups of producers of any commodity, after having first discussed

the question through holding meetings and so on, to take a vote as to whether they wish to operate as a marketing board under the Provincial Farm Products Marketing Act. In cases where the vote is sufficient to set up a marketing scheme under the act then an order in council is passed and such a marketing scheme is established. That is the procedure that was taken in this particular case and this is one of some 14 or 15 marketing schemes which we have in the province, all of a somewhat similar set-up. It is a bargaining set-up. We do not actually handle the cream or butterfat but simply from a democratic point of view, and so on, organize ourselves. We have delegated a marketing board which then appoints members of a negotiating committee. In the particular case of cream there is a negotiating committee of ten, made up of five members from the producers and five from the creamery operators. This committee meets from time to time when it seems desirable to discuss and negotiate on certain matters. This particular scheme is outlined in the board order sent out. There is power to negotiate and to come to agreement on the following matters: (*a*) minimum prices; (*b*) forms of contract; (*c*) conditions of sales; (*d*) grades and quality; (*e*) price differentials between grades; (*f*) weighing and testing; (*g*) transportation. From the producer's standpoint those are the various phases of the question in which we are primarily interested since we do not actually produce ourselves as an organization. We have hope and expectation of a large measure of accomplishment as to what we, as individuals, have been unable to do. Collectively we are carrying some weight in ironing out our difficulties. We have made progress as you can readily see, since the organization has only been in existence since the 1st of October. It is a fairly young organization and in that time we have had a few member meetings and two negotiating meetings. We have established splendid relationship with the creamery operators and other members of the negotiating committee and to date time has been spent in thinking of a policy of improvement. As far as we, as producers, are concerned, we feel there is room for improvement. We feel a responsibility not only for producing cream or butter but also for producing the very best quality. We are trying to get a program under way which will achieve the improvement of quality. Now we are so set up that probably some move into other fields will be possible in the near future. At the moment that is a report of the progress we have made in this particular field.

Mr. IRVINE: Are you a co-operative organization, may I ask? Do you so describe yourselves?

The WITNESS: No, it is a marketing board.

By Mr. Monet:

Q. You have used the words "bargaining set-up," Mr. Morrison. What do you mean exactly by that expression?—A. Possibly you would accept a humble explanation. I do not propose to give a great deal of data and figures because I think most of those figures which we as producers thought you might want have already been presented here. As I said before our domestic set-up in the province of Ontario is divided into nine districts. Each district appoints a member of the marketing board—that is the provincial marketing board, which has nine members. Each member represents a specifically outlined district. That board appoints five individuals—who may or may not be members of that board, but who are cream producers—to represent them on the negotiating committee of ten. Five are cream producers and five are representatives of the operators. Now I referred to the bargaining set-up because we do negotiate one with the other and come to agreement. If the issue should be important to either side, or if it is of extreme importance and we feel we cannot obtain agreement, there is machinery for arbitration.

By Mr. Pinard:

Q. Is that a provision under the Act?—A. That is right, sir.

Q. Have you got a copy of the act?—A. We have a copy of the scheme as set up under the act. I think I have enough here to go around amongst the members.

Q. I think it would be helpful.—A. Here they are.

Mr. MONET: Well, Mr. Chairman, would you desire to file this document as an exhibit?

The CHAIRMAN: No, it is just additional informative material.

By Mr. Monet:

Q. Well, I understood you to say that you negotiate mostly between the farmers and the creameries?—A. Yes.

Q. Do you negotiate for the farmers or for the consumers? I suppose you negotiate for the farmers only?—A. Naturally our interest is primarily with the producer, the farmer, but I can say very frankly and honestly we are not unmindful of the operator and the ultimate consumer as well. We feel we have a responsibility not only to ourselves but to others who are vitally interested.

Q. In this negotiating I understand however that you represent mostly the interests of the primary producer?—A. That is right.

Q. Which would be the farmer?—A. That is right.

Q. The producer of butter?—A. That is right.

Q. Have you got anything to add to this statement you have already made on your organization, Mr. Morrison?—A. I was wondering, sir, if it would not be of particular interest for me to give some background of the dairy and butter industry in this province from the producer standpoint. I would be prepared to give you something on that if you think it would be of value.

Q. We would like to know anything that is interesting in so far as butter is concerned?—A. As well as being secretary of the Ontario Cream Producers Marketing Board, last fall I was appointed as a director from Ontario on the Dairy Farmers of Canada Association, which is a producers organization made up of some thirty producers groups across Canada, and it is in addition a breeding association. I have here a copy of an address given by Mr. McCague, the president of that organization, which address he gave at the last annual meeting. He has expressed some thoughts in rather brief form and if I might be allowed to quote a few excerpts I think it would be of interest to the committee.

> There are about 3,900,000 cows on Canadian farms, representing an investment of over four hundred million dollars. The farms upon which they live represent a capital investment of around two and a half million dollars and there are about three hundred and fifty million dollars invested in the machinery required to work those farms. In the manufacturing, processing and distributing plants where milk is handled after it leaves the farm there is an investment of over two hundred million dollars. That all adds up to an important part of our internal economy.

Mr. IRVINE: When did you value those cows?

The WITNESS: I must admit this is a fairly recent valuation. It is an approximation.

Mr. IRVINE: The date of the valuation would make a lot of difference.

The WITNESS: Yes, and this talk was given late last fall.

Mr. MAYHEW: What did you say was the value of the land?

The WITNESS: I am sorry but I made a mistake in reading and I said $2,500,000 when it should have been 2½ billion dollars.

Mr. MAYHEW: I was rather surprised.

The WITNESS: "To a very large and unestimated number of Canadians contact with the dairy industry may seem rather remote. These are the workers in allied industries—the men who make farm machinery or milk plant equipment, those employed in automobile plants where farm or pickup and delivery trucks are made; builders and contractors who erect dairy plants; the men engaged in the feed industry who supply the dairy farms with feeds for their live stock; those making boxes, metal milk and cream cans, barrels, glass bottles, and paper and wooden products; highway, railway and even ocean transportation employees; those in the several thousand retail outlets where the sale of dairy products is an important item. Add all these together and it becomes obvious that quite a segment of our population is indirectly concerned with the dairy industry."

—"There are 1,140 creameries, (butter factories) large and small, across Canada; 977 cheese factories; 260 combined butter and cheese plants; the several hundred pasteurizing plants necessary to handle and distribute the milk and cream requirements of citizens of Canada; the ice cream establishments; 26 concentrated milk manufacturing plants and several factories for by-products. The manufacturing plants—creameries, cheese factories and condenseries—have about 410,000 farmer patrons, while about 80,000 farmers supply milk to the fluid milk and cream trade.

—"The economy of the dairy industry is so bound up with the well being of Canada as a whole, that if this industry does not prosper, if the half million dairy farmers are without this buying power, then Canada as a whole might find it difficult to keep on an even keel.

"Today we hear much of conservation—conservation of our natural resources —conservation of the soil. Departments of government, economists, educationalists, financial institutions tell us that the conservation of the soil is basic to the future well being of Canada. In this we agree. Much fine work is under way chiefly from the standpoint of prevening erosion. I want to state, however, that the dairy farmer if given due consideration, can, through the handling of his dairy herd and farming programs, do more toward the conservation of the soil than any other agency. The maintenance of suitable organic matter and mineral content is a first essential. The organic matter content of the soil for high production, prevention of erosion and leeching can be provided through successful dairy farming. The mineral requirements to a large degree must be met by the purchase of commercial products. Such a program is only possible by an informed public having a proper appreciation of the value of milk and milk products as a food and a willingness to have the dairy farmer sufficiently recomposed, to enable him to carry on efficiently."

Then in conclusion—"The Canadian farmers have long been known as hard and efficient workers who are content with a moderate margin of profit for their efforts. Among them none have earned a higher reputation than the dairy farmers for long hours of strenuous and exacting labour. But, just as surely as nature's laws must be observed, they must receive a reasonable margin of profit for their well directed programs or Canada as a whole will suffer in the long run."

I just wanted to refer to those items in particular because to my mind as a farmer and producer which I have been practically all my life, I realize the significance of those statements. It is necessary, since this committee is particularly interested in prices, that the farmer and the producer of cream receives sufficient for his butterfat to enable him to carry on a reasonable program of production, to maintain his soil fertility, and to try and prevent mining of the soil which a good many of us feel is one of the greatest assets any country could have.

Q. Mr. Morrison, at the end of your remarks you referred to butterfat. Would you tell the members of the committee to what extent, if any, the pro-

ducers of butterfat gain through a rising of the market such as we experienced last fall?—A. The producers gain as the market rises to the full proportion of the market on the commodity which they are producing at that time. Special reference has been made to the price last fall. The price of butterfat follows closely any change in the price of butter. There is obviously, in any correlation of that kind, a certain lag. I would suggest in the case of the relationship between butterfat and butter, and what the farmer gets for butterfat as against the price that butter sells for at the time, the lag is quite small. As butter the price changes it reflects very very quickly in what the farmer gets. The price for butterfat increases right away and vice versa in the case of a decrease in the price of butter. In the case of the rise last fall the difficulty we have throughout the co-operatives—take, for instance, the large dairy pools and co-operatives in the west, because of their set-up primarily it was possible for the producer to get most of the benefit of that rise in his butterfat through the producer organizations; naturally, anything in the way of profit resulting from an increased butter price goes back to the producer through an organization of that kind at the end of the year. The producer gets the benefit of that, nobody else.

Mr. MONET: He gets it immediately?

The WITNESS: If not right then, it would be in his dividend at the end of the year.

The VICE-CHAIRMAN: I see. I am speaking more particularly of the farmer say in Saskatchewan; as you say, he would get this increase in price, but in the total economy of that particular farmer it may not bulk very large, his butterfat returns, would that be correct?

The WITNESS: Yes.

The VICE-CHAIRMAN: Take that 10-cent rise, for example; true, I suppose the Saskatchewan farmer would sooner have it than not have it, but it would not greatly increase his annual income I suggest, and I ask you if that is right?

The WITNESS: I agree with that, and I might comment just along that same line. I think right across Canada—probably I should have made this comment earlier—the average cream producer is in a little different class than most other dairy producers in that his herd is usually more, it is ordinarily more of a side line with him, and his production for that reason in proportion to the other things may not be as great as in the case of the whole milk producer or anything of that kind.

The VICE-CHAIRMAN: So that if we see the farmer suddenly getting a 10-cent rise in butterfat, or what comes from a rise in the price of butter per pound, we would be making a very grave mistake if we thought that they were suddenly getting rich?

The WITNESS: I agree.

Mr. IRVINE: Did the farmers of your organization receive the full increase demanded of the consumer for butter when the price was raised, when that 10-cent rise took place; would they get that?

The VICE-CHAIRMAN: There was a period last fall when it was around 10 cents. I do not know for how long.

Mr. IRVINE: Did they get all of it?

The WITNESS: I would say following that, yes. What had already been sold to the wholesalers and the chain stores naturally would be completely out of their range and they would not get it on that.

Mr. PINARD: There was only that difference, that they would not get it on the stock which had already left their hands?

The WITNESS: That is right.

Mr. IRVINE: The brokers and dealers in butter outside of your organization got no more through the increase in price then if that all came back to the farmer. Is that your contention; after the rise of 10 cents a pound, let us assume? Then, ultimately, the farmer would get that?

The WITNESS: On whatever proportion there was following that.

Mr. IRVINE: That would go to the farmer?

The WITNESS: That is right.

Mr. LESAGE: But at that time production was slowing down in the fall.

The WITNESS: Yes, that is the time of the normal decrease in production.

Mr. LESAGE: Yes, the bulk of production had been sold by then.

The WITNESS: Yes, but there is still a considerable amount of production, although as you say it is slowing down because pastures are drawing up and so on.

By Mr. Mayhew:

Q. Is butter handled on a cent per pound basis or on a percentage basis by the brokers? If it is on a percentage basis the whole 10 cents would not go back to the farmer, but if it is on a cent per pound basis it would all go back to him?—A. We do not deal with brokers. I cannot answer that

Mr. MACINNIS: You are dealing with the butter producers only?

The WITNESS: Yes.

By Mr. Monet:

Q. To follow up this question of the rise in the price of butter and butterfat, you said a moment ago that the rise in butter price would be paid to the farmer for his butterfat for the future; is that correct?—A. That is right.

Q. Do you mean by that that the wholesaler who had butter on hand would not sell his butter at any higher price than he paid for it? You didn't mean that, did you?—A. Not at all.

Q. That is why I followed up that answer. You did not mean by your answer as to the relationship between the price of butterfat and the price of butter; you did not mean that if the wholesaler stored his butter he does not get any benefit there is from the sale of the butter; you did not mean that?—A. No.

Mr. MONET: I wanted to clear that up.

Mr. IRVINE: I understood that you did mean that.

Mr. MONET: I thought he did, that is why I wanted to have that clear. I did not want this witness to leave the wrong impression.

Mr. IRVINE: I would like to have that cleared up.

Mr. MONET: I am referring to the period to which you referred, to the period when there was a rise in the price of butter and an increase in the value of butterfat. I understand the application of your answer is so far as applies to co-operatives but would the same thing apply to private organizations?

(Hon. Mr. Martin resumed the chair.)

The WITNESS: It would vary with the situation. I have in mind my own farm near where we have a joint stock company which operates the creamery, and it operates probably as nearly on a co-operative basis as is possible. They only take out a comparatively low return on the capital investments and everything else goes out to the producer. As I say, it operates essentially as a co-operative. I suppose perhaps across Ontario—I am speaking now particularly of Ontario—we have a large number of small creameries owned by individuals and companies and so on, and the management and so on varies as in the case in anything else; I suppose it would vary in great range, the co-operative creamery would give the farmers every break possible, they are very careful not to take advantage of the producer.

By Mr. Monet:

Q. Mr. Morrison, is there any other organization of the same kind or with the same objectives as in yours in any of the other provinces of Canada?—A. I am not aware of any as far as cream is concerned but there is some marketing legislation and there are some marketing organizations in the other provinces. I suppose you could cite the set-up of the fruit growers of British Columbia as being somewhat comparable to ours, but as far as marketing is concerned I do not know of any.

Q. I understand the main object of your organization is to get as much as possible for the butterfat for the farmer?—A. That is right.

Q. Would the price you get for the butterfat for the farmer through your organization be affected by the price set in any other province?—A. No. Ontario is a deficiency province so far as butter is concerned; that is we do not produce what we would like to consume and we have to import butter from the prairie provinces or the exporting provinces as far as butter is concerned; and since we have free interprovincial trade in any commodity there is no provincial organization or set-up to my knowledge that can have very much affect on the price of butter. To illustrate what I mean, our organization in Ontario cannot hope to influence the price of butter since we have to import butter from the prairie provinces when they have butter to sell. It is just a set-up which does not lend itself to any measure of control from our standpoint and we can only make the best of whatever situation arises.

Q. So you mean to say that even if you do obtain a higher price for the butterfat producer in Ontario it would not reflect on the price set on butterfat in any other province; is that right?—A. I think that is quite correct. We hope at some time in the future probably that we will have a national marketing organization or national marketing legislation, which we are looking forward to, which would tie in the existing provincial marketing acts of the various provinces, and when that time comes about we may be able to do something but in the meantime there is nothing we can do much.

Q. Now, Mr. Morrison, asking you as a farmer, what do you think is the cause of our present position of short supply in butter?—A. Well, it as a result of the fright that has existed for some time. I think probably I had better go just a little beyond that question and make sure that we all understand that as far as the farmer and his plans are concerned it is usually a case of long-term planning, with some modifications of course. There is not very much that a farmer can do by way of changing from one production plan to another quickly after he lays out his year's plan of farming operations, cropping operations—the pasture and the number of cattle they are going to keep, and so on. As a matter of fact we usually look forward much further than one year and we use our best judgment to arrive at a workable plan and try to work it out. Now, during the war years, as you are all aware, there was a ceiling here on butter prices which were purposely kept low, the purpose being a matter of national policy, and as I said before butterfat from the milk went into cheese; and there is a price relationship there, and the result is that a lot of butterfat went into cheese to supply the old country market because that was more attractive than the butter market was at the time, and that continued going on over a period of a few years, and that would have an effect on the farmers now. It was only changed last fall and, as I said, you cannot just change your farming program overnight. So that the decrease, or the deficiency period we are in at the moment is to my thinking a direct result of the continued low price for butterfat. The farmer realizing that it was not a very profitable undertaking had gotten out of it. He had switched in some cases particularly in eastern Ontario to cheese, where there was a ready opportunity to switch over probably; and then there was another switch which has taken place in another direction which I do not think has been mentioned

yet, and that is the switch to beef. Now, it may sound strange, but I think we should realize that cream producers are as a rule not keeping as highly specialized a dairy herd; in other words, they very often keep what we refer to as dual purpose types of animals, quite often the dual purpose shorthorn or beef animal and cross it with a dairy breed but not having the same butter characteristics or milk characteristics as the higher type of dairy herd. He may have taken advantage because of the scarcity of labour and the low price, or for any particular reason, of that kind and gone out of milk or cream production and gone into the raising of baby beef. And if the price of butter in relation to butterfat is such that it would seem to warrant him doing it he just does that, and that switch was being made. I know in my own part of the province that was made very extensively over the past few years. But there again the present shortage is brought about pretty much as a result of a continued program that has had as its purpose keeping butter prices down and even with an immediate rise you can hardly anticipate any immediate increase in production. You have to wait for it, that will come if the price sets high enough.

Mr. IRVINE: Would you care to make an estimate of what you would regard as a fair price for butterfat to the farmer having regard to the present costs of farm production?

Mr. WITNESS: That is a pretty difficult thing to do. I would suggest, and when I am saying this I base it on opinions I have heard expressed from a great variety of sources, that the present price is very acceptable.

Mr. IRVINE: As fixed?

The WITNESS: The price fixed.

The CHAIRMAN: That is to the producer?

The WITNESS: To the producer, yes. One fear is, of course, that the present fixed ceiling may stop, that the selling price may drop below the present ceiling, and many feel it would be better to have a floor price rather than a ceiling price so that the farmer would know that his income would not drop below a certain point.

By Mr. Monet:

Q. Now, Mr. Morrison, do you think that the speculator in butter serves any useful purpose when he is allowed to buy butter and sell butter and butter futures?—A. It may sound strange, but I think they do under present conditions.

Q. Would you explain that?—A. In this way: we find ourselves with an over production of butter, particularly during the season of good pasture, and someone has to own that butter, the farmer cannot continue to own it; some creameries are so equipped with storage space and finances that they can hold a certain amount, but in the main I do not think they could hope to hold it all for the winter months and the months of short supply. The consumers require butter and there is the service of storage and the service of financing it, and someone has to render that service. If no one bought the butter I do not know what we would do with it, I mean the producers. Someone has to buy it, and if no one else volunteers, if the speculator comes in and buys it and pays the service charges for storing and financing it he is serving a useful purpose because he buys from the producer. I would say he does tend to keep our prices from going completely out of sight.

Q. At the same time, Mr. Morrison, is it not a fact that this would also make the price go up?—A. Yes. I am not trying to build up the case for the broker or the speculator. I would say that under the circumstances he serves a useful purpose. We have had very definite suggestions that there should be something to take the place of the speculator, that there could be something we could

substitute in the place of the speculator. It might be done in one way or another. If we had some way of holding it we could maintain the price of butter and avoid many of the violent fluctuations in price that we now find.

The CHAIRMAN: Did I understand your answer to Mr. Monet's second last question to be that the institutions to which you have referred do cause a rise in price?

The WITNESS: I would rather call it the speculator.

The CHAIRMAN: Well, let's call it the speculator.

Mr. MERRITT: What is the alternative that you suggest to the speculator or broker? Who should hold the surplus butter in the surplus months if it is not the speculator or broker? You said you had some other better scheme in mind.

The WITNESS: And it seems to me that there is more than one way it could be held and more than one way that it should be held. The farmers themselves through their co-operatives, and they are the major shippers, might do it to a certain extent, but I am sure they could not do it all. And there is another piece of machinery which it seems to me is available.

The CHAIRMAN: Before you drop that though, the evidence we had yesterday was from a co-operative and it in turn sold to others.

The WITNESS: Yes, but they might extend the service of financing and holding butter until such time as it would be required.

By Mr. Merritt:

Q. Is there anything to prevent them doing that now?—A. No.

Q. Why don't they do it?—A. Limited finances. It would take millions and millions of dollars to do the job and their finances are limited, and there is also the question of physical limitations to their available storage space.

Q. What was the other way?

Mr. LESAGE: I do not think the witness has answered completely.

By Mr. Merritt:

Q. You said one way was for the farmer or co-operative to hold it, what is the other way?—A. It seems to me there is a piece of machinery in existence today and that is our Prices Support Board, as it is set up. If it should be policy to do so, it seems to me they could purchase butter as soon as it gets down to a certain level. It would be a government operation, of course.

Q. In other words, you are suggesting the government take a direct position in the butter market?—A. That is right.

Q. Those are the only two alternatives you have in mind?—A. Those are the only two I should like to suggest; that would, in effect, be a government floor price.

Q. Is there any way you can suggest to induce the farmer or the co-operative or the creamery to raise that extra money to go into the business of holding it in place of the speculator?—A. Not to act very quickly on it. From my knowledge of farm organizations, it is going to take a bit more understanding and perfection in our farm organizations before we can bring that into effect.

Q. In effect, you would have to take the man who speculates in that kind of thing and give him a position in the creamery or co-operative. He would then carry on the same job in the employ of the creamery as he is doing on his own account at present?—A. It is a service someone must render. We would have to get the best brains we could to do it.

Q. And the best brains would, presumably, come from the people who are acting as speculators?

By Mr. Mayhew:

Q. What would happen if he turned bear rather than bull? Your argument would not hold, would it?—A. Our thinking is very much in line with the thinking of many of us with regard to speculation on the grain exchange. We do not feel that human food, which is produced by the sweat of the brow and the work of farmers, which is needed badly by the consumers, that speculators should be allowed to play in between. We feel there is a better way of doing it, both as a service to the consumers and the producers.

By Mr. MacInnis:

Q. I have one question rising out of the answer you gave a moment ago that speculators serve a useful purpose during the period of high production by buying butter at that time. I think that is what you said.—A. Under the circumstances, yes.

Q. Do speculators, buying at that time, keep prices from going down?—A. Yes.

Q. Do speculators operate in the short production season?—A. It is my understanding there is some small operation going on from time to time. It is not as extensive as I think a great many people would—

Q. I just wanted to get the principle; if it serves a good purpose as you said it does in the high production season by taking butter off the market that might otherwise cause a fall in price, does it not tend to put the price up in the short production season?—A. Probably this would answer your question: We are extremely critical of the fact the speculator is in there at all but, under the circumstances, I do not know what you can substitute for him.

Q. You accept him as a necessary evil?—A. That is right.

By Mr. Merritt:

Q. Here is something I do not understand. It is my understanding of your evidence that it is these speculators who physically hold butter for the short season?—A. No.

Q. Who physically holds butter?—A. It is in storage; storage which is probably rented and so on, public storage.

Q. But held for the account of that speculator?—A. That is right.

Q. If you did not have someone who undertook to store butter for the winter season, if you let the price go down in the summer because there was no person prepared to hold or speculate, would not the butter go bad?—A. Well, yes.

Q. So you would not have any butter in the winter season?—A. That is what I say, somebody has to step in. It is a service which has to be rendered.

Q. This word "speculator" in this field has not got the evil connotation which I usually apply to the word, myself, has it?—A. No, you can build a case for him.

By Mr. Monet:

Q. Mr. Morrison, when there is a shortage in sight would your answer be the same, that the speculator would serve a useful purpose?—A. No.

Q. Is it not a fact that last fall there was a shortage in sight?—A. That is right.

By Mr. Pinard:

Q. In fact, so far as butter is concerned, there is always a shortage in this country. We are not producing enough butter for our own needs?—A. At certain times of the year, it is short. Over the years, I might say, we have done a fair job of matching demand and production.

Q. In other words, do you believe speculation in butter should not be encouraged in this country because of the fact butter is nearly always in

short supply?—A. Because of our climatic conditions which result in certain pasture conditions and cheapness of production, I think there is bound to be a large production in a few months of the year and the remainder spread over the year.

By Mr. Lesage:

Q. What is the difference in your mind between a speculator in butter and a holder of butter? It is important we know what you mean. What is the difference between a speculator or a broker of whom you spoke a moment ago or a holder? Are all holders, in your mind, speculators?—A. No.

Q. Are all brokers speculators?—A. No.

Q. Would you tell us when a broker or a holder becomes a speculator?—A. I am afraid I am getting into a field on which I do not feel too well posted. My conception of it is that a broker facilitates the getting together of the buyer and the seller. He does a brokerage business. The speculator is a man who purchases butter in anticipation, probably, of making a profit. Then, you get the other, perhaps a large handler of butter—it may be a chain store—

Q. A packing company?—A. A packing company and so on.

Q. Co-operatives?—A. Co-operatives; it may be any of those large concerns who, because of past business experience realize they have a large clientele to whom they furnish butter during the winter months. It is normal procedure for them to purchase butter during the high production season and hold it so they will be able to render that service during the off season; that is the normal course of trade.

Q. Those are people who are rendering a service?—A. Yes.

Q. They may, at a certain moment, become speculators?—A. They may, but I would suggest it is very limited on their part.

Q. Is it very limited?—A. To my knowledge.

Q. There is another group who are speculators?—A. That is right.

Q. All the time you were talking about the speculators, you meant people who are not in the butter business?—A. That is right; they may be doctors or lawyers.

The CHAIRMAN: Not lawyers—let it be clearly understood you are not referring to lawyers.

By Mr. Lesage:

Q. Those people are not rendering a service, but the holders are?

Mr. MACINNIS: Lawyers, never.

By Mr. Lesage:

Q. I should like to have an answer to that question. You said the speculators were rendering a service to the producer. You said a holder was one who stored butter or held it and was in the business rendering a service, but the speculators were not in the business?

By Mr. Mayhew:

Q. You did not mean the fellows who are buying butter on a margin?—A. I do not know what else you can call them. If, by stepping in and creating a demand and without them butter would be a drug on the market; if by their support you keep prices up, I do not know what else you could call them.

By Mr. Lesage:

Q. So, one cause of the rise in the price of butter would be the action of the speculator, is that correct?—A. Oh, no; I think they try to interpret what they can anticipate.

The CHAIRMAN: I cannot reconcile that answer with what you said earlier. Perhaps Mr. Lesage's question was not pointed enough in its context. You said earlier to Mr. Monet that in a short period speculators' actions did cause a rise in the price of butter?

Mr. MONET: That was the answer to my question.

The WITNESS: It would, at least, eliminate an undue dip or drop in prices.

Mr. LESAGE: Will you speak louder, please?

The WITNESS: It would probably reduce what would otherwise be a drop in prices.

By Mr. Mayhew:

Q. You mean the man who went into the market in July when butter production was high, invested in butter, put it into storage, and then resold it in the winter when prices were higher, would be doing a legitimate business?—A. Yes.

Q. That is what you mean by speculators, really, the men who invest in butter in July and sell it again during the winter?

The CHAIRMAN: Perhaps your use of the word "legitimate" introduces another angle. The point at issue is whether or not the actions of the speculator, operating in a scarcity period, have a tendency to increase the price of butter. Now, that may be a perfectly legitimate transaction as the law now exists. It is not a question of whether it is legitimate or not, it is a question of what the effect is on the price of butter.

Mr. MACINNIS: The witness made two statements and you have to set the one against the other. In the first instance, when the speculator operates during the high production period, he serves a useful purpose to the farmer by preventing a drop in the price of butter. Now, when production is low, the speculator operates at least against the interests of the consumer; I think that is it.

The CHAIRMAN: Has Mr. MacInnis accurately expressed your opinion now, because we have these two answers which seem to be contradictory.

The WITNESS: Yes, but I should like to get my own thinking correct. I believe you said a moment ago I referred to purchasing during a period of scarcity.

The CHAIRMAN: I meant during the period when production is low.

The WITNESS: I referred to the time when production is high and butter is plentiful.

By Mr. Lesage:

Q. I should like to go back to my point; when you mentioned speculators you meant people in the butter business?—A. Could I clear it up this way; that anyone who contributes to a condition which creates or firms the market price is rendering a service to the producers at a time when, otherwise, the price would likely drop.

Q. By buying on a margin?—A. Any way at all, so long as they create a demand.

Q. During high production?—A. As long as they keep the market firm. They keep the market firm for the producer.

By Mr. Merritt:

Q. The person to whom you are really referring as a speculator, as I understand it now, is the chap who is not holding stocks of butter as a regular business for the slack season, but who is in and out of the butter market. Is that the fellow to whom you refer as the speculator?—A. That is the one I think of, and I think most of us do.

Q. What percentage of the total purchases on the Montreal butter market are made by that type of speculator and what percentage by the man engaged in the business of maintaining the supply of butter throughout the year?—A. I cannot answer that question accurately. My understanding is it is quite small.

Q. What effect would it have on the price in terms of cents?—A. I could not answer that.

By Mr. Pinard:

Q. You have said that this person has rendered a service to the producer. Of course, you cannot say he has rendered a service to the consumer because a service to the consumer would mean a reduction in the price?—A. I think the consumer would be actually more satisfied if the price did not fluctuate as much as it does.

Q. If this action has always resulted in an increase in the past, you cannot say it has rendered a service to the consumer because the consumer is interested in having a decrease in price not an increase?—A. You can go into quite an argument on that.

Q. There is only one class that benefits from the speculator and that is the producer?

Mr. LESAGE: And the speculator himself.

By Mr. Pinard:

Q. The consumer receives no advantage from that?—A. May I correct one point? If someone has the idea that the producers are trying to establish the speculator as somebody we desire to have in there, I wish to say that is not correct at all. There is a service which someone must render. In the meantime, he is doing it, but we would rather see it rendered in a better way than he is doing it.

Q. The profits made the holder, plus the profits made by the speculator and other intermediaries are all charged, of course, to the consumer. Could you cite a case where a speculator, in recent years, has brought about a decrease in the price of butter?—A. No.

By Mr. Beaudry:

Q. Do speculators sometimes sustain losses or do they always make profits? A. They sustain losses as well as make profits.

By Mr. Pinard:

Q. Would you say they did in the last year?—A. No one could very well lose money in butter in the last year.

By Mr. Merritt:

Q. When you refer to speculators, you do not object to the persons in the market who forward the buyer who is in the butter business; you like him there? —A. Definitely.

By Mr. Irvine:

Q. If your marketing agency had facilities for storing butter over the year to meet the demand in a proper way, you would not need the speculator?—A. That is right.

By Mr. Pinard:

Q. What would you say would be a reasonable margin of profit to leave the holder of butter when the butter leaves the firm and is sold to the consumer? What would be a reasonable margin of profit, in your opinion?—A. It is held varying lengths of time, sometimes not very long and sometimes several months. There have been certain increases in storage costs recently and, I confess, I am not up to date on that. I would prefer not to quote a figure on that.

Q. You cannot give a figure? Would you say 2 or 3 cents a pound would represent the profit taken by the holder?—A. I think you are going to have witnesses here who are much better qualified to answer that than I am.

By Mr. Lesage:

Q. The Wartime Prices and Trade Board figure that ⅜ of a cent per month? —A. Yes but I understand costs have gone up since that, storage costs and so on.

The CHAIRMAN: Are there any other questions of this witness?

By Mr. Monet:

Q. I have one more question, Mr. Chairman. In your opinion, is the present price for butter fat sufficiently high in its relationship to the cost of production? —A. You bring in the question of the cost of production, and there has been a figure mentioned here before, I believe, of 74 cents. It is a figure that has been used on more than one occasion, to my knowledge, and has not been questioned very much. It is the figure which was used in Ontario when certain data was presented to the Commission enquiring into the whole milk business. Since that figure has been arrived at there have been definite increases in the cost of feed.

The whole thing is very complicated. When you are trying to arrive at the cost of production of a pound of butterfat, it is much more complicated than trying to arrive at the cost of a hundred pounds of whole milk. This is due to the fact that a large percentage is produced under varying conditions; that is, on pasture and so on. It is also due to the fact different types of cows are used and the ordinary herd of cattle which is used to produce cream is not as high a producing herd. There are so many factors that can enter into the calculation it makes it very difficult.

It seems to me there are two factors which do come into your calculations when you are talking about the cost of production, as to whether the present price meets the cost of production and so on. The first factor is the relationship between cheese and butter. It has been mentioned here, and I wish to endorse it as a working formula, that 2 pounds of cheese roughly corresponds to 1 pound of butter in value. You see that would bring butter to around 66 cents a pound, solids, in Montreal, at the present time and that is not far off what it is. That relationship, I think, is fairly sound.

There is one other yardstick which I think we can use. When you go into the homes on farms where cream is produced you find that, almost all the labour-saving devices which we once thought of as luxuries and have since come to think of as necessities, are lacking. You will find these people living, comparatively speaking, in rather humble situations. It seems to me that is a fairly good indication that the prices we are receiving today for butterfat are not very high. If prices were high, you would find the farmers turning more rapidly towards butterfat and you would find the standard of living in these homes higher than it is. This would be true in spite of the fact the farmers derive only a portion of their total income from this source, as has been brought out here. These people work long hours. Often, it is the housewife, with the help of some members of the family, who does this work in order to make the money necessary to meet household expenses, buy clothes for the family and so on. It is only under those conditions to a large extent, that butterfat is being produced. I would submit that the present price of butter, judging by this yardstick, is certainly not too high, when you consider the cost of production.

Mr. MONET: That is all, Mr. Chairman; I have no more questions.

The CHAIRMAN: Are there any other questions of this witness?

Mr. MONET: The next witnesses I am calling are Mr. Lussier and Mr. Bois, of the Co-operative Federee de Quebec. Mr. Lussier is the manager of the butter department, I interviewed these gentlemen last night and they told me they could

not give their evidence properly in English. They wish they could, but unfortunately they feel they do not speak English well enough to speak to the members of the committee. They would, therefore, like to give their evidence in French.

I understand both these men can be sworn at the same time, as was done during the bread enquiry. If one cannot answer certain questions, the other may have to do so.

The CHAIRMAN: I wonder how best we can suit the convenience of members of the committee who do not understand French. Would a translation be desirable, or shall we let the witness proceed in French?

Mr. IRVINE: I think that would be all right, Mr. Chairman, there will be less discussion while the questioning is going on.

M. Henri Bois, gérant général de la Coopérative Fédérée de Québec, comparaît.

Me Monet:

D. Monsieur Bois, voulez-vous donner votre prénom, s'il vous plaît?—R. Henri.

D. Votre occupation—R. Gérant général de la Coopérative fédérée.

D. Gérant général de la Coopérative fédérée du Québec?—R. Du Québec.

D. Et votre adresse?—R. Saint-Bruno, comté de Chambly.

D. Comté de Chambly?—R. Oui.

M. Pinard:

D. Vous avez l'avantage de demeurer dans le comté de Chambly, c'est ravissant.—R. Oui.

M. MARTIN: Vous avez un bon député aussi.

Me Monet:

D. Depuis quand êtes-vous gérant de la Coopérative fédérée?—R. Depuis cinq ans.

D. Monsieur Bois, voulez-vous décrire les opérations de la Coopérative fédérée du Québec, dont vous êtes le gérant général?—R. La Coopérative fédérée—

D. Parlez lentement, s'il vous plaît. Je me permets de faire suite à la demande faite tout à l'heure—parlez très lentement afin que tous comprennent bien.—R. La Coopérative fédérée est faite de coopératives locales. Il y en a 468, qui groupent environ 48,000 cultivateurs. Ces coopératives locales sont des unités dans l'agglomération. Elles existent en vertu de l'une ou l'autre de deux lois provinciales: La loi des Coopératives et la loi des Syndicats coopératifs.

La Coopérative fédérée résulte de l'affiliation des coopératives locales ou, si l'on aime mieux, de la fédération. Cette fédération de la Coopérative fédérée est uniquement l'agent de vente ou le pourvoyeur ou l'acheteur—si vous aimez mieux—des marchandises d'utilité professionnelle dont les cultivateurs mêmes des coopératives locales peuvent avoir besoin.

Dans le cas des ventes, elles sont faites en consignation. En réalité, strictement parlant, ce n'est pas une vente—pour prendre le cas du beurre, par exemple, une coopérative locale qui fabrique du beurre expédie sa production en consignation à la Coopérative fédérée qui, elle, le vend, ce beurre-là, retourne à l'expéditrice ou à l'expéditeur, dans le cas la coopérative, le prix de vente moins une retenue. A la fin de l'année, les opérations—pour toujours rester dans le même cas du département du beurre—si elles montrent un bénéfice, donnent lieu à une remise additionnelle variable selon les bénéfices à chacune des sociétés locales en proportion de ce qu'elles ont expédié chez nous.

La société locale, à son tour, voit à faire parvenir au producteur membre la quote-part qui lui revient.

Les relations entre la Coopérative fédérée et les coopératives locales sont déterminées à la fois par la charte de la Coopérative fédérée, qui est une loi provinciale, et le contrat qui est intervenu entre la locale et la fédérée. D'après la loi, une coopérative locale souscrit 10 p. 100 de son capital ordinaire payé au capital de la Coopérative fédérée ce qui, en passant, leur donne le droit, les constitue, si l'on aime mieux les sociétaires de la Coopérative fédérée.

En vertu du contrat intervenu, la locale s'engage à expédier les produits qu'elle vend au nom de ses membres à la Fédérée ou à acheter de la Fédérée pour le bénéfice de ses membres les marchandises qui apparaissent au contrat.

Ce sont exclusivement des marchandises d'utilité professionnelle. Nous ne vendons pas de marchandises qui seraient d'intérêt pour les cultivateurs comme consommateurs ordinaires, comme les épiceries, par exemple, et tout ce qui s'ensuit.

Le beurre consigné chez nous est payé le deuxième jour qui suit la fin de notre semaine. Notre semaine n'est pas celle du calendrier; elle commence le mardi matin et va au lundi soir suivant.

Les arrivages d'une semaine ou de toutes les semaines sont vendus dans le cours de la semaine, au fur et à mesure, ordinairement sur une base du cinquième par jour, et les chèques sont mallés aux expéditeurs le mercredi de la même semaine.

Je ne sais pas si j'ai expliqué clairement que c'est du mardi matin au lundi soir de la semaine suivante et que les chèques sont expédiés le mercredi?

Le PRÉSIDENT: Très bien.

Le TÉMOIN: Je ne sais pas si je dois m'arrêter là ou bien solliciter vos questions ou entrer dans plus de détails.

Me Monet:

D. Monsieur Bois, avez-vous donné toutes les opérations de la Coopérative fédérée dans l'exposé que vous venez de nous faire?—R. Relativement au beurre?

D. Relativement au beurre.—R. Voici. Comme je viens de vous dire, nous sommes essentiellement des agents de vente, mais nous possédons une beurrerie dont le rendement, l'an dernier, fut de 113,000 livres, alors que nos ventes totales s'élevaient à 21 millions de livres.

D. Où est située cette beurrerie?—R. Dans l'Abitibi.

D. Maintenant, je comprends que la proportion de beurre manufacturé dans cette beurrerie est infiniment petite comparée au nombre de livres de beurre qui vous passent en main?—R. Nous vendons 21 millions de livres et cette fabrique nous a livré 113,000 livres, je crois, l'an dernier.

D. Voulez-vous expliquer comment il se fait que vous avez cette fabrique à laquelle vous venez de référer?—R. Cette fabrique-là nous est venue comme pénalité de notre désir de bien faire.

D. Que voulez-vous dire par cela?—R. Parce que, à ce moment-là, elle a été établie pour permettre aux colons avoisinant La Sarre de trouver un marché où ils pouvaient écouler la crème de leurs troupeaux. Avec le temps, le pays s'est développé et les fournisseurs d'autrefois sont devenus membres d'autres coopératives dans les paroisses respectives, ce qui explique—

D. Que vous avez repris cette crémerie-là, monsieur Bois?—R. Oui, qui n'est pas intéressante du tout.

M. Pinard:

D. Est-ce que je pourrais savoir quelle est la contribution qui est payée par les membres de la coopérative locale pour devenir membres de la Coopérative fédérée?—R. La contribution minimum exigée par la loi est de $50.

D. $50, payable—R. En quatre versements.

D. Maintenant, vous avez, dites-vous, 48,000 membres cultivateurs qui font partie de la Coopérative fédérée, c'est-à-dire qui sont membres des coopératives locales?—R. Oui, monsieur.

Me Monet:

D. Le montant que vous venez de mentionner, soit $50, est payé par la coopérative, n'est-ce-pas?—R. Il est payé par les sociétés qui veulent devenir membres d'une société locale—

M. Pinard:

D. Il est payé à sa coopérative locale?—R. Oui.

D. Est-ce qu'il y a une partie de la contribution qu'il a payée à sa coopérative locale qui va à la Coopérative fédérée directement?—R. Lorsque la coopérative locale s'affilie à la Coopérative fédérée, $50 vont à la Coopérative fédérée pour son administration.

D. Pour son affiliation?—R.—

Me Monet:

D. Maintenant, monsieur Bois, vous avez dit tout à l'heure que les arrivages de beurre étaient tous vendus dans la même semaine; est-ce que j'ai bien compris cette remarque-là?—R. Oui, c'est notre pratique de vendre dans le cours de la semaine les arrivages de la semaine et s'il arrive que, quelques fois, il en est un résidu à cause de l'impossibilité de terminer des marchés, nous payons quand même sur la base de cette semaine et les résidus sont chose insignifiante, je ne les mettrais pas de l'orde même de 2 p. 100. Ce ne sont que des transactions qui ne sont pas terminées; par exemple, un acheteur nous téléphone qu'il désire 500 boîtes de beurre le mardi midi, à un endroit donné, on le rencontre à 4 heures et cela ne se fait pas alors, cela va au mercredi.

M. Beaudry:

D. Dois-je comprendre, monsieur Bois, que cela veut dire que vous entreposez quelquefois pour des beurreries?—R. Oui, nous devons recevoir tout notre beurre et, là, nous devons nécessairement nous servir d'entrepôts. Nous avons en plus un certain commerce de détail qui, lui aussi représente peu de chose, mais qui nous oblige le long de l'année à garder un certain nombre de boîtes de beurre. Par exemple, en 1945, nous avons gardé 4,932 boîtes de beurre—

Me Monet:

D. A quelle époque de l'année, en 1945, était-ce cela, monsieur Bois? —R. Voici, nous vendons tout notre beurre; seulement, nous faisons une réserve pour nos clients de l'année qui va venir. Ce que je vous donne là, ce sont les quantités de beurre que nous avions en main à fin de décembre.

D. Le 31 décembre?—R. Le 31 décembre: 4,923 boîtes.

M. Beaudry:

D. De 56 livres?—R. De 56 livres. Nous avions pendant cette année même vendu 362,713 boîtes.

Le PRÉSIDENT: Cela vous plaît, monsieur Beaudry?

M. BEAUDRY: Merci, monsieur le président.

Le TÉMOIN: En 1946, nous avions 4,786 boîtes.

Me Monet:

D. Toujours au 31 décembre?—R. Oui, contre une vente totale de 324,869 boîtes. En 1947, nous en avions 6,712, contre une réception totale de 376,914.

M. Pinard:

D. Puis-je vous demander si le commerce de gros et le commerce de détail,—le commerce de détail est relativement peu considérable et le commerce de gros est considérable,—sont uniquement exercés par la Coopérative fédérée ou bien si les coopératives locales sont engagées dans ce commerce-là aussi—R. Pour ce qui regarde la Coopérative fédérée, les quantités que je viens de vous donner sont celles qu'elle a gardées pour fournir sa petite clientèle de détail à la fin de chacune des années que je viens de vous donner; pour ce qui regarde les coopératives locales, je ne pourrais pas vous répondre pour les 468 avec précision. Seulement, je puis vous dire que la pratique est celle-ci: Le petit commerce local, au point de vue beurrerie, se pratique comme ceci: dans un petit village, par exemple, la beurrerie fournit les villageois, garde parfois,—parfois pas,—la quantité de beurre nécessaire à son petit commerce local.

Il y a beaucoup de beurreries coopératives locales, par exemple, qui nous demandent de leur fournir du beurre l'hiver.

D. En somme, tout cela est variable, tout cela dépend de la coopérative locale et de ses approvisionnements?—R. Oui, monsieur.

D. Il peut y en avoir qui ont un développement qui leur permet d'en distribuer beaucoup et d'en envoyer à d'autres et, dans d'autres cas, c'est le contraire?—R. Oui.

D. Maintenant la ristourne que vous payez, parce qu'il y a une ristourne que vous payez—

Me MONET: Monsieur Pinard, à ce moment-ci, puisque vous entrez sur ce terrain-là, nous allons produire une pièce justificative.

M. LESAGE: Avant d'entrer sur ce terrain des ristournes, est-ce que je pourrais poser une question au témoin?

Me MONET: Certainement.

M. Lesage:

D. La coopérative locale est obligée de vous vendre toute sa production de beurre en vertu du contrat, sauf ce qui a été vendu sur place aux clients de la paroisse ou dans le village, n'est-ce pas?—R. Oui, monsieur.

D. Les villageois achètent leurs provisions à l'automne et la coopérative locale, en vertu de son contrat avec la Fédérée, est obligée de vendre à la Fédérée le surplus de sa production?—R. C'est la pratique générale.

D. Est-ce que la coopérative locale est obligée de vous vendre sa production à mesure?—R. Elle la vend à mesure.

D. Est-ce qu'elle n'a pas de facilités d'entreposage?—R. Les coopératives locales n'ont pas de facilités d'entreposage. Il y a une chambre froide juste suffisante pour garder la production d'une semaine afin de l'accumuler pour l'expédier.

D. Vous avez oublié de dire où est situé le siège social de la Fédérée?—R. 130 S.-Paul, est, Montréal.

M. Beaudry:

D. Est-ce que je puis revenir sur une question? Est-ce que je dois comprendre par votre réponse, Monsieur Bois, que vous—même vous n'avez pas, ou à peu près pas, de facilités d'entreposage, normalement, pour 50 p. 100 de la vente dont vous parliez tout à l'heure?—R. Nous avons des facilités d'entreposage; c'est-à-dire que, comme tout le monde, nous pouvons en louer.

D. Mais dans la pratique?—R. Dans la pratique, nous avons à Québec, dans l'établissement du Marché Champlain, un entreposage d'une capacité d'environ 7,000 boîtes.

D. Est-ce que cela sert de centre, ou plutôt est-ce que cela est le seul centre d'entreposage?—R. De beurre, oui. A Montréal, il y a deux petites chambres froides de 1,200 boîtes de beurre.

D. C'est la maximun?—R. En tout et partout, c'est un entreposage pour 2,000 livres de beurre, à peu près.

M. Lesage:

D. Est-ce que vous avez dit que vous n'aviez pas l'intention d'entrer dans l'entreposage du beurre?—R. D'abord il y a la question de finance. Ensuite, il y a aussi une autre question, une autre raison, qui peut être interprétée de façons diverses. Nous ne croyons pas, sur une période d'années, que ce soit une entreprise très profitable pour des gens comme nous. Pour une entreprise qui dispose de moyens de vente de beurre en liaison avec d'autres produits, cela peut être différent, masi pour nous, nous croyons que cela n'est pas très avantageux, ordinairement. Il peut survenir des années où cela sera avantageux.

D. A cause de la finance? Cela est la première raison; la deuxième, c'est à cause du risque que cela comporte et, en troisième lieu, c'est parce que vous ne pouvez vendre au gros? Est-ce cela?—R. Oui, monsieur.

Me Monet:

D. Monsieur Bois, voulez-vous produire,—et cela sera produit comme exhibit 58.—un état comparatif de vos opérations de beurre pour les années 1940 à 1947 inclusivement.

COOPÉRATIVE FÉDÉRÉE DE QUÉBEC—MONTRÉAL

Etat comparatif des remises de beurre 1940 à 1947

1 Années	2 Quantité en boîtes	3 Quantité en livres	4 Ventes	5 Remises aux fabriques	6 Prix moyen remis aux fabriques à la livre (sous)	7 Trop-perçus bruts	8 Sous par livre	9 Frais directs	10 Trop-perçu déduction des frais d'administration ou "overhead"
			$ c	$ c		$ c		$ c	$ c
1947	376,914	21,107,193	10,936,523 25	10,747,603 03	0·509	188,920 22	0·89	83,625 33	(a)105,294 59
1946	324,869	18,371,730	7,251,727 26	7,151,203 26	0·3892	100,524 00	0·54	56,812 41	43,711 59
1945	362,713	20,311,928	6,956,379 72	6,866,628 41	0·338	89,751 31	0·44	48,663 40	41,087 91
1944	294,046	16,466,576	5,650,593 41	5,545,576 67	0·336	105,016 74	0·63	48,146 23	56,870 51
1943	296,643	16,612,008	5,609,153 75	5,510,144 67	0·331	99,009 08	0·59	53,680 98	45,328 10
1942	178,273	9,983,288	3,409,626 06	3,473,342 98	0·347	63,716 92	0·63	39,468 73	24,248 19
1941	222,766	12,474,896	4,139,190 57	4,215,197 40	0·337	76,006 83	0·60	40,561 84	35,444 99
1940	188,924	10,579,744	2,497,975 44	2,563,374 79	0·242	65,399 85	0·61	31,607 42	33,792 43

(a) Pour l'année 1947—Trop-perçu avant déduction des frais d'administration ou "overhead" ..... $ 105,294 59
Frais généraux pour service de beurre 55,080 52

Profit net 50,214 07

M. Pinard:

D. Je n'ai qu'une question à vous poser; je veux vous demander ceci: Lorsque la ristourne est payée, une ristourne non pas seulement sur le beurre, mais sur les autres denrées qui peuvent être transigées en coopératives, est-ce que vous faites la répartition de la ristourne?—R. C'est une question très discutée dans les cercles des coopérateurs de savoir s'ils doivent faire une seule ristourne, en condition du client ou du montant d'argent dépensé par les membres de ces coopératives, ou faire la ristourne d'une façon différente. Pour répondre avec autant de précision que je le puis à votre question, je dois dire que nous essayons d'arriver à une ristourne unique. Et ceci à cause de l'uniformité ou de la quasi-uniformité des fermes de la province de Québec. Pour les fermes à culture diversifiée et dont les propriétaires, lorsqu'ils sont coopérateurs, ont besoin de leur coopérative tantôt pour ceci, tantôt pour cela, une année on peut le faire dans une ligne et une autre année dans une autre, mais si on fait la moyenne, on s'aperçoit que la ristourne unique serait aussi avantageuse.

D. A quelle période payez-vous en vertu de vos règlements?—R. Après l'assemblée annuelle, dans le mois de mai ou de juin, lorsque les coopératives locales produisent leurs documents attestant ce que leurs clients ont donné, les affaires qui ont été faites avec nous, et nous, nous vérifions de notre côté.

D. La ristourne comprend en même temps le résidu, cela est fait sur les produits que vous aviez reçus. J'ai compris tantôt que vous faisiez un résidu? —R. Oui, monsieur.

D. Pour le résidu et la ristourne, cela est fait en même temps?—R. Oui, et elle est de cinq dixièmes ou de six dixièmes de sou; il y a des dépenses à enlever et ce qui reste est distribué au coopérateur en proportion de sa clientèle. Un seul versement est fait par la Fédérée aux membres.

D. Savez-vous si la distribution est faite par la locale de la même manière? —R. En principes, oui.

M. Beaudry:

D. Monsieur Winters me suggère une question. Il est capable de l'écrire en français, mais il ne veut pas se fier à sa prononciation. Est-ce que toutes les coopératives de la province de Québec appartiennent à la vôtre?—R. Non monsieur. Il y a 636 coopératives agricoles. Je ne parle que des coopératives agricoles. Dans la province de Québec, il y en a 468. Les deux tiers environ des coopératives de la province de Québec sont membres de la Coopérative de Québec.

M. Pinard:

D. Pouvez-vous dire si les autres sont groupées en une coopérative quelconque?—R. Non, monsieur. Elles sont toutes indépendantes, à ma connaissance.

M. Lesage:

D. Au point de vue de la production du beurre dans le Québec?—R. La sentent quelle proportion de la production du beurre dans le Québec?—R. La production totale est 22 à 23 p. 100 de la production totale de tout le beurre.

Le PRÉSIDENT: C'est considérable.

Me Monet:

D. De toute la production de la province de Québec?

Le TÉMOIN: Oui, monsieur.

M. Pinard:

D. Est-ce qu'il vous est possible de nous dire de quelle façon, comment vous êtes arrivé à cette proportion?—R. Si vous le permettez, j'ai une petite correction à faire, ici, c'est 22 p. 100 du beurre de beurrerie. Evidemment, je parle du beurre de beurrerie.

D. Sur quoi établissez-vous ce calcul-là, cette proportion?—R. En prenant la production totale et en établissant le pourcentage de nos ventes.

D. Qui est-ce qui vous fournit la production totale et la vente?—R. Les statistiques.

M. LESAGE: Monsieur Monet, est-ce qu'il serait temps de demander de quelle façon,—peut-être avez-vous l'intention de le lui demander plus tard,—de quelle façon les coopératives locales procèdent?

Me MONET: J'allais justement lui poser la question.

M. LESAGE: C'est plus à point quand vous le faites vous-même.

Me MONET: Après que monsieur Bois aura décrit les opérations de la Coopérative fédérée, il pourra nous décrire une coopérative locale. Avant de passer à cette question sur la vente du beurre qui vous passe en mains, voulez-vous dire aux membres du comité où vous vendez le beurre qui vous passe en mains?—R. Nous en vendons une petite proportion, comme je l'ai dit tout à l'heure, aux commerces de détail, à des détaillants.

Me MONET: Cette proportion serait combien, à peu près?—R. 21,500 boîtes.

M. PINARD: En quelle année, cela?

Me MONET: C'est pour l'année 1947.

M. BOIS: 21,500 boîtes sur....

Me MONET: 376,914, n'est-ce-pas?

M. BOIS: Nous avons vendu dans le cours de l'année 167,825 boîtes au Commodity Exchange; le reste, soit 187,589 boîtes a été vendu à d'autres acheteurs en gros, en demi-gros ou à des "jobbers". C'est bien ce que vous voulez n'est-ce-pas?

Me MONET: C'est bien ce que je veux. En aucun temps, en 1947 et à venir au 31 janvier 1948, vous êtes vous départi de votre hatitude de vendre tout le beurre qui vous arrivait au cours de la semaine de l'arrivage?—R. Non, monsieur. Nous avons, cependant, constitué, comme je le disais tout à l'heure, notre réserve annuelle pour notre clientèle.

Me MONET: De 6,712 boîtes? Est-ce que ce sont des boîtes de 56 livres?—R. Oui.

Me Monet:

D. Pour l'année 1947, je comprends bien que, sur un total de 21,107,193 livres de beurre qui sont passées entre vos mains, vous aviez, à la fin de décembre 1947, 300,000 livres?—R. Approximativement.

D. Et vous dites qu'au cours de la période de janvier 1941 à décembre 1947, vous ne vous êtes pas départi de vendre votre beurre dans la semaine de l'arrivage?—R. Non, monsieur.

D. De sorte que, en aucun temps, dans la période de 1941 à 1947, vous n'avez eu en mains plus de beurre que vos arrivages de fin de chaque semaine?—R. Plus ce qui a été accumulé pour la réserve que j'ai mentionnée tantôt.

Mr. MONET: Mr. Chairman, I am finished with Mr. Bois. We expect to have Mr. McLean of Canada Packers as a witness tomorrow morning.

The committee adjourned, to meet again on Thursday, March 18, 1948, at 11 a.m.

TRANSLATION OF MR. BOIS' EVIDENCE

Mr. Henri Bois, General Manager of La Coopérative Fédérée de Québec, called:

By Mr. Monet:

Q. Mr. Bois, please give your Christian name?—A. Henri.

Q. What is your occupation?—A. General manager of the Coopérative Fédérée.

Q. And your address?—A. St. Bruno, Chambly county.

Q. Chambly county?—A. Yes.

By Mr. Pinard:

Q. You have the good fortune of living in Chambly county, that is delightful. —A. Yes.

Mr. MARTIN: You also have a good member of parliament.

By Mr. Monet:

Q. How long have you been manager of la Coopérative Fédérée?—A. Five years.

Q. Mr. Bois, will you describe the operations of la Coopérative Fédérée de Québec, of which you are the general manager?—A. La Coopérative Fédérée—

Q. Please speak slowly. I venture to repeat the request made a moment ago. Speak very slowly so that all may clearly understand.—A. La Coopérative Fédérée is an organization composed of local co-operatives. There are 468, which group some 48,000 farmers. These local co-operatives are units of the aggregation. They exist by virtue of one or the other of two provincial statutes, the Co-operatives Act and the Co-operative Sydnicates Act.

La Coopérative Fédérée resulted from the affiliation of the local co-operatives or, if one prefers, from federation. This federation or la Coopérative Fédérée is solely the sales agent or the purveyor or the purchaser—if you prefer—of the occupational goods the farmers belonging to the local co-operatives may need.

Sales are effected on a consignment basis. Strictly speaking, it is really not a sale—take the case of butter, for instance: a local co-operative which makes butter ships its product on consignment to the Cooperative Fédérée which, in turn, sells this butter, turns over to the shipper or to the co-operative, as the case may be, the sale price less a deduction. At the close of the year's operations—I am still dealing with the butter department—if these operations show a profit, an additional remittance is made, on the basis of the profits made, to each of the local societies in the ratio of the shipments they have sent us.

The local society, in turn, forwards to the producer member the share to which he is entitled.

The relations between the Coopérative Fédérée and the local co-operatives are determined both by the charter of the Coopérative Fédérée, which is a provincial Act, and the contract entered into by the local body and the federated organization. Under the Act, a local co-operative subscribes 10 per cent of its ordinary paid-up capital stock to the capital of the Coopérative Fédérée, which entitles them to membership, constitutes them, if one prefers, the members of the Coopérative Fédérée.

By virtue of the contract entered into, the local co-operative undertakes to ship the products it sells on behalf of its members to the Fédérée for the benefit of its members and the goods listed in the contract. These goods are exclusively what might be called goods for occupational use. We do not sell goods in which farmers would be interested as regular customers, goods such as groceries and other more or less similar goods.

The butter consigned to us is paid for the second day that follows the end of our week. Our week is not the calendar week; it starts on a Tuesday morning and runs to the following Monday night. The arrivals for one week or for all the weeks are sold during the week, ordinarily on the basis of one-fifth per day, and the cheques are mailed to the shippers on the Wednesday of the same week. I do not know whether I explained clearly that the week runs from the Tuesday morning to Monday night of the following week and that the cheques are put in the mail on Wednesday.

The CHAIRMAN: Very well.

The WITNESS: I do not know whether I should stop at this point or else wait till you question me or go into more details.

By Mr. Monet:

Q. Mr. Bois, have you outlined all the operations of the Coopérative Fédérée in the statement you have just made to us?—A. With reference to butter?

Q. With reference to butter.—A. Well, as I have just stated, we are essentially selling agents, but we own a creamery which last year had an output of 113,000 pounds, while our total sales amounted to 21,000,000 pounds.

Q. Where is this creamery located?—A. In Abitibi.

Q. Now, I gather that the percentage of butter manufactured in this creamery is infinitely small compared with the number of pounds of butter that pass through your hands?—A. We sell 21,000,000 pounds of butter and this plant delivered, I believe, 113,000 pounds to us last year.

Q. Would you explain how you happen to have this creamery to which you have just referred?—A. This creamery came to us as a penalty for our desire to do the right thing.

Q. What do you mean by that?—A. Because it was established at that time to provide the settlers in the neighbourhood of La Sarre with a market where they could sell the cream from their dairy herds. That area developed in time and the former suppliers became members of other co-operatives in their respective parishes, which explains—

Q. That you took back that creamery, Mr. Bois?—A. Yes, which is far from being an interesting proposition.

By Mr. Pinard:

Q. Could you tell me what contribution the members of the local co-operative pay to become members of the Cooperative federee?—A. The minimum contribution required by law is $50.

Q. $50, payable— —A. In four instalments.

Q. Now, you state that you have 48,000 farmer members who belong to the Cooperative federee, that is to say they are members of the local co-operatives,—A. Yes, sir.

By Mr. Monet:

Q. The amount of $50 which you have just mentioned is paid by the co-operative, is it not?—A. It is paid by the societies which wish to become members of a local body—

By Mr. Pinard:

Q. It is paid to the local co-operative?—A. Yes.

Q. Is there a portion of the contribution which he paid to his local co-operative that goes directly to the Cooperative federee?—A. When the local co-operative affiliates with the Cooperative federee, $50 are paid over to the Cooperative federee for its administration.

Q. For its affiliation.

By Mr. Monet:

Q. Now, Mr. Bois, you said a short while ago that the arrivals of butter were all sold within the same week; is that what I gathered from your statement?—A. Yes, we make it a practice to sell the week's arrivals during the week and if it sometimes happens that there is a carry-over by reason of the impossibility of closing deals, we pay nevertheless on the basis of that week's operations, for the carry-overs are of little consequence, I would not even estimate them as high as 2 per cent. They relate merely to deals that have not been completed; for instance, a buyer telephones us that he wants 500 boxes of butter Tuesday noon, at a given place. He is met at 4 o'clock and things do not click; hence, the supply is carried over to Wednesday.

By Mr. Beaudry:

Q. Am I correct in saying, Mr. Bois, that means you sometimes store butter for creameries?—A. Yes, we must receive all our butter and we must of necessity make use of warehouses. We also carry on a certain retail trade which also amounts to little, but which compels us to keep throughout the year a certain number of boxes of butter. For instance, in 1945 we held 4,923 boxes of butter.

By Mr. Monet:

Q. At what time of the year 1945 was that, Mr. Bois?—A. Well, we sell all our butter, but we keep a reserve for our customers in the coming year. The figures I have just given you cover the quantities of butter we had on hand at the end of December.

Q. December 31?—A. At December 31, 4,923 boxes.

By Mr. Beaudry:

Q. Boxes of 56 pounds?—A. Of 56 pounds. We had sold 362,713 boxes during that year.

The CHAIRMAN: That answers your question, Mr. Beaudry?

Mr. BEAUDRY: Thank you, Mr. Chairman.

The WITNESS: In 1946 we had 4,786 boxes.

By Mr. Monet:

Q. Always as at December 31?—A. Yes, by comparison with a total sale of 324,869 boxes. In 1947 we held 6,712 as against a total consignment to us of 376,914.

By Mr. Pinard:

Q. May I ask you whether the wholesale trade and the retail trade—the retail trade is relatively small and the wholesale trade is extensive—are carried on solely by the Cooperative federee or do the local co-operatives also engage in that trade?—A. As for the Cooperative federee, the quantities which I have just given you are those it kept on hand to supply its small retail custom at the end of each of the years I have just given you. As for the local co-operatives I cannot answer you definitely in regard to the 468. However, I can tell you that the following practice obtains: the small local trade, from the standpoint of the creamery, is conducted in this manner in a small village, for instance. The creamery supplies the villagers, sometimes keeps—sometimes not—the quantity of butter needed for its small local trade. There are many local co-operative creameries, for instance, which ask us to supply them with butter in winter.

Q. In short, all that is variable, that all depends on the local co-operative and its supplies?—A. Yes, sir.

Q. Some of them may be organized to the point where they are in a position to distribute a large quantity and send some to others and, with other co-operatives, it is the opposite?—A. Yes.

Q. Now, with reference to the patronage dividend you pay, because you do pay a patronage dividend—

Mr. MONET: Mr. Pinard, at this time, seeing that you broach this subject, we will file an exhibit.

Mr. LESAGE: Could I ask the witness a question before we go into this matter?

Mr. MONET: Certainly.

By Mr. Lesage:

Q. The local co-operative is obliged to sell you its whole butter output by the terms of the contract, with the exception of the quantity sold on the spot to the customers in the parish or in the village?—A. Yes, sir.

Q. The villagers purchase their supplies in the autumn and the local co-operative, under the terms of its contract with the Co-opérative fédérée, is obliged to sell its surplus output to the Co-opérative fédérée?—A. That is the general practice.

Q. Is the local co-operative obliged to sell you its output accordingly as produced?—A. It sells its output accordingly as produced.

Q. Has it no storage facilities?—A. Local co-operatives have no storage facilities. There is a refrigeration room just large enough to accumulate and keep a week's output preparatory to shipping.

Q. You forgot to say where the head office if the fédérée is located?—A. At 130 St. Paul Street East, Montreal.

By Mr. Beaudry:

Q. May I revert to a previously discussed question? Must I gather from your answer, Mr. Bois, that you yourselves have normally no storage facilities or practically none for 50 per cent of the quantity of butter sold you mentioned a moment ago?—A. We have storage facilities; that is to say, we can lease storage space as others do.

Q. But in actual practice?—A. In actual practice we have in Quebec, in the Champlain Market building, storage of a capacity of about 7,000 boxes.

Q. Does that place serve as a centre; or rather is it the only storage centre? —A. For butter, yes. In Montreal there are two small refrigeration rooms with a capacity of 1,200 boxes of butter.

Q. That is the maximum?—A. All told, there is storage space for about 2,000 boxes of butter.

By Mr. Lesage:

Q. Did you say that you did not intend to go into the butter storage business?—A. In the first place, there is the question of finances. Then there is another question, another reason, which can be interpreted in different ways. We do not believe that it would be for people like us a very profitable undertaking for a number of years. It may be different with an enterprise which has butter-selling facilities linked up with other products, but with us we believe that is not advantageous, ordinarily. There may come years when that will be advantageous.

Q. By reason of the financing angle? That is the first reason; the second reason is connected with the risk involved and, thirdly, it is due to the fact that you cannot sell wholesale?—A. Yes, sir.

By Mr. Monet:

Q. Mr. Bois, will you file, and that will be entered in the records as Exhibit 58, a comparative statement of your butter operations for the years 1940 to 1947 inclusively?

EXHIBIT No. 58—Comparative statement of butter operations, 1940-1947, Co-opérative Fédérée de Québec.

COOPÉRATIVE FÉDÉRÉE DE QUÉBEC—MONTRÉAL

Comparative statement of Butter operations 1940–1947

1 Year	2 Quantity in boxes	3 Quantity in pounds	4 Sales	5 Remittances to creameries	6 Average price paid to creameries per lb.	7 Gross profit	8 Gross profit per lb.	9 Direct expenses	10 Profits before administration or overhead expenses
			$ cts.	$ cts.		$ cts.		$ cts.	$ cts.
1947	376,914	21,107,193	10,936,523 25	10,747,603 03	0·509	188,920 22	0·89	83,625 33	(a)105,294 59
1946	324,869	18,371,730	7,251,727 26	7,151,203 26	0·3892	100,524 00	0·54	56,812 41	43,711 59
1945	362,713	20,311,928	6,956,379 72	6,866,628 41	0·338	89,751 31	0·44	48,663 40	41,087 91
1944	294,046	16,466,576	5,650,593 41	5,545,576 67	0·336	105,016 74	0·63	48,146 23	56,870 51
1943	296,643	16,612,008	5,609,153 75	5,510,144 67	0·331	99,009 08	0·59	53,680 98	45,328 10
1942	178,273	9,983,288	3,409,626 06	3,473,342 98	0·347	63,716 92	0·63	39,468 73	24,248 19
1941	222,766	12,474,896	4,139,190 57	4,215,197 40	0·337	76,006 83	0·60	40,561 84	35,444 99
1940	188,924	10,579,744	2,497,975 44	2,563,374 79	0·242	65,399 85	0·61	31,607 42	33,792 43

(a) For year 1947—Profit before administration or overhead ..... $ 105,294 59
General expenses of butter department 55,080 52

Net Profit 50,214 07

By Mr. Pinard:

Q. I have but one question to ask you; I want to ask you this: when the patronage dividend is paid, a patronage dividend applicable not only to butter but covering the other commodities which the co-operatives may handle, do you distribute the patronage dividend?—A. Among co-operators it is a much discussed question to determine whether they should declare a single patronage dividend on the basis of the trade or of the amount of money spent by the members of these co-operatives, or whether the patronage dividend should be figured out differently. In order to answer your question as accurately as I can, I must say that we try to establish a single patronage dividend. And this is done by reason of the uniformity or the near-uniformity of farms in the province of Quebec. In respect of farms where production is diversified and the owners of which, when they are co-operators, need their co-operative sometimes for this and sometimes for that, one may do so one year with reference to one commodity and another year with reference to another commodity, but if one takes an average it is noted that the single patronage dividend would be just as advantageous.

Q. At what time do you pay in compliance with your by-laws?—A. After the annual meeting, in the month of May or June when the local co-operatives file their records, certify as to what their customers gave, the business transacted with us, and we check up on our own account.

Q. The patronage dividend comprises at the same time the balance, that is done in connection with the products you have received. I gathered a moment ago that you determined a balance?—A. Yes, sir.

Q. The calculations regarding the balance and the patronage dividend are done at the same time?—A. Yes, and it amounts to five-tenths or six-tenths of a cent; there are expenses to be deducted and what is left is distributed to the co-operator in the ratio of his patronage. The federee makes one single payment to its members.

Q. Do you know if the local co-operative makes the distribution in the same manner?—A. In principle, yes.

By Mr. Beaudry:

Q. Mr. Winters suggests a question to me. He is able to write it in French, but he does not want to trust to his pronunciation. Are all the co-operatives in the province of Quebec affiliated with your organization?—A. No, sir. There are 636 co-operatives. I am speaking only of the agricultural co-operatives. There are 468 of them in the province of Quebec. Two-thirds of the co-operatives in the province of Quebec are members of the Cooperative de Quebec.

By Mr. Pinard:

Q. Do you know if the others are grouped in any particular co-operative?—A. No, sir. To my knowledge they are all independent.

By Mr. Lesage:

Q. With reference to the production of butter, your 468 co-operatives account for what percentage of the butter output in Quebec?—A. The total output varies between 22 and 23 per cent of the whole output of butter.

The CHAIRMAN: That is an extensive output.

By Mr. Monet:

Q. Of the whole production of the province of Quebec?—A. Yes, sir.

By Mr. Pinard:

Q. Are you in a position to tell us how you determined this percentage?—A. If you will allow me, I should like to make a small correction here. The percentage of 22 per cent refers to creamery butter. Obviously, I am speaking of creamery butter.

Q. On what do you base that calculation, that percentage?—A. By taking the total production and establishing the percentage of our sales.

Q. Who supplies you with the data relevant to total production and sales?—A. The statistics are our source of information.

Mr. LESAGE: Mr. Monet, would this not be the place to inquire in what manner—perhaps you intended asking him that later on—the local co-operatives operate?

Mr. MONET: I was just going to ask him that question.

Mr. LESAGE: It is more to the point when you do so yourself.

By Mr. Monet:

Q. After Mr. Bois has finished describing the operations of the Cooperative federee he will describe to us the workings of a local co-operative. Before passing on to that question, will you tell the members of the committee where you would sell the butter that you handle?—A. We sell a small portion, as I said a moment ago, to the retail trade, to the retailers.

Q. That portion would amount to about how much?—A. 21,500 boxes.

Mr. PINARD: In what year was that?

Mr. MONET: That refers to the year 1947.

The WITNESS: 21,500 boxes out of—

Mr. MONET: 376,914, is it not?

The WITNESS: During the year we sold 167,825 boxes to the Commodity Exchange; the remainder, 187,589 boxes, was sold to other wholesale buyers, wholesalers dealing in small quantities and to jobbers. That is really the information you want, is it not?

By Mr. Monet:

Q. That is really what I want. In 1947 and up to January 31, 1948, you never departed at any time from your practice of selling all the butter during the week of arrival?—A. No, sir. However, we did set up, as I said a moment ago, our annual reserve for our customers.

Q. A reserve of 6,712 boxes? Were those 56-pound boxes?—A. Yes.

Q. If understand correctly, for the year 1947 out of a total of 21,107,193 pounds of butter which you handled you had on hand at the end of December, 1947, 300,000 pounds?—A. Approximately.

Q. And you say that during the period from January, 1941, to December, 1947, you did not depart from your policy of selling your butter within the week of arrival?—A. No, sir.

Q. So that at no time in the period extending from 1941 to 1947 did you have on hand more butter than the quantity represented by your arrivals by the end of each week?—A. Plus that which was accumulated for the reserve I mentioned a moment ago.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 27

THURSDAY, MARCH 18, 1948

WITNESSES:

Mr. Henri C. Bois, General Manager, Coopérative fédérée de Québec, Montreal, Que.
Mr. J. E. Lussier, Chief of Butter Department, Coopérative fédérée de Québec, Montreal, Que.
Mr. J. S. McLean, President, Canada Packers Limited, Toronto, Ont.
Mr. A. J. E. Child, Assistant Treasurer and Chief Auditor, Canada Packers Limited, Toronto, Ont.
Mr. Ford Wiggins, Manager, Produce Department, Canada Packers Limited, Toronto, Ont.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

THURSDAY, March 18, 1948.

The Special Committee on Prices met at 11.00 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Cleaver, Harkness, Irvine, Lesage, MacInnis, Martin, Maybank, Mayhew, Merritt, Pinard, Winters.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Mr. Henri C. Bois, General Manager, and Mr. J. E. Lussier, Chief of butter department, Cooperative fédérée de Québec, were recalled and Mr. Bois was further examined in French. (*Translation of evidence appears at the end of this day's proceedings.*)

Witnesses retired.

Mr. J. S. McLean, President, Mr. A. J. E. Child, Assistant Treasurer and Chief Auditor, and Mr. Ford Wiggins, Manager, Produce Dept., Canada Packers Limited, Toronto, were called, sworn and examined.

Mr. McLean filed,—

Exhibit No. 59—Memorandum on butter operations—Canada Packers Limited. (Printed in this day's Minutes of Evidence.)

At 1.00 p.m. witnesses retired and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

Members present: Messrs. Cleaver, Fleming, Harkness, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, Merritt, Pinard, Winters.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance

Messrs. McLean, Child and Wiggins were recalled and further examined.

Mr. McLean filed,—

Exhibit No. 60,—Twentieth Annual Report of Canada Packers Limited as at 27th March, 1947.

At 6.00 p.m. Mr. McLean was released and Messrs. Child and Wiggins retired until the next sitting. The Committee adjourned until Friday, March 19, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

March 18, 1948

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: Will you proceed, Mr. Monet? Have you your witnesses there?

Mr. MONET: Yes.

The CHAIRMAN: How long do you expect these witnesses will take?

Mr. MONET: I do not think it will last more than 15 or 20 minutes at the most, Mr. Chairman.

M. J.-E. Lussier, chef du service du beurre et du fromage de la Coopérative fédérée de Québec, comparaît.

Me Monet:

D. Monsieur Lussier, vous avez été assermenté hier en même temps que M. Bois, et je crois que vous avez omis de donner votre prénom et votre adresse.—R. J.-E. Lussier.

D. Et votre adresse?—R. 7254, rue Saint-Denis, Montréal.

D. Voulez-vous nous dire quelle est votre occupation dans la Coopérative fédérée de Québec?—R. Chef du service du beurre et fromage.

M. Henri-C. Bois, gérant général de la Coopérative fédérée de Québec, est rappelé.

Me Monet:

D. Monsieur Bois, voulez-vous référer maintenant à la pièce qui a été produite sous la cote 58 et expliquer aux membres du comité les différentes entrées qu'on y trouve pour l'année 1947, en commençant, évidemment, par la deuxième colonne, puisque la première ne fait que donner l'année. Voulez-vous expliquer aux membres du comité ce que signifient les chiffres dans la deuxième colonne?—R. Dans la colonne n° 2, 376,914 indique les quantités de boîtes de beurre qui furent reçues pendant l'année 1947; en livres cela fait 21,107,193 livres.

D. Attendez donc un instant. Voulez-vous dire le beurre qui a été déposé en consignation par les unités locales?—R. Plus la quantité que nous avions en mains au premier janvier 1947.

D. 21,107,193 livres pour l'année 1947?—R. Oui, monsieur.

D. Et maintenant la colonne no 4?—R. C'est la valeur des ventes faites qui est représentée par ce montant de $10,936,523.25.

D. Et la colonne no 5?—R. C'est la remise à nos fabriques. Le montant que nous avons retourné aux consignateurs, $10,746,603.03.

D. C'est le montant remis de la façon que vous avez expliquée hier?—R. Oui, monsieur.

D. Je comprends que vous faites cette remise toutes les semaines?—R. Oui, monsieur.

D. Et que signifie le chiffre indiqué dans la colonne 6?—R. C'est le prix moyen par livre de beurre payé aux fabriques, ·509.

D. En d'autres termes, ce chiffre représente le montant remis, la livre, à chacune des unités locales?—R. Oui, monsieur.

D. Pour le nombre de livres correspondant qu'ils vous ont envoyées?—R. Oui, monsieur.

D. Et pour la colonne 7, monsieur Bois?—R. C'est le total des commissions perçues sur ces ventes, $188,920.22.

D. Voulez-vous expliquer aux membres du comité ce que vous entendez par commission perçue?—R. Chaque semaine, nous calculons ce que représentent nos frais directs, les dépenses inhérentes, réception, manipulation et vente du beurre, et nous avons une certaine allocation pour les frais généraux...

D. Pardon si je vous interromps; je ne sais pas si vous avez compris ma question. Je crois que ce à quoi vous référez dans le moment est dans les colonnes 9 et 10. Dans le moment, nous en sommes à la colonne n° 7. Vous vous êtes servi de l'expression "retenue", voulez-vous nous dire ce que vous entendez par cette expression "retenue"?—R. C'est le montant que nous retenons, que nous gardons pour notre administration, pour nos frais directs, par livre de beurre qui nous est expédiée.

D. En d'autres termes, vous voulez dire que cela représenterait une commission?—R. Oui, monsieur.

D. Et cette commission, à la livre, si je compernds bien, se trouve reportée dans la colonne n° 8?—R. Oui, monsieur.

D. Et cela représente quel montant?—R. 0·89 de sou par livre. Il y a une petite erreur, là, de 0·02.

D. Je ferai remarquer aux membres du comité que, sur la pièce 58, il y a une correction à faire pour l'année 1947. On devrait lire 0·89 au lieu de 0·87.

For the benefit of the members of the committee who did not hear what I just said...

Mr. MacINNIS: Did not understand.

Mr. MONET: Did not understand—I think I talk loud enough for you to hear—in column 8 of exhibit 58, the first line, for the year 1947, a correction should be made, and the figures should read 0·89 instead of 0·87. I understand Mr. Bois wants to be very precise.

Me Monet:

D. Monsieur Bois, ceci représente donc la commission, si on peut l'appeler ainsi, gagnée par la Coopérative fédérée, la commission brute, par livre de beurre qui lui passe entre les mains?—R. Oui, monsieur.

D. En d'autres termes, vous faites une commission brute de moins d'un sou par livre?—R. Une commission de sept huitièmes, exactement.

D. Et à la colonne 9, vous indiquez les frais directs. Voulez-vous expliquer aux membres du comité ce que vous entendez par les frais directs?—R. Toutes les dépenses inhérentes, les produits, le transport, l'entreposage, la manipulation, certains frais de vente connus d'avance,—parce que, lorsque nous vendons du beurre au Commodity Exchange, il y a une charge d'un sou la boîte,—toute la main-d'œuvre, tout ce qui en un mot est directement rattachable au beurre.

D. Et avez-vous calculé le montant par livre, pouvez-vous donner le montant par livre, ce que ce chiffre-là représenterait?—R. Je ne l'ai pas.

D. Maintenant, voulez-vous expliquer aux membres du comité ce que vous entendez par frais d'administration, ou "overhead", tel que mentionné dans la colonne n° 10?

M. LESAGE: Ce ne sont pas les frais d'administration, c'est le profit.

Me MONET: Les frais perçus, déduction des frais d'administration ou "overhead".

M. LESAGE: Les profits, avant d'avoir enlevé les frais d'administration généraux.

Le TÉMOIN: $105,294.59, c'est le montant qui reste pour être appliqué au paiement des frais généraux et aussi pour être utilisé, une fois les frais généraux couverts, en retour ou en paiement final des transactions du beurre. C'est le montant pour couvrir les frais d'administration et aussi pour couvrir la ristourne ou la remise finale, s'il y en a une.

M. Lesage:

D. Aux coopératives locales?

Me MONET: D. Et c'est le montant que vous retournez à la fin de votre année fiscale?—R. Déduction faite des frais généraux.

D. Je vois, monsieur Bois, qu'il y a une note sur la pièce 58, une référence à l'année 1947, en ce qui concerne ce montant de $105,294.59. Dois-je comprendre que vous n'avez pas les chiffres correspondants pour les années antérieures à 1947?—R. Non, je ne les ai pas.

D. Et pour l'année 1947, voulez-vous nous dire quels ont été les frais généraux qui ont été affectés au service du beurre?—R. Ils apparaissent au bas de la page, $55,080.52.

D. Ce qui établit le montant de $50,214.07, le profit net de vos opérations pour l'année 1947.—R. Oui, monsieur.

D. Dois-je comprendre que ce montant de $50,214.07 est le montant qui a été retourné aux unités locales?—R. Il a été retourné sur la base suivante: Le pourcentage de remise finale s'établit à $\frac{1}{2}$ p. 100 et il est retourné aux coopératives locales en proportion de la valeur de vente du beurre qui provenait de ces mêmes sociétés locales. Si ces sociétés locales nous envoient pour $100,000 de beurre, nous leur donnons $\frac{1}{2}$ p. 100 sur ce $100,000, et ainsi de suite.

D. Monsieur Bois, pouvez-vous donner aux membres du comité le montant net de commission qui restait à la Coopérative fédérée de Québec pour l'année 1947?—R. Si je prends 0·89 de sou pour la commission brute, si j'en déduis $\frac{1}{2}$ p. 100, cela représente à peu près 2/8, 0·89, c'est à peu près $\frac{7}{8}$, et j'ôte 2/8, il me reste cinq huitièmes de sou, représentant le coût du service rendu, le coût de la vente, plus, s'il reste quelque chose, le gain qu'il y aura. Or, si on prend $\frac{1}{2}$ p. 100, et si l'on comprend que 95 p. 100 du beurre reçu ou consigné provenait des sociétés affiliées, si on fait la multiplication de l'un par l'autre, en valeur, on va arriver à peu près à $50,000, $51,000 ou $49,000. Ce qui veut dire qu'en définitive il resterait, au maximum, à peine $1,500 à $2,000. Je ne peux pas donner plus de précision parce que les réclamations des sociétés nous parviennent actuellement et les affaires seront réglées dans le mois de mai ou en juin.

D. Pour le moment, d'après les chiffres que vous avez en mains, quel pourcentage par livre ou quelle commission nette restera à votre maison?—R. Pratiquement zéro.

M. Lesage:

D. C'est-à-dire, monsieur Bois, qu'une fois le coût de vos opérations payées et une fois la ristourne payée aux coopératixes locales, le seul profit net qui pourrait vous rester sur vos opérations de beurre pour l'année 1947 serait un profit net de $1,500 à $2,000, et peut-être zéro?—R. A peu près.

Me Monet:

D. Voulez-vous maintenant décrire brièvement,—la question a été posée hier par un des membres du comité,—quelles sont maintenant les opérations des unités locales coopératives?—R. Les coopératives locales fonctionnent d'après les mêmes principes que la centrale, ou on peut dire, inversement, que la centrale fonctionne d'après les mêmes principes que les sociétés locales. La société locale est faite de producteurs, exclusivement, de cultivateurs. Chacun d'eux y a mis ou y a souscrit un montant égal, uniforme, de $50, disons. Ils ont acheté

ou construit une beurrerie, ils l'exploitent d'après le mieux de leurs capacités. Ils reçoivent le beurre des membres et, dans Québec, dans nos paroisses, des autres cultivateurs qui veulent y venir aussi. Ils établissent, par un bureau de direction élu en vertu de la procédure habituelle des coopératives,—un homme, un vote,—ils établissent le tarif à être chargé pour le prix du beurre. A la fin de l'année, les profits, s'il y en a, sont distribués aux membres et aux non-membres. Aux membres certainement, aux non-membres selon la décision de l'assemblée générale. Et, ils sont répartis exactement sur la même base que nous travaillons nous-mêmes, c'est-à-dire d'après la quantité de gras de beurre apportée par chacun. Ces sociétés s'affilient chez nous et, à notre tour, nous appliquons les services que nous rendons, nous donnons l'excédent, lorsqu'il y en a, sur la même base.

M. PINARD: Monsieur Winters aurait quelques questions à poser, je ne sais pas si c'est le bon moment de le faire.

M. LESAGE: Avez-vous fini, monsieur Monet?

Me MONET: Oui.

M. Winters:

D. Vendez-vous du beurre aux provinces maritimes?

Le PRÉSIDENT: Je vous félicite, monsieurs Winters.

Le TÉMOIN: Un peu, nous ne vendons pas une grosse quantité de beurre dans les provinces maritimes.

M. Winters:

D. A qui?—R. Vous me posez une question à laquelle je ne peux pas répondre exactement, mais, de mémoire, je suis à peu près certain que nous vendons à la Swift Canadian et à d'autres dont les noms m'échappent.

D. A Moncton?—R. Oui, monsieur.

D. Quel est le prix du "freight", du transport?—R. Il est vendu F.O.B. Montréal ou F.O.B. Québec et les frais de transport sont à la charge, évidemment, de l'acheteur.

M. Pinard:

D. Je n'ai que deux questions à vous poser. Nous avons entendu hier un témoin nous donner son opinion sur l'utilité du Commodity Exchange au sujet de la vente du beurre, de la distribution du beurre. Etes-vous en mesure de nous donner votre propre opinion sur ce point-là? Est-il avantageux pour vous qu'il y ait une distribution du beurre par l'entremise du Commodity Exchange?—R. Au point de vue des distributeurs?

D. Au point de vue des distributeurs, d'abord, et des consommateurs, ensuite?—R. Au point de vue du producteur, le Commodity Exchange offre un marché permanent. Il y a toujours des possibilités de vendre du beurre, ou à peu près toujours, au Commodity Exchange. Les producteurs, naturellement, trouvent souvent que les prix ne sont pas assez hauts et, par suite de leur mécontentement, si je peux employer ce mot, ils s'imaginent qu'il peut y avoir des manipulations au Commodity Exchange, des collusions.

D. Entre les différents acheteurs pour établir un prix, est-ce cela que vous voulez dire?—R. Oui, monsieur.

D. Vous utilisez les facilités qui vous sont offertes par le Commodity Exchange?—R. Absolument.

D. Vous leur vendez à peu près quelle proportion de votre beurre?—R. 67,000 boîtes l'an dernier.

D. Etes-vous d'avis que le Commodity Exchange, d'une façon générale, pour la distribution du beurre, est un avantage, ou n'est-ce pas plutôt un avantage pour le Commodity Exchange, étant donné que le beurre est presque toujours rare au Canada?—R. C'est justement ce qui fait la difficulté. Le beurre est

une production saisonnière. Les mois de mai, juin et juillet sont des mois de grosse production et, habituellement, ce sont les mois de bas prix. Cela peut s'expliquer et cela s'explique, quand on songe aux frais de l'entreposage et à l'intérêt sur l'argent, etc., que doivent supporter ceux qui achètent du beurre à ce moment-là pour être distribué ultérieurement. Mais, ce qui est facile à comprendre, aussi, c'est que si, de la part du Commodity Exchange, l'offre est meilleure pour le fabricant, il arrive un moment où les gens deviennent trop enthousiastes ou trop optimistes, ou trop pessimistes, et là, le sentiment d'un, de deux ou de trois a une grosse chance d'influencer l'attitude des huit, dix, douze ou quinze acheteurs qu'il peut y avoir aux alentours.

D. De sorte que le prix est souvent basé sur l'opinion d'un membre, sur l'attitude d'acheteurs plus convaincants les uns que les autres?—R. Probablement.

D. Maintenant, dans un autre ordre d'idées, monsieur Bois, voulez-vous nous dire quelle est la politique que suit votre Coopérative en matière de distribution du beurre, quelle est sa politique au point de vue du profit?—R. Le beurre nous apparaît—et je vous donne ici l'opinion de notre bureau de direction—la vente du beurre nous apparaît beaucoup plus comme un service que comme une entreprise où il faut retirer des gains. Parce que le beurre constitue, pour un très grand nombre des cultivateurs du Québec, la source principale de leur revenu, et nous nous efforçons, étant simplement les représentants des cultivateurs, nous nous efforçons, dis-je, de protéger leurs intérêts sur les marchandises principales de plus de valeur qui viennent des fermes, et c'est pour cette raison que notre attitude vis-à-vis de ce département est de limiter ces gains à peu près au montant que nous prévoyons nécessaire pour couvrir les frais directs et d'administration.

D. C'est pour cela que vous disiez tantôt que, pour 1947, par exemple, vous prévoyez un profit net de tout au plus $1,500 à $2,000?—R. D'à peu près zéro.

D. Et c'est votre vœu de ne jamais dépasser cette proportion-là et de considérer le commerce du beurre plutôt comme un service pour la population?—R. Exactement.

D. Et vous suivez cette politique-là pour quelles autres commodités, par exemple? Le faites-vous pour les œufs?—R. On le fait pour certains autres produit: le fromage, les œufs et la volaille.

D. Pour les mêmes raisons?—R. Pour les mêmes raisons.

M. LESAGE: Monsieur le président, j'aurais quelques questions à poser au témoin, si vous me le permettez.

Le PRÉSIDENT: Oui, très bien, monsieur Lesage.

M. Lesage:

D. Monsieur Bois, nous avons posé certaines questions à M. Turnbull, le secrétaire de la coopérative de la Saskatchewan, et je désire connaître votre opinion sur certaines choses à propos desquelles nous l'avons questionné. Pourriez-vous nous dire ce que vous considérez, par exemple, comme une juste rémunération au cultivateur pour une livre de gras de beurre? Pour vous faciliter la réponse, je vous poserai une double question: D'abord, durant la saison de la grosse production, en 1947, et, deuxièmement, s'il y a une différence à partir de décembre 1947, en janvier 1948, en février 1948?—R. Si vous voulez savoir quelle est mon opinion quant au prix que le beurre aurait dû se vendre dans le cours de l'année 1947, particulièrement au moment où le gros de la production s'en venait sur les marchés, je devrais vous dire que c'est à peu près 55c.

D. La livre de beurre?—R. La livre de beurre.

D. Maintenant, quel aurait dû être le retour, dans votre opinion, par livre de gras, au cultivateur, pour que ce soit considéré comme une juste rémunération?—R. Par livre de gras, ajoutez à peu près 20 p. 100.

D. A peu près 20 p. 100?—R. A peu près le cinquième.

D. Alors, cela ferait 63c. la livre de gras?—R. 63c. la livre de gras.

D. Quand vous dites 55c. la livre de beurre, est-ce le prix de gros sur le marché de Montréal ou si c'est le prix de détail?—R. C'est le prix de gros sur le marché de Montréal.

D. Quand vous parlez de prix, c'est toujours le prix de gros sur le marché de Montréal?—R. Oui.

D. Maintenant, dans les mois de décembre, janvier et février, pour produire du beurre dans les conditions de cette période-là, plus particulièrement dans les conditions dans lesquelles on se trouve dans la province de Québec en hiver, quelle serait une juste rémunération par livre de gras au cultivateur?—R. Entre 72 et 75c.

D. Entre 72 et 75c. la livre de gras?—R. Pour un cultivateur de la province de Québec qui veut avoir des vaches en lactation l'hiver et qui tient à les soigner, oui, c'est entendu.

D. Vous calculez qu'une rémunération juste pour les cultivateurs, dans les circonstances, serait de 72 à 75c. la livre de gras?—R. Oui.

D. Ce qui veut dire un prix de 67 à 68c. au gros sur le marché de Montréal? C'est le prix fixé par la Commission des Prix, n'est-ce pas?—R. Oui, monsieur.

D. Et un prix moindre, alors, serait injuste pour les producteurs dans la province de Québec?—R. Serait injuste pour les producteurs et serait de nature à empêcher la production.

D. Alors, un prix moindre serait injuste pour les producteurs et serait de nature à empêcher la production?—R. Ils ne feront pas de production l'hiver à moins que les prix n'atteignent ce niveau.

D. Et, cet hiver, il s'en fait un peu parce que les prix atteignent ces niveaux? —R. Oui. Mais il est une chose qu'il faut toujours avoir présente à l'esprit lorsque l'on discute cette question de prix; le prix qui devrait exister et toute la production—si l'on veut lier les deux idées—devraient être convenus des mois à l'avance afin de pouvoir être réalisés. Il n'y a jamais moyen de procéder autrement. Quand bien même on offrirait $1 la livre de gras, la réponse n'est plus au cultivateur, elle est aux vaches...

D. Alors, il faut que le cultivateur prépare sa production des mois et des mois à l'avance?—R. Oui, monsieur.

D. Maintenant, évidemment, l'augmentation des prix du grain, après que les subsides ont été enlevés et que les contrôles ont été enlevés, constitue une source d'augmentation du prix de revient pour les cultivateurs, en particulier en ce qui regarde la production d'hiver chez nous?—R. Oui, monsieur.

D. Le marché des grains a fluctué beaucoup, il y a eu des fluctuations brusques après que les contrôles des prix ont été enlevés?—R. Absolument.

D. Est-ce que vos coopératives sont favorables à ce que les grains d'alimentation soient sous le contrôle du "Wheat Board" au lieu de demeurer sous le contrôle du "Winnipeg Grain Exchange"?—R. C'est l'opinion qui est émise.

D. Evidemment, en autant que les provinces passeront une législation concurrente, qui rendra la chose constitutionnelle. C'est là, évidemment, une question légale, sur laquelle je ne vous demanderai pas votre opinion.

Maintenant, monsieur Bois, dans un autre ordre d'idées, vous dites que vous avez vendu 40 p. 100, en 1947, de ce qui vous est passé par les mains au "Commodity Exchange" de Montréal?—R. Oui.

D. Savez-vous à qui ce beurre-là a été vendu?—R. Oui.

D. Vous le savez?—R. Oui, monsieur.

D. Evidemment, l'autre 60 p. 100, vous le savez également?—R. Oui, monsieur.

D. Pourriez-vous fournir au comité, après que vous aurez fini de témoigner, par l'intermédiaire de M. Monet, la liste de ceux à qui vous avez vendu du beurre tant sur le "Commodity Exchange" que directement?—R. Oui, monsieur.

D. Pour toutes vos ventes au-dessus de quel chiffre,—quelque chose qui aurait du bon sens, pas de toutes petites ventes? Qu'est-ce que l'on pourrait indiquer comme chiffre? Je vais prendre votre opinion.—R. Disons mille boîtes.

D. Mille boîtes, avec la date de la vente et le prix auquel il a été vendu et le nom de l'acheteur?—R. Oui.

Me Monet:

D. Monsieur Bois, je comprends que mille boîtes cela veut dire 56,000 livres?—R. Oui.

D. Alors, voulez-vous mettre 500 boîtes seulement? Vous n'y voyez pas d'objection, monsieur Lesage?

M. LESAGE: C'est très bien.

Me MONET: C'est que j'ai une raison pour suggérer cela.

M. LESAGE: Oui, c'est très bien. C'est vous qui aurez à fouiller là-dedans.

Me MONET: C'est parce que cela donne 25,000 livres et j'ai réalisé que, dans certains cas, cela pourrait peut-être être intéressant plus tard.

M. LESAGE: J'aurais encore quelques questions à poser au témoin.

D. Avez-vous actuellement du beurre en entrepôts?—R. Nous n'avons pas une livre de beurre en entrepôt. Ce que nous avons en main, c'est le beurre, les quelques...

D. Centaines de livres...—R. Non, je dirais peut-être 20 ou 50 boîtes, que la production hebdomadaire nous amène; mais de beurre en entrepôt, notre propriété, nous n'en avons pas. Nous avons du beurre que nous gardons pour des clients qui l'ont acheté et qui le laissent en entrepôt jusqu'au moment de la livraison.

D. Est-ce que ce sont de grandes quantités ou bien si c'est pour des particuliers, des magasins de détail?—R. Principalement pour des acheteurs en gros; alors, les quantités doivent être assez considérables, quelques milliers de boîtes.

D. Vous en avez quelques milliers de boîtes actuellement?—R. Oui, monsieur.

D. Vous savez que l'on parle dans les journaux d'Ottawa, de Montréal et de Québec de la rareté actuelle du beurre, n'est-ce-pas? Vous avez vu cela?—R. Oui, monsieur.

D. M. Taylor, le président de la Commission des prix, a déclaré dans son témoignage qu'il y avait, au premier mars, au Canada, en entrepôts, 19 millions de livres de beurre et que la production de mars serait d'à peu près 12 millions, ce qui fait 31 millions de livres; que la consommation en mars serait d'environ 20 millions de livres, ce qui fait que l'on commencerait, au premier avril, avec une quantité de 10 millions de livres au Canada. Maintenant, êtes-vous d'opinion qu'il est possible, à aucun moment donné, de sortir des entrepôts et de transporter aux endroits où c'est le plus nécessaire n'importe quelle quantité de beurre?—R. Je ne saisis pas très bien votre question... C'est physiquement possible, toujours.

D. C'est physiquement possible, mais c'est économiquement impossible, n'est-ce pas?—R. Cela se pourrait, avec les prix qui existent.

D. Je comprends que le beurre qui est gardé dans de petits entrepôts de la Saskatchewan, qui peut être en petites quantités, ne peut pas être transporté par chemin de fer économiquement en très petite quantité?—R. Non, monsieur.

D. Et s'il y a de très nombreuses fabriques qui en ont de petites quantités, cela peut venir à faire un montant assez considérable et cela peut expliquer que, malgré le fait qu'il y ait du beurre dans les entrepôts actuellement, c'est tellement diversifié qu'il est excessivement difficile de le transporter, à un moment précis, à un autre endroit, parce que la distribution en est excessivement difficile?—R. Et très coûteuse.

D. Et très coûteuse?—R. Et très coûteuse; elle coûte chère. Si l'on parle de recueillir de petits lots de 150, 200, 300 boîtes sur un territoire comme celui

de la Saskatchewan, par exemple, je ne sais pas combien de centaines de milles il faudrait parcourir avant d'avoir une charge raisonnable.

D. Avant d'avoir une charge raisonnable?—R. Oui.

D. La production du beurre va recommencer dans les premiers jours d'avril d'une façon plus considérable, n'est-ce pas?—R. Oui, monsieur.

D. Alors, cette rareté, peut-être locale, n'est que très temporaire, n'est-ce pas?—R. Oui, monsieur.

D. Certainement que oui?—R. Oui.

Me Monet:

D. Monsieur Bois, juste un mot avant que vous nous quittiez. Voulez-vous me donner le nom d'une des unités coopératives locales les plus importantes qui font affaires avec votre maison,—une ou deux des plus importantes?—R. Il y a la coopérative de Mont-Laurier, comté de Labelle; il y a la coopérative de Lac-Mégantic, dans le comté de Frontenac...

D. C'est très bien, je vous remercie, j'en ai suffisamment.

M. Pinard:

D. Une seule question, monsieur Bois. Le gérant de la coopérative de la Saskatchewan nous a dit au cours de son témoignage que le prix de production, de fabrication totale d'une livre de beurre était de 45c. aux mois de juin et juillet 1947; voulez-vous nous dire quel est le coût de fabrication totale pour vos coopératives?—R. Lorsque l'on a fait cette affirmation, on a inclus évidemment le coût du gras dans la livre de beurre.

M. Lesage:

D. Et le coût de la livre de gras, n'est-ce pas, dépend du prix auquel vous pouvez vendre le beurre?

M. PINARD: C'est la question à laquelle je veux en venir.

Le TÉMOIN: On ne peut pas dire le coût de fabrication d'une livre de beurre; je l'établirais plutôt par les quantités; il varie, dans la province de Québec, de 5c. à 5½c. au plus et, encore, cela dépend du volume de production. Une fabrique qui a un rendement de 500 mille livres, ou de 300 mille livres, est évidemment beaucoup mieux qu'une fabrique qui n'a qu'un rendement de 50 ou 75 mille livres.

M. PINARD: C'est-à-dire que, dans le coût de la production de la Saskatchewan, c'était 2c. de plus que ce qui était payé au producteur.

M. LESAGE: C'était 5c.

M. PINARD: En effet, 5c. Alors, pour vos propres coopératives, quel est le coût?

Le TÉMOIN: De fabrication?

M. PINARD: Oui.—R. Il varie suivant les coopératives et leur volume de fabrication.

D. Il peut être différent dans chaque coopérative?—R. Oui, absolument.

M. MONET: C'est la raison, monsieur Pinard, pour laquelle je demandais que l'on me donne les noms d'une ou deux coopératives, car il sera peut-être très intéressant plus tard de faire faire la suite du témoignage de M. Bois par le représentant de l'une de ces coopératives, et c'est d'ailleurs mon intention d'en assigner une autre plus tard.

Le PRÉSIDENT: C'est tout?

M. MONET: Oui.

Le PRÉSIDENT: Merci, monsieur Bois.

Mr. MAYHEW: Could we have a breakdown, by months, of the quantities of butter for 1946 and 1947? It is given here by years and it would be interesting to have it by months because then you could tell how long this carry-over has been.

Me Monet:

D. Pouvez-vous nous donner, par mois, la quantité mentionné par 1946 et 1947? Would you want it for all years?

Mr. MAYHEW: No, just for 1946 and 1947.

Me Monet:

D. Voulez-vous diviser votre montant en nous démontrant en mois le nombre de livres de beurre et, ensuite, me l'envoyer à mon adresse?—R. Oui.

M. MONET: Je vous remercie, monsieur Bois.

Le PRÉSIDENT: Je vous remercie, monsieur Bois, et je vous félicite.

(Translation appears at the end of this day's proceedings.)

Mr. MONET: The next witness is Mr. McLean of Canada Packers Limited.

J. S. McLean, President, Canada Packers Limited, called and sworn.

By Mr. Monet:

Q. Mr. McLean, will you please give the members of the committee your full name?—A. James Stanley McLean.

Q. And your address, Mr. McLean?—A. 1225 Bayview, Toronto.

Q. And your present occupation, I understand, is president of Canada Packers?—A. President, Canada Packers.

Mr. MONET: Now, Mr. McLean, Canada Packers were requested a short while ago to give the members of the committee on prices certain information. This request was made through counsel and I wish to say I am glad this information has been received. It is very complete and gives counsel all the facts which were requested, as well as some information which was not requested.

This information has been gathered in a memorandum entitled "Canada Packers Limited, Memorandum on butter operations for the House of Commons Committee on Prices."

I am showing you this memorandum, Mr. McLean, and I take it you accept this as being the memorandum submitted by your company?

The WITNESS: That is correct.

Mr. MONET: This memorandum, Mr. Chairman, should be filed as Exhibit 59.

By Mr. Monet:

Q. Mr. McLean, would you tell the members of the committee the date of incorporation of Canada Packers Limited?—A. The date of incorporation?

Q. Yes.—A. August 15, 1927.

Q. The head office is located where?—A. Toronto.

Q. Now, on page 1 of your memorandum, Mr. McLean—I am sorry, I understand you have a statement to make?—A. I prepared a short statement, sir, as a sort of background. There is a great deal of data here which would be rather confusing without a skeleton background of explanation. I thought it would assist the members of the committee if this short statement were prepared in explanation. It will only take five or six minutes to deliver.

Mr. MONET: I wish I had read the statement before.

The WITNESS: I am sorry, but it was not completed until a short time ago.

Mr. MONET: If there are any figures in this statement, I take it they will be in accordance with the figures submitted in the memorandum?

The WITNESS: That is what the statement is for, to explain the figures.

Mr. MONET: I have no serious objection to this procedure, but I wish I had seen this statement before.

The WITNESS: I am sorry I did not speak to you about it, sir, but I completed this statement only this morning.

The CHAIRMAN: Mr. McLean, we are in the hands of counsel, here—

Mr. MONET: It is all right. I shall not change my line of questioning, but shall follow the same line of questioning after the statement has been delivered.

The CHAIRMAN: As I understand this statement, it is explanatory of Exhibit 59.

Mr. WINTERS: I think we should have it, Mr. Chairman.

The WITNESS: I think it will be helpful to yourself and to the members of the committee if this background statement is read.

In the following memorandum I am taking it as established national policy, which has been followed by successive governments for many years, that Canada should so far as possible produce her own requirements of butter.

Conditions of climate—

Mr. LESAGE: The acoustics in this room are very poor, so I wish you would raise your voice a little.

The CHAIRMAN: Speak as though you were at a political meeting.

The WITNESS: Conditions of climate in Canada are such that a surplus of butter is produced during five months, May to September inclusive. During the remaining seven months, October to April inclusive, production is less than sufficient to meet current requirements.

Table No. 1—Now, along with this statement you will find two tables which I judge have been delivered to you. Table No. 1, if you will look at that for a moment, shows the production picture in colours. You will see that from January to April inclusive the figures are all red; that means that during these six months the production of butter in Canada is less than consumption.

In January, 1947 consumption was 12,576,000 pounds more than production; in February, 7,453,000, and so on; then when you get down to May production was 12,326,000 pounds more than consumption. That was the total. The surplus months you will notice further on begin in May, except in the year 1946 when there was a minute surplus in April.

Mr. WINTERS: Excuse me, Mr. McLean, were these figures obtained from the Bureau of Statistics?

The WITNESS: Yes, but I thought that would be useful if set up in colours as showing the periods of surplus production and of deficit production. Red figures indicate the deficit months, in which consumption exceeds production; and black figures indicate the surplus months, in which production exceeds consumption.

During the surplus months butter is stored to meet the requirements of the deficit months. In storage the butter is carried at a temperature of zero to ten below. If the butter placed in storage is selected carefully for quality it keeps to the end of the storage period in perfect condition.

During the storing period (May to September) it is impossible to foretell what quantity of butter will be produced currently during the deficit months ahead (October to April). Production during these months depends upon crops, —not yet harvested—and upon many other conditions. Therefore there is no exact formula for determining what quantity of butter should be stored.

If more than sufficient butter is stored, the market during the period of withdrawal is weak, and those who store make a loss.

If less than sufficient butter is stored, the market during the withdrawal period is strong, and those who store make a profit.

The history of the trade has been that, over a period of years, storage operations have resulted in a small profit.

No figures are available which show results on storage operations for all Canada, but those of Canada Packers for the years 1939 to 1947, inclusive,

appear on table No. 2. For those nine years, it will be seen that the total quantity of butter stored was 46,214,000 lbs.

For those nine years (if you will look at sheet 2) it will be seen that the total quantity of butter stored was 46,214,000 lbs. I might explain that the columns show the quantity of butter stored (ooo's omitted). I put in there the years where storages were abnormally heavy because of large quantities stored especially for the Red Cross. The next column shows the average cost per pound of butter stored; and the next column shows the selling price; the next column shows the profit or loss in the year on the storage operations in the year; and the next column shows that profit or loss in cents per pound. For instance, in 1939 there were 3,729,000 pounds stored at an average cost of 25·98 cents, with an average selling price of 21·16 cents and a loss of $169,103, or 4·82 cents per pound. Now, that is just on the butter stored which is quite a different thing from the total operations of the company. You see, the company buys all of its butter currently during the producing months and half of its butter currently during the withdrawing months, so that the final column shows the total butter operations for that year, 1939. The total butter handled by the company including storage was 24,345,000 pounds, a loss of $180,653, or ·74 cents per pound; and that follows down year by year—$26,000,000, $25,000,000, $29,000,000, etc.; and the average for the eight years from 1939 to 1947 inclusive, the total quantity stored is 262,925,000 pounds and it shows a profit of $625,395. or ·23 cents per pound. You will notice that in this memorandum which I have sent around I have separated this last year (1948—to March 1st)

Shall I go on?

Mr. MONET: You can keep on, but I can see now that all of my questions relate exactly to what the witness is referring to in the memorandum which is before members of the committee and on which I wish to question him. However, you can keep on.

Mr. MACINNIS: I think we should have the information.

Mr. CLEAVER: Before the witness leaves this table No. 2—

The CHAIRMAN: I think counsel would prefer that there be no questions. His plan of action has been to interrogate the witness and he would prefer that system to be followed. Is that right, Mr. Monet?

Mr. MONET: For the information of the members of the committee I must state that I have in mind about a hundred questions relating to Exhibit 59, from page 1 to the end, which I was going to ask the witness later on.

Mr. IRVINE: This witness?

Mr. MONET: Yes. So after the statement is read, Mr. Chairman, I would like to pursue my questions and then perhaps the committee will ask anything they like.

The WITNESS: I would think, Mr. Monet, that the answers to these questions would be much more fully understood after this memorandum has been read.

Mr. MONET: That is all right.

The WITNESS: Then I will resume where I left off at the bottom of page 2.

Total profit, $103,851. Average profit on Canada Packers' storage operations for the nine years 1939 to 1947, 22 cents per 100 pounds, i.e. just under ¼ cent per pound.

(In the storage year 1947-48 a large profit, I might say a very large profit, was made on storage butter. This will be fully dealt with later.)

In respect of the policy followed in storing butter I shall speak only of Canada Packers—though I judge most other firms follow a similar policy.

At the beginning of the storing season (about June 1) we make the nearest estimate possible of our total requirements of butter during the dispersal

season, i.e., November 1 to the end of March (19 weeks). For that period we count upon buying one half our requirements out of current production. The other half must be stored. By this calculation we determine the number of boxes to be put into storage throughout the surplus season.

The choice butter (suitable for storage) begins to arrive on the market about June 1. Therefore, the season for putting butter away is from June 1 to September 30, a period of 17 weeks.

The total number of boxes to be stored is divided by 17. And the weekly number of boxes so arrived at are put into storage each week throughout the storing period.

When the period of withdrawal arrives, the number of boxes in store is divided by 19 (the number of weeks from November 1 to March 30), and the number of boxes so arrived at are withdrawn each week.

By this policy an 'average' storing price per pound is paid for all the butter stored, and an 'average' price per pound is received for the butter when withdrawn. This policy is based upon the conviction, bred of long experience, that we cannot predict market fluctuations. So far as possible, this policy eliminates the element of speculation. To eliminate speculation is the main objective.

Regarding the season 1947-48, that is the current year. I have already stated that a large profit was made on the butter stored.

No such profit was anticipated.

During the previous four years, butter had been under control. The government policy of laying down floor and ceiling prices had removed the element of risk in storing butter. It had also removed the profit inasmuch as the spread between the floor and ceiling did not quite cover the cost of carrying the butter. However, as nearly all the butter was sold in prints, and as the spread allowed for converting the solids into prints somewhat more than covered the cost of conversion, a small margin of profit was made upon the combined operation.

If you will look at table 2, you will see that for those four years, 1944 to 1947, in the storage column, there is a small loss—$5,000; in 1936, $1,000; $59,000—but on the total operations carried across you will find that for the same years—in 1944, there was a profit of $98,000, although there was a loss of $5,000 on storage there was a total profit of $98,000, and similarly in the succeeding three years.

Mr. IRVINE: Which table are you quoting from now?

The WITNESS: From table No. 2. The small loss on storage was because of the margin or spread allowed between floor and ceiling prices in the government plan set up by the Wartime Prices and Trade Board which was not sufficient to pay the cost of carrying the butter except for the total operation in the last year where there was a profit. And then at the end of that paragraph; if you will open up your binders to page 28, is a chart which you will find interesting, although it need not take much time. It is a photostated chart.

In June 1947, controls were removed and subsidies on butter fat were discontinued. As a result the price of butter advanced 10 cents per pound. In the first week of June the average price of butter was 48·6 cents per pound. This was the highest price at which butter had sold in Canada since May, 1921. (See graph in binder page 28.) That photostatic chart shows the high and low price of butter each month from 1920 to the present time. The only point I wish to make at present is that the price of butter in June, 1947, was 48·6 cents, and if you will carry that across you will see—

By Mr. Irvine:

Q. How do you find June on this?—A. Oh, I forget to explain there are 12 divisions in each year. If you take the year 1947 you will notice January is

indicated by a dot. The price carries on for five months there by five dots at 40 cents. The price for the first five months was 40 cents, indicated by the five dots. Then in June the price advanced to 48·6, and in July it advanced to just over 50, and so on. If you carry across the 48·6 you will find that there is one month in 1923 in which the price was higher than 48·6, but other than that you have to go back to 1920 to find a price of 48·6.

By Mr. Lesage:

Q. Is this chart made according to the statistics of the Dominion Bureau of Statistics?—A. They are quoted market prices. I guess the Bureau of Statistics does not publish the prices.

Q. The average price of solids, Montreal, per month.—A. This is the high and low for each month, you see, Mr. Lesage. I think you will find that chart of interest to you as you go along. It was for that reason we put it in. We are now at the second paragraph on page 5.

I cannot speak for other firms in the trade, but our feeling at the beginning of the storing season was one of apprehension. The storing price being the highest in 26 years we feared a loss on the operation.

However, as the season advanced month by month, it began to appear more and more likely that a shortage would occur during the coming winter season. The next paragraph says "July 1" but it should be August.

Storage stocks at August 1 were the same as at August 1, 1946. You will find those storage stocks on page 25 of this binder. At August, 1947, storage stocks were 58,560,000, and in the previous year they were 58,555,000. That was at August 1. At September 1 storage stocks were 2,000,000 pounds less than at September 1, 1946.

On the other hand, because rationing had been discontinued, consumption was running much heavier. July consumption exceeded that of July, 1946 by 4,000,000 pounds. You will find that on the following sheet, consumption figures for the whole nine years.

It gradually became apparent that, failing importation of butter from other countries, an acute shortage would occur in—I have said "March." I think I should change that to "at the end of the winter season."

Q. Excuse me, could I have the source of table 25?—A. Oh, the Bureau of Statistics.

Q. Well, we have exhibit 52, and there is a variance.

The CHAIRMAN: Do you mind holding that?

Mr. LESAGE: I will.

The CHAIRMAN: We will come back to that.

The WITNESS: I am now at the top of page 6. On October 21 the discontinuance of subsidies on feed grains became a further major factor in the situation. It greatly increased the cost of producing butter fat, and led to a stronger demand from the dairy farmer for a higher level of prices.

The price could have been kept under control by any one of three devices:

(1) By importing New Zealand butter. This had been done in the previous year.

(2) By importing margarine.

(3) By imposing a ceiling.

On January 19 the present ceiling was imposed.

Mr. Monet has asked for information regarding the volume and profits upon the butter operations of Canada Packers during the years 1939 to 1947. All the information asked for is contained in the binders which have been supplied to members of the committee. The essential facts on this rather confusing mass of detail are condensed upon two pages. You have already seen

the first one, table No. 2, which summarizes the operations from 1939 to date. If you again look at table No. 2 you will note:

(1) That for the nine years, 1939 to 1947, the total quantity of butter handled by the company was 262,925,000 pounds. The total profit was $625,395, equivalent to ·23 cents per pound, or just under ¼ of a cent per pound.

(2) On the 1947-48 season, by reason of the extraordinary profit on storage butter, the result per pound was much higher. Sales were 22,901,000 pounds. That is on the line below. The profit up to March 1—the season is not yet over—is $524,818, equivalent to 2·29 cents per pound.

(3) Combining (1) and (2) the result from 1939 to March 1, 1948, is as follows:—that is on the bottom line—total sales were 285,826,000 pounds and total profit was $1,150,213, equivalent to ·4 cents per pound, or ⅖ths of a cent per pound.

I thought you would also be interested in the result of Canada Packers' total butter operations from the beginning. That is from the time the company was formed. The company was formed in August, 1927, but we are able to compile the butter records only since 1929. That is one year after the company was formed. You will find that record on sheet No. 23 in the binder. That is the results from 1929 to date. For the 19 years, 1929 to 1947 inclusive, total sales were 488,159,000 pounds, and total profits were $672,894, equivalent to ·14 cents per pound. Including the very large profit of this year the total sales are 511,060,000 pounds and total profits are $1,197,712, equivalent to ·23 cents per pound, or just under ¼ of a cent per pound.

Exhibit No. 59: Canada Packers Limited, Memorandum on Butter Operations.

CANADA PACKERS LIMITED

Exhibit 59

Page 1 of submitted statement.

Information Required by the House of Commons Special Committee on Prices

1. Name of Company—Canada Packers Limited.

2. Date of Incorporation—15th August, 1927.

3. Subsidiary company engaged in the storage of Butter—Federal Cold Storage and Warehousing Company, Limited.

4. Locations of Canada Packers Limited, where Butter is produced, stored or distributed are:

Creameries (15)—Bancroft, Ontario; Centralia, Ontario; Chesley, Ontario; Clinton, Ontario; Mount Forest, Ontario; Harriston, Ontario; Shelburne, Ontario; Walkerton, Ontario; Wiarton, Ontario; Fort Frances, Ontario; Crystal City, Manitoba; Glenboro, Manitoba; Manitou, Manitoba; Melita, Manitoba; Rapid City, Manitoba.

Cold Storages (6)—Federal Cold Storage & Warehousing Co. Limited, Toronto; Federal Cold Storage & Warehousing Co. Limited, Winnipeg; Public Cold Storage & Warehousing Company, Toronto; Canada Packers Limited, 419 St. Vincent Street, Montreal; Canada Packers Limited, 44 Nicholas Street, Ottawa; Canada Packers Limited, Three Rivers.

Distributing Plants (8)—Toronto, Ontario; Peterborough, Ontario; Montreal, Quebec; Hull, Quebec; Charlottetown, P.E.I.; Winnipeg, Manitoba; Edmonton, Alberta; Vancouver, B.C.

Distributing Branches (18)—Sydney, N.S.; Halifax, N.S.; Saint John, N.B.; Quebec, Quebec; Ottawa, Ontario; East Toronto, Ontario; West Toronto, Ontario; London, Ontario; Windsor, Ontario; Sudbury, Ontario; Sault Ste. Marie, Ontario; Timmins, Ontario; Fort William, Ontario; Regina, Saskatchewan; Saskatoon, Saskatchewan; Moose Jaw, Saskatchewan; Prince Albert, Saskatchewan; Victoria, B.C.

CANADA PACKERS LIMITED

BUTTER ACCOUNT—PROFIT AND LOSS STATEMENT

Creameries

Page 2 of submitted statement

Fiscal Years 1939-1947

—	1939	1940	1941	1942	1943	1944	1945	1946	1947	Total
Sales (lbs.).....	3,004,184	3,927,354	5,144,836	6,474,564	7,974,403	8,795,848	8,854,841	8,269,603	7,152,419	59,598,052
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Sales—Value.....	742,898 07	972,453 85	1,418,931 80	2,210,004 03	2,854,162 79	3,042,812 52	3,041,450 68	2,930,554 26	2,861,693 38	19,974,961 38
Cost of sales.....	674,551 70	836,133 63	1,197,477 86	1,975,937 31	2,589,243 34	2,797,441 67	2,799,447 31	2,670,175 45	2,576,169 77	18,116,578 04
	68,346 37	136,320 22	221,453 94	234,066 72	264,919 45	245,370 85	242,003 37	260,378 81	285,523 61	1,958,383 34
Expenses.....	97,880 04	130,798 98	200,354 18	239,659 34	258,523 87	256,230 50	278,332 78	280,884 83	309,069 85	2,051,734 37
Net profit or *loss*...	*29,533 67*	5,521 24	21,099 76	*5,592 62*	6,395 58	*10,859 65*	*36,329 41*	*20,506 02*	*23,546 24*	*93,351 03*

CANADA PACKERS LIMITED

BUTTER ACCOUNT—PROFIT AND LOSS STATEMENT

Creameries

12 March, 1948

Page 3 of submitted statement

Calendar Year 1946 (by 4-week periods)

—	31 January	28 February	28 March	25 April	23 May	20 June	18 July
Sales (lbs.)	440,473	417,000	327,929	342,724	512,065	736,648	937,948
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Sales value	164,637 30	160,888 26	120,896 98	135,031 88	203,015 75	279,206 67	361,400 94
Cost of sales	149,278 01	147,477 63	109,902 25	116,698 65	182,350 55	250,586 51	324,668 29
	15,359 29	13,410 63	10,994 73	18,333 23	20,665 20	28,620 16	36,732 65
Expenses	20,294 00	18,264 13	24,547 14	17,731 97	21,506 42	25,719 79	29,173 17
Net profit or *loss*	*4,934 71*	*4,853 50*	*13,552 41*	601 26	*841 22*	2,900 37	7,559 48

	15 August	12 September	10 October	7 November	5 December	January 2/47	Total
Sales (lbs.)	766,342	801,288	599,721	555,972	505,125	286,279	7,229,514
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Sales value	300,902 33	319,079 37	241,106 72	224,010 76	203,916 75	130,619 53	2,844,713 24
Cost of sales	265,240 40	288,035 22	215,515 02	203,434 70	187,639 32	117,886 09	2,558,712 64
	35,661 93	31,044 15	25,591 70	20,576 06	16,277 43	12,733 44	286,000 60
Expenses	30,327 83	28,938 94	26,176 91	24,419 42	24,993 21	20,100 51	312,193 44
Net profit or loss	5,334 10	2,105 21	*585 21*	*3,843 36*	*8,715 78*	*7,367 07*	*26,192 84*

CANADA PACKERS LIMITED

BUTTER ACCOUNT—PROFIT AND LOSS STATEMENT

Creameries

March 12, 1948

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Calendar Year 1947 (by 4-week periods)

—	30 January	27 February	27 March	24 April	22 May	19 June	17 July
Sales (lbs.)	344,048	372,784	368,020	406,691	600,038	770,059	1,032,333
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Sales—Value	138,804 38	151,590 90	150,978 09	164,735 68	270,761 07	374,137 66	524,825 63
Cost of sales	126,416 94	138,951 22	135,970 56	148,091 62	249,977 86	332,703 61	472,160 86
	12,387 44	12,639 68	15,007 53	16,644 06	20,783 21	41,434 05	52,664 77
Expenses	18,744 61	18,384 29	22,560 47	16,885 10	20,814 18	29,336 42	35,010 05
Net profit or *loss*	*6,357 17*	*5,744 61*	*7,552 94*	*241 04*	*30 97*	12,097 63	17,654 72

	14 August	11 September	9 October	6 November	4 December	31 December	Total
Sales (lbs.)	762,632	691,995	684,782	604,446	370,416	325,450	7,333,694
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Sales—Value	392,925 76	421,769 72	416,653 40	349,797 07	224,194 94	213,750 90	3,794,925 20
Cost of sales	347,364 04	360,791 62	377,000 83	326,321 59	192,071 96	191,381 95	3,399,204 66
	45,561 72	60,978 10	39,652 57	23,475 48	32,122 98	22,368 95	395,720 54
Expenses	32,089 80	31,977 58	29,567 64	25,970 72	21,864 39	22,823 02	326,028 27
Net profit or *loss*	13,471 92	29,000 52	10,084 93	*2,495 24*	10,258 59	*454 07*	69,692 27

12 March, 1948

CANADA PACKERS LIMITED

BUTTER ACCOUNT—PROFIT AND LOSS STATEMENT

Creameries

Calendar Year 1948 (by 4-week periods)

Page 5 of submitted statement

	28 January	25 February
Sales Volume	282,421	272,715
	$ cts.	$ cts.
Sales—Value	194,956 48	184,688 75
Cost of sales	178,181 55	168,611 71
	16,744 93	16,077 04
Expenses	18,666 15	18,225 74
Net profit or *loss*	*1,891 22*	*2,148 70*

CANADA PACKERS LIMITED

Quantities and Value of Butter—By Periods

Creameries

Page 6 of submitted statement

4-week period	Quantities of butter—Lbs.						Dollar value (omit cents)		Average per Lb.		
	On hand at beginning of period	Purchases during period	Transferred from creamery during period	Sub-total	Sales during period	On hand at end of period	Purchases and production during period	Sales during period	Cost of purchases and production	Selling price	Margin between purchase cost and selling price
							$	$	cts.	cts.	cts.
1939											
2 February	39,324	261,340	.....	300,664	237,594	62,236	60,660	53,328	23·21	22·45	*0·76*
2 March	62,236	180,431	.....	242,667	213,520	29,965	42,160	47,572	23·37	22·28	*1·09*
30 March	29,965	202,567	.....	232,532	198,489	33,876	47,792	44,625	23·59	22·48	*1·11*
27 April	33,876	208,344	.....	242,220	192,955	49,258	47,231	42,415	22·67	21·98	*0·69*
25 May	49,258	275,598	.....	324,856	266,171	58,585	58,236	56,376	21·13	21·18	0·05
22 June	58,585	468,627	.....	527,212	370,671	156,513	101,183	81,475	21·50	21·98	0·40
20 July	156,513	469,485	.....	625,998	443,523	182,422	104,446	97,711	22·25	22·03	*0·22*
17 August	182,422	363,408	.....	545,830	308,097	237,559	82,092	68,210	22·59	22·14	*0·45*
14 September	237,559	352,236	.....	589,795	386,138	203,456	79,370	86,990	22·53	22·53	.....
12 October	203,456	337,107	.....	550,563	355,823	194,454	94,288	98,569	27·16	27·70	0·54
9 November	194,454	265,590	.....	460,044	232,627	227,094	75,869	65,771	28·57	28·27	*0·30*
7 December	227,098	194,361	.....	421,459	231,472	189,769	56,974	66,041	29·31	28·53	*0·78*
4 January (40)	189,769	172,407	.....	362,176	203,021	159,121	49,330	56,823	28·61	27·99	*0·62*
	.....	3,761,501	.....	.....	3,640,101	.....	899,631	865,906	23·92	23·79	*0·13*
1940											
1 February	228,667	206,597	.....	435,264	220,783	214,437	59,855	61,955	28·97	28·06	*0·91*
29 February	214,437	200,500	.....	414,937	272,729	142,168	57,668	74,767	28·76	27·42	*1·34*
28 March	142,168	257,487	.....	399,655	301,792	97,785	72,881	91,869	28·30	30·44	2·14
25 April	97,785	232,469	.....	330,254	262,011	68,122	64,568	71,576	27·77	27·32	*0·45*
23 May	68,122	314,842	.....	382,964	285,370	97,426	76,456	68,762	24,28	24·10	*0·18*
20 June	112,074	490,140	.....	602,214	278,054	323,951	111,661	64,788	22·78	23·30	0·52
18 July	323,951	606,203	.....	930,154	639,697	290,296	127,419	137,018	21·02	21·42	0·40
15 August	290,296	489,710	.....	780,006	555,518	224,284	101,964	124,932	20·82	22·49	1·67
12 September	224,284	534,199	.....	758,483	438,681	319,643	115,147	95,175	21·56	21,68	0·12
10 October	319,643	463,873	.....	783,516	387,505	395,890	107,883	90,693	23·26	23·40	0·14
7 November	395,890	407,622	.....	803,512	419,005	384,266	113,921	115,236	27·94	27·50	*0·44*
5 December	384,266	342,557	.....	726,823	374,706	351,819	105,076	111,439	30·65	29·73	*0·92*
2 January (41)	351,819	298,709	.....	650,528	406,590	243,679	103,723	138,475	34,72	34,05	*0·67*
	.....	4,844,908	.....	.....	4,842,441	.....	1,218,222	1,246,685	25·15	25·75	0·60

CANADA PACKERS LIMITED
Quantities and Value of Butter—By Periods
Creameries

Page 7 of submitted statement

4-week period	Quantities of butter—Lbs.						Dollar value (omit cents)		Average per Lb.		
	On hand at beginning of period	Purchases during period	Transferred from creamery during period	Sub-total	Sales during period	On hand at end of period	Purchases and production during period	Sales during period	Cost of purchases and production	Selling price	Margin between purchase cost and selling price
							$	$	cts.	cts.	cts.
1943											
28 January	218,709	518,826	.....	737,535	488,083	249,309	185,709	175,394	35·79	35·93	0·14
25 February	249,309	667,110	.....	916,419	597,327	318,897	240,966	215,082	36·12	36·01	*0·11*
25 March	318,897	377,071	.....	695,968	533,353	168,555	139,261	196,102	36·93	36·77	*0·16*
22 April	168,555	457,582	.....	626,137	511,487	114,657	161,901	179,856	35·38	35·16	*0·22*
20 May	114,657	571,984	.....	686,641	553,167	133,449	196,154	191,254	34·29	34·57	0·28
17 June	133,449	861,129	.....	994,578	715,029	279,585	278,603	235,285	32·46	32·90	0·44
15 July	279,585	1,055,432	.....	1,335,017	867,794	467,303	340,765	285,529	32·29	32·89	0·60
12 August	467,303	878,270	.....	1,345,573	882,804	462,637	281,431	290,237	32·04	32·88	0·84
9 September	462,637	778,350	.....	1,240,987	828,458	411,859	251,799	274,139	32·35	33·09	0·74
7 October	411,859	741,040	.....	1,152,899	730,567	422,018	245,370	245,473	33·11	33·57	0·46
4 November	422,018	536,429	.....	958,447	648,086	310,143	184,266	221,950	34·35	34·25	*0·10*
2 December	310,143	471,214	.....	781,357	632,875	148,431	169,962	221,421	36·07	34·99	*1·08*
30 December	148,431	601,462	.....	749,893	556,481	193,229	217,348	200,101	36·14	36·04	*0·10*
	.....	8,515,899	.....	.....	8,545,511	.....	2,893,535	2,931,823	34·41	34·54	0·13
1944											
27 January	193,229	573,208	.....	766,437	488,947	277,501	208,617	175,498	36·40	35·89	*0·51*
24 February	277,501	590,828	.....	868,329	584,417	283,806	216,809	207,705	36·70	35·54	*1·16*
30 March	283,806	728,761	.....	1,012,567	787,326	225,196	264,002	278,295	35·95	35·35	*0·60*
27 April	225,196	442,291	.....	667,487	507,938	160,573	159,065	179,327	35·96	35·30	*0·66*
25 May	160,573	691,302	.....	851,875	621,725	230,137	235,554	213,122	34·07	34·28	0·21
22 June	230,137	1,208,687	.....	1,438,824	1,097,981	340,863	396,840	367,452	32·83	33·47	0·64
20 July	340,863	1,197,690	.....	1,538,553	1,092,750	445,762	394,576	361,729	32·94	33·10	0·16
17 August	445,762	972,242	.....	1,418,004	984,144	433,569	324,220	329,134	33·35	33·44	0·09
14 September	433,569	798,109	.....	1,231,678	765,001	466,552	270,917	262,482	33·95	34·31	0·36
12 October	466,552	750,955	.....	1,217,507	853,307	364,270	260,053	297,369	34·63	34·85	0·22
9 November	364,270	660,219	.....	1,024,489	760,157	265,110	233,290	267,580	35·34	35·20	*0·14*
7 December	265,110	405,487	.....	670,597	555,785	114,636	149,581	195,847	36·89	35·24	*1·65*
4 January (45)	114,636	354,973	.....	469,609	293,491	175,847	133,080	103,884	37·48	35·40	*2·08*
	.....	9,374,752	.....	.....	9,392,969	.....	3,246,604	3,239,424	35·11	34·72	0·39

1946											
31 January	*149,612*	*494,833*	.....	*644,445*	*439,415*	*205,019*	*186,346*	*162,286*	*37·66*	*36·93*	*0·73*
28 February	*205,019*	*382,791*	.....	*587,810*	*436,639*	*151,174*	*146,681*	*160,666*	*38·32*	*36·80*	*1·52*
28 March	*151,174*	*271,251*	.....	*422,425*	*327,327*	*95,003*	*112,680*	*120,711*	*41·54*	*36·89*	*4·66*
25 April	*95,033*	*334,183*	.....	*429,216*	*336,888*	*92,305*	*133,797*	*132,638*	*40·04*	*39·37*	*0·67*
23 May	*92,305*	*512,312*	.....	*604,617*	*511,375*	*93,234*	*202,424*	*202,929*	*39·51*	*39·68*	*0·17*
20 June	*93,234*	*924,766*	.....	*1,018,000*	*742,228*	*275,820*	*343,834*	*281,353*	*37·18*	*37·91*	*0·73*
18 July	*275,820*	*975,511*	.....	*1,251,331*	*938,741*	*312,579*	*369,138*	*361,378*	*37·84*	*38·50*	*0·66*
15 August	*312,579*	*888,763*	.....	*1,201,342*	*756,325*	*445,009*	*348,048*	*300,871*	*39·16*	*39·78*	*0·62*
12 September	*445,009*	*661,361*	.....	*1,106,370*	*801,482*	*304,785*	*263,192*	*319,052*	*39·78*	*39·81*	*0·03*
10 October	*304,785*	*605,520*	.....	*910,305*	*599,621*	*310,665*	*243,292*	*240,952*	*40·18*	*40·18*	*0·00*
7 November	*310,665*	*438,388*	.....	*749,053*	*555,231*	*193,812*	*183,129*	*218,999*	*41·77*	*39·44*	*2·33*
5 December	*193,812*	*473,041*	.....	*666,853*	*504,273*	*162,555*	*199,046*	*203,911*	*42·08*	*40·44*	*1·64*
2 January (47)	*162,555*	*319,117*	.....	*481,672*	*317,207*	*164,458*	*138,482*	*131,608*	*43·40*	*41·49*	*1·91*
	.....	*7,281,837*	.....	.....	*7,266,751*	.....	*2,870,089*	*2,837,354*	*39·88*	*39·01*	*0·86*
1947											
30 January	164,458	303,886	.....	468,344	342,148	126,162	131,015	138,862	43·11	40·59	*2·52*
27 February	126,162	397,422	.....	523,584	372,765	150,833	180,007	151,540	45·29	40·65	*4·64*
27 March	150,833	361,583	.....	512,416	369,475	142,934	156,178	150,966	43·19	40·86	*2·33*
24 April	142,934	428,274	.....	571,208	394,064	177,136	178,445	159,724	41·67	40·53	*1·14*
22 May	177,136	615,360	.....	792,496	604,189	188,312	286,138	270,756	46·50	44·81	*1·69*
19 June	188,312	964,737	.....	1,153,049	770,047	383,009	455,984	374,123	47·27	48·58	1·31
17 July	383,009	915,594	.....	1,298,603	1,031,851	266,726	450,643	524,309	49·22	50·81	1·59
14 August	266,726	767,098	.....	1,033,824	762,623	271,356	384,068	392,911	50·07	51·52	1·45
11 September	271,356	690,913	.....	962,269	732,720	229,529	383,710	421,762	55·54	57·56	2·02
9 October	229,529	750,195	.....	979,724	685,236	294,432	445,965	416,287	59·45	60·75	1·30
6 November	294,432	525,590	.....	820,022	598,942	225,872	310,098	349,004	59·00	58·27	*0·73*
4 December	225,872	332,283	.....	558,155	369,492	188,778	199,740	224,155	60·11	60·67	0·56
31 December	188,778	275,504	.....	464,282	324,996	139,275	183,747	213,989	66·69	65·84	*0·85*
	.....	7,328,439	.....	.....	7,358,548	.....	3,745,738	3,788,388	51·31	50·88	0·43
1948											
28 January	139,275	222,293	.....	361,568	282,361	79,198	154,170	194,863	69·35	69·01	*0·3*
25 February	79,198	250,472	.....	329,670	272,378	57,271	171,407	184,509	68·43	67·74	*0·69*
	.....	472,765	.....	.....	554,739	.....	325,577	379,372	68·89	68·36	*0·52*

CANADA PACKERS LIMITED

BUTTER ACCOUNT—PROFIT AND LOSS STATEMENT

Plants

12 March, 1948

Fiscal Years 1939-1947

Page 9 of submitted statement

—	1939	1940	1941	1942	1943	1944	1945	1946	1947	Total
Sales (lbs.)	20,339,072	22,036,794	25,166,660	29,532,439	32,547,106	39,104,372	35,796,414	29,974,202	23,505,667	258,002,726
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Sales—Value	4,901,879,74	5,445,314 77	6,963,510 61	10,019,420 40	11,873,442 49	13,964,948 59	13,020,590 79	10,573,062 09	9,619,644 42	86,372,713 90
Cost of sales	4,863,241 97	5,074,916 42	6,352,286 02	9,772,617 59	11,272,902 72	13,350,402 51	12,453,696 60	10,104,410 75	9,211,543,83	82,456,018 41
	38,637 77	370,398 35	611,224 59	246,702 81	600,539 77	614,546 08	566,894 19	468,651 34	399,100 59	3,916,695 49
EXPENSES—										
Wages and salaries	39,569 75	42,431 84	43,370 55	57,238 30	86,306 93	89,525 66	92,647 78	65,401 34	56,166 82	572,658 97
Warehousing and selling	46,067 46	49,100 38	46,851 60	51,906 52	80,475 54	87,018 29	98,934 77	109,854 75	111,589 24	681,798 55
Fixed charges	11,926 30	12,365 76	9,870 40	10,771 28	10,760 12	18,998 78	13,985 02	13,219 32	12,146 65	114,043 63
Storage charges	36,847 60	45,203 57	51,153 76	64,574 61	74,217 66	98,590 95	101,540 11	74,308 76	82,803 89	629,240 91
Other expenses	82,072 92	78,412 32	82,442 33	133,071 29	146,474 14	213,978 56	197,706 86	142,450 66	171,577 19	1,248,186 27
	216,484 03	227,513 87	233,688 64	317,562 00	398,234 39	508,112 24	504,814 54	405,234 83	434,283 79	3,245,928 33
Net profit or *loss*	*177,846 26*	142,884 48	377,535 95	*70,859 19*	202,305 38	106,433 84	62,079 65	63,416 51	*35,183 20*	670,767 16

NOTE.—Figures for Edmonton plant for 1939 and 1940, and for Vancouver for 1939, 1940 and 1941 not available.

CANADA PACKERS LIMITED

BUTTER ACCOUNT—PROFIT AND LOSS STATEMENT

Plants

12 March, 1948

Calendar Year 1946 (by 4-week Periods)

Page 10 of submitted statement

——	31 January	28 February	28 March	25 April	23 May	20 June	18 July
Sales (lbs.)	2,396,879	2,077,590	1,276,428	1,050,725	1,351,129	1,226,322	1,751,743
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Sales—Value	892,528 76	780,802 86	472,638 13	342,864 56	548,845 24	488,261 34	739,372 30
Cost of sales	858,344 23	754,908,51	450,098 91	327,938 48	534,944 55	464,612 99	709,805 10
	34,184 53	25,894,35	22,539 22	14,926 08	13,900 69	23,648 35	29,567 20
Expenses—							
Wages and salaries	5,045 14	5,264 01	4,149 76	2,772 55	4,394 64	4,188 35	3,764 55
Warehousing and selling	9,158 65	11,060 23	6,073 36	3,082 76	3,736 91	8,639 64	8,242 22
Fixed charges	1,003 00	940 33	973 46	954 66	846 89	952 89	947 43
Storage charges	5,576 72	2,897 03	1,111 88	146 41	487 39	2,865 50	5,834 22
Other expenses	11,633 39	9,120 64	4,223 53	4,610 26	6,285 36	7,580 45	9,268 71
	32,416 90	29,282 24	16,531 99	11,566 64	15,751 19	24,226 83	28,057 13
Net profit or *loss*	1,767 63	*3,387 89*	6,007 23	3,359 44	*1,850 50*	*578 48*	1,510 07

	15 August	12 September	10 October	7 November	5 December	2 January, 1947	Total
Sales (lbs.)	1,515,910	2,336,716	1,956,860	2,050,574	2,139,976	1,793,499	22,924,351
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Sales—Value	638,367 59	959,655 13	799,296 32	853,558 37	906,628 64	740,171 85	9,162,991 09
Cost of sales	601,523 85	912,744 17	753,400 92	806,608 07	853,506 87	707,038 83	8,735,475 48
	36,843 74	46,910 96	45,895 40	46,950 30	53,121 77	33,133 02	427,515 61
Expenses—							
Wages and salaries	3,744 80	3,722 07	3,872 25	4,855 68	5,619 28	4,630 58	56,023 66
Warehousing and selling	9,262 52	10,290 87	5,938 85	9,532 90	15,671 42	8,989 07	109,679 40
Fixed charges	1,038 43	887 43	993 89	912 89	919 20	945 51	12,316 01
Storage charges	8,879 40	9,978 38	11,390 97	10,291 39	10,287 98	8,879 61	78,626 88
Other expenses	12,685 16	16,976 65	18,791 53	19,187 17	19,707 50	16,913 29	156,983 64
	35,610 31	41,855 40	40,987 49	44,780 03	52,205 38	40,358 06	413,629 59
Net profit or *loss*	1,233 43	5,055 56	4,907 91	2,170 27	916 39	*7,225 04*	13,886 02

CANADA PACKERS LIMITED

BUTTER ACCOUNT—PROFIT AND LOSS STATEMENT

Plants

12 March, 1948

Calendar Year 1947 (by 4-week periods)

Page 11 of submitted statement

—	30 January	27 February	27 March	24 April	22 May	19 June	17 July
Sales (lbs.)	2,155,076	2,437,619	1,564,382	1,616,077	1,447,383	1,636,956	1,575,791
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Sales—Value	907,502 48	1,022,179 83	649,147 01	671,844 16	672,182 27	858,484 01	819,056 39
Cost of sales	889,545 48	1,002,601 37	632,479 39	645,512 18	646,818 02	826,601 03	792,971 17
	17,957 00	19,578 46	16,667 62	26,331 98	25,364 25	31,882 98	26,085 22
Expenses—							
Wages and salaries	5,566 20	4,789 80	4,112 34	4,590 86	4,000 49	3,683 07	3,644 98
Warehousing and selling	7,112 97	12,627 17	8,422 94	10,099 91	7,658 29	9,380 49	7,584 37
Fixed charges	943 04	913 04	930 42	981 36	923 29	835 21	909 36
Storage charges	8,685 56	3,815 65	1,707 79	1,037 57	932 76	2,234 63	3,071 41
Other expenses	15,491 06	12,184 78	11,582 57	7,766 17	7,967 88	9,166 03	11,941 98
	37,798 83	34,330 44	26,756 06	24,475 87	21,482 71	25,299 43	27,152 10
Net profit or *loss*	*19,841 83*	*14,751 98*	*10,088 44*	1,856 11	3,881 54	6,583 55	*1,066 88*

—	14 August	11 September	9 October	6 November	4 December	31 December	Total
Sales (lbs.)	1,632,777	1,994,532	1,150,268	1,683,017	3,024,748	2,550,223	24,468,849
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Sales—Value	866,003 49	1,157,491 74	697,706 59	984,454 99	1,854,928 27	1,689,959 84	12,850,941 07
Cost of sales	819,752 40	1,082,154 16	652,978 31	939,575 35	1,689,354 16	1,465,612 10	12,085,955 12
	46,251 09	75,337 58	44,728 28	44,879 64	165,574 11	224,347 74	764,985 95
Expenses—							
Wages and salaries	3,828 18	4,510 97	1,425 35	2,745 28	6,589 38	6,741 71	56,228 61
Warehousing and selling	6,535 38	7,196 25	2,041 19	4,531 76	9,643 79	6,976 13	99,810 64
Fixed charges	889 29	850 59	896 36	588 13	892 21	887 52	11,439 82
Storage charges	7,793 83	12,575 97	11,734 50	12,837 04	11,978 78	9,058 91	87,464 40
Other expenses	22,653 00	30,481 65	32,441 20	33,371 39	37,731 07	34,250 08	267,028 86
	41,699 68	55,615 43	48,538 60	54,073 60	66,835 23	57,914 35	521,972 33
Net profit or loss	4,551 41	19,722 15	3,810 32	9,193 96	98,738 88	166,433 39	243,013 62

CANADA PACKERS LIMITED

BUTTER ACCOUNT—PROFIT AND LOSS STATEMENT

12 March, 1948

Calendar Year 1948 (by 4-week periods)

PLANTS

Page 12 of submitted statement

	28 January	25 February	Total
Sales (lbs.)	2,013,206	2,500,935	4,514,141
	$ cts.	$ cts.	$ cts.
Sales—Value	1,367,339 04	1,753,918 04	3,121,257 08
Cost of sales	1,163,690 93	1,564,661 01	2,728,351 94
	203,648 11	189,257 03	392,905 14
Expenses—			
Wages and salaries	4,821 50	7,209 95	12,031 45
Warehousing and selling	7,264 26	8,471 93	15,736 19
Fixed charges	770 52	861 12	1,631 64
Storage charges	9,305 52	6,259 72	15,565 24
Other expenses	27,280 48	24,006 88	51,287 36
	49,442 28	46,809 60	96,251 88
Net profit or loss	154,205 83	142,447 43	296,653 26

CANADA PACKERS LIMITED

QUANTITIES AND VALUE OF BUTTER—BY PERIODS

All Plants

Page 13 of submitted statement

4-week period	Quantities of butter—Lbs.						Dollar value (omit cents)		Average per Lb.		
	On hand at beginning of period	Purchases during period	Transferred from creamery during period	Sub-total	Sales during period	On hand at end of period	Purchases and production during period	Sales during period	Cost of purchases and production	Selling price	Margin between purchase cost and selling price
							$	$	cts.	cts.	cts.
1939											
2 February	2,025,849	709,862	142,375	2,878,086	1,430,982	1,324,082	191,825	325,241	22·51	22·73	0·22
2 March	1,324,082	994,937	133,876	2,452,895	1,721,885	604,813	246,329	381,966	21·82	22·18	0·36
30 March	604,813	1,224,345	143,058	1,972,216	1,557,251	249,126	287,830	344,718	21·05	22·14	1·09
27 April	249,126	1,194,451	175,101	1,618,678	1,211,540	218,303	284,434	264,451	20·77	21·83	1·06
25 May	218,303	1,318,548	175,956	1,712,807	1,277,703	250,693	297,227	266,377	19·89	20·85	0·96
22 June	250,693	3,002,131	204,150	3,456,974	1,980,958	1,305,560	671,313	425,134	20·94	21·46	0·52
20 July	1,305,560	3,613,067	346,015	5,264,642	2,085,165	3,008,907	832,247	448,841	21·02	21·53	0·51
17 August	3,008,907	2,970,091	329,020	6,308,018	1,582,572	4,494,239	683,641	336,787	20·72	21·28	0·56
14 September	4,494,239	2,742,081	186,223	7,422,543	2,307,297	4,862,835	666,126	532,305	22·75	23·07	0·32
12 October	4,862,835	1,983,761	143,171	6,989,767	1,813,059	5,045,261	585,087	492,550	27·51	27·17	*0·34*
9 November	5,045,261	1,297,528	204,040	6,546,829	1,650,897	4,808,533	412,905	455,959	27·49	27·62	0·13
7 December	4,808,533	902,052	126,054	5,836,639	1,749,001	4,007,680	289,547	493,565	28·16	28·22	0·06
4 January (40)	4,007,680	407,641	114,054	4,529,375	1,433,051	3,072,001	145,632	392,279	27·91	27·37	*0·54*
	.....	22,360,495	2,423,093	.....	21,801,361	.....	5,594,143	5,160,173	22·57	23·67	1·10
1940											
1 February	3,072,001	538,604	125,459	3,736,064	1,307,300	2,326,512	176,326	361,100	26·55	27·62	1·07
29 February	2,326,512	707,509	130,381	3,164,402	1,866,402	1,262,131	223,216	493,072	26·64	26·42	*0·22*
28 March	1,262,131	810,699	175,385	2,248,215	1,755,226	465,460	273,179	480,615	27·70	27·38	*0·32*
25 April	465,460	1,186,701	178,936	1,831,097	1,491,083	287,423	357,781	402,714	26·20	27·01	0·81
23 May	287,423	1,274,929	179,463	1,741,815	1,238,700	432,209	333,030	296,631	22·90	23·95	1·05
20 June	432,209	1,999,055	205,021	2,636,285	1,372,262	1,240,409	487,777	315,988	22·13	23·03	0·90
18 July	1,240,409	3,260,920	523,645	5,024,974	1,978,743	2,711,324	802,457	425,543	21·20	21·51	0·31
15 August	2,711,324	2,465,274	472,711	5,649,309	1,630,511	3,957,970	646,655	367,669	22·01	22·55	0·54
12 September	3,957,970	3,124,330	267,067	7,349,367	1,864,620	5,330,497	717,600	405,763	21·16	21·76	0·60
10 October	5,330,497	2,216,901	234,511	7,781,909	2,208,431	5,545,073	578,318	524,350	23·59	23·74	0·15
7 November	5,545,073	2,439,205	289,142	8,273,420	2,642,622	5,502,303	749,558	725,740	27·47	27·46	*0·01*
5 December	5,502,303	1,458,344	212,252	7,172,899	2,455,445	4,535,875	493,340	731,453	29·53	29·79	0·26
2 January (41)	4,535,875	1,287,827	279,194	6,102,896	2,407,705	3,619,305	541,504	804,443	34·55	33·41	*1·14*
	.....	22,770,298	3,273,167	.....	24,219,050	.....	6,380,741	6,335,081	24·50	25·38	0·88

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1943											
28 January	*4,122,238*	*1,724,752*	*350,493*	*6,197,483*	*3,188,185*	*2,937,308*	*707,760*	*1,166,936*	*34·10*	*36·60*	*2·50*
25 February	*2,937,308*	*1,119,471*	*539,207*	*4,595,986*	*3,416,281*	*1,156,682*	*596,348*	*1,247,174*	*35·95*	*36·51*	*0·56*
25 March	*1,156,682*	*1,484,530*	*365,073*	*3,006,285*	*2,105,240*	*876,631*	*660,935*	*804,811*	*35·73*	*38·23*	*2·50*
22 April	*876,631*	*1,740,415*	*362,921*	*2,979,967*	*2,253,432*	*579,408*	*736,510*	*833,930*	*35·02*	*37·01*	*1·99*
20 May	*579,408*	*4,005,373*	*420,158*	*5,004,939*	*3,454,275*	*572,009*	*1,519,452*	*1,227,769*	*34·33*	*34·54*	*1·21*
17 June	*572,009*	*4,366,021*	*557,322*	*5,495,352*	*2,424,765*	*2,324,003*	*1,614,550*	*836,084*	*32·79*	*34·48*	*1·69*
15 July	*2,324,003*	*5,993,426*	*737,166*	*9,054,595*	*2,548,495*	*5,916,642*	*2,206,961*	*863,932*	*32·78*	*33·90*	*1·12*
12 August	5,916,642	4,382,255	593,921	10,892,818	2,963,189	7,632,790	1,634,709	1,007,796	32·85	33·77	0·92
9 September	7,632,790	3,447,558	552,534	11,632,882	2,253,706	9,242,353	1,324,795	777,270	33·12	34·44	1·32
7 October	9,242,353	3,191,864	446,581	12,880,798	2,263,211	10,552,954	1,235,470	807,680	33·96	35·69	1·73
4 November	10,552,954	2,190,988	428,015	13,171,957	2,310,012	10,777,034	890,276	816,174	33·99	35·33	1·34
2 December	10,777,034	1,663,514	404,886	12,845,434	3,547,952	9,283,679	726,944	1,264,456	35·15	35·64	0·49
30 December	9,283,679	893,849	383,085	10,565,613	3,367,813	7,175,094	459,202	1,207,488	*35·96*	35·85	*0·11*
	.....	36,204,016	6,141,362	.....	36,096,556	.....	14,313,912	12,861,500	33·80	36·29	2·49
1944											
27 January	7,175,094	1,116,504	390,032	8,681,630	3,761,818	4,906,549	541,402	1,358,748	35·94	36·12	0·18
24 February	4,906,549	1,542,953	495,293	6,944,795	4,137,401	2,792,624	740,482	1,503,046	36·33	36·33	.....
30 March	2,792,624	1,757,125	577,935	5,127,684	4,028,219	1,081,292	836,647	1,461,434	35·83	36·28	0·45
27 April	1,081,292	1,824,080	404,738	3,310,110	2,679,954	475,778	778,822	1,010,947	34·81	37·72	3·54
25 May	475,778	2,201,909	511,167	3,188,854	2,434,506	513,745	922,505	868,588	34·00	35·68	1·68
22 June	513,745	4,475,441	921,469	5,910,655	2,786,032	2,828,650	1,798,392	973,794	33·32	34·95	1·63
20 July	2,828,650	4,491,004	916,999	8,236,653	2,536,511	5,131,439	1,788,723	889,842	33·08	35·08	2·00
17 August	5,131,439	4,272,658	713,119	10,117,216	2,161,920	7,815,694	1,658,217	765,011	33·26	35·39	2·13
14 September	7,815,694	4,665,663	591,233	13,072,590	2,742,661	9,943,713	1,798,121	981,651	34·25	35·79	1·54
12 October	9,943,713	3,387,947	620,320	13,951,980	2,673,230	11,104,989	1,402,121	974,285	34·98	36·45	1·47
9 November	11,104,989	1,741,034	533,549	13,379,572	2,906,837	10,321,791	817,220	1,056,825	35·93	36·36	0·43
7 December	10,321,791	833,202	324,852	11,479,845	3,191,486	8,243,238	423,006	1,166,248	36·53	36·54	0·01
4 January (45)	8,243,238	696,502	153,831	9,093,571	2,364,490	6,699,632	325,268	865,323	38·25	36·60	*1·65*
	.....	33,006,022	7,154,537	.....	38,405,065	.....	13,830,929	13,875,742	34·41	36·13	1·46
1946											
31 January	3,647,788	582,065	276,332	4,506,185	2,334,031	2,153,040	313,273	862,812	36·50	36·96	0·46
28 February	2,153,040	486,989	259,681	2,899,710	2,095,626	802,047	276,782	780,952	37·07	37·27	0·20
28 March	802,047	508,945	217,462	1,528,454	1,282,109	246,412	254,308	472,696	35·00	36·87	1·87
25 April	246,412	498,640	221,324	966,376	862,847	102,934	282,678	342,803	39·26	39·73	0·47
23 May	102,934	1,780,981	381,751	2,265,666	1,365,043	749,415	836,403	548,390	38·67	40·17	1·50
20 June	749,415	3,356,852	673,184	4,779,451	1,236,415	2,788,817	1,521,911	487,904	37·76	39·46	1·70
18 July	2,788,817	3,585,888	701,970	7,076,675	1,880,321	4,871,376	1,645,547	739,379	38·38	39·32	0·94
15 August	4,871,376	3,271,078	581,855	8,724,309	1,532,282	6,912,191	1,535,827	638,321	39·86	41·66	1·80
12 September	6,912,191	2,500,036	610,656	10,022,883	2,352,012	7,599,092	1,226,945	959,494	39·44	40·79	1·35
10 October	7,599,092	1,951,191	406,774	9,957,057	1,975,951	7,785,641	934,073	799,233	39·61	40·45	0·84
7 November	7,785,641	1,457,933	367,782	9,611,356	2,061,099	7,395,403	736,822	853,502	40·36	41·41	1·05
5 December	7,395,403	559,414	350,091	8,304,908	2,153,749	6,121,543	378,762	906,199	41·64	42·07	0·43
2 January (47)	6,121,543	243,698	231,113	6,596,354	1,802,538	4,781,628	192,387	744,047	40·52	41·28	0·76
	52,175,699	20,783,710	5,279,975	77,239,384	22,934,023	52,309,539	10,135,718	9,135,732	38·89	39·83	0·94

CANADA PACKERS LIMITED

Quantities and Value of Butter—By Periods

All Plants

Page 15 of submitted statement

4-week period	Quantities of butter—Lbs.						Dollar value (omit cents)		Average per Lb.		
	On hand at beginning of period	Purchases during period	Transferred from creamery during period	Sub-total	Sales during period	On hand at end of period	Purchases and production during period	Sales during period	Cost of purchases and production	Selling price	Margin between purchase cost and selling price
							$	$	cts.	cts.	cts.
1947											
30 January	4,781,628	298,127	185,540	5,265,295	2,244,337	3,006,349	196,873	922,291	40·70	41·09	0·39
27 February	3,006,349	745,154	239,360	3,990,863	2,456,541	1,530,627	404,402	1,020,081	41·08	41·53	0·45
27 March	1,530,627	722,939	216,889	2,470,455	1,568,050	808,709	370,615	649,064	39·43	41·39	0·96
24 April	808,709	1,192,631	270,419	2,271,759	1,620,428	446,187	590,370	671,841	40·35	41·46	1·11
22 May	446,187	1,912,024	452,125	2,810,336	1,466,176	1,146,987	1,087,941	671,855	46·02	45·82	*0·20*
19 June	1,146,987	3,127,506	593,649	4,868,142	1,720,166	2,468,606	1,815,450	862,580	48·79	50·15	1·36
17 July	2,468,606	4,161,815	773,499	7,403,920	1,598,546	4,861,943	2,470,046	818,980	50·05	51·23	1·18
14 August	4,861,943	4,476,144	534,804	9,872,891	1,662,342	7,378,398	2,533,660	866,114	50·56	52·10	1·54
11 September	7,378,398	3,251,970	492,871	11,123,239	2,014,694	8,682,730	2,123,905	1,156,960	56·71	57·43	0·72
9 October	8,682,730	1,260,115	190,739	10,133,584	1,169,065	8,906,679	857,350	696,773	59·09	59·60	0·51
6 November	8,906,679	1,645,781	380,673	10,933,133	1,701,836	9,124,659	1,159,729	983,404	57·23	57·78	0·55
4 December	9,124,659	1,270,022	167,055	10,561,736	3,055,880	7,440,392	865,705	1,854,481	60·24	80·69	0·45
31 December	7,440,392	715,052	157,585	8,313,029	2,575,984	5,682,981	569,678	1,689,589	65·28	65·59	0·31
	60,583,894	24,779,280	4,655,209	90,018,382	24,854,045	61,485,247	15,045,724	12,864,003	51·12	51·75	0·63
1948											
28 January	5,682,981	360,008	151,232	6,194,221	2,028,961	4,125,740	355,525	1,367,629	69·54	67·48	*2·04*
25 February	4,125,740	545,674	110,750	4,782,164	2,622,306	2,135,644	459,900	1,753,744	70·06	66,88	*3·18*
	9,808,721	905,682	261,982	10,976,385	4,651,267	6,261,384	815,425	3,121,373	69·83	67·11	*2·72*

CANADA PACKERS LIMITED

Butter Account—Profit and Loss Statement

Distributing Branches

Fiscal Years 1939-1947

12 March, 1948

Page 16 of submitted statement

	1939	1940	1941	1942	1943	1944	1945	1946	1947	Total
Sales (lbs.)	7,016,881	7,751,529	9,824,896	10,500,056	11,638,133	11,709,559	10,595,361	9,591,098	9,929,770	88,357,283
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Sales—Value	1,865,881 20	2,121,825 71	3,140,667,16	3,956,656,83	4,608,954 71	4,474,401 07	4,003,004 40	3,727,193 21	4,506,792 23	32,405,376 62
Cost of sales	1,815,569 53	2,055,171 50	3,035,771 53	3,875,453 01	4,498,259 83	4,370,600 27	3,913,430 34	3,647,812 72	4,425,674 64	31,637,742 87
	50,311 67	66,654,21	104,895 63	81,203,82	110,695 38	103,800 80	89,574 16	79,380 49	81,117 59	767,633 75
Expenses	52,598 34	55,689 21	70,247 66	77,635 18	90,134 66	84,129 21	78,012 66	79,785 94	82,169 79	670,402 65
Net profit or *Loss*	*2,286 67*	10,965 00	34,647 97	3,568 64	20,560 72	19,671 59	11,561 50	*405 45*	*1,052 20*	97,231 10

12 March, 1948.

CANADA PACKERS LIMITED

BUTTER ACCOUNT—PROFIT AND LOSS STATEMENT

Distributing Branches

Calendar Year 1946 (by 4-week periods)

Page 17 of submitted statement

——	31 January	28 February	28 March	25 April	23 May	20 June	18 July
Sales (lbs.)	758,972	731,697	481,809	561,821	628,447	721,787	1,071,887
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Sales—Value	299,201 28	300,040 70	187,680 11	202,939 75	274,546 03	316,520 61	482,808 36
Cost of sales	293,854 73	293,594 86	187,477 86	192,598 59	268,945 56	311,899 07	476,575 16
	5,346 55	6,445 84	202 25	10,341 16	5,600 47	4,621 54	6,233 20
Expenses	5,871 66	6,164 96	4,602 00	4,064 76	5,930 00	6,321 48	7,989 07
Net profit or *loss*	*525 11*	280 88	*4,399 75*	6,276 40	*329 53*	*1,699 94*	*1,755 87*

	15 August	12 September	10 October	7 November	5 December	2 January—1947	Total
Sales (lbs.)	881,832	1,059,174	802,660	703,664	641,670	578,243	9,523,663
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Sales—Value	405,367 03	462,779 13	347,588 21	310,341 26	282,788 45	251,071 12	4,123,672 04
Cost of sales	399,490 05	455,621 62	343,087 28	305,030 36	278,566 97	247,545 12	4,054,287 23
	5,876 98	7,157 51	4,500 93	5,310 90	4,221 48	3,526 00	69,384,81
Expenses	6,622 31	7,490 47	6,417 18	5,696 38	5,352 01	5,373 90	77,896 78
Net profit or loss	*745 33*	*332 96*	*1,916 85*	*385 48*	*1,130 53*	*1,847 90*	*8,511 97*

CANADA PACKERS LIMITED

BUTTER ACCOUNT—PROFIT AND LOSS STATEMENT

Branches

12 March, 1948

Calendar Year 1947 (by 4-week periods)

Page 18 of submitted statement

——	30 January	27 February	27 March	24 April	22 May	19 June	17 July
Sales (lbs.)	642,097	651,641	619,524	631,448	660,117	995,008	1,005,725
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Sales—Value	283,863 62	300,644 11	268,875 55	270,360 77	327,702 54	524,461 54	549,738 82
Cost of sales	279,640 79	296,094 13	268,510 42	264,841 05	321,372 79	516,251 88	542,335 48
	4,222 83	4,549 98	365 13	5,519 72	6,329 75	8,209 66	7,403 34
Expenses	5,972 15	6,768 24	7,277 16	6,186 95	6,701 82	8,773 15	8,578 76
Net profit or *loss*	*1,749 32*	*2,218 26*	*6,912 03*	*667 23*	*372 07*	*563 49*	*1,175 42*

	14 August	11 September	9 October	6 November	4 December	31 December	Total
Sales (lbs.)	962,036	1,084,995	846,857	790,321	902,351	690,995	10,483,115
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
Sales—Value	550,379 57	685,758 25	561,095 11	540,867 41	592,184 43	489,912 11	5,945,843 83
Cost of sales	542,325 03	664,866 68	548,217 30	529,775 70	577,571 93	475,274 43	5,827,077 61
	8,054 54	20,891 57	12,877 81	11,091 71	14,612 50	14,637 68	118,766 22
Expenses	8,510 10	9,235 13	9,239 58	8,768 73	8,481 09	8,153 95	102,646 81
Net profit or *loss*	*455 56*	11,656 44	3,638 23	2,322 98	6,131 41	6,483 73	16,119 41

CANADA PACKERS LIMITED

BUTTER ACCOUNT—PROFIT AND LOSS STATEMENT

Branches

12 March, 1948

Calendar Year 1948 (by 4-week periods)

Page 19 of submitted statement

	28 January	25 February
Sales (lbs.)	667,670	838,538
	$ cts.	$ cts.
Sales—Value	515,646 68	602,148 60
Cost of sales	506,352 53	595,190 82
	9,294 15	6,957 78
Expenses	8,102 30	9,441 27
Net profit or *loss*	1,191 85	*2,483 49*

CANADA PACKERS LIMITED

QUANTITIES AND VALUE OF BUTTER—BY PERIODS

Distributing Branches

Page 20 of submitted statement

4-week period	Quantities of butter—Lbs.						Dollar value (omit cents)		Average per Lb.		
	On hand at beginning of period	Purchases during period	Transferred from creamery during period	Sub-total	Sales during period	On hand at end of period	Purchases and production during period	Sales during period	Cost of purchases and production	Selling price	Margin between purchase cost and selling price
									cts.	cts.	cts.
1939											
2 February	145,118	576,234	.....	721,352	538,878	182,473	134,772	129,596	23·39	24·05	0·66
2 March	182,473	490,533	.....	673,006	564,694	108,312	105,496	125,904	21·50	22·30	0·80
30 March	108,312	465,067	.....	573,379	483,045	90,334	107,430	113,766	23·10	23·55	0·45
27 April	90,334	575,901	.....	666,235	611,549	54,671	126,463	138,648	24·07	22·67	*1·40*
25 May	54,671	665,438	.....	720,109	656,925	63,176	145,283	148,396	21·83	22·59	0·76
22 June	63,176	870,509	.....	933,685	769,296	164,400	186,018	167,406	21·37	21·76	0·39
20 July	164,400	655,864	.....	820,264	668,060	152,457	142,536	148,920	21·73	22·29	0·56
17 August	152,457	682,660	.....	835,117	652,943	182,134	149,525	146,536	21·90	22·44	0·54
14 September	182,134	706,877	.....	889,011	685,010	204,949	161,022	162,380	22·78	23·70	0·92
12 October	204,949	692,519	.....	897,468	612,239	285,101	187,911	170,997	27·13	27·93	0·80
9 November	285,101	646,609	.....	931,710	562,327	369,536	190,600	168,885	29·47	30·03	0·56
7 December	369,536	579,296	.....	948,832	586,081	362,794	168,187	170,323	29·40	29·06	*0·34*
4 January (40)	362,794	412,592	.....	775,386	511,781	263,206	120,517	150,877	29·21	29·48	0·27
	.....	8,020,099	.....	.....	7,902,828	.....	1,925,760	1,942,634	24·37	24·75	0·38
1940											
1 February	263,206	504,691	.....	767,897	517,865	249,885	145,399	151,080	28·81	29·17	0·36
29 February	249,885	488,517	.....	738,402	543,611	194,721	135,878	154,112	27·83	28·35	0·52
28 March	194,721	625,141	.....	819,862	639,224	180,352	170,022	179,272	27·20	28·04	0·84
25 April	181,607	635,950	.....	817,557	685,806	132,788	175,947	191,557	27·67	27·93	0·26
23 May	132,788	682,397	.....	815,185	648,004	167,105	167,521	163,974	24·55	25·30	0·75
20 June	167,105	848,464	.....	1,015,569	802,459	212,950	194,354	189,560	22·91	23·62	0·71
18 July	212,948	991,728	.....	1,204,676	823,159	381,328	219,982	187,904	22·18	22·83	0·65
15 August	381,328	887,094	.....	1,268,422	790,532	387,682	201,236	186,315	22·68	23·57	0·89
12 September	387,682	972,717	.....	1,360,399	889,343	471,074	216,147	206,501	22·22	23·22	1·00
10 October	471,074	960,916	.....	1,431,990	954,936	477,096	234,817	240,304	24·44	25·16	0·72
7 November	477,096	945,364	.....	1,422,460	833,772	588,714	258,073	232,062	27·30	27·83	0·53
5 December	588,714	993,415	.....	1,582,129	1,057,132	524,973	293,420	320,287	29·54	30·27	0·73
2 January (41)	524,973	825,978	.....	1,350,951	876,736	474,181	277,834	299,609	33·64	34·17	0·53
	.....	10,362,372	.....	.....	10,062,579	.....	2,690,630	2,702,537	26·22	26·88	0·66

CANADA PACKERS LIMITED

QUANTITIES AND VALUE OF BUTTER—BY PERIODS
Distributing Branches

Page 21 of submitted statement

4-week period	Quantities of butter—Lbs.					Dollar value (omit cents)			Average per Lb.		
	On hand at beginning of period	Purchases during period	Transferred from creamery during period	Sub-total	Sales during period	On hand at end of period	Purchases and production during period	Sales during period	Cost of purchases and production	Selling price	Margin between purchase cost and selling price
									cts.	cts.	cts.
1943											
28 January	380,267	1,191,753	.....	1,572,020	872,527	698,616	436,186	328,574	36·60	37·66	1·06
25 February	698,616	716,109	.....	1,414,725	826,433	588,225	263,527	311,901	36·80	37·74	0·94
25 March	588,225	443,388	.....	1,031,613	683,856	347,311	168,390	255,005	37,98	37·32	*0·66*
22 April	347,311	493,575	.....	840,886	677,615	162,991	186,224	253,058	37·73	37·34	*0·39*
20 May	162,991	693,210	.....	856,201	662,105	193,883	241,713	239,563	34·87	36·18	1·31
17 June	193,883	1,080,277	.....	1,274,160	937,726	336,246	366,113	326,924	33·81	34·86	1·05
15 July	336,246	1,199,660	.....	1,535,906	1,082,500	454,944	401,483	369,592	33·47	34·14	0·67
12 August	454,944	1,051,698	.....	1,506,642	1,065,123	441,475	356,878	365,950	33·93	34·36	0·43
9 September	441,475	1,231,202	.....	1,672,677	1,283,521	389,054	411,419	441,856	33·42	34·43	1·01
7 October	389,054	1,278,188	.....	1,667,242	1,166,924	499,522	438,942	407,726	34·34	34·94	0·60
4 November	499,522	977,314	.....	1,476,836	976,126	500,177	341,976	347,484	34·99	35·60	0·61
2 December	500,177	727,990	.....	1,228,167	919,935	308,244	277,084	351,199	38·06	38·18	0·12
30 December	308,244	991,220	.....	1,299,464	984,226	314,499	360,646	361,651	36·38	36·74	0·36
	.....	12,075,584	.....	.....	12,138,717	.....	4,250,581	4,360,483	35·57	36·11	0·54
1944											
27 January	314,499	1,098,260	.....	1,412,759	1,000,378	412,381	399,331	369,296	36·36	35·92	0·56
24 February	412,381	1,087,823	.....	1,500,204	1,096,116	406,088	393,494	405,293	36·17	36·98	0·81
30 March	406,088	1,011,251	.....	1,417,339	1,047,048	370,291	364,815	390,803	36·08	37·32	1·24
27 April	370,291	671,786	.....	1,042,077	861,570	180,507	252,774	522,827	37·63	37·47	*0·16*
25 May	180,507	732,514	.....	913,021	798,838	114,183	253,378	290,108	34·59	36·32	1·73
22 June	114,183	1,305,111	.....	1,419,294	1,017,893	401,401	447,862	352,687	34·32	34·65	0·33
20 July	401,401	1,137,750	.....	1,539,151	1,107,618	431,533	391,984	386,749	34·45	34·92	0·47
17 August	431,533	1,019 064	.....	1,450,597	991,286	459,311	355,037	349,403	34·84	35·25	0·41
14 September	459,311	1,275,803	.....	1,735,114	1,118,446	616,668	443,571	399,593	34·77	35·73	0·96
12 October	616,668	1,002,248	.....	1,618,916	923,826	693,090	364,759	339,337	36·34	36·73	0·39
9 November	693,090	702,901	.....	1,395,991	751,589	644,402	256,480	276,387	36·49	36·77	0·28
7 December	644,402	788,380	.....	1,432,782	888,537	544,245	285,981	328,118	36·27	36·93	0·66
4 January (45)	544,245	763,342	.....	1,307,587	862,280	445,307	277,151	321,843	36·31	37·32	1·01
	.....	12,566,233	.....	.....	12,465,425	.....	4,486,617	4,532,444	35·74	36·41	0·67

1946											
31 January	*379,928*	*793,092*	.....	*1,173,020*	*831,386*	*341,501*	287,214	314,793	36·21	37·84	1·63
28 February	*341,501*	*528,182*	.....	869,683	711,787	157,189	200,167	270,389	37·90	38·05	0·15
28 March	*157,189*	486,219	.....	643,408	488,221	155,285	184,430	187,204	37·93	38·34	0·41
25 April	155,285	473,591	.....	628,876	516,423	112,447	190,199	212,036	40·16	41·06	0·90
23 May	112,447	793,075	.....	905,522	706,078	199,420	319,012	290,111	40·23	41·09	0·86
20 June	199,420	1,007,185	.....	1,206,605	967,334	238,294	393,579	383,134	39·08	39·61	0·53
18 July	238,294	1,203,164	.....	1,441,458	1,096,561	344,901	476,749	437,063	39·63	39·86	0·23
15 August	344,901	1,001,722	.....	1,346,623	941,016	405,497	407,966	386,366	40·72	41·06	0·34
12 September	405,497	995,760	.....	1,401,257	1,103,189	298,004	406,984	454,660	40·87	41·21	0·34
10 October	298,004	875,279	.....	1,173,283	868,222	304,981	361,262	358,122	41·27	41·25	*0·02*
7 November	304,981	734,643	.....	1,039,624	778,165	267,733	302,291	325,011	41·15	41·77	0·62
5 December	267,733	692,223	.....	959,956	654,489	298,781	285,093	273,550	41·18	41·80	0·62
2 January (47)	298,781	616,915	.....	915,696	603,797	312,579	257,082	252,572	41·67	41·83	0·16
	.....	10,210,050	.....	.....	10,266,668	.....	4,072,028	4,145,461	39·84	40·37	0·52
1947											
30 January	312,579	757,849	.....	1,070,428	668,614	401,629	305,315	271,881	40·29	40·66	0·37
27 February	401,629	571,509	.....	973,138	719,264	253,821	239,147	302,329	41·85	42·04	0·19
27 March	253,821	550,344	.....	804,165	721,073	182,977	228,947	261,229	41·60	42·06	0·46
24 April	182,977	633,776	.....	816,753	689,539	127,375	268,814	293,767	42·42	42·61	0·19
22 May	127,375	845,379	.....	972,754	751,066	211,851	413,788	366,531	48·94	48·16	*0·78*
19 June	211,851	1,092,514	.....	1,304,365	1,058,484	245,860	549,687	538,288	50·31	50·85	0·54
17 July	245,860	1,236,144	.....	1,482,004	1,116,704	365,289	630,730	576,076	51·03	51·59	0·56
14 August	365,289	954,718	.....	1,320,007	1,045,173	275,143	509,345	556,771	53·35	53·27	0·08
11 September	275,143	1,113,836	.....	1,388,979	1,069,849	319,074	637,656	616,340	57·25	57·61	0·36
9 October	319,074	843,865	.....	1,162,939	894,554	268,375	515,903	551,922	61·14	61·70	0·56
6 November	268,375	837,293	.....	1,105,668	852,840	252,320	515,457	528,814	61·56	62·01	0·45
4 December	252,320	977,573	.....	1,229,893	946,575	283,001	606,191	591,130	62·01	62·45	0·44
31 December	283,001	721,887	.....	1,004,888	724,992	279,632	481,598	483,695	67·14	66·72	*0·42*
	.....	11,136,687	.....	.....	11,168,772	.....	5,902,568	5,938,773	52·22	52·44	0·23
1948											
28 January	279,632	653,921	.....	933,553	723,825	209,673	469,475	516,975	71·79	71·49	*0·37*
25 February	209,673	805,408	.....	1,015,091	806,352	208,655	551,642	553,391	68·49	68·63	0·14
	.....	1,459,329	.....	.....	1,530,177	.....	1,021,117	1,070,366	70·14	70·03	*0·23*

12 March, 1948

CANADA PACKERS LIMITED

Butter Operations at All Plants

Page 23 of submitted statement

Fiscal year ending March	Seals 000's lbs.	Profit or *loss*	Profit or *loss* per lb.
		$	cts.
1929	21,000 (Est.)	55,493	0·26
1930	21,000 (Est.)	*39,802*	*0·19*
1931	21,722	*43,182*	*0·20*
1932	23,909	*115,252*	*0·48*
1933	18,838	10,132	0·05
1934	21,462	59,233	0·28
1935	23,314	*58,485*	*0·25*
1936	23,749	55,373	0·23
1937	24,941	*17,858*	*0·07*
1938	25,299	129,379	0·51
1939	24,345	*180,653*	*0·74*
1940	26,178	144,817	0·55
1941	25,571	385,758	1·51
1942	29,145	*76,025*	*0·26*
1943	34,131	201,794	0·59
1944	36,323	98,868	0·27
1945	36,211	56,705	0·16
1946	28,858	49,044	0·17
1947	22,163	*42,445*	*0·19*
Sub-total	488,159	672,894	0·14
1948 (to March)	22,901	524,818	2·29
Total	511,060	1,197,712	0·23

CANADA PACKERS LIMITED
All Plants
Storage Butter Account 1947–48

12 March, 1948.

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Week ending	In				Week ending	Out			
	Number boxes		Purchase price			Number boxes		Transfer at market price	
	Week	To-date	Week	Average to-date		Week	To-date	Week	Average to-date
June 5	6,954	6,954	48·60	48·60	Nov. 12	5,079	5,079	58·22	58·22
12	12,998	19,952	49·00	48·89	19	5,045	10,124	60·55	59·36
19	8,685	28,637	50·06	49·25	26	6,106	16,230	62·13	60·41
26	8,096	36,733	51·20	49·66	Dec. 3	5,218	21,448	63·23	61·08
July 2	7,520	44,253	50·18	49·81	10	6,057	27,505	64·82	61·95
9	9,222	53,475	49·40	49·75	17	4,801	32,306	65·58	62·49
16	10,696	64,171	51·00	49·97	24	5,166	37,472	67·76	63·20
23	9,391	73,562	50·92	50·09	31	3,746	41,218	68·24	63·69
30	4,890	78,452	51·80	50·20	Jan. 7	4,537	45,755	67·51	64·03
Aug. 6	8,450	86,902	52·05	50·38	14	4,869	50,624	67·99	64·43
13	5,176	92,078	53·97	50·57	21	4,959	55,583	66·45	64·62
20	5,059	97,139	54·31	50·74	28	5,818	61,401	66·48	64·79
27	4,274	101,411	55·80	50·94	Feb. 4	5,611	67,012	66·42	64·94
Oct. 15	2,941	104,352	56·00	51·00	11	5,068	73,080	66·50	65·03
					18	5,045	77,125	66·36	65·07
					25	4,004	81,129	66·42	65·12

Average carrying charges (to 1 March) ..... 2·91

Average cost to-date ..... 53·91

ALL CANADA BUTTER POSITION

DOMINION STOCKS AS AT FIRST OF EACH MONTH

(000's Omitted)

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Month	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948
January	43,770	41,631	33,394	44,096	22,806	46,878	40,821	36,246	43,919	43,576
February	34,269	33,213	27,566	33,029	15,182	33,533	30,618	22,988	31,343	31,568
March	22,888	23,353	18,415	21,602	12,200	19,877	20,641	9,870	23,890	18,813
April	12,541	14,263	11,337	11,200	9,877	11,380	12,754	5,320	15,177	
May	9,650	10,488	9,983	6,510	11,337	9,283	12,540	6,847	11,207	
June	14,274	15,550	20,000	11,332	19,543	17,424	19,561	18,129	23,533	
July	31,796	33,660	37,361	28,000	41,843	37,512	39,551	39,553	42,349	
August	45,826	50,676	52,209	42,858	62,500	53,888	56,044	58,555	58,560	
September	54,936	58,489	62,708	50,500	75,457	63,846	67,674	68,626	66,938	
October	57,013	59,300	69,000	52,893	78,901	67,794	71,588	70,655	73,497	
November	56,392	52,253	65,145	44,464	72,615	63,809	65,149	67,105	70,969	
December	49,429	42,289	54,156	32,305	59,687	52,298	51,799	55,982	59,302	

ALL CANADA BUTTER POSITION

PRODUCTION
(000's Omitted)

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Month	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948
January	9,798	10,727	11,672	10,701	13,101	11,037	11,424	9,639	9,807	8,948
February	8,474	9,959	9,905	9,410	11,903	10,892	10,601	8,631	8,674	8,078
March	10,898	12,351	12,346	11,662	15,594	14,022	14,525	11,813	12,076	
April	15,873	16,663	19,033	17,029	22,870	19,882	20,833	19,589	20,737	
May	27,674	27,249	32,848	29,168	32,005	33,919	32,024	31,498	31,269	
June	41,186	40,904	40,498	41,412	46,623	45,531	43,910	42,378	43,128	
July	38,189	39,608	39,336	40,230	44,547	41,464	42,445	40,836	42,240	
August	33,928	33,811	35,400	36,165	38,969	37,061	38,166	34,015	36,527	
September	29,878	26,424	32,415	31,595	32,830	30,977	30,379	25,782	33,142	
October	23,736	22,604	24,896	25,098	25,120	24,575	24,025	21,807	27,169	
November	15,459	15,000	14,985	16,899	15,793	16,333	14,354	13,863	15,051	
December	11,779	12,308	11,849	14,535	12,370	12,400	10,566	10,292	10,332	
Total	267,612	264,152	285,356	284,304	312,310	298,252	293,541	270,043	290,152	

IMPORTED—February—April 1947, Additional 5,000,000.

CONSUMPTION

Month	1939	1940	1941	1942	1943	1944	1945	1946	1947	1948
January	19,298	18,590	17,434	21,623	20,725	24,382	21,627	22,897	22,383	20,956
February	19,855	19,124	18,981	20,800	14,838	24,548	20,579	21,747	16,127	20,833
March	21,245	19,734	19,331	21,953	17,917	22,500	22,142	16,363	20,789	
April	18,764	20,130	20,137	21,576	21,410	21,979	21,047	18,062	24,707	
May	23,050	22,125	23,020	24,346	23,800	24,778	25,048	20,216	18,943	
June	23,664	22,920	23,137	24,744	24,323	25,443	23,920	20,954	24,312	
July	24,159	22,007	24,489	28,000	23,800	25,008	25,952	21,836	26,029	
August	24,818	25,992	24,900	26,900	26,012	27,103	26,536	23,944	28,149	
September	27,801	25,379	25,300	29,202	29,386	27,029	26,465	23,753	26,583	
October	24,357	29,671	28,284	33,527	31,406	28,560	30,464	26,230	29,697	
November	22,482	24,824	26,000	29,060	28,708	27,844	27,724	24,113	26,718	
December	19,579	20,971	22,000	24,034	25,200	23,877	26,099	22,257	26,058	
Total	269,000	271,000	274,000	295,765	288,238	304,300	297,873	262,372	290,495	

IMPORTED—February—April 1947, Additional 5,000,000.

12 March, 1948.

Page 27 of submitted statement

CANADA PACKERS LIMITED

BUTTER SALES TO THE CANADIAN RED CROSS SOCIETY

This company was the major supplier to the Canadian Red Cross Society during the war years.

Contracts were given to us by the Purchasing Department of the Red Cross to cover their requirements over approximately six-month periods.

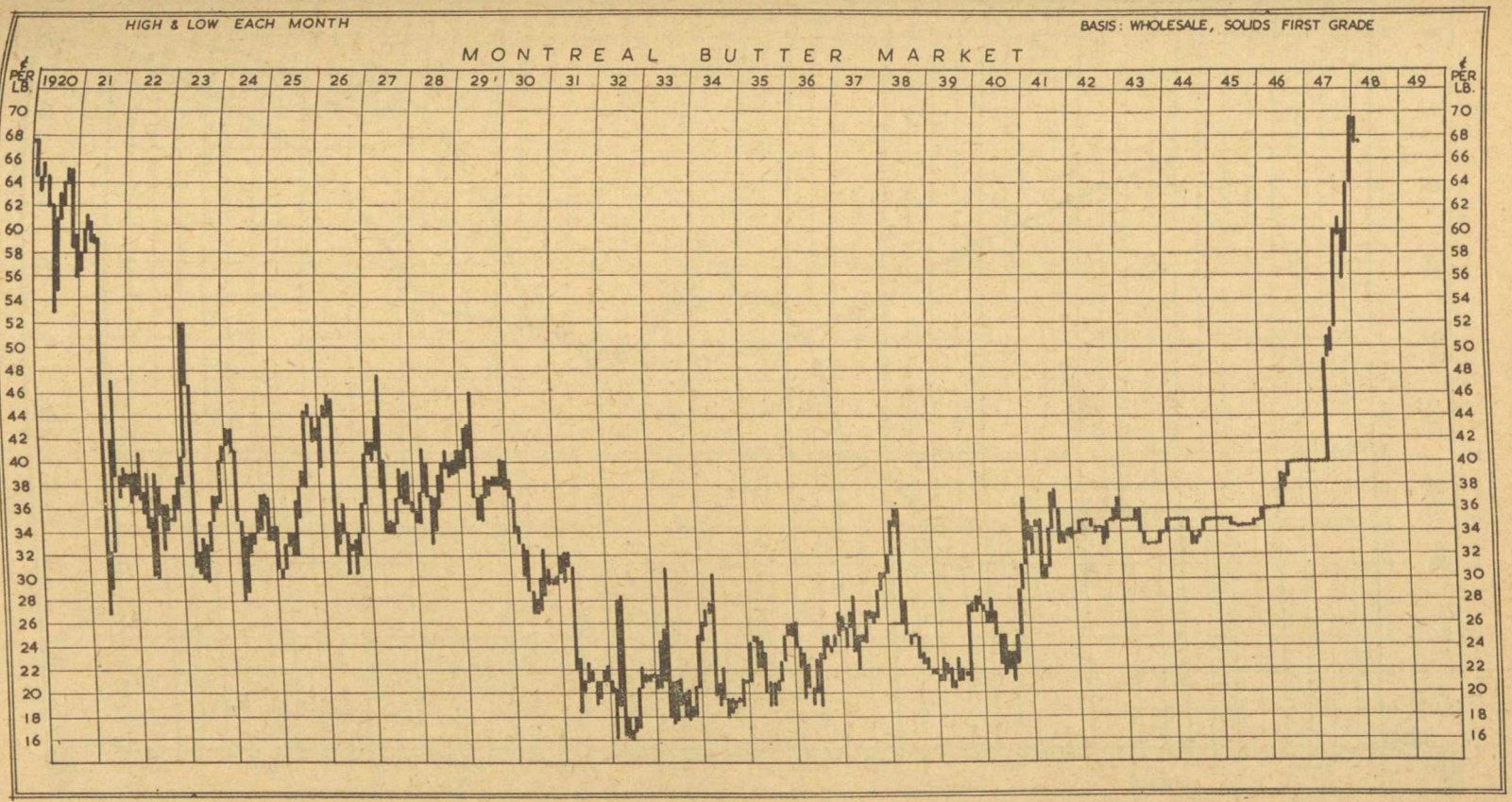
Selling price during the production season was wholesale market and, during the withdrawal from storage season, was cost.

To these prices were added labour, cost of tins and other expenses, plus a profit of one cent per pound.

In the early war years this amounted to 8½ cents per pound which through improved efficiency and increased volume was gradually reduced to 6¼ cents.

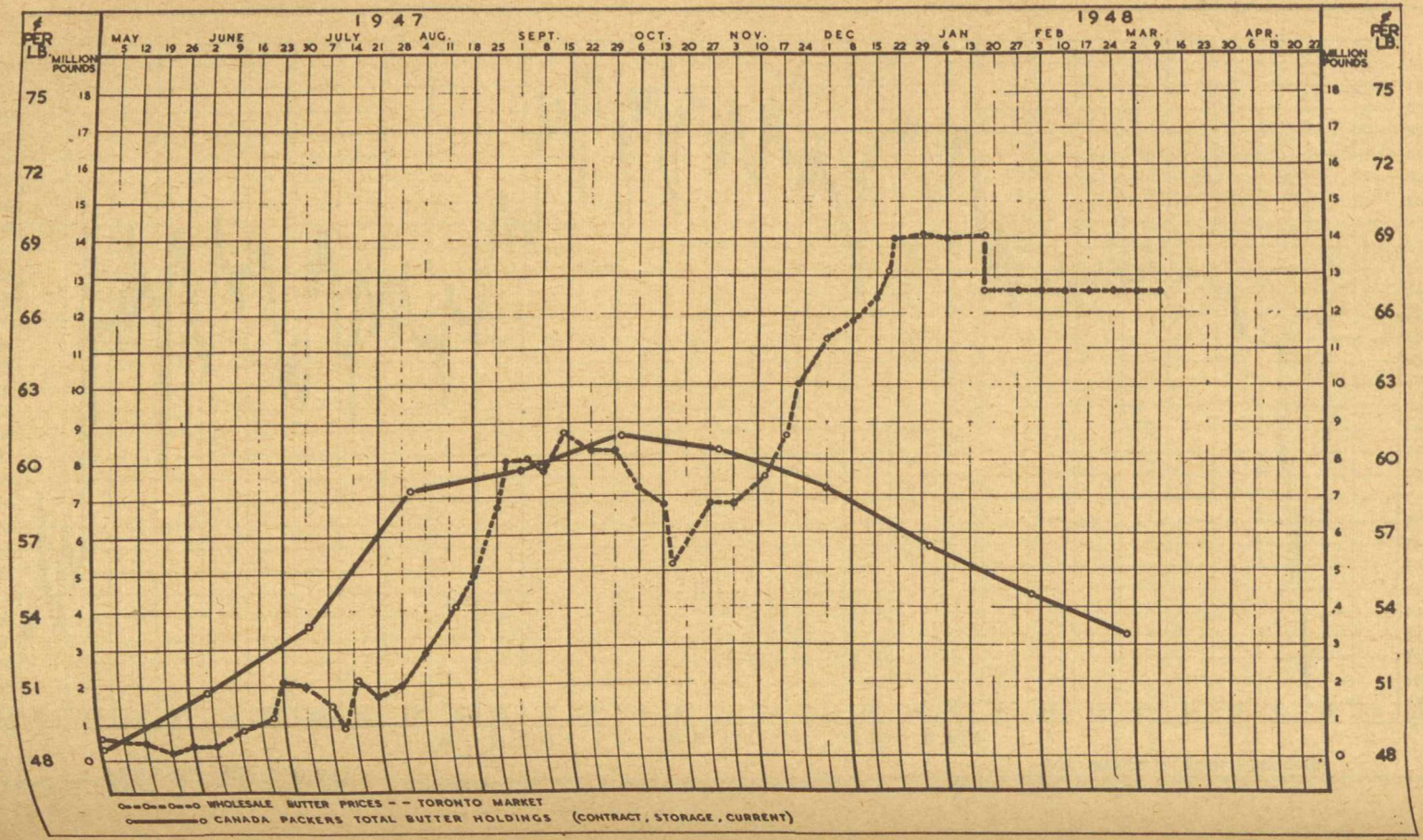
Shipments to the Canadian Red Cross Society were:

1941	700,000	pounds
1942	2,500,000	"
1943	4,200,000	"
1944	5,100,000	"
1945	2,000,000	"
Total	14,500,000	"


HIGH & LOW EACH MONTH
BASIS: WHOLESALE, SOLIDS FIRST GRADE
MONTREAL BUTTER MARKET
¢ PER LB.
1920 21 22 23 24 25 26 27 28 29 30 31 32 33 34 35 36 37 38 39 40 41 42 43 44 45 46 47 48 49
70 68 66 64 62 60 58 56 54 52 50 48 46 44 42 40 38 36 34 32 30 28 26 24 22 20 18 16

BUTTER

CANADA PACKERS LIMITED



By Mr. Monet:

Q. Mr. McLean, during the course of my examination we will eventually have to come back to your memorandum. The line of questioning I have here was prepared in connection with exhibit 59 which was submitted to me yesterday, so I should like to proceed in the order of the information given in that exhibit 59. Beginning on page 1 I see that you have mentioned there that the company owns and operates a certain number of creameries?—A. Yes.

Q. That is on page 1. I understand the company operates 15 creameries altogether?—A. That is correct.

Q. And you have listed there the different places where those creameries are being operated?—A. Yes.

Q. You also have listed 6 cold storages, 8 distributing plants, and 18 distributing branches?—A. The plants are our main packing house plants.

Q. Well, I was just going to ask you to please describe for the benefit of the committee the basis of operation as between the creameries, plants and the branches so as to have the whole structure of your organization.—A. All the butter operations of the company are conducted by a manager at head office, Toronto. There are 8 main plants at Charlottetown, Montreal, Hull, Peterborough, Toronto, Winnipeg, Edmonton and Vancouver. Those are the major packing plants, and at each one of those plants there is a produce department which handles the butter. At the head office there is a produce department which generally directs the produce operations. Beginning at the source all butter manufactured in the creameries is turned over to one or other of the main plants except that some creameries have local customers. For instance, at Wiarton there is one. I do not know who the customers are. I have no doubt that Wiarton has other customers in Wiarton and perhaps in Owen Sound to whom they sell butter all the year round, but in the main all the butter made in all the creameries is turned over to the nearest of the main plants.

During the storage operations it is stored wherever we can find storage, but you have mentioned we have 6 storage plants of our own. Frequently, however, we take public storage; we have to go to other storage plants to find storage for our own butter. These storage plants are operated as an independent business—each one of them. In regard to the distributing branches those are entirely sales branches. They do not produce and they do not store. Butter is shipped to them from week to week. You will note they are mostly at key points, Sydney, Halifax, Quebec, and so on. Their business is just to order from week to week from their plant, their source of supply, the quantity of butter that they think they can sell, and it is sold. I think that covers the picture pretty well. We buy butter. All the butter made in our own creameries is only about 20 per cent of the total quantity of butter we handle. We produce about 6,000,000 pounds a year in the creameries and sell about 25,000,000 pounds so that the balance is bought from other creameries.

Mr. WINTERS: Mr. Monet, are you going to ask the witness a question as to how the distributing plants operate, such as the one at Charlottetown where there are no associated creameries?

Mr. MONET: Yes, I would like the witness to give us all the operations of the creameries in regard to distributing plants and branches.

The WITNESS: I think I have covered that.

Mr. MONET: You have no more information to give us as far as that is concerned?

The WITNESS: Not that I can think of.

Mr. WINTERS: It would appear the distributing plants draw on creameries for butter but in connection with Charlottetown, located in Prince Edward Island, there would seem to be no creameries associated with your company there. How do you get butter?

The WITNESS: We buy butter entirely, or chiefly, from the local creameries in Prince Edward Island and Nova Scotia, and to the extent that we cannot buy from the local creameries we ship from the west, from one of our main plants.

By Mr. Monet:

Q. The creameries sell only to the plants, in your organization?—A. In the main, yes. Each creamery has a few local customers whom they have always supplied. Each one of those creameries was bought at one time from a previous owner. The creameries had local customers and we continued to supply the local customers from each creamery.

Q. At what price do your creameries sell butter to the plants?—A. At the market price, whatever it is.

Q. At the market price?—A. Yes.

Q. And they are absolutely independent?—A. They operate entirely on their own.

Q. On their own?—A. Yes, and the market price is determined by the average price we pay for all the butter we buy week by week.

Q. Do the branches buy butter only from the plants?—A. They do not buy butter. It is sent to them on consignment. They tell us how much to ship and they get a commission for selling it.

Q. So the creameries sell to the branches but the branches consign the butter to the distributing plants?—A. Well I think in Saint John and Halifax, for instance, where we have branches and where there are local creameries, they buy butter from the local creameries.

By Mr. Winters:

Q. What would be the differentiation between the plant at Charlottetown and the one at Halifax?—A. None at all, I would think.

Q. You list one as a distributing plant and the other as a distributing branch?—A. One is a packing plant where we slaughter but the other is purely selling.

Q. As far as the butter operations are concerned there is no difference?—A. They are just the same.

By Mr. Monet:

Q. Mr. McLean, on pages 2 to 22 of exhibit 59 you have given to the committee separately, information that was requested and which is broken down as follows: from pages 2 to 8 you deal with creameries; from pages 9 to 15 you deal with plants; from pages 16 to 22 you deal with branches?—A. Yes.

Q. Now, Mr. Chairman, I suggest that those details contained in pages 2 to 22 inclusive be passed over for the time being in view of certain summaries that have been prepared for the committee and which appear at page 23 and the following pages. After questions on pages 23 and subsequent pages are completed, we will come back to the creameries, plants, and branches. Now, Mr. McLean, turning to page 23 of exhibit 59 would you first describe what you mean by butter operations at all plants? What do you mean by "all plants"?—A. Well it would be more accurate to say through the whole system.

Q. I see at the top of the page you have used the words "butter operations at all plants"?—A. Yes.

Q. I would like the committee to know what you mean by that expression?—A. Those statements have all been prepared by our head auditor, Mr. Child, who is sitting alongside me. Would it be satisfactory for him to answer?

Q. He has the privilege of being sworn and can answer if you would like him to do so. He may answer instead of you, Mr. McLean. (In the succeeding pages, Mr. McLean will not be called "The Witness".)

Arthur James Edward Child, Assistant Treasurer and Chief Auditor, Canada Packers Limited, sworn.

Mr. MONET: What is your name please?

Mr. CHILD: Arthur James Edward Child.

Mr. MONET: And your address, Mr. Child?

Mr. CHILD: 12 Oriole Crescent, Toronto.

Mr. MONET: What is your occupation with Canada Packers Limited?

Mr. CHILD: Assistant treasurer.

Mr. MCLEAN: And chief auditor.

Mr. MONET: Now when I ask questions, whether they be directed to Mr. McLean or to Mr. Child, either of you gentlemen may answer. What do you mean on page 23 by the words "butter operations at all plants"?

Mr. CHILD: That covers operations of our eight main plants as shown on page 1.

Mr. MONET: The eight distributing plants?

Mr. CHILD: That is right.

Mr. MONET: And does it cover anything else?

Mr. CHILD: No.

Mr. MONET: It just covers the eight plants?

Mr. CHILD: Yes.

Mr. MONET: In column 1 you indicate the fiscal year which ends with the end of March?

Mr. CHILD: The last Thursday in March, yes.

Mr. MAYBANK: Does it run by weeks?

Mr. CHILD: We operate on a 13-period year and the 13 periods each have 4 weeks.

Mr. MONET: Now I see in the second column on page 23 under the heading "sales", that for the period from 1929 to 1947, both years inclusive, your highest sales volume was in 1944, is that correct?

Mr. CHILD: Yes.

Mr. MONET: The sales at that year were 36,323,000 pounds?

Mr. CHILD: Right.

Mr. MONET: And in the same column, for the eleven months of the fiscal year 1948, that would be to March 1st, from April 1, 1947 to March 1, 1948, would it?

Mr. CHILD: That is correct.

Mr. MONET: Your sales volume was 22,901,000 pounds?

Mr. CHILD: Yes.

Mr. MONET: The next column is headed "profit or loss". Is it right to state your highest profit in any of those years between 1929 to 1947 both inclusive was made in 1941?

Mr. CHILD: That is right.

Mr. MONET: Where a profit of $385,758 is listed as the profit. That would be an equivalent of 1·51 cents per pound of butter as it appears in the third column headed "profit or loss per pound"?

Mr. CHILD: That is right.

Mr. MONET: So we can take it from the year 1929 to 1947, both years inclusive, the largest profit made by the company on a pound of butter was in 1941?

Mr. CHILD: That is correct.

Mr. MONET: And that profit was 1·51 cents?

Mr. CHILD: That is correct.

Mr. MONET: Now the total profit or rather the average profit for the nineteen years already mentioned, that is 1929 to 1947, would be $672,894 as it appears in column 3 under the heading "profit or loss", is that correct?

The CHAIRMAN: It is column 2—no, column 3.

Mr. MONET: Yes, the total, it gives an average of ·14 cents per pound.

Mr. CHILD: Right.

Mr. MONET: That would be the average for that period of years?

Mr. CHILD: Yes.

Mr. MONET: Now, on page 23 it is shown that the profits for the eleven months, that is to March 1, 1948, amounted to $524,818?

Mr. CHILD: That is correct.

Mr. MONET: An equivalent of 2·29 cents per pound?

Mr. CHILD: Correct.

Mr. MONET: That is profit. That would be a total sales in pounds of 22,901,000 as it appears in column 1?

Mr. CHILD: That is correct.

Mr. MONET: Now would you tell the members of the committee whether the profit or loss as mentioned in column 3 on page 23 is after deducting all expenses applicable to the butter operations?

Mr. CHILD: Yes, that is correct.

Mr. MONET: So that would be clear profit?

Mr. CHILD: Net profit.

Mr. MAYHEW: Before income tax?

Mr. CHILD: Yes, before income tax.

Mr. MONET: Net profit as far as the operation of the company is concerned?

Mr. CHILD: Just for the operation of the company.

Mr. MONET: Would you turn to page 24 and explain to the members of the committee what you mean by the heading "storage butter account, 1947-48"?

Mr. MCLEAN: I am familiar with that.

Mr. MONET: Well, either one of you gentlemen may answer.

Mr. MCLEAN: This is the history of the butter stored, the movement into storage or out of storage, until the end of February. For instance in the week ended June 5th we stored 6,954 boxes of butter at a cost of $48.60. The average cost was $48.60.

Mr. MONET: Excuse me, Mr. McLean, would you take the total so that we can save time. We may come to that division later but from June 5th to October 15th I take it you did store butter to the extent of 104,352 boxes, is that right?

Mr. MCLEAN: That is correct.

Mr. MONET: That would make how many pounds?

Mr. MCLEAN: 56 times that.

Mr. MONET: Would my figure be correct, 5,843,712?

Mr. CHILD: That is right.

Mr. MAYBANK: That is an addition on what?

Mr. MONET: That is the multiplication of 104,352 boxes of butter containing 56 pounds each.

Mr. MAYBANK: Yes.

Mr. MONET: So I take it that from June 5, 1947, to October 15, 1947, you stored 5,843,712 pounds of butter?

Mr. MCLEAN: That is correct.

Mr. MONET: Would this butter be stored in your own cold storage or would you have to rent accommodation somewhere?

Mr. CHILD: All over; mostly in our own cold storage, but I judge some of it was in other places, I am not sure.

Mr. MONET: Could you give the members of the committee the proportion of this butter which would have been stored in your own cold storage?

Mr. CHILD: I should think 90 or 95 per cent.

Mr. MONET: In your own?

Mr. WIGGINS: No, it would be about 80 per cent.

Mr. MONET: Would it be all right, Mr. Chairman, to have Mr. Wiggins sworn, too?

The CHAIRMAN: Yes.

Mr. MCLEAN: This is Mr. Wiggins, the manager of the produce department.

Ford Wiggins, Manager of Produce Department, Canada Packers Limited, called and sworn.

Mr. MONET: Would you give us your full name?

Mr. WIGGINS: Ford Wiggins, 67 Anderson Avenue, Toronto.

Mr. HARKNESS: Do you mind if I interject a question here? You said you stored for 17 weeks, but I notice this statement only covers 14 weeks.

Mr. MCLEAN: You will notice that butter kept going in until August 27. On that date, the price of butter was 60 cents or over and it got so high we were afraid to go along storing it. We had planned originally to store 120,000 boxes because that was the quantity we estimated we required. We were so afraid of the price at that point we ceased operating.

Mr. HARKNESS: You quit storing?

Mr. MCLEAN: I may say, by way of amplification of the policy I described in the memorandum, that we always, if butter prices go extremely low, buy some extra. We step up our buying program a little. If the prices go extremely high, we step down our buying program. They got so high at that stage we quit buying altogether. Later, in October, when the market receded, as you will see from that photostat, we bought an additional 2,941 boxes.

Mr. MONET: Now, Mr. McLean, while we are on this question of stored butter which has been set at 5,843,712 pounds, I understand this was quite a small proportion of your whole handling of butter?

Mr. MCLEAN: That is correct.

Mr. MONET: Would I be right in saying it would be about one-quarter of your butter transactions during the year?

Mr. MCLEAN: That is correct.

Mr. MONET: So that the other three-quarters of your butter handlings would have been sold during the course of the year?

Mr. MCLEAN: We buy butter every week in the year, including the winter weeks. We count on, in the winter season, buying half our requirements currently and getting the rest from storage.

Mr. MONET: Now, coming back to this page 24, in the third column or the fourth column to the left if we take the week as one column you give the price paid for butter for every week?

Mr. MCLEAN: That is correct.

Mr. MONET: On the first line, for the week of June 5, we can take the June 5 price mentioned under the heading week, as 48·60? Would that mean you paid 48·60 cents for a pound of butter?

Mr. MCLEAN: That is the average price paid for those 6,954 boxes.

Mr. MONET: Those 6,954 boxes were all purchased during the week ending June 5?

Mr. MCLEAN: That is correct.

Mr. MONET: The same applies for all the other weeks, so far as the number of boxes is concerned and so far as the price is concerned?

Mr. MCLEAN: That is correct?

Mr. MONET: I also take it in the last column on the first half of that page, you give the weekly average price for the butter in storage at the time?

Mr. MCLEAN: That is the average cost to date.

Mr. MONET: So, for instance, for the first week you paid 48·60 cents a pound so your average, of course, was 48·60 cents a pound?

Mr. MCLEAN: Yes.

Mr. MONET: Following it up, for the week ending June 12, you had purchased butter at an average price of 49 cents?

Mr. MCLEAN: Yes.

Mr. MONET: For the 12,998 boxes, is that correct?

Mr. MCLEAN: Yes.

Mr. MONET: And the average to June 12 for all the butter stored in those two weeks was 48·89?

Mr. MCLEAN: Correct.

Mr. MONET: Following that up to the week ending October 15, which was the last week you stored butter according to this statement—that is correct?

Mr. MCLEAN: That is correct, yes.

Mr. MONET: Following this average to date price down to October 15, could I take it that the average price for the 5,843,712 pounds of butter you had in storage was 51 cents a pound?

Mr. MCLEAN: That was the price at the date of purchase. Of course, there was an accumulation of carrying charges.

Mr. MONET: I am coming to that but, for the moment, we can take it that the average cost per pound of butter was 51 cents?

Mr. MCLEAN: That is correct.

Mr. MAYBANK: I do not see how you arrive at that if it comes from the column where October 15 purchases are shown as 51 cents?

Mr. MONET: 56 cents, as shown in the third column.

Mr. MAYBANK: I see, that is all right.

Mr. MONET: The average is 51. While we are on the quantity of butter, Mr. McLean, I understand that on October 15 when you stopped storing butter for the year 1947, you had 104,352 boxes in stock?

Coming to the other section of the page, under the heading, "out", the number of boxes, the last line, I read 81,129 boxes. May I take it that this is the total number of boxes sold during that period?

Mr. MCLEAN: Yes, up to that date.

Mr. MONET: Out of storage, we are on storage only. That selling was from November 12 to February 25?

Mr. MCLEAN: Yes.

Mr. MONET: So that on that date, February 25, you still had on hand 23,223 boxes of butter?

Mr. McLEAN: Correct.

Mr. MONET: In pounds, what would the amount be?

Mr. McLEAN: 56 times that.

Mr. MONET: I know. Would it be correct if I said 1,300,488 pounds?

Mr. McLEAN: I have no doubt.

Mr. MONET: Would you figure it out and see if it is correct? I may be wrong.

Mr. CLEAVER: While that is being worked out, would you mind asking the witness if page 15 of his memorandum is a complete statement of all butter in storage?

Mr. MONET: We will come to that later. I want to settle right now—I should not use the word "settle", but I desire to bring before the committee all the evidence concerning the storage of butter. Then, we will discuss the operations.

Mr. CLEAVER: Page 15 is in regard to storage and I just wanted to know if that is a complete figure on storage.

Mr. MONET: These pages 23 and 24 summarize all the other pages. This is a summary and I take it it is a complete summary, from the information I received and the study I made of the memorandum.

Mr. CHILD: Of the storage operations?

Mr. MONET: Which are all there in detail.

Mr. CLEAVER: Page 24 would not include all the butter on hand for all Canada Packers?

Mr. MONET: No, we are only dealing with storage operations. This represents only one-quarter.

Mr. CLEAVER: It is only one-quarter of the sales, but I think we should have the amount of butter on hand in the distributing plants.

Mr. MACINNIS: I think we should permit Mr. Monet to continue.

Mr. MONET: So, you would still have on hand on February 25, 1,300,488 pounds of butter?

Mr. CHILD: Correct.

Mr. MONET: At what price per pound would you have bought that butter? What did you pay for that butter, in other words?

Mr. WIGGINS: It is included in the 51 cents.

Mr. MONET: So, at the end of February you still had that amount of butter which is mentioned at a cost price to you of 51 cents?

Mr. McLEAN: Plus charges.

Mr. MONET: Now, talking about charges; on page 24 you mentioned the average carrying charge of 2·91 cents to the first of March.

Mr. WINTERS: Cents per box?

Mr. MONET: Is that on a box or on a pound?

Mr. McLEAN: That is by the pound, sir.

Mr. MONET: Would you give the committee an explanation of this 2·91 cents per pound against butter which is qualified as a carrying charge; would you explain what you mean by, "carrying charges"?

Mr. WIGGINS: That includes two items only, the actual amount paid to the storages for the storage of the butter and the interest on the money invested in the butter.

Mr. MONET: As to the amount paid to the storage, I understand that most of that butter was stored in your own storage?

Mr. WIGGINS: That is correct. The butter department pays to the storage a charge just the same as if it was an independent concern.

Mr. MONET: Was the storage, which is included in the average carrying charges, paid to the cold storage mentioned on page 1 of your memorandum, if it was paid by Canada Packers?

Mr. WIGGINS: Yes.

Mr. MAYBANK: What is the rate of interest on the money employed; how much is that?

Mr. MCLEAN: I do not know what it is.

Mr. WIGGINS: 6 per cent.

Mr. MONET: So I take it, Mr. McLean, that the average cost to October 15, 1947 for all your stored butter from the period of June 5, 1947, including the carrying charges that you have just described, was 53·91 cents per pound.

Mr. MCLEAN: That is correct.

The CHAIRMAN: Mr. Monet wishes to conclude his questioning for now. I suggest we adjourn until 4 o'clock.

AFTERNOON SESSION

The committee resumed at 4 o'clock p.m.

The CHAIRMAN: The meeting will come to order, please.

Mr. MONET: Mr. McLean, at the adjournment, I think you had just mentioned that of the 104,352 boxes of butter stored between June 5 and October 15, 81,129 had been sold by February 25, 1948?

Mr. MCLEAN: You are taking that from the statement?

Mr. MONET: From page 24.

Mr. MCLEAN: That is correct.

Mr. MONET: And also that the average price as reported in the last column on page 24, the last line, for each pound of those 81,129 boxes was 65·12 cents?

Mr. MCLEAN: Correct.

Mr. MONET: And you have already given in evidence that the total butter stored for the period June 5 to October 15 averaged 53·91 cents a pound including all charges?

Mr. MCLEAN: Yes.

Mr. MONET: So that if we take the difference between 65·12, which is the average of your selling price, and 53·91 which is the average for your purchase price including charges, there would be a net difference of 11·21 cents a pound?

Mr. MCLEAN: That is right.

Mr. MONET: That would be for each pound of butter stored during the period mentioned, June 5 to October 15?

Mr. MCLEAN: Yes.

Mr. MONET: Would it also be a fair statement that besides you still would have had on hand at that date, February 25, 23,223 boxes?

Mr. MCLEAN: Yes.

Mr. MONET: For a total of 1,300,488 pounds. Is that correct?

Mr. MCLEAN: Yes.

Mr. MONET: Would it also be a fair statement that this balance of butter at that date cost you an average of 53·91 a pound?

Mr. MCLEAN: Yes—well, there would be carrying charges—

Mr. MONET: Plus carrying charges since that date?

Mr. MCLEAN: That is right.

Mr. MONET: If my figures are correct, Mr. McLean, the number of pounds sold, as it appears on page 24, multiplied by the net profit of 11·21 cents a pound would give a total of $509,295.41. Will you tell me if that is correct?

Mr. MCLEAN: Mr. Child is working that out. $509,105.

Mr. MONET: $509,105?

Mr. MCLEAN: It is on this statement.

Mr. CHILD: That is approximately correct because actually the butter would not go out at the average price, but it should be approximately correct.

The CHAIRMAN: Louder, please, and no talking.

Mr. MONET: Could it be $509,295 just as well as the other figure?

Mr. CHILD: No, the correct figure is the one on the sheet.

Mr. MONET: The correct figure would be the one that appears on table 2 filed this morning, that you talked about this morning, $509,105?

Mr. CHILD: That is right.

Mr. MONET: Coming back to page 23, Mr. McLean, for the 11 months ending March 1, 1948, you show a profit of $524,818.

Mr. MCLEAN: That is correct.

Mr. MONET: Would you tell the members of the committee what the difference is between the $509,105 and the amount recorded as your benefit on page 23, $524,818? What does the difference represent?

Mr. MCLEAN: That represents the profit on all the other trading.

Mr. MONET: You mean on all other sales of butter?

Mr. MCLEAN: Yes.

Mr. MONET: All your operations in butter?

Mr. MCLEAN: That is correct.

Mr. MONET: Except butter in storage?

Mr. MCLEAN: Yes.

Mr. MONET: And that would amount to something like $16,000?

Mr. MCLEAN: Yes, it was very small.

Mr. MONET: I have one more question on page 23. I want to make this very clear. I want to know whether or not my calculation is right. Would you take the third column on page 23 entitled "profit or loss", which gives a total of $672,894 as the total of profit for the years included between 1929 and 1947?

Mr. MCLEAN: That is correct.

Mr. MONET: And tell the committee if it would be a fair statement to say that it would be an average of $35,400.

Mr. MCLEAN: Yes.

Mr. MONET: That would be for all your operations in butter?

Mr. MCLEAN: Yes.

Mr. MONET: Not only storage butter?

Mr. MCLEAN: Including storage.

Mr. MONET: All your operations in butter?

Mr. MCLEAN: Yes.

Mr. MONET: So that your average per year for the years 1929 to 1947 would be $35,400?

Mr. MCLEAN: I think there is an explanation I should make here. Following my reading of the paper this morning I had two notes. You began to ask questions and I overlooked it. In computing the department results, you see, in our accounting our business is divided into 30 or 40 departments. Each

department is charged with interest at the rate of 6 per cent on all the money that is used by the department. Part of that is money borrowed from the bank, and part of it is money belonging to the working capital of the company, but the department, for purposes of departmental accounting—and these are department accounts—is charged on the total moneys, so that part of the interest belongs to the company, and in final accounting at the end of the year is added back in. This abstract is simply the department record.

Mr. MONET: Still it gives the total of your profit and loss for those years?

Mr. MCLEAN: No, because in addition to that—it is not an important item, but this is the net profit after paying to the company interest on that portion of the company money which was used in the operation.

Mr. MONET: Right, and your average profit for all those years was $35,400?

Mr. MCLEAN: That is right.

Mr. MONET: This will be my last question on those two pages, 23 and 24. I see for the year 1948—and that would be for the 11 months up to March 1st?

Mr. MCLEAN: Yes.

Mr. MONET: Your net profit was $524,818.

Mr. MCLEAN: That is correct.

Mr. MONET: Against an average profit of $35,400 for all the other years since 1929?

Mr. MCLEAN: That is correct.

Mr. MACINNIS: I wonder if I might ask a question to clear up a point in my mind. We are dealing now with the operation solely of cold storage plants?

Mr. MONET: That is right, stored butter, just that part.

Mr. MCLEAN: No.

Mr. MONET: Pardon me, on this it is the whole operation, the total butter operation on page 23. Page 24 is purely stored butter.

Mr. MACINNIS: Does that include all operations in the creameries and all other operations?

Mr. MONET: I think it does. I will ask the witness, but I gathered from his evidence that it did, that it included everything. To make this very clear, I asked you this morning what you meant by "butter operations at all plants" as listed on page 23. Is it correct to state this covers all your butter operations?

Mr. MCLEAN: This covers the 8 main plants.

Mr. MONET: The 8 main plants. What else would not be covered by this statement?

Mr. MACINNIS: Does it cover the creameries?

Mr. WIGGINS: The profit of the creameries is shown separately on page 2.

Mr. MACINNIS: Does it cover the distributing plants?

Mr. WIGGINS: No, that is covered elsewhere.

Mr. MACINNIS: Does it cover the distributing branches?

Mr. CHILD: No.

Mr. MACINNIS: Then it does not cover anything but the cold storage?

Mr. WIGGINS: It covers the distributing plants, sir.

Mr. MONET: Would you explain that? That was my first question this morning on page 23. I asked what you meant by all plants?

Mr. LESAGE: He said the 8 main plants this morning, if I remember correctly, when you asked about page 23.

Mr. MONET: All right.

Mr. LESAGE: I understood it did not cover the creameries.

Mr. CHILD: That is right.

Mr. HARKNESS: That was quite clear. I wrote it down, 8 plants.

Mr. MACINNIS: May I ask again if that covers the 18 distributing branches?

Mr. CHILD: No.

Mr. LESAGE: That is the profit only for the 8 plants.

Mr. IRVINE: May I ask one question arising out of the question before the last one that you asked. Is it customary in business for a company to charge interest on its capital before it declares its net profit? In other words, is not the profit sufficient without taking interest before you take the profit on your capital investment?

Mr. MCLEAN: There is no other way of expressing or recording the operations of a department and comparing this department at one point with results at another point, except by charging interest. You remember I explained that in the annual report of this company that interest is all credited back, and the profit shown in the annual report is the total profit.

Mr. IRVINE: Does that include the interest charged?

Mr. MCLEAN: Yes.

Mr. IRVINE: In your general statement for the whole business?

Mr. MCLEAN: Yes.

Mr. CLEAVER: On what page will we find that general statement?

Mr. MCLEAN: That is in the annual report. Mr. Monet asked me to bring down 20 copies of the annual report. I forgot them, but I managed to get them from our Hull plant and they are here for distribution.

Mr. LESAGE: In order that something may be clear in my mind I should like to ask you if the interest charged is charged on all money employed in one branch?

Mr. MCLEAN: Yes, in one department.

Mr. LESAGE: All capital employed there?

Mr. MCLEAN: Interest is charged on all the money that is used in the department.

Mr. LESAGE: At 6 per cent?

Mr. MCLEAN: At 6 per cent.

Mr. MACINNIS: That is operating money?

Mr. MCLEAN: Yes.

Mr. LESAGE: All profits that are shown here are over and above the 6 per cent interest charged?

Mr. MCLEAN: That is right. That is the exact point but, Mr. Lesage, there is one thing I should add to that. The money involved in a department is partly company money and partly bank money.

Mr. LESAGE: Oh, yes.

Mr. MCLEAN: The charge is made to the department for all the money that is involved, and that charge is credited to interest, and finally goes back into profit, and that interest account is charged with the interest paid to the bank. The rest of it belongs to the company and goes back into the profit.

Mr. LESAGE: I understand that. You need money from the bank for your operation.

Mr. MCLEAN: Yes, a great deal of it.

Mr. MONET: Now, Mr. McLean, we will come back to pages 2 to 8 dealing with the creameries.

Mr. MCLEAN: Yes.

Mr. MONET: Dealing with the creameries, would you tell the members of the committee what is covered by the figures on page 2?

Mr. McLEAN: I would like to ask Mr. Child who prepared these figures to give the answer. He is much more familiar with the details.

Mr. MONET: All right.

Mr. CHILD: These figures cover the fifteen creameries that are shown on page 1. It is a profit and loss account, year by year, or rather by fiscal years, of our fifteen creameries.

Mr. MONET: Mr. Child, would you tell the members of the committee the value, in 1947, of all the butter sold in your company as compared with the butter sold under those headings in the creameries?

Mr. CHILD: We show on this statement the sales for 1947 are 7,152,419 pounds, but I should explain that for the most part that is merely a transfer to the packing plants and they are not sales to the public. The figure is put in here to give you an idea of the volume these creameries handle.

Mr. MONET: I was going to ask you where the butter went but now I understand you to say it goes to the plants.

Mr. CHILD: That is right. There would be a very, very unimportant amount of that which would not go to the plants.

Mr. MONET: Now I understand on the following pages, pages 3, 4, and 5, there are statements showing the profit and loss for the creameries during the years 1946, 1947, and 1948.

Mr. CHILD: Yes.

Mr. MONET: Would you tell the members of the committee if the operation of your creameries for those years has been a profitable operation or otherwise, and would you please explain?

Mr. CHILD: Well, for the calendar year 1946 this statement shows our creameries lost $26,192.83 on the same basis of accounting as followed on the previous statement which Mr. McLean explained. Then in the calendar year 1947 you will see that the creameries made a profit of $69,692.27.

Mr. IRVINE: To which page are you referring?

Mr. CHILD: I am referring to page 4.

Mr. MONET: As you change pages would you just mention the fact so the members of the committee will be able to follow you.

Mr. CHILD: I will go back to page 3 and we show a loss in 1946 of $26.192.84, and on page 4 our profit for the calendar 1947 was $69,692.27.

The CHAIRMAN: That is for 1947?

Mr. CHILD: I beg pardon?

The CHAIRMAN: That last figure was for the year 1947 and it is on page 4?

Mr. CHILD: Yes, that is right.

The CHAIRMAN: Yes?

Mr. CHILD: On page 5 we show the two months of this calendar year so far, and there is a small loss in both months.

Mr. MONET: So what you tell us is that for those calendar years the operations were not profitable?

Mr. CHILD: No, mathematically they were, because the profit in 1947 is greater than the loss in 1946 and the two months of 1948.

Mr. LESAGE: Well, perhaps I will be able to understand this later?

Mr. CHILD: Just compare pages 3 and 4.

Mr. LESAGE: Well, what about page 2?

Mr. MONET: If you want to question on each of those pages, Mr. Lesage, you are quite at liberty to do so.

Mr. LESAGE: Well, there is a loss for 1947.

Mr. CHILD: I see what is confusing you. Sheet No. 2 has reference to our fiscal year, while sheets Nos. 3 and 4 as requested are on a calendar year basis. We were asked to submit the information in that way.

Mr. MONET: Page No. 2, Mr. Child, "butter account—profit and loss statement creameries" is for the fiscal years 1939 to 1947?

Mr. CHILD: Yes.

Mr. PINARD: The other figures are for the calendar year.

Mr. CHILD: That is right.

Mr. MONET: The other figures on pages 3, 4 and 5, are based on the calendar year?

Mr. CHILD: That is right. You will note Mr. Monet, for the entire period from 1939 to date the net result is a loss.

Mr. LESAGE: That is for the entire period—on page 2 we see the figure of $93,351.03 and that is the accumulated loss since 1939?

Mr. CHILD: That is right.

Mr. MONET: It is under the column headed "total"?

Mr. CHILD: Yes.

Mr. MONET: That is for all the years, 1939 to 1947 inclusive?

Mr. CHILD: That is right.

Mr. MONET: It does not include the two months of January and February of this year?

Mr. CHILD: No, it does not include anything from April of 1947 until now.

Mr. MONET: Well, going to pages 6, 7, and 8, dealing with the purchases and sales to creameries—

Mr. LESAGE: You are going over this very rapidly, Mr. Monet.

Mr. MONET: I am going quickly because, although it is only my opinion, I have gathered from examination of these figures the operation in respect of this section is hardly profitable, but I would leave it to the members of the committee to ask any questions. However, my own questioning on this section will be very brief.

The CHAIRMAN: My own judgment is that counsel is serving a useful function at this stage in covering the figures in this way. The members of the committee will perhaps require the evening in order to give these figures the study which they deserve.

Mr. IRVINE: Hear, hear.

The CHAIRMAN: I think it is not possible for counsel to go over this slowly enough to give us any comprehension at the moment. I think we will require to give this matter some over-night study.

Mr. MONET: As I said this morning the summary on pages 23 and 24 give quite a fair picture of all the operations in so far as accumulation is concerned. Now with respect to the creamery section I have only a few questions to ask this witness. I agree with the chairman that quite a lengthy study will be required with respect to the figures and here I would say, as I pointed out this morning, that Canada Packers have given us all the information, and perhaps even more information than we asked for.

The CHAIRMAN: They are certainly not withholding anything.

Mr. MONET: Now, Mr. Child, on pages 6, 7, and 8, you show the purchases and sales to creameries. With reference to the word "purchases" in the second column which is headed "purchases during period" would it be correct to use the word "produced" there?

Mr. CHILD: For the most part that covers butter produced but there might be some purchases from other creameries.

Mr. MONET: Yes, because I understand your creameries produce butter.

Mr. CHILD: That is right.

Mr. MONET: Would they also purchase butter?

Mr. WIGGINS: Yes, in cases of scarcity we might beg some from a neighbouring creamery.

Mr. MONET: It would be mostly butter manufactured by your creamery however?

Mr. WIGGINS: Yes.

Mr. MONET: Well, in that connection I think there should perhaps be a correction or an addition there because it struck me this butter listed there in the second column should have the heading "produced".

Mr. CHILD: Yes, for the most part.

Mr. MONET: So we can make it read "produced and purchased".

Mr. CHILD: That is right.

Mr. MONET: Now I want to come back to page 9. On pages 9 to 15 the operation of your plants is covered?

Mr. CHILD: Yes.

Mr. MONET: Pages 9 to 15 cover the operation of your plants which are eight in number, I believe you told me this morning?

Mr. CHILD: Yes.

Mr. MONET: And would you tell the members of the committee what page 9 shows?

Mr. CHILD: Page 9 shows the profit and loss statement on butter for our plants from 1939 to 1947 on a fiscal year basis.

Mr. MONET: And would you please give the result of your operation as shown for the year 1947?

Mr. CHILD: The result for 1947 is a loss of $35,183.20.

Mr. MONET: From the operation of your plant?

Mr. CHILD: Yes, for the fiscal year ending in 1947.

Mr. MONET: And for the calendar year would you have some explanation to give for the periods listed on pages 10, 11, and 12?

Mr. CHILD: For the calendar year ended 1946 our operations of the plants with respect to butter show a net profit of $13,886.02. Then turning over to page 11 the calendar year 1947 shows a profit for the balance of the year of $243,013.62. Turning over to the next page, page 12, the profit and loss statement shows, for the two months of 1948, a profit of $296,653.26.

Mr. LESAGE: On page 23 we have figures for the first eleven months of your fiscal year. Can you give us the first eleven months of your fiscal year, ending at the end of March this year?

Mr. CHILD: You mean at the 1st of March?

Mr. LESAGE: Yes, at the 1st of March, the first eleven months of the present fiscal year.

Mr. CHILD: Well we would have to make a calculation of the figures on pages 11 and 12 to get that.

Mr. LESAGE: Well, if you have a moment tonight I would like to get the figures for your creameries and plants.

Mr. MONET: For the month of April?

Mr. LESAGE: For the present fiscal year.

Mr. CHILD: You want the fiscal year to date, in other words.

Mr. MONET: Now, Mr. Child, there are a few questions I would like to ask with regard to some of the figures on page 11 for the month of December and the period dated December 4?

Mr. CHILD: On page 11?

Mr. MONET: On page 11, yes. I refer to the period that is dated December 4?

Mr. CHILD: Yes.

Mr. MONET: I see that there were 3,024,748 pounds of butter sold?

Mr. CHILD: Yes.

Mr. MONET: Giving you a net profit of $98,738.88?

Mr. CHILD: Right.

Mr. MONET: That is to be compared with a loss of $9,193.96 for the period 6th November?

Mr. CHILD: Correct.

Mr. MONET: Now for the period dated December 31 I see there were 2,550,223 pounds of butter sold?

Mr. CHILD: Correct.

Mr. MONET: Giving a profit of $166,433.39?

Mr. CHILD: Correct.

Mr. MONET: Now turning to page 12 and referring to the period dated 28th January, there are sales of 2,013,206 pounds with a net profit of $154,205.83.

Mr. CHILD: That is correct.

Mr. MONET: And for the last period, dated 25th February, there were 2,500,935 pounds of butter sold.

Mr. CHILD: Correct.

Mr. MONET: Giving a net profit of $142,447.53.

Mr. CHILD: Right.

Mr. MONET: Would you tell the members of the committee whether the butter sold during those four months, or during those four periods dated December 4, 1947, December 31, 1947, January 28, 1948, and February 25, 1948, consisted mostly of butter you had in storage at that time.

Mr. CHILD: I think Mr. Wiggins had better answer that.

Mr. WIGGINS: All the profit made on the sales of butter from storage during that period are included in these figures. While I have not totalled them up, they practically make the total profit.

Mr. MONET: What proportion of this butter would come from your stored butter; could you tell us that?

Mr. WIGGINS: Yes.

Mr. MONET: If you cannot do so now, would you figure it out tonight and tell us tomorrow what proportion of these sales were covered by the amount of butter you had in storage at the time?

Mr. MCLEAN: It would be roughly fifty-fifty.

Mr. WIGGINS: The exact withdrawals are shown on page 5. However, I will figure it out.

Mr. LESAGE: Mr. Monet, I should like to know if the word "plants" commencing on page 9 and continuing through pages 10, 11 and 22 are all the plants or only the eight plants mentioned on page 1.

Mr. MONET: I would suggest that the witness answer that.

Mr. CHILD: That covers just the eight plants listed. You are asking about sheets 9 to 15, and that covers only the eight plants we have listed on page 1.

Mr. LESAGE: Does it cover all butter operations?

Mr. CHILD: Yes.

Mr. LESAGE: I understand that all your butter operations are listed under one of these eight plants, except the creamery operations; is that correct?

Mr. CHILD: No, there are three divisions, really. There are the eight plants, then there are the creamery operations and the branch operations, three separate divisions.

Mr. LESAGE: Are the profits of the branch operations mentioned here on these pages 9 to 15?

Mr. CHILD: No, they are on pages 16 to 19 and they are in addition to the profits shown on pages 9 to 12.

Mr. LESAGE: Is it the same butter?

Mr. CHILD: No—I beg your pardon, part of it is.

Mr. WINTERS: Are they all consolidated on the table 2 attached to the statement Mr. McLean read?

Mr. CHILD: So far as the weight is concerned, that is our total sales to customers, but all inter-company transactions are excluded.

Mr. LESAGE: The profits on creameries are not included?

Mr. CHILD: I was talking about volume for the moment, pounds.

Mr. LESAGE: Then, table 2 which was supplied with Mr. McLean's statement does not include creameries?

Mr. CHILD: Or the branches.

Mr. LESAGE: Or the branches, it includes only the plants' profits.

Mr. CHILD: That is right.

Mr. WINTERS: So far as the plants are concerned, it includes the whole volume.

Mr. CHILD: It is all of our sales to customers; it includes the whole business.

Mr. LESAGE: So, the plants receive the butter either from your own creamery or from those from whom you buy?

Mr. CHILD: That is right.

Mr. LESAGE: Your creameries are one operation, the plants are receiving the butter and that is a second operation.

Mr. CHILD: Yes.

Mr. LESAGE: That is, pages 9 to 15 and page 23.

Mr. CHILD: Right.

Mr. LESAGE: The profit you make on storage only, that is another thing, because you are using your own storage houses?

Mr. CHILD: No, the profit on storage operations which is shown on—

Mr. LESAGE: Well, the profit is contained in this figure of 2·91.

Mr. CHILD: That is storage profit. Are you talking about the carrying charges?

Mr. LESAGE: The 2·91.

Mr. CHILD: Oh, the 2·91?

Mr. LESAGE: That goes to the division of the storage houses; that is separate?

Mr. CHILD: That is what we pay the storage.

Mr. LESAGE: That is what you pay your storage department?

Mr. CHILD: Either our own storage or some other storage.

Mr. LESAGE: Now, there are the branch operations and they are charged so much by the plant for the butter.

Mr. CHILD: The market price.

Mr. LESAGE: Then, they sell at wholesale at a certain profit and that is another operation?

Mr. CHILD: That is right, but they do not get all of their profit from the plants, by any means.

Mr. LESAGE: No, but does all the butter from the plants go to the branches?

Mr. CHILD: No.

Mr. WINTERS: All the butter from the creameries does not go to the plants, either?

Mr. CHILD: For the most part.

Mr. LESAGE: There is part of the butter from the plants which does not go to the branches, so where does it go?

Mr. CHILD: It goes to our sales divisions that are not covered by branch warehouses. Our branch warehouses are located only in the principal cities. We cover the rest of Canada by our salesmen operating direct out of the plant. The profit made on their sales is shown in these plant figures.

Mr. LESAGE: In pages 9 to 15?

Mr. CHILD: That is right.

Mr. LESAGE: I think it is clear in my mind, now.

Mr. CHILD: Your branches are selling to one section of the public and the plants to another. Do you follow me?

Mr. LESAGE: Yes.

Mr. MACINNIS: To have a clear picture of the profit or loss on butter manufactured, stored and sold, we would have to have profit and loss statements on creameries; a profit and loss statement on storage and distributing plants, and the profit and loss statement on distributing branches?

Mr. CHILD: That would be so, with one exception, that the profit or loss on storage is not a profit or loss on butter. It is a profit or loss on storage operations.

Mr. LESAGE: You do not store butter only?

Mr. CHILD: No, they store anything.

Mr. MACINNIS: You charge so much to butter?

Mr. CHILD: The butter department pays the usual storage rates, either to our own storage or to another storage.

Mr. MACINNIS: Then, leave the storage out and we would want a profit and loss statement on the distribution, and the plants?

Mr. LESAGE: We have it on the plants and the creameries.

Mr. CHILD: I may go further and help you, if you wish. For example, the profits or losses for sheet 2, sheet 9 and sheet 16, would be the total, and that would cover everything on butter.

Mr. LESAGE: Page 2 is for the creameries.

Mr. CHILD: Correct.

Mr. LESAGE: Page 9 is for the plants.

Mr. CHILD: Correct.

Mr. LESAGE: And page 16 is for the branches?

Mr. CHILD: Correct.

Mr. JOHNSTON: Do you pay the same storage rate to your own storage plant as you do to others?

Mr. CHILD: Yes.

Mr. JOHNSTON: What is that rate?

Mr. WIGGINS: It varies in the different cities, sir. A quarter of a cent a pound for the first month, 20 cents per hundred pounds for each succeeding month; that is the general rate, but it varies.

Mr. JOHNSTON: That same general rate applies whether it is your own storage plant or whether it is an outsider's.

Mr. WIGGINS: Yes, our own storage plants charge that rate on other butter or other goods stored in our plant.

Mr. FLEMING: I may be anticipating a question which may better be raised later, but the statement we have just been covering will enable us to measure the company profit and loss accurately as against previous periods and also as against turn-over. Is there any statement here in relation to the capital employed in these various operations?

Mr. CHILD: No, but we could get it for you. We did not bring it with us.

Mr. FLEMING: I was wondering if it would have some significance in enabling us to appreciate the result of your operations?

Mr. CHILD: It could be. We would get it for you.

Mr. FLEMING: Would it be difficult?

Mr. CHILD: I do not think so. We will try, anyway.

Mr. CLEAVER: Do you make a practice of having a financial statement at the end of the fiscal year with respect to each of your subsidiaries or are all figures simply compiled in one statement?

Mr. CHILD: We have only one final annual report of the company. These figures we have in the brief are departmental profit and loss statements.

Mr. CLEAVER: Do you, departmentally, take off a profit and loss statement at the end of each year?

Mr. CHILD: Other than this, no.

Mr. CLEAVER: These statements are simply to convey to your directors information as to what part of your operations are more profitable than otherwise as compared with the other?

Mr. CHILD: That is correct.

The CHAIRMAN: I suggest to the committee we ought not to get too far afield. It seems to me, having in mind the purpose of this committee, the story is revealed statistically to us on pages 23 and 24. Now, counsel has finished with that aspect for the time being, he advises me. Do any members of the committee have any questions on that phase of the problem?

Mr. WINTERS: I have some questions in connection with page 2 of the statement Mr. McLean filed this morning.

The CHAIRMAN: I was hoping the committee would want to study pages 2 to 22, carefully. The story, it seems to me, for the purposes of this committee, is on pages 23 and 24. Does the committee wish to leave the matter with the examination that counsel has produced or is it prepared now to query on it?

Mr. LESAGE: I have some questions on pages 23 and 24 if this is the time to ask them.

The CHAIRMAN: I would think that is what we should be doing.

Mr. WINTERS: I should like to ask one or two questions for the sake of clarification.

The CHAIRMAN: Yes.

Mr. WINTERS: On table 2 of the statement Mr. McLean filed this morning, I understood the witness just said that the volume of butter involved was a consolidation of the volumes handed by all phases of the operation?

Mr. CHILD: That is correct, with inter-company transactions excluded.

Mr. WINTERS: But that the profit and loss was not a consolidation.

Mr. CHILD: That is correct.

Mr. WINTERS: But I see here that profit and loss is related to the total volume when you arrive at the profit and loss per pound?

Mr. MCLEAN: I think I can simplify that for you. The volume figures used as the total volume are our ultimate sales to the public. Some of that butter goes through two or three of our institutions. It may go to the creamery, move from the creamery to a plant and move from the plant to a branch. The total volume, if I am not wrong, is the total weight of butter that is sold by Canada Packers to the public. Does that help clear it up?

Mr. WINTERS: Then, how do you arrive at your profit and loss for the lot of that? Where is your profit taken? How many points is it taken at, or at how many points is your loss sustained?

Mr. CHILD: You get the profit quite clearly, without any duplication as I say, if you add them for 2, 9 and 16.

Mr. WINTERS: I will go into that later.

Mr. MCLEAN: What profit comes to the company, in total, appears either at the creameries, at the branches or at the plants; pages 2 plus 9 plus 16.

Mr. WINTERS: So, those figures on page 12 show the total volume of butter sold by Canada Packers to the public from all sources?

Mr. CHILD: You mean on table 2 of the memorandum?

Mr. WINTERS: Yes.

Mr. CHILD: Yes.

Mr. WINTERS: On all butter operations.

Mr. CHILD: Yes.

Mr. WINTERS: The profit and loss is the figure that is obtained after your other profits are extracted if you sell from the creameries to the plants and so on?

Mr. CHILD: It is not exactly extracted, it is not included. They are separate profit and loss statements. We have not added them into this. We regard our plants as the main operation.

Mr. LESAGE: Table 2, then, is only the plants' profit and loss?

Mr. CHILD: That is correct.

Mr. LESAGE: It does not include the profit and loss on creameries and branches?

Mr. CHILD: That is correct.

Mr. WINTERS: If plants purchase from creameries would the profit to the creameries be considered as an item of expense?

Mr. CHILD: No, if the creamery made a profit on its sale to the plant that profit would show up in this statement 2. Creamery sales to the plant are all marked at the trade level, the job lot level.

Mr. WINTERS: I would like to ask one more question. In the first place I would like to ask why is there such a marked fluctuation in the figures month by month in your wages and salaries?

Mr. CHILD: You are looking now on page 11?

Mr. WINTERS: Page 11, yes.

Mr. CHILD: The only thing I can think of there is that the nature of the operation might vary from month to month. We can handle butter in solids, the 56-pound box, or in prints of 1 pound blocks, or in cans for export, and the labour costs would vary according to the type of operation and the volume. For instance you look at the period ending the 9th of October, 1947, the volume was down from the previous period by 844,000 pounds and I note that the wages and salaries are down and I presume that is merely due to less volume.

Mr. WINTERS: For October and November for example, in October you handled 1,150,000 pounds and in November you handled 1,683,000 pounds but the wages and salaries is almost double in November what it was in October.

Mr. LESAGE: More than treble?

Mr. CHILD: The only explanation I can think of at the moment is, as I say, the fluctuation of volume or fluctuations in the price of butter handled. We could look into that for you if you would like us to.

Mr. LESAGE: Yes, please do.

Mr. WINTERS: I wish you would. Under storage charges there, November and December, you handled almost over twice as much butter in November but the December storage charge is down from 12,837 to 11,978.

Mr. CHILD: What periods are you looking at?

Mr. WINTERS: November and December.

Mr. WIGGINS: The storage charge applies to all butter in storage, not just butter sold for that period.

Mr. WINTERS: Could you give us a rough indication of what items are included under "other expenses"? It seems to be quite a big item?

Mr. CHILD: I can you you an idea of that. Just a minute, please.

Mr. MONET: We are talking about October, Mr. Winters?

Mr. WINTERS: All of these months, it seems to get progressively larger there from January through to December.

Mr. MONET: I asked just because I wanted to follow your point.

Mr. CHILD: Some of the important items that will be included in that would be repairs, interest on inventory, office administration—those would be about the chief items under that "other expense".

Mr. JOHNSTON: Would not those be rather constant though, yet there is a wide variation there, as Mr. Winters points out.

Mr. CHILD: The repairs would not necessarily be constant.

Mr. JOHNSTON: That might vary, surely.

Mr. CHILD: It might be very small one month and up the next.

Mr. JOHNSTON: But the others should be constant.

Mr. CHILD: Office administration should be reasonably constant, interest on inventory would vary with the amount of the product held.

Mr. WINTERS: I wonder if you would take a representative month, say the period 4th December and let us have a breakdown on that at a later date?

Mr. CHILD: Just a moment while I make a note of that, will you, please?

Mr. WINTERS: That seems to be the biggest month.

Mr. CHILD: The 4th of December, 1947.

Mr. WINTERS: The amount of $37,731.07.

Mr. CHILD: Correct. You will notice in that particular month there is a very heavy volume there.

Mr. WINTERS: What do you imply by that?

Mr. CHILD: I don't know. I was just pointing it out. I do not know what particular items it would affect.

Mr. MONET: But you will be in a position to tell us?

Mr. CHILD: I will try to find out for you.

The CHAIRMAN: Have you anything else, Mr. Winters?

Mr. WINTERS: No, that is all for the moment.

Mr. PINARD: I also notice for 1946 this item of decrease from January to June, or at least to May; from 11,000 to about 4,000 in April and then slowly increasing to the end of the year.

Mr. CHILD: What period are you looking at, sir?

Mr. PINARD: 1946.

Mr. CHILD: What month?

Mr. PINARD: Beginning at January, the beginning of the year.

Mr. CHILD: Yes.

Mr. PINARD: I notice the "other expense" opposite butter stands at 11,000 in January and then it slowly decreases to May where it is away low.

Mr. CHILD: Yes.

Mr. PINARD: And then it increases from then on to the end of the year, and the same thing applies to 1947, and I would like to know what your comment is on that, how you would explain that?

Mr. CHILD: I think the best thing to say is that we will get you a minute on that; in other words, a minute or breakdown of "other expense" in the calendar year, 1946.

Mr. PINARD: And 1947 too, please.

Mr. LESAGE: Mr. Child, when I asked you for the figures for the present fiscal year up to the end of March, I meant the figures for pages 2, 9 and 16.

Mr. CHILD: Yes, I understood that; in other words, plants, creameries and branches.

Mr. LESAGE: Yes.

Mr. CHILD: Right. We have it here. It is merely a matter of transposing it.

Mr. LESAGE: Yes, I wanted to be sure on that.

Mr. CLEAVER: Have you compared the results of your subsidiaries, or the interlocking branches of your company, with your composite audited statement; in other words, does your income account work out to about the same end result at the end of the year as your cost audited statement?

Mr. CHILD: It works out exactly to that result because we start with our departmental results and work down and wash out the differences due to inter-company business to arrive at the end figure there. That is exactly the way our set-up does the job.

Mr. CLEAVER: I was wondering how that result could be achieved. You see, you adopt a rather arbitrary, perhaps that is a little strong word to use, but an apparently rather arbitrary rule as to setting up your profit or your loss with respect to your butter in Saskatchewan. You charge your creameries 6 per cent interest whereas as a matter of fact the cost of that money might be a little more than half of that amount; and while I concede at once that that gives you a very true picture as to the success of your various individual operations I wondered how far it was out. Would you file a statement on that with us and then compare it with your actual annual statement?

Mr. CHILD: Yes. Well, any charged expense to any of our various departments, branches, creameries and so on; all those expenses are actually out-of-pocket expenses in one way or another with the exception of this 6 per cent interest.

Mr. CLEAVER: Then may I put my question another way, and I will not be long, Mr. Chairman. Are there other subsidiaries or are there branches shown your business that are very much more profitable than the ones you have shown us today?

Mr. CHILD: I am afraid I would have to have the statement in front of me.

Mr. CLEAVER: I will tell you why I asked that question. Your composite statement shows that before taxes your company in the fiscal year ending March 27, 1947, made a net profit of just over 25 per cent; and after taxes the net profit was just over 13 per cent. Now, I am just—

The CHAIRMAN: Mr. Cleaver, you are now referring to the annual report of this company?

Mr. CLEAVER: Yes.

The CHAIRMAN: I think it should be put in as an exhibit or an appendix.

Mr. MONET: That will be exhibit 60.

EXHIBIT No. 60: Twentieth annual report, Canada Packers Limited, as at 27th March, 1947, filed.

Mr. CLEAVER: That will be referred to as exhibit 60 then.

Mr. CHILD: What page are you on?

Mr. CLEAVER: Page 19. Your total employed capital, including earned surplus of $14,000,000 is $15,511,000. Is that right?

Mr. CHILD: I think Mr. McLean better deal with that.

Mr. MCLEAN: No, that is not. No, the total employed capital is $15,511,000, plus the $5,663,000.

Mr. CLEAVER: I was only dealing with your own statement.

Mr. MCLEAN: So am I.

Mr. CLEAVER: And as I read it your stock, no par value, is $1,438,284 and your earned surplus is $14,073,676.

Mr. MCLEAN: Yes.

Mr. CLEAVER: Where will I find the other items?

Mr. MCLEAN: Just above it.

Mr. CLEAVER: Surplus on appraisal?

Mr. MCLEAN: Surplus on appraisal.

Mr. CLEAVER: The surplus on appraisal is the difference between the appraised value of your assets and the value of your assets which you carry for taxation purposes?

Mr. MCLEAN: No.

Mr. CLEAVER: Well, what is it?

Mr. MCLEAN: That goes back to the original balance sheet of Canada Packers. It is quite a long story. Canada Packers was formed by the merging of four companies in 1947. Those companies had invested in them in the year 1919—I can't remember the figures, but about $20,000,000; but they had had a pretty bad experience, there had been heavy losses. Canada Packers was formed by merging the four companies. Actually three of the companies were without working capital and the other company was able to get the necessary working capital and it in substance—in fact the operation was that one company purchased the other three. Two of them were purchased outright, and the other was purchased by an exchange of shares.

Mr. CLEAVER: So that your employed capital would be 21·1 million?

Mr. MCLEAN: 21·1 yes. I should like to finish that. I have not quite done so. It goes without saying that the solvent company which had to find the money to make the merger possible—it was a pretty desperate situation—did not pay the full value of the plants that they bought in. The difference is that appraisal surplus. If you ask me why the balance sheet was set up that way I could not tell you. It was done by our auditors.

Mr. CLEAVER: Your explanation is quite satisfactory to me. If I may just conclude this one point your earned net income before taxes would be what?

Mr. MCLEAN: The net is $2,059,000, and the taxes are $1,699,000, so the net income before taxes was $3,758,000.

Mr. CLEAVER: And after taxes?

Mr. McLEAN: After taxes $2,059,000.

Mr. CLEAVER: Right. That would mean that the net profits of the company after taxes would be just under 10 per cent?

Mr. McLEAN: Yes.

Mr. CLEAVER: And before taxes between 18 and 19 per cent?

Mr. McLEAN: Yes. I think the significant figure though is the net earning in terms of percentage of sales. The net earned of $2,059,000 was 1·01 per cent of the sales. At another point in the report I think you will find that it is one-eighth of 1 per cent per pound. That is the measure of the service that the company does.

Mr. CLEAVER: So far as the general public are concerned that would be the interesting figure. So far as your shareholders are concerned the net profits would be the interesting figure.

Mr. McLEAN: Quite right.

Mr. CLEAVER: Have you had any indication from your auditors as to how the year ending March, 1948, will compare with the year ending March, 1947, as to net profits?

Mr. McLEAN: Well, I think it has been a year of advancing prices, as is illustrated by this butter situation. We have an enormous profit on butter, and there have been advancing prices on some other commodities due to the lifting or discontinuance of the subsidies, so that I would expect, and the indications definitely are, that we will finish the year with something larger by way of profit than last year.

Mr. CLEAVER: Perhaps substantially larger?

Mr. McLEAN: No, that is not the present indication.

Mr. LESAGE: Mr. McLean, as a matter of fact, your net income before taxes was 2½ times the amount of your authorized and issued capital, 250 per cent of the amount of your issued capital?

Mr. CHILD: You are merely talking about the book value of the shares?

Mr. LESAGE: The book value of the shares.

Mr. McLEAN: I am a little deaf. I did not catch the question.

Mr. LESAGE: I say your net income before taxes was 250 per cent of the book value of your issued capital?

Mr. McLEAN: The capital is $21,000,000, as I have been explaining.

Mr. LESAGE: No, the book value of your issued capital.

Mr. McLEAN: That is not the book value of the issued capital.

Mr. LESAGE: Is $1,438,284 not the book value of your issued capital?

Mr. McLEAN: No.

Mr. LESAGE: What is it?

Mr. McLEAN: I just gave the explanation at some length to Mr. Cleaver.

Mr. LESAGE: I should like to know if the figure of $1,438,284 is not the book value of your issued capital what it does represent.

Mr. McLEAN: Not at all.

Mr. LESAGE: What does it represent then?

Mr. McLEAN: The book value, or the original amount that represented common shares when Canada Packers was formed was set up in that form, $1,438,284, but plus $5,600,000. That was the original equity in the common shares.

Mr. LESAGE: The original equity?

Mr. McLEAN: Yes.

Mr. LESAGE: Then it would be approximately $7,000,000?

Mr. MCLEAN: Yes, but I omitted to mention to Mr. Cleaver that when Canada Packers was formed there were outstanding $8,500,000 of bonds and $6,000,000 of preferred stock. Those have since been paid off.

Mr. LESAGE: They have been paid off.

Mr. MCLEAN: But it is very inaccurate to say the original investment in Canada Packers was either $1,400,000 or $7,000,000.

Mr. LESAGE: But the present book value of the original investment is $7,000,000?

Mr. MCLEAN: That was the valuation put on the common shares at the time the company was formed. $14,000,000 is accumulated profit since then.

Mr. LESAGE: Profits, yes, but if we want to have the present book value of the original investment it is $7,000,000?

Mr. MCLEAN: No, the present book value of the original investment is $21,000,000.

Mr. LESAGE: No, you have an earned surplus of $14,000,000.

Mr. MCLEAN: Pardon?

Mr. LESAGE: There is an earned surplus of $14,000,000. That is a surplus.

Mr. MCLEAN: We are not using the same phrases for the same thing, and I think I am the one that is correct on that. The present value of the original investment in Canada Packers is $21,000,000. That is the original investment plus accumulated profits.

Mr. LESAGE: But the original investment without accumulation of profits as it is represented in the books is $7,000,000?

Mr. MCLEAN: That was the investment in 1927. The present investment is $21,000,000.

Mr. LESAGE: $21,000,000 if you add to the original investment your $14,000,000 surplus.

Mr. MCLEAN: You have got to do that if you are talking about present value.

Mr. LESAGE: But on the original value of $7,000,000 your profit this year would be 50 per cent.

Mr. MCLEAN: The profit that we make at the present time is made on the present capital invested in the company.

Mr. CLEAVER: You did not declare your benefits in dividends. You ploughed them back in?

Mr. MCLEAN: Yes. We paid no dividends whatever for eight years.

Mr. LESAGE: What I understand is that the surpluses have been reinvested in the company. The employed capital now is the total of the investment plus profits.

Mr. MCLEAN: The only word I question in your statement is "present." The present investment in common shares of Canada Packers is not $7,000,000 but $21,000,000.

Mr. IRVINE: Would it be true to say that the $7,000,000 made the extra $14,000,000 which amounts to the $21,000,000?

Mr. MCLEAN: The $14,000,000 represents the profits that have been left in the business.

Mr. IRVINE: I may appreciate that but that profit was made on $7,000,000?

Mr. MCLEAN: No, that profit was made on about $30,000,000.

Mr. IRVINE: Where does that come from?

Mr. McLEAN: Well, it would be obvious if you had the original balance sheet of Canada Packers. There were $8,500,000 of bonds. Perhaps I have over-stated it. It was $8,500,000 plus $6,000,000 plus $7,000,000, whatever that is.

Mr. PINARD: It is nevertheless true the amount invested of $7,000,000 has doubled itself by accumulated surplus up to now?

Mr. McLEAN: Yes.

Mr. PINARD: That is correct?

Mr. McLEAN: Yes.

Mr. PINARD: And on top of that you also have the earned surplus that you mentioned previously of $2,000,000 to add to the accumulation of surplus?

Mr. McLEAN: It has increased by reason of the earned surplus.

Mr. PINARD: Exactly.

Mr. LESAGE: Would this be a proper time to turn to pages 23 and 24?

The CHAIRMAN: I was going to suggest that. I appreciate the value of this evidence, but what we are interested in is the recent rise in prices.

Mr. LESAGE: Would it be all right to go on?

The CHAIRMAN: I would be happy if you would go on with pages 23 and 24.

Mr. LESAGE: Mr. McLean, would you look at page 24?

Mr. FLEMING: I think Mr. McLean wanted to say something.

Mr. MONET: Did you have anything to say before we go on?

Mr. McLEAN: No, I thought you were going to adjourn, and I wanted to say something before that.

The CHAIRMAN: No, we do not adjourn until 6 o'clock. All right, Mr. Lesage.

Mr. LESAGE: I notice, Mr. McLean, on page 24, that the price at which you sold your butter for the week ending December 24th was 67.76 cents?

Mr. McLEAN: Yes.

Mr. LESAGE: You sold at wholesale prices? I understand that is the wholesale price.

Mr. McLEAN: Yes, everything we sell is at wholesale. We are not retail.

Mr. LESAGE: But it is the wholesale price?

Mr. McLEAN: Yes.

Mr. LESAGE: You sold at wholesale prices over 67 cents, which is the present ceiling, from the week ending December 24th to the week ending January 14th?

Mr. McLEAN: That is right.

Mr. LESAGE: And then the ceiling was imposed on January 17th?

Mr. McLEAN: Yes.

Mr. LESAGE: And there was a roll-back in prices then on account of the ceiling being imposed?

Mr. McLEAN: Yes.

Mr. LESAGE: For the last four weeks before the imposition of the ceiling the prices were above the ceiling of 67 cents which was imposed on January 17th?

Mr. McLEAN: That is right.

Mr. FLEMING: I wanted to ask about that roll-back.

Mr. LESAGE: It is a roll-back because it was 66.45 for the week ending January 21st.

The CHAIRMAN: Let us go on.

Mr. FLEMING: Is that the roll-back that is being spoken of, a cent and a half?

Mr. LESAGE: Yes.

Mr. FLEMING: The roll-back that has been spoken of is 1½ cents per pound.

Mr. McLEAN: Yes.

Mr. LESAGE: On account of the reimposition of the ceiling.

Mr. McLEAN: The ceiling was imposed.

Mr. LESAGE: Before January 17th there was nothing, apart from the fact that these prices were market prices, to force you to sell at those prices?

Mr. McLEAN: That is correct.

Mr. LESAGE: You were free to sell at prices below that if you had wanted to, and you are still free?

Mr. McLEAN: Yes.

Mr. LESAGE: You were not obliged to take a profit of 11 cents a pound on butter which you had in store?

Mr. McLEAN: No, not at all.

Mr. LESAGE: But you decided of your own free will to do it?

Mr. McLEAN: Well, that is one way of putting it. The fact is we sold at the market price.

Mr. LESAGE: You sold at the market price but you were not forced to do it.

Mr. McLEAN: No, we could have sold it at 10 cents a pound if we wished.

Mr. LESAGE: What you were selling on the market was a good part of all the sales which were made on the market at that time?

Mr. McLEAN: Oh, no.

Mr. LESAGE: What per cent, 10 per cent?

Mr. McLEAN: About 8 or 9 per cent.

Mr. LESAGE: 8 or 9 per cent?

Mr. McLEAN: Yes, that is our share of the trade.

Mr. LESAGE: If you had decided to sell with a profit of 2 or 3 cents a pound, let us say, would that not have meant a general decrease in the price of butter in Canada?

Mr. McLEAN: It would not have affected it in the slightest.

Mr. LESAGE: It would not have affected the market?

Mr. McLEAN: No.

Mr. LESAGE: That is your opinion?

Mr. McLEAN: I am certain of that.

Mr. LESAGE: If you and Swift's Canadian and others had done it, it would have affected the market.

Mr. McLEAN: There are about 1,400 people who own butter altogether and I suppose there are 100 large holders. If those 100 large holders had met and agreed to sell it at any price, at 50 cents, or 60 cents, or 65 cents, it could have been done.

Mr. LESAGE: That could have been done.

Mr. McLEAN: Yes.

Mr. LESAGE: If 25 of those large holders had decided to take a normal profit, which I suppose is much below 10 per cent there would have been a roll-back in prices.

Mr. McLEAN: That is a purely theoretical question. It is the kind of thing that just does not happen.

Mr. LESAGE: It does not happen because it was not decided upon—you did not decide to do that but you could have tried it could you not?

Mr. MCLEAN: No, we could not have taken any action that would have affected the market.

Mr. LESAGE: Pardon me?

Mr. MCLEAN: We could not have taken any action that would have affected the market, except in co-operation with others.

Mr. JOHNSTON: That would have been a combine.

Mr. LESAGE: Not to lower the prices.

Mr. FLEMING: Yes, they would have run afoul of the Combines Investigation Act immediately.

Mr. JOHNSTON: Yes.

Mr. LESAGE: Well that is a legal argument between Mr. Johnston and myself and I would be ready to fight the case in any court that there could be no combine when prices are reduced.

The CHAIRMAN: Let us not get into an argument as to what the law is?

Mr. FLEMING: Well you have got it on the record already.

The CHAIRMAN: We can evaluate that when we come to assess the weight to be attached to the answers to the questions.

Mr. LESAGE: Mr. McLean, I would like to know the length of the average period of storage for one pound of butter?

Mr. WIGGINS: Six and a half months.

Mr. LESAGE: Six and a half months, starting with the buying on June 5 and ending at the end of March—which date has not yet been reached—is that a correct average?

Mr. WIGGINS: We buy for five months and sell for seven months.

Mr. LESAGE: You sell for seven months?

Mr. WIGGINS: Yes.

Mr. LESAGE: And in the average?—

Mr. WIGGINS: We take an average of the butter that went in and an average of the butter that comes out and it is equivalent to a holding time of just about six and a half months.

Mr. LESAGE: If we worked out the averages from page 24 we would find out the answer would be six and a half months?

Mr. WIGGINS: I have not done so but I would say it is very close.

Mr. LESAGE: Would you have a look at it tonight? Now can you tell the committee how you arrive at the carrying charge of 2·91? Can you give us a breakdown of that figure?

Mr. WIGGINS: I will give you that.

Mr. LESAGE: Can you give it now?

Mr. MCLEAN: It is approximately 10 cents a week.

Mr. WIGGINS: Yes, it is just about 10 cents a week, 10 cents per 100 pounds per week.

Mr. LESAGE: Per 100 pounds?

Mr. WIGGINS: Yes.

Mr. LESAGE: What is the storage included in the 2·91 per month?

Mr. WIGGINS: For the first month the storage charge is 25 cents for 100 pounds and for each succeeding month it is 20 cents. I give that as a general figure because it varies in the different cities where the butter is stored. Those figures of 2·91 are our exact costs.

Mr. LESAGE: According to the regulations of the Wartime Prices and Trade Board your carrying charges for six and a half months would be 2·6 cents or something like that?

Mr. WIGGINS: During that period of time the butter value was something below 40 cents, compared to a higher value now.

Mr. LESAGE: Yes, and the interest charged—

Mr. WIGGINS: The storage charges have advanced since the ceilings were taken off that service.

Mr. LESAGE: They have advanced?

Mr. WIGGINS: Yes.

Mr. LESAGE: The storage charges you pay yourself or that you charge Canada Packers—

Mr. WIGGINS: That we have to pay, anyway.

Mr. LESAGE: That you have to pay anyway, the cost has advanced? I do not know whether you can give me this answer now, but I would like to know the amount of capital employed for the storage of your butter for the last season, or the present season which is not yet over?

Mr. CHILD: We have already been asked by another gentleman to get that figure?

Mr. LESAGE: All right, there is a second question I want to ask. What is the capital employed for your creamery operation, your plant operations—separately—and then your branch operations.

Mr. CHILD: I will try to get that for you.

Mr. LESAGE: For the first eleven months of the present fiscal year.

Mr. CHILD: Yes.

Mr. LESAGE: I understand when I talk about branches that you have 18 distributing branches?

Mr. CHILD: That is correct.

Mr. LESAGE: Now on page 24 I see the average cost on October 15 for all butter stored, apart from the carrying charges, was 51 cents.

The CHAIRMAN: The average cost?

Mr. MONET: Yes.

Mr. LESAGE: And your average selling price was 65·12. That is a margin of a little more than 15 cents.

Mr. CHILD: Before carrying charges?

Mr. LESAGE: Before carrying charges, and you must have felt it was quite a large margin.

Mr. CHILD: Would you repeat that for Mr. McLean?

Mr. LESAGE: You must have felt it was quite a large margin?

Mr. MCLEAN: Of course, I have told you that several times.

Mr. LESAGE: Your interest in the consumer was not very high.

Mr. MCLEAN: I think this is an appropriate time, Mr. Lesage, for me to say this.

Mr. LESAGE: Pardon me?

Mr. MCLEAN: I had in mind, when you asked whether we could have sold at a lower price, to say to you this is an unprecedented profit on butter and everybody knows that. Perhaps the next year, and certainly within two or three years, there will be a reverse movement and we will buy butter at the high price and sell it at the low price. Our interests in the public will be revealed then, or the public interest in us, will be revealed then. There is one

more thing that is important. The profit here appears as $509,000 but Canada Packers did not get that. The Department of National Revenue gets half of it—to be exact 47½ per cent.

Mr. LESAGE: Yes, because you made it.

Mr. MCLEAN: Just a moment.

Mr. LESAGE: I hope you are not trying to tell me that you made all that profit in the interests of the Department of National Revenue?

Mr. MCLEAN: I am trying to tell you the facts, Mr. Lesage. Of that $509,000 the Department of National Revenue gets half. However, when we lose $500,000 which we may—I hope it will not be so much—but whatever we lose, the Department of National Revenue pays nothing of the loss and we pay it all.

Mr. LESAGE: Yes, but you can put it against your accumulated profits over years and years.

Mr. MCLEAN: However, I think that is the answer to the point you are raising, Mr. Lesage. It is a point that has been raised in everybody's mind. "Should a processor take that much profit?" I think I have given the answer.

Mr. LESAGE: That is why I asked the question because I know the consumer is interested in the answer. The only answer is the one you have given now. You decided you could accept that as a guarantee against future losses?

Mr. MCLEAN: Every dollar of it will be set aside as a reserve because that is not a permanent profit.

Mr. LESAGE: That is the only reason you can give the consumer?

Mr. MCLEAN: Oh, no, not at all.

Mr. LESAGE: Would you give the others?

Mr. MCLEAN: The reverse trend will take place in time. The proof is in the alternation of the black and red figures in the history of the department to date.

Mr. LESAGE: But never—

Mr. FLEMING: Let the witness finish, he has not finished.

Mr. MCLEAN: That is an illustration and that is the way business is done. It is a very useful way, and the way it works out is that the wholesaler—and I am talking about Canada Packers who are wholesalers—have done an enormous business and I think they have done that business very well. They have made a very minute profit on the total business over a period of years, and that minute profit is all they will make over the next period of years.

Mr. LESAGE: But did it ever occur in the past years that your margin on butter stored was as high as it has been in the last month?

Mr. MCLEAN: I am sorry I did not get that Mr. Lesage.

Mr. LESAGE: Did it ever occur that the margin was as high as it was for the last months? I am speaking of the margin on butter stored or in storage.

Mr. MCLEAN: You mean in previous years?

Mr. LESAGE: In past years.

Mr. MCLEAN: No, never.

Mr. LESAGE: What was the highest margin you ever took on butter stored or in storage? I do not believe we have that figure.

Mr. MCLEAN: I do not know what it would be.

Mr. LESAGE: It is not in here, could you obtain it?

Mr. MCLEAN: Oh yes, we could look it up.

Mr. LESAGE: I would like to have it in the morning.

Mr. MCLEAN: I am told that it is here, and the figure is 8.64.

Mr. PINARD: Yes, the figure for 1941 is on table 2.

Mr. MCLEAN: Yes, on table 2.

Mr. LESAGE: Yes, storage butter operations. The figure is 8·64 in 1941, and then your second highest figure is 3·57.

Mr. MCLEAN: That is correct.

Mr. LESAGE: And on the over-all business of all your plants you made a profit of ·19 cents per pound for the years 1939 to 1947 inclusive?

Mr. MCLEAN: That is correct.

Mr. FLEMING: Mr. Chairman, may I ask a question or two, please? Mr. McLean, you spoke earlier about selling butter at the market?

Mr. MCLEAN: Yes.

Mr. FLEMING: When you speak about 'market' are you speaking of the operations of the open market at Montreal, or elsewhere, on the butter exchange?

Mr. MCLEAN: It is pretty hard to define what market is. At any time, at any moment of any day, the traders in butter in Toronto and Montreal will tell you within a ¼ of a cent a pound the variation between top and bottom prices, and what the market is. Each trader uses his own judgment. It is actually, in essence, the mean or the average, I suppose. There are two or three thousand transactions in butter every day—that may be too high for the wholesale operation, but there are many. Somehow or other the average sifts through and that is the market. That is about as closely as I can define it.

Mr. FLEMING: You are selling on more than one of these butter exchanges; probably selling on them all?

Mr. MCLEAN: We are selling on Toronto, Montreal, Winnipeg, Edmonton and Vancouver.

Mr. FLEMING: Since the ceiling was applied on butter in mid-January, there has been practically no fluctuation in the wholesale price?

Mr. MCLEAN: That is correct.

Mr. FLEMING: Previous to that time there had been a fairly constant rise, up to the maximum, which was reached at the end of December?

Mr. MCLEAN: Yes.

Mr. FLEMING: If the government, through its agency the Wartime Prices and Trade Board, had chosen to set the ceiling at a lower price, I take it your profits would not have been as large as we have just been hearing about in recent minutes?

Mr. MCLEAN: That is correct.

Mr. FLEMING: Was your company consulted, either by the Wartime Prices and Trade Board or the government in connection with the re-imposition of the ceiling in mid-January?

Mr. MCLEAN: No, not at that time. There had been a meeting in early January or late December, called by Mr. Gardiner, at which a good many of the major holders of butter were present. It was just to discuss the general situation and the problems that were looming up; the prospect of shortage on the one hand, and the high prices on the other; just the things we have been discussing today. At the time the ceiling was imposed we were not consulted.

Mr. FLEMING: Approximately when did that meeting with Mr. Gardiner take place?

Mr. MCLEAN: I think it was towards the end of December.

Mr. FLEMING: Was the the price of butter discussed at that meeting?

Mr. MCLEAN: Oh, yes, it was called to discuss it.

Mr. FLEMING: It was called to discuss the price?

The CHAIRMAN: No, he did not say it was called to discuss the price.

Mr. McLEAN: To discuss the general problems.

Mr. FLEMING: But price was discussed?

Mr. McLEAN: Yes.

Mr. FLEMING: What was the tenor of the discussion with respect to price?

Mr. McLEAN: Oh, there was a long discussion. It occupied a full day. There were complaints from one section of the community about the high price, and from another section of the community that the price of butter fat was certainly not more than sufficient to pay the farmer. Then, the question of importing butter was discussed; whether or not some New Zealand butter could be imported. At that time, Mr. Gardiner said it was not possible to get the New Zealand butter. The whole situation was discussed for a day.

Mr. FLEMING: And what Canadian butter interests were represented there.

Mr. McLEAN: I should think there were about twenty-five of the larger storers.

Mr. FLEMING: That was at a time when butter was rising fairly rapidly in price, was it not?

Mr. McLEAN: Butter was then, I think, just at the point where the ceiling was established later.

Mr. FLEMING: Was the re-imposition of the ceiling discussed at that meeting?

Mr. McLEAN: Yes.

Mr. FLEMING: What views were expressed on that subject, may I ask?

Mr. McLEAN: Well, there were many views. There were twenty-five people there. I think, on the whole, those who were there representing the producers and the distributors thought that was the best possible solution, the establishment of a ceiling.

Mr. FLEMING: I take it, then, the producers were not unfavourable to the imposition of a ceiling?

Mr. McLEAN: No, I do not think so.

Mr. FLEMING: And the government then had the benefit of the views of the producers in January on that subject?

Mr. McLEAN: Yes.

Mr. FLEMING: At least, in December?

Mr. McLEAN: Well, it was either the last week of December or the first week in January.

Mr. FLEMING: The re-imposition of the ceiling then came about the middle of January?

Mr. MONET: The 19th of January.

Mr. MacINNIS: Could we get clear the point as to what is meant by "producers" in this connection?

Mr. McLEAN: I had in mind the co-operative creameries who were tatamount to the producers.

Mr. MacINNIS: It was the butter producers, not the cream producers?

Mr. McLEAN: Mr. Turnbull was there and Mr. Turnbull was looked upon as representing the farmers because he operates the system of Saskatchewan Co-operative Creameries.

Mr. FLEMING: Then, may I just continue? You were not consulted about the actual price that should be fixed when the ceiling was re-imposed?

Mr. McLEAN: No.

The CHAIRMAN: What was that question?

Mr. FLEMING: I asked if the butter interests or Canada Packers were not consulted about the particular price that was fixed when the ceiling was imposed?

Mr. McLEAN: Not at the time.

Mr. FLEMING: Was there some further consultation?

Mr. McLEAN: The price for the ceiling was discussed at some length in this meeting of which I spoke.

Mr. FLEMING: What was the tenor of the discussion of the price at which the ceiling should be fixed.

Mr. McLEAN: Well, I think there were a good many varying views. I think, on the whole, it would be fair to say that those at the meeting, other than the co-operative creameries—I would not say what their view was—but, on the whole, those who represented the storage interests wuold have been quite willing to see a lower price fixed.

Mr. FLEMING: You say the storage interests, does that include your company?

Mr. McLEAN: People such as ourselves.

Mr. FLEMING: You would have been quite prepared to take a lower price than the ceiling?

Mr. McLEAN: Oh, yes.

Mr. FLEMING: Was there any other view expressed at the meeting?

Mr. McLEAN: Well, I think probably—remember, I am speaking from memory—I think probably the representatives of the co-operative creameries may have argued that the current price, the price then being paid for butter fat was not too high.

Mr. FLEMING: Would it be fair to say this, then, that there were different views expressed as to the price that should be set for the new ceiling, but that your company was prepared to take a lower price than was eventually established by the government as the ceiling?

Mr. McLEAN: I do not think it was quite so explicit as that. I do not think that anybody said, "Now, this price should be lower", as against a statement by somebody else that it should be higher. Generally, everybody recognized it was a difficult kind of problem. Butter is a sensitive kind of political problem.

Mr. LESAGE: It is a hot potato.

Mr. McLEAN: There was not much talk about it.

Mr. FLEMING: Many governments have slipped on it.

The CHAIRMAN: Some people have slipped on it.

Mr. IRVINE: May I interject a question?

Mr. FLEMING: I think probably both the chairman and I interrupted the witness, but I would be quite willing to have Mr. Irvine ask his question now and I will continue with my questioning later.

Mr. IRVINE: I was under the impression that you gave us the impression that the co-operative representatives at this meeting were anxious to increase the price whereas the other interested parties there would have been glad to lower it?

Mr. McLEAN: No, I did not say anything about increasing the price but I remember—I hope I am not being put on the record on this.

Mr. IRVINE: You are on the record and you are on oath.

The CHAIRMAN: I think, in fairness to this witness, I may be wrong but I think he said he could afford to accept a lower price whereas the record of the co-operative was such it could not accept a lower price. It was representing a different class of interest.

Mr. IRVINE: If he had said it that way, it would have been much better.

Mr. MacINNIS: If my memory is correct, he did say that the co-operative representative said that the price, as it was then, was not too high so far as the farmers were concerned.

Mr. McLEAN: It is just possible Mr. Turnbull might say that was not an exact report of his position, but that is my memory of it. So far as my being on oath is concerned, the statements would be just the same if I were not.

Mr. IRVINE: Quite, I believe you.

Mr. FLEMING: Mr. McLean, during the war, when ceilings were imposed and fairly tight control exercized, were the major butter interests, by that I mean the wholesalers like yourself, encouraged to work together?

Mr. McLEAN: Oh, everybody—I hardly know what you mean—but everybody worked under the same rules and they were consulted about the rules.

Mr. FLEMING: I will be quite explicit about it. In connection with the bread enquiry we were told that the people engaged in making bread, during the war, were encouraged to work together. That was necessitated by reason of the controls. Then, after decontrol a warning came from the Combines Investigation Commission that they must cease working together. Now, did you have that experience in the butter business?

Mr. McLEAN: Oh, that is a thing which never occurs to a person who is operating in the packing house field. There is no such thing. The business is so fluctuating and prices are fixed on an individual's judgment so much from day to day that there is no analogy between that and the bread situation where there is a comparatively fixed price. I would say I understand your question now. I would not say there was anything occurred that had any significance at all towards working together or not.

Mr. FLEMING: A suggestion was made to you in questioning a few minutes ago that if a number of the larger wholesale butter interests had worked together and had, by common agreement, decided to lower prices, they may have been able to force a general lowering in the price?

Mr. McLEAN: Yes.

Mr. FLEMING: Has any such thing ever been attemped?

Mr. McLEAN: Oh, no.

Mr. FLEMING: Has there been any attempt on the part of those engaged in the wholesale butter business, to your knowledge, to make an agreement for the purpose of fixing price?

Mr. McLEAN: Oh, no.

Mr. PINARD: Might I interject a question at this point? Could it not have been made an occasion to try and get together, without fixing the price, to establish a margin of profit which would have been lower than that you obtained afterwards?

Mr. IRVINE: Another way of fixing it.

Mr. PINARD: The witness knows what I mean.

Mr. McLEAN: What I said was that there are about fourteen hundred firms in the field, a good many of them small, but there is such a large number of firms involved in this situation that the possibility of working out a centralized scheme of that kind is just recognized as not being there before you start. Nobody ever thought of it.

Mr. PINARD: On the other hand, if you had decreased your own price, do you not think it would have affected the others?

Mr. McLEAN: I do not.

Mr. PINARD: It would have affected the others if you had decreased your price?

Mr. MCLEAN: Not in the least. I am quite clear on that.

Mr. LESAGE: Not even on a competitive market?

Mr. MCLEAN: Here is what would have occurred if we had decreased our price.

Mr. LESAGE: Please tell us what would have happened.

Mr. MCLEAN: You know the small towns in Quebec, and we have many customers there. We were selling butter at 68 cents. Suppose we had said to one of these customers, "Your butter will cost you 60 cents". What would the housewife have paid for the butter?

Mr. PINARD: You mean the retailer would have taken the difference, the 68 cents?

Mr. MCLEAN: I should think that is a likely statement.

Mr. PINARD: Very nice.

Mr. MCLEAN: It was the recognized retail price for butter.

Mr. PINARD: In other words you would say that if you had not done it somebody else would have done it; if you had not taken the profit yourselves somebody else would have done it?

Mr. MCLEAN: In the main, yes. You see, there is the market. The market is the market.

Mr. FLEMING: Had you made a reduction at that time what then if any of it would have flowed through the original producer of butter, the farmer? Would he have gotten any benefit out of it?

Mr. MCLEAN: If we had made a reduction?

Mr. FLEMING: Yes.

Mr. MCLEAN: No, because the farmer would ultimately, if that reduction had been put into effect, the reduction in price, have had less. It would have brought down the price the creameries paid for the butterfat.

Mr. FLEMING: Did you have any letter of warning from the Combines Investigation commissioner, Mr. McGregor, about working with other people in the same business?

Mr. MCLEAN: No.

Mr. FLEMING: And making an agreement about prices?

Mr. MCLEAN: Mr. McGregor knows perfectly well that in the packing industry there is no room for such a letter as that.

Mr. WINTERS: Did you consider lowering your price just before the ceiling was imposed?

Mr. MCLEAN: We talked about it fifty times.

Mr. FLEMING: Could you say briefly what were the reasons why you did not do it? Were they the ones you enunciated just now?

Mr. MCLEAN: We had about 8 per cent spread. That answers itself, I think. Then there are many other difficulties. You will be interested in the gist of the conversations we had with each other. We were buying half of our butter on the market say at the 68-cent level and we were taking half of our butter out of storage at the 53-cent level. Now, we could not have two prices; we could not say to one customer your butter costs 68 cents, that is our price; and to another customer, this butter is out of storage and our price to you is 53 cents. That is clear.

Mr. LESAGE: That is one of the reasons you referred to a moment ago. That is a good reason.

Mr. MCLEAN: I beg your pardon?

Mr. LESAGE: That is a good reason for not lowering it to the extent of 8 or 9 cents.

Mr. MCLEAN: Exactly. The next best thing is to, well, strike a mean price; half your butter costs you 53 cents and half of it costs you 68 cents, how would it be sold at 60 cents. Well then, we go out to our customers and say our price is 60 cents. Actually all of that butter would not be sold at that level. It would be sold at the top level. Everybody knows that.

Mr. FLEMING: You mean, the market?

Mr. MCLEAN: Yes, to the consumer. But suppose someone was to offer butter to the merchant or whoever bought a pound of butter—if we were selling it at 60 cents and everybody else was taking 68 cents, they would be on our doorstep for the butter, and every customer we had would feel and would claim that we had not given him his proper share of that type of butter, and our butter would be sold out in three weeks and the market would again be 68 cents.

Mr. PINARD: You say that the decreased price of butter would have everybody sitting on your doorstep; they might be on somebody else's doorstep too, that would increase the price of butter, would it not?

Mr. MCLEAN: I do not agree with you, because the background situation was that there was not enough butter to last through the season. If there had been a little more than enough butter to last through the season prices would have gone down instead of up.

Mr. FLEMING: And probably the Wartime Prices and Trade Board knew that when they set the ceiling?

Mr. MCLEAN: Yes.

Mr. PINARD: Could I ask you why you took a larger margin of profit than the retailer, because the retailer is not taking 11 cents on his butter?

Mr. MCLEAN: We did not take a larger margin of profit than the retailer. We take a very minute profit.

Mr. PINARD: On your stock here you took 11 cents, do you consider that smaller than the profit to the retailer?

Mr. MCLEAN: Oh, very much.

Mr. PINARD: What was the general price of butter?

Mr. MCLEAN: You see, if you distinguish between the storage profit, which is very high this year, and your ordinary trading profit, it is only a most minute amount, almost nothing. On the first million pounds of butter, the total amount of butter we have sold this year, the storage profit is $509,000 and the total profit is $524,000, and there is only about 15,000 pounds left.

Mr. IRVINE: Can you tell us while you are dealing with that, Mr. McLean, what is the average price received for butterfat by the farmer, and what is the average price at which it is sold to the consumer?

Mr. MCLEAN: At which butter is sold?

Mr. IRVINE: Yes.

Mr. MCLEAN: I think I had better ask Mr. Wiggins to answer that.

Mr. WIGGINS: At our creameries and plants we pay 74 cents a pound to the farmer, and the price to the consumer, or to the retailer, is 69 cents, and the price to the consumer is 70 to 72 cents for butter.

Mr. IRVINE: How many pounds of butter are in a pound of butterfat?

Mr. WIGGINS: It works out 23 per cent over.

Mr. MONET: That is right.

Mr. FLEMING: At that meeting with Mr. Gardiner around the turn of the year did you disclose your mark-up or inventory profit in the course of the discussion of prices?

Mr. McLEAN: Oh, yes.

Mr. FLEMING: And he was fully aware of what the inventory mark-up was? You know, you introduced the subject.

Mr. McLEAN: Yes.

Mr. FLEMING: Did he have the same information concerning the large wholesalers of butter?

Mr. McLEAN: Oh, yes; he knew they were all in the same position.

Mr. FLEMING: So that the information as to the inventory mark-ups, inventory profits, was also fully disclosed to the government before they set the ceiling price on the 19th of January?

Mr. McLEAN: Oh, yes.

Mr. PINARD: Did he say he found the mark-up satisfactory?

Mr. McLEAN: Well, I was not quoting Mr. Turnbull—he is in Saskatchewan and he can't speak for himself here; but Mr. Gardiner is in Ottawa, you better ask him.

Mr. PINARD: I am asking you.

Mr. McLEAN: Mr. Chairman, may I speak for a moment?

The CHAIRMAN: Yes, Mr. McLean.

Mr. McLEAN: Mr. Chairman, I had booked my reservations for a holiday a week ago today, Thursday, and after that I got the invitation to come here, which I felt I had to respect. I am willing to sit here for whatever length of time the committee may wish, but if they feel that Mr. Wiggins and Mr. Child could give you the balance of the information you want, which is enlargement and explanation of these figures which they know better than I, I would like to leave tonight. I have a reservation on a plane to Montreal, and a reservation from Montreal to New York and a reservation from New York to Mexico City.

Mr. MacINNIS: You are going to make sure that we won't get you again.

Mr. IRVINE: If you feel that these gentlemen can answer any questions for you I see no objection.

Mr. McLEAN: I think so.

The CHAIRMAN: Do you think they could answer them as well as you could, Mr. McLean?

Mr. MacINNIS: You had better not commit yourself on that.

Mr. MONET: Mr. Chairman, if I might say so, although I have nothing to say in the matter, I had a long talk with these two gentlemen and personally I think that as far as I am concerned they could answer the questions. That is my feeling.

Mr. LESAGE: Mr. Chairman, the balance of my questions would be on figures.

Mr. FLEMING: Might I just ask one question in that regard Mr. Chairman? Have these gentlemen knowledge of the conferences summoned by the government, such as that one to which we were referring a moment ago with Mr. McLean?

Mr. McLEAN: Oh, no. Mr. Wiggins is the manager of the department.

Mr. FLEMING: Was he an attendant at these conferences?

Mr. McLEAN: He did not attend that one because I went down, but he has attended every other meeting.

The CHAIRMAN: Have you finished, Mr. Fleming? I think you are up the wrong tree there.

Mr. McLEAN: I do not want to run away. I will stay here a week if you wish me to, but I think that about anything I can do for you has been done.

Mr. LESAGE: The only one objecting is Mr. Fleming.

Mr. FLEMING: I simply asked a civil question.

Mr. MACINNIS: Don't agree to anything the chairman may say to you.

Mr. FLEMING: I never agree with the chairman. It is a matter of policy not to agree with him. I find it is a good policy.

The CHAIRMAN: The matter is in the hands of the committee. Mr. McLean has quite frankly placed his position before us and it is up to the committee to say whether or not they feel they can release him.

Mr. FLEMING: I suppose this committee is going to go on for some time and Mr. McLean is not going to be down there indefinitely.

Mr. MCLEAN: I will be delighted to come back at any time.

The CHAIRMAN: What is your pleasure, gentlemen, is that agreed?

Some Hon. MEMBERS: Agreed.

Mr. MONET: I think, Mr. McLean, you have had a pretty full day.

Mr. MCLEAN: Yes, but I have had a very pleasant day.

The CHAIRMAN: The committee will meet again tomorrow at 11 o'clock in the morning.

TRANSLATION OF EVIDENCE BY MR. BOIS AND MR. LUSSIER

Mr. J. E. Lussier, Chief of the butter and cheese department of the Coopérative fédérée de Québec, is called:

By Mr. Monet:

Q. Mr. Lussier, you were sworn yesterday at the same time as Mr. Bois but I think you failed to give your christian name and address.—A. J. E. Lussier.

Q. And your address?—A. 7254 St. Denis Street, Montreal.

Q. Will you please state your occupation in the Coopérative fédérée de Québec?—A. Chief of the butter and cheese department.

Mr. Henri C. Bois, general manager of the Coopérative fédérée de Québec, is recalled:

By Mr. Monet:

Q. Mr. Bois, will you refer now to Exhibit number 58 filed and explain to members of the committee the various entries found on it for 1947, beginning of course, with the second column, as the first gives only the year? Will you please explain to the members the meaning of the figures in column number 2? —A. In column number 2, 376,914 shows the number of boxes of butter received during 1947; in pounds it amounts to 21,107,193 pounds.

Q. Wait a minute. Do you mean the butter placed in consignment with the local units?—A. Plus the quantity on hand, January 1, 1947.

Q. 21,107,193 pounds for 1947?—A. Yes, sir.

Q. And now column number 4?—A. That is the value of sales made you have there, $10,936,523.25.

Q. And in column number 5?—A. That is the return to our factories. The amount paid by us to the shippers, $10,746,603.03.

Q. It is the amount paid the way you explained yesterday?—A. Yes, sir.

Q. I understand such payments are made weekly?—A. Yes, sir.

Q. And what is the meaning of the figures shown in column 6?—A. It is the average price per pound of butter paid to the factories, ·509.

Q. In other words, the figure represents the amount paid per pound to each of the local units?—A. Yes, sir.

Q. For the quantity of butter they have shipped you?—A. Yes, sir.

Q. And column 7, Mr. Bois?—A. It is the total commissions collected on those sales, $188,920.22.

Q. Will you explain to the members of the committee what you mean by commission collected?—A. Each week, we figure what are our direct costs, inherent expenditures for the receiving, handling and selling of butter, and we allow so much for our fixed charges—

Q. May I interrupt you; I do not know whether or not you have understood my question. I think you are referring now to columns 9 and 10. We are now considering column number 7. You have used the word "deduction", will you please tell us what is meant by "deduction"?—A. It is the amount deducted by us, which is retained for our management and direct costs, by pound of butter shipped to us.

Q. In other words, you mean a commission?—A. Yes, sir.

Q. And if I understand well that commission per pound is carried forward into column number 8?—A. Yes, sir.

Q. And what amount does it represent?—A. 0·89 of a cent per pound. There is a small mistake there of 0·02.

Q. Let me point out to the members of the committee that on Exhibit 58 a correction must be made for 1947. It should read 0·89 instead of 0·87.

For the benefit of the members of the committee who did not hear what I just said—

Mr. MacInnis: Did not understand.

Mr. Monet: Did not understand—I think I talk loud enough for you to hear—in column 8 of Exhibit 58, the first line, for the year 1947, a correction should be made, and the figures should read 0·89 instead of 0·87. I understand Mr. Bois wants to be very precise.

By Mr. Monet:

Q. Therefore, Mr. Bois, this would represent the commisison, if you can call it that way, earned by the Coopérative fédérée, the gross commission, per pound of butter handled?—A. Yes, sir.

Q. In other words, you earn a gross commission of less than a cent per pound?—A. A commission of seven-eighths of a cent, to be exact.

Q. And in column 9, you show the direct costs. Would you explain to the members of the committee what you mean by direct costs?—A. All the connected expenses, products, freight, warehousing, handling, some sale expenses previously known—because when we sell butter to the Commodity Exchange there is a charge of one cent a box—all labour costs, in a word anything directly related to butter.

Q. And did you figure the amount per pound, can you give the amount per pound, what that figure would represent?—A. I have not that here.

Q. Now, would you explain to the committee what you mean by administration costs or overheads as mentioned in column 10?

Mr. Lesage: They are not administration costs; those are the profit.

Mr. Monet: The charges collected after deduction of administration or overhead costs.

Mr. Lesage: The profits before deducting overhead charges.

The Witness: $105,294.59, that is the remaining amount to be applied to the payment of overheads and also to be used, after providing for overheads, in return or as final payment of butter operations. That is the amount to cover administration costs and the patronage dividend or final remittance, if there is any.

By Mr. Lesage:

Q. To local co-operatives?

By Mr. Monet:

Q. And this is the amount paid by you at the end of your fiscal year?—A. After deducting overheads.

Q. I see, Mr. Bois, there is a note on Exhibit 58, a reference to 1947, with regard to that amount of $105,294.59. Am I to understand that you have not the comparative figures for the years prior to 1947?—A. No, I have not got them with me.

Q. And for 1947, would you tell us what have been the overhead costs applied to butter?—A. They appear at the bottom of the page, $55,080.52.

Q. And this gives the amount of $50,214.07, the net profit on your operations in 1947.—A. Yes, sir.

Q. Am I to understand that this amount of $50,214.07 is the amount paid to the local units?—A. This has been paid on the following basis; the percentage of final remittance amounts to ½ of 1 per cent, and it is paid to local co-operatives in the ratio of the selling value of the butter supplied by those same local organizations. If the local organizations send us $100,000 worth of butter, we give them ½ of 1 per cent out of this amount of $100,000, and so on.

Q. Mr. Bois, could you give to the members of the committee the net amount of the commission left to the Coopérative fédérée de Québec for 1947?—A. Taking 0·89 as the gross commission and deducting from that ½ of 1 per cent, that represents about ⅝; 0·89, that is about ⅞, and taking off ⅝, that gives me five-eighths of a cent, which shows the cost of the service rendered, the cost of the sales, plus, if there is anything left, the profit there may be. Now, if you take ½ of 1 per cent and assume that 95 per cent of the butter received or consigned came from subsidiary organizations, and by multiplying one by the other, in value, you will arrive at about $50,000, $51,000 or $49,000. This means that there finally remains, at the most, just $1,500 to $2,000. I cannot give more details because the claims of the organizations are now reaching us, and the operations will be settled in May or June.

Q. At the moment, according to the figures you have, what percentage per pound or what net commission will be left for your business?—A. Practically none.

By Mr. Lesage:

Q. That is to say, Mr. Bois, that after the cost of your operations and the patronage dividend have been paid to the local co-operatives, the only net profit that could be left on your butter operations for the year 1947 would be a net profit of from $1,500 to $2,000, and probably nothing?—A. About that.

By Mr. Monet:

Q. Would you now explain briefly the question which was asked yesterday by one of the members of the committee,—what are now the operations of the local co-operative units?—A. The local co-operatives operate according to the same principles as the head office, or one can say, inversely, that the head office operates according to the same principles as the local organizations. The local co-operative comprises producers, exclusively, farmers. Every one of them has invested or subscribed an equal uniform sum of, let us say $50. They bought or built a creamery and operate it to the best of their ability. They get the butter from the members and, in Quebec, in our parishes, from the other farmers who also wish to join. They set, through a board of directors chosen according to the usual practice of co-operatives,—one man, one vote,—they set the tariff to be charged for the price of butter. At the end of the year, the profits, if there are any, are shared among the members and non-members. Certainly among members, among the non-members as decided by the general meeting. And they are distributed exactly on the same basis that we use ourselves, that is according to the quantity of butter fat brought in by every one. In our province, these organizations affiliate themselves and, in turn, we apply the services that we render, we give the surplus, when there is one, on the same basis.

Mr. PINARD: Mr. Winters would now have a few questions to ask, I wonder if he could ask them now?

Mr. LESAGE: Are you through, Mr. Monet?

Mr. MONET: Yes.

By Mr. Winters:

Q. Do you sell butter to the Maritimes?

The CHAIRMAN: I congratulate you, Mr. Winters.

The WITNESS: A little, we do not sell a large quantity of butter to the Maritimes.

By Mr. Winters:

Q. To whom?—A. You ask me a question which I cannot answer definitely, but, from memory, I am almost sure that we sell to Swift Canadian and I do not remember the other names.

Q. In Moncton?—A. Yes, sir.

Q. What is the cost of freight, of transportation?—It is sold f.o.b. Montreal or f.o.b. Quebec and transportation costs are, evidently, charged to the buyer.

By Mr. Pinard:

Q. I only have two questions to ask you. Yesterday, we heard a witness give us his opinions on the use of Commodity Exchange regarding the sale and the distribution of butter. Are you in a position to give us your opinion on that point? Do you profit by the distribution of butter through the Commodity Exchange?—A. From the standpoint of the distributors?

Q. First from the standpoint of the distributors and then that of the consumers?—A. As regards the producer, Commodity Exchange offers a permanent market. It is always possible to sell butter, or almost always, to the Commodity Exchange. Naturally, producers often consider that prices are not high enough and, as a result of their dissatisfaction, if I may use this word, they believe there may be manipulations, collusion, at the Commodity Exchange.

Q. Between the different buyers in order to set a price, is that what you mean?—A. Yes, sir.

Q. You make use of the facilities offered by the Commodity Exchange?—A. Absolutely.

Q. What proportion of your butter, approximately, do you sell?—A. 67,000 boxes last year.

Q. Do you think that Commodity Exchange, generally speaking, offers an advantage for the distribution of butter, or do you think that the advantage goes to Commodity Exchange since there is nearly always a shortage of butter in Canada?—A. There lies the difficulty. Butter is a seasonal product. May, June and July are great production months and prices are usually low during that period. That can be and is explained by storage costs and interest on money, etc., which must be borne by those who buy butter during that period for future distribution. But it will readily be understood that if the Commodity Exchange offers better opportunity to the producer, there comes a time when people become over-enthusiastic or over-optimistic, or else over-pessimistic, and then the feeling of one, two or three buyers may greatly influence the attitude of the eight, ten, twelve or fifteen other buyers around them.

Q. So the price is often based on the opinion of one member, on the attitude of buyers more convincing than others?—A. Probably.

Q. Now, Mr. Bois, dealing with another point, could you tell us what is the policy of your Co-operative on butter distribution, its policy in relation to profits?—A. Butter appears to us—and I give you here the view of our board of directors—the sale of butter appears to us more like a service than a profit-making business. Because for a large number of farmers in Quebec butter is the main source of income, and we try, as farmers' representatives only, we try, as I say, to safeguard their interests with regard to the staple commodities coming off their farms, and it is for that reason that our attitude toward this department is to limit these gains approximately to the amount we think will be necessary to cover the direct administrative expenses.

Q. It is for that reason that you said a moment ago that you anticipated for 1947, for instance, a net profit not exceeding $1,500 to $2,000?—A. Practically no profit.

Q. And it is your intention never to go beyond that proportion, but to consider the butter business rather as a service to the population?—A. Exactly.

Q. To what other commodities do you apply that policy, for instance? Do you apply that policy to eggs?—A. We adopt that policy for some other products, like cheese, eggs and poultry.

Q. For the same reasons?—A. For the same reasons.

Mr. LESAGE: Mr. Chairman, if you will allow me, I have a few questions to ask the witness.

The CHAIRMAN: Yes, very well, Mr. Lesage.

By Mr. Lesage:

Q. Mr. Bois, we have asked a few questions of Mr. Turnbull, the Secretary of the Saskatchewan Co-operative, and I would like your opinion on certain things about which we questioned him. Could you tell us what you would consider, for instance, a fair return to the farmer for one pound of butter fat? To make your answering easier, I shall ask you a double question: First of all, during the season of great production, in 1947, and, secondly, if there is a difference from December, 1947, in January, 1948, in February, 1948?—A. If you wish to know my opinion on the price at which butter should have been sold during 1947, particularly when the greater part of the production was being put on the market, I should say that it is about 55 cents.

Q. For a pound of butter?—A. For a pound of butter.

Q. Now, what should have been the return, in your opinion, per pound of butter fat, to the farmer, for it to be deemed a fair return?—A. Add about 20 per cent per pound of butter fat.

Q. About 20 per cent?—A. About one fifth.

Q. Then, that would make 63 cents for a pound of butter fat?—A. 63 cents for a pound of butter fat.

Q. When you say 55 cents for a pound of butter, do you mean the wholesale price on the Montreal market or the retail price?—A. It is the wholesale price on the Montreal market.

Q. When you mention price, you are always referring to the wholesale price on the Montreal market?—A. Yes.

Q. Now, during the months of December, January and February, if you want to produce butter under the conditions of that period, particularly under the conditions which prevail in the province of Quebec in winter, what would be a fair return to the farmer per pound of butterfat?—A. Between 72 and 75 cents.

Q. Between 72 and 75 cents per pound of butterfat?—A. To a farmer of the Province of Quebec who wishes to have milk yielding cows in winter and who wishes to feed them, yes, of course.

Q. You figure that a fair return to the farmer under those circumstances would range from 72 to 75 cents per pound of butterfat?—A. Yes.

Q. Which means a price of 67 to 68 cents wholesale on the market of Montreal? It is the price established by the Price Board, is it not?—A. Yes, sir.

Q. Then, a lower price would be an unfair price to the producers of the Province of Quebec?—A. It would be unfair to the producers and would be liable to impede production.

Q. So that a lower price would be unfair to the producers and would be liable to impede production?—A. They will not produce in winter unless the prices reach that level.

Q. And this winter, they are producing a little because the prices reach that level?—A. Yes. But we must always have in mind, when we are discussing this question of price; the price that should exist and the whole production—if

we wish to link the two ideas—should be established months ahead in order to be obtained. There is no way of proceeding otherwise. Even if we offered $1 per pound of butterfat, the answer no longer rests with the farmer, it rests with the cows.

Q. The farmer must then prepare his production, months and months ahead? —A. Yes, sir.

Q. Now, it is obvious that the price increase on wheat, after subsidies are abolished and controls lifted, constitutes a source of increase of cost price for farmers, particularly with regard to winter production in this country?—A. Yes, sir.

Q. The grain market has much fluctuated, there have been sharp fluctuations once the price controls were lifted?—A. Undoubtedly.

Q. Are co-operative societies in favour of having feed grains subject to Wheat Board control, instead of leaving them under the control of the Winnipeg Grain Exchange?—A. Such was the opinion heard.

Q. Obviously, to the extent that the provinces pass corresponding legislation, to make it constitutional. The matter is no doubt a legal matter, and I shall not ask your opinion on the subject.

And now, Mr. Bois, there is another matter. You say that, in 1947, you sold 40 per cent of all the butter you handled to the Montreal Commodity Exchange?—A. Yes.

Q. Do you know to whom this butter was sold?—A. Yes.

Q. You know?—A. Yes, sir.

Q. You obviously know about the other 60 per cent also?—A. Yes, sir.

Q. When your evidence is completed, could you give the committee through Mr. Monet, a list of those to whom you sold butter, both to the Commodity Exchange and directly?—A. Yes, sir.

Q. For all your sales above what figure—something reasonable, not the very small sales? What figure could be considered? I will ask your opinion.—A. Say one thousand boxes.

Q. One thousand boxes, with the date of sale, and price, and name of buyer?—A. Yes.

By Mr. Monet:

Q. Mr. Bois, I understand by one thousand boxes you mean 56,000 pounds? —A. Yes.

Q. Then, will you put down only 500 boxes? You have no objection, Mr. Lesage?

Mr. LESAGE: Very well.

Mr. MONET: I have a reason to suggest that.

Mr. LESAGE: Yes, very well. You are the one who will have to scrutinize the data.

Mr. MONET: The fact is that gives 25,000 lbs., and I realized in some cases it might be interesting later.

Mr. LESAGE: I still have a few questions to ask the witness.

Q. Have you butter in storage just now?—A. We haven't a pound of butter in storage. What we have on hand is butter, the few—

Q. Hundred pounds?—A. No, I might say some 20 to 50 boxes, which weekly production brings us; but we have no butter in storage belonging to us. We are keeping butter for customers who bought it and leave it in storage until it is delivered.

Q. Are those large quantities or is it for individuals, for retailers?—A. Mainly for wholesale buyers; the amounts therefore have to be quite substantial, several thousand boxes.

Q. You have a few thousand boxes just now?—A. Yes, sir.

Q. You know that the newspapers of Ottawa, Montreal and Quebec talk about the present shortage of butter, do you? You have seen that?—A. Yes, sir.

Q. Mr. Taylor, the chairman of the Wartime Prices and Trade Board stated in his evidence that, on the first of March, there were 19 million pounds of butter in storage in Canada and that the production for the month of March would be approximately 12 millions, which would amount to 31 million pounds altogether. He stated also that butter consumption in Canada in March would amount to approximately 20 million pounds, which means that we would have on hand on April 1, 10 million pounds. Now do you believe it is possible to ship any quantity of butter at any time from warehouses to areas where it is most needed?—A. I do not quite grasp your question. It is always physically possible.

Q. It is physically possible but economically impossible, is it not?—A. I believe so with existing prices.

Q. I understand that butter kept in small warehouses of Saskatchewan, which may comprise small quantities, cannot be shipped economically by rail in very small quantities?—A. No, sir.

Q. If quite a number of factories have small quantities on hand this could add up to a considerable amount and also would explain the fact that, although there is butter in storage actually, it is distributed in such a way as to make the shipment at a given time very hard because distribution is extremely difficult?—A. And very costly.

Q. And very costly?—A. Very costly. It costs a lot. If there is a question of collecting small lots, lets say 150, 200 and 300 boxes on a territory the size of Saskatchewan for instance, I do not know how many hundred miles would have to be covered to obtain a reasonable load.

Q. To obtain a reasonable load?—A. Yes.

Q. Butter production is going to rise steadily and considerably after the first of April, will it not?—A. Yes, sir.

Q Then this shortage which is possibly only local is only of a very temporary character, is it not?—A. Yes, sir.

Q. I would say definitely?—A. Yes.

By Mr. Monet:

Q. Mr. Bois, another question before you leave. Will you tell us the name of one of the most important local co-operatives which deals with your establishment—or perhaps two of the most important?—A. Well, there is the Mont Laurier Co-operative in Labelle county; there is also the Lac Megantic Co-operative in Frontenac county.

Q. Very well. That is quite enough. I thank you very much.

By Mr. Pinard:

Q. Just one more question, Mr. Bois. The manager of the Saskatchewan Co-operative stated in the course of his evidence that the production cost, the total production cost for one pound of butter was 45 cents during the month of June and the month of July, 1947. Will you tell us what is the total production cost in your co-operatives?—A. When that statement was made, the cost of the butterfat was evidently included in the pound of butter.

By Mr. Lesage:

Q. And the cost of the butterfat depends, does it not, on the price at which you can sell the butter?

Mr. PINARD: That is the point I want to determine.

The WITNESS: One cannot state what the cost of manufacturing a pound of butter is; I would establish it rather by the quantities; in the Province of Quebec, it varies at most from 5 cents to 5½ cents and, again, that depends on

the volume of production. A creamery with an output of 500,000 pounds, or of 300,000 pounds, is evidently much better off than a creamery with an output of only 50,000 or 75,000 pounds.

Mr. PINARD: That is to say, the cost of production in Saskatchewan exceeded by 2 cents what was paid to the producer.

Mr. LESAGE: It was 5 cents.

Mr. PINARD: Indeed, 5 cents. Then, what is the cost in the case of your own co-operatives?

The WITNESS: The cost of manufacture?

By Mr. Pinard:

Q. Yes.—A. It varies according to the co-operatives and the volume of their output.

Q. It may be different with each co-operative?—A. Yes, definitely.

Mr. MONET: That is the reason, Mr. Pinard, why I asked that I be given the names of one or two co-operatives, for it may be very interesting at a later stage to have Mr. Bois' testimony rounded out by the representative of one of these co-operatives. As a matter of fact, I intend to summon witnesses from one of these co-operatives later on.

The CHAIRMAN: That is all?

Mr. MONET: Yes.

The CHAIRMAN: Thank you, Mr. Bois.

Mr. MAYHEW: Could we have a breakdown, by months, of the quantities of butter for 1946 and 1947? It is given here by years and it would be interesting to have it by months because then you could tell how long this carry-over has been.

By Mr. Monet:

Q. Could you give us, by months, the quantity of butter for 1946 and 1947? Would you want it for all years, Mr. Mayhew?

Mr. MAYHEW: No, just for 1946 and 1947.

By Mr. Monet:

Q. Would you break down your quantity and show us, by months, the number of pounds and then forward the statement to me at my address?—A. Yes.

Mr. MONET: I thank you, Mr. Bois.

The CHAIRMAN: I thank you, Mr. Bois, and I congratulate you.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 28

FRIDAY, MARCH 19, 1948

WITNESSES:

Mr. A. J. E. Child, Assistant Treasurer and Chief Auditor, Canada Packers Limited, Toronto, Ont.

Mr. Ford Wiggins, Manager of Produce Department, Canada Packers Limited, Toronto, Ont.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

FRIDAY, March 19, 1948.

The Special Committee on Prices met at 11 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Cleaver, Fleming, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, McCubbin, Merritt, Pinard.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Mr. Lesage brought to the attention of the committee the delay in receiving the French copies of the Minutes of Proceedings and Evidence. The Clerk was instructed to communicate with the King's Printer in this regard.

Mr. A. J. E. Child, Assistant Treasurer and Chief Auditor, and Mr. Ford Wiggins, Manager of Produce Department, Canada Packers Limited, were recalled and further examined.

At 1.10 p.m. witnesses retired and the committee adjourned until Monday, March 22, at 11 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
MARCH 19, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: The meeting will come to order, please.

Mr. LESAGE: Before we proceed, Mr. Chairman, I have a request to make. I have asked for French copies of the evidence for distribution and up to now we have had only two or three of the first reports printed. I have been told that the translators are up to date but that the delay is due to the printers. Would it be possible for a request to be made by the committee for the printing to be speeded up?

The CHAIRMAN: Will you do that at once, Mr. Arsenault, please?

Mr. LESAGE: I make that request so that people will be able to see the record.

The CHAIRMAN: Certainly.

Mr. LESAGE: They would be much more impressed, and it should be printed as soon as possible in the French language.

The CHAIRMAN: If the translation is done there seems no reason why the printing should not be done. I have asked Mr. Arsenault to look into that at once.

Mr. MACINNIS: I think that is in order. It is not fair that they should have to wait so long.

The CHAIRMAN: I think that is the universal desire of the committee and it will be attended to.

Arthur James Edward Child, Assistant Treasurer and Chief Auditor, Canada Packers Limited, recalled:

Ford Wiggins, Manager of Produce Department, Canada Packers Limited, recalled:

Mr. IRVINE: Mr. Chairman, might I ask a few questions now?

The CHAIRMAN: I think Mr. Monet has one or two questions he would like to clear up first, if you don't mind.

Mr. MONET: Yes. I have two or three questions on page 23, then I will leave it entirely in your hands, Mr. Irvine. Going back to page 24, Mr. Child, you spoke yesterday of the average carrying charges to March 1 as being 2·91 cents per pound; is that correct?

Mr. CHILD: Yes.

Mr. MONET: You also stated that that was made up of two items; now, is that correct?

Mr. CHILD: Yes.

Mr. MONET: Storage, and interest at 6 per cent.

Mr. CHILD: That is right.

Mr. MONET: And those carrying charges are figured to March 1.

Mr. CHILD: Correct.

Mr. MONET: Now, looking at the other section of that page, to the right, I notice that butter started being sold on November 12?

Mr. CHILD: Yes, was being moved out of storage.

Mr. MONET: Being moved out of storage, and it was moved out of storage from November 12 to February 25?

Mr. CHILD: Correct.

Mr. MONET: By February 25 I understand there were 81,129 pounds moved out?

Mr. CHILD: Boxes.

Mr. MONET: Boxes moved out?

Mr. CHILD: Yes.

Mr. MONET: Now, Mr. Child, would the carrying charge established at 2·91 cents be the same on a box of butter sold on November 12 as on one sold on February 25?

Mr. CHILD: No.

Mr. MONET: They were not?

Mr. CHILD: No.

Mr. MONET: So the carrying charges on the butter sold for the week ending November 12 would not amount to 2·91 cents a pound?

Mr. CHILD: No.

Mr. MONET: So that the statement made yesterday that the net profit on all butter sold during the period from November 12 to February 25, and we are talking only of stored butter, that was set at 11·21 cents would not be exact; in other words, it would be more than that for the first weeks of the period that the butter was sold?

Mr. WIGGINS: May I answer that?

Mr. MONET: Yes.

Mr. WIGGINS: The figure 2·91 cents is the average cost per pound of the carrying charges on butter. That is the actual number of dollars paid out on the pound of butter sold.

Mr. MONET: Right.

Mr. WIGGINS: The figure 11·21 cents is the average profit. On some of the butter sold in November the carrying charges would not be so great, neither would the selling price.

Mr. MONET: Well, I want to make it perfectly clear.

Mr. WIGGINS: So that 11·21 cents is the average profit per pound on the sale of 81,129 boxes of butter.

Mr. MONET: To make this perfectly clear, Mr. Wiggins, I would like to know for the information of the committee and for my own information if the charge of 2·91 cents has been made on butter sold in the week of November 12?

Mr. WIGGINS: No.

Mr. MONET: It has not?

Mr. WIGGINS: No.

Mr. MONET: So this charge of 2·91 cents is an average charge keeping in mind the different periods during which it was sold.

Mr. WIGGINS: Yes.

Mr. MONET: That is all, thank you.

Mr. IRVINE: Mr. Chairman, there are a few questions. I think perhaps some of them have been touched on already but there are some minor points on which

I would like to be assured; and I would ask the witness to turn to pages 3, 4 and 5—3 will do because the same item appears on all of them by months; and the item I am interested in first is the profit and loss statement on creameries and the cost of sales item. Does this cost to sales item include the cost of butterfat and other materials?

Mr. CHILD: It includes the cost of butter as it is packaged ready for sale, that would be the ingredients, the butterfat plus the wrapper in which it is wrapped and anything else.

Mr. IRVINE: What else would there be?

Mr. CHILD: I do not know.

Mr. IRVINE: Then it includes every cost for material? It includes all your material costs?

Mr. CHILD: Yes.

Mr. IRVINE: Then what does the item expense include?

Mr. CHILD: That covers your manufacturing and shipping expense and whatever office expense is necessary at the creamery.

Mr. IRVINE: Manufacturing and shipping and office expense?

Mr. CHILD: In the main, and also the cost of picking up the cream, transportation cost.

Mr. IRVINE: Do you include income tax as an expense?

Mr. CHILD: No.

Mr. IRVINE: Do you buy or sell any other commodity in your creamery other than butter?

Mr. CHILD: Yes.

Mr. IRVINE: In that case should not a part of the expenses be allocated to that portion of your sales, part of the profit from that operation or those operations taken out of the butter account?

Mr. CHILD: Tha is done. This is only the expense that applies to butter which is seen here.

Mr. IRVINE: That is taken out completely, isolated from all the rest?

Mr. CHILD: Oh quite, and it is quite a job too.

Mr. IRVINE: I imagine it would be. Does the creamery sell skim milk?

Mr. CHILD: No.

Mr. IRVINE: Or buttermilk?

Mr. CHILD: Yes.

Mr. IRVINE: And that is not included in the sales account?

Mr. CHILD: No, not in this.

Mr. IRVINE: Buttermilk?

Mr. CHILD: Mr. Wiggins tells me buttermilk is included.

Mr. IRVINE: Which would to some extent affect the ultimate profits on butter alone?

Mr. CHILD: Mr. Wiggins can tell you what that would be.

Mr. IRVINE: You cannot say approximately how much that will alter the figure?

Mr. WIGGINS: Buttermilk sales over the year would be about $2,700.

Mr. IRVINE: And that would have to be deducted from the actual value of the butter?

Mr. CHILD: That would be deducted, Mr. Irvine, from this figure that you see there on page 3, the sales value of $2,844,000 in the last column on the right. It is from that figure that the $2,700 would have to be deducted—you see the $2,844,000 there? It is a very small amount.

Mr. IRVINE: Would you agree that the creamery depends on the high production months of June, July and August to make enough profit to cover up the loss which might be sustained in the low production period of the year? I think that is the general opinion, is it not?

Mr. CHILD: Yes.

Mr. IRVINE: Now, the butterfat subsidy at 10 cents a pound was removed on May 1, 1947, was it not?

Mr. CHILD: I do not know the date.

Mr. WIGGINS: That is right.

Mr. IRVINE: And the butter price ceiling was raised by 10 cents per pound.

Mr. WIGGINS: That is right.

Mr. IRVINE: Is it correct to say that 0·8 pounds of butterfat makes 1 pound of butter?

Mr. WIGGINS: That is right.

Mr. MAYBANK: What is that?

Mr. IRVINE: 0·8 pounds of butterfat make 1 pound of butter.

Mr. MAYBANK: I did not get the figure.

Mr. IRVINE: That would mean that the amount of butterfat that was required to make 1 pound of butter was increased by 8 cents a pound?

Mr. WIGGINS: I am sorry I don't follow that, Mr. Irvine.

Mr. FLEMING: Did you say 0·8, ·08 or ·8?

Mr. IRVINE: I said 0·8.

Mr. FLEMING: Then it is ·8.

Mr. IRVINE: I wanted to make sure they would know there was not a whole cent in it at that point.

Mr. CHILD: 8 cents, in other words.

Mr. IRVINE: Yes, 8 cents; which would mean, as I see it, that the amount of butterfat required to make 1 pound of butter was increased on account of the increase in the selling price by 8 cents a pound.

Mr. WIGGINS: Actually the butterfat subsidy was 10 cents per pound.

Mr. IRVINE: Yes.

Mr. WIGGINS: Which was considered equivalent to 8 cents a pound on butter, but when the ceiling was lifted it lifted it to 10 cents per pound on butterfat.

Mr. IRVINE: That is my point, and since ·8 per cent of butterfat makes 1 pound of butter it will be equivalent to 8 cents, that was the increase on butterfat and it was 10 cents per pound on butter.

Mr. WIGGINS: No, the opposite way.

Mr. IRVINE: How is that?

Mr. WIGGINS: Because 8 cents per pound on butter is equivalent to 10 cents per pound on butterfat.

The CHAIRMAN: That is right.

Mr. MAYBANK: It takes less than a pound of butterfat to make a pound of butter.

Mr. IRVINE: That is my point exactly, it makes more so that you have some butterfat left over after you have made your pound of butter.

Mr. LESAGE: It is the reverse, Mr. Irvine; if you have 10 cents for one pound of butter that is the equivalent of 8 cents on a pound of butterfat.

Mr. CLEAVER: And if you increase it to 10 cents a pound you increase the value of the butterfat to 12·5 cents.

Mr. CHILD: That is it.

Mr. MCCUBBIN: The farmer will receive 74 cents a pound for his butterfat yet the price of butter is only 66 to 67 cents. We receive a lot more for our butterfat than the consumer pays for his butter.

Mr. LESAGE: And it takes less than a pound of butterfat to make a pound of butter.

Mr. IRVINE: But it was the butter price that was raised by 10 cents.

Mr. LESAGE: The subsidy was removed on butterfat.

Mr. IRVINE: And the selling price went up 10 cents per pound.

Mr. LESAGE: That is it.

Mr. IRVINE: I am arguing that that made an 8-cent increase only in butterfat and 10 cents a pound on butter.

Mr. MCCUBBIN: No, no; 12 cents a pound on butterfat.

Mr. CHILD: A pound and a half.

Mr. MCCUBBIN: Yes.

Mr. IRVINE: I do not think that is correct, but we will let it drop for now.

The CHAIRMAN: We will have to argue that later.

Mr. IRVINE: We will let it go for the moment.

The CHAIRMAN: Are you satisfied as far as your point of view is concerned with the answer you have received? I do not want to take you off that if you are not satisfied.

Mr. IRVINE: Well, if they insist that the price was not increased by 8 cents but by 12 cents then I see no reason why such an increase could be suggested. I will take their word for it until we have more adequate information before us.

Mr. MONET: Excuse me, I think this is very important because it is the basis of everything in butter, and I think that while we have here the two gentlemen who know exactly what is what it should be explained.

Mr. MCCUBBIN: Let them give the answer then.

Mr. LESAGE: Mr. Taylor has explained it and Mr. Singleton has explained it.

The CHAIRMAN: Mr. Wiggins, have you anything to say on it?

Mr. WIGGINS: I have the record in front of me of the paid price. The price we paid for cream the first week of May was 56 per pound butterfat at the farm and the price of the wholesale market on butter at that time was 48 cents to 48·5 cents.

Mr. IRVINE: That was in May?

Mr. MACINNIS: That was after the subsidy was removed?

Mr. WIGGINS: Yes.

Mr. MACINNIS: What was the situation immediately before the subsidy was removed?

Mr. WIGGINS: You will recall that the creamery paid the subsidy to the producer and turned it back—I have to speak from memory now—but I think they paid 51 cents including the subsidy we were paying 51 cents for butterfat including the subsidy.

Mr. MACINNIS: 51 cents including the subsidy; what was the price of butter at that time?

Mr. WIGGINS: 40 cents, before the ceiling was advanced.

Mr. IRVINE: My contention is, Mr. Wiggins, that the amount of butterfat after May 1 required to make a pound of butter cost 8 cents. I want to be absolutely sure that that is true or not true.

Mr. WIGGINS: What do you mean by saying that a pound of butter cost 8 cents?

Mr. IRVINE: I mean that the amount of butterfat required to make a pound of butter after May 1, after the removal of the subsidy, the amount of butterfat required to make a pound of butter cost 8 cents and the butter was 10 cents.

Mr. LESAGE: No.

Mr. IRVINE: I am asking Mr. Wiggins.

The CHAIRMAN: Let's get this out of the witness. This is important, and I must say that I am confused myself now.

Mr. LESAGE: Who wouldn't be?

Mr. IRVINE: Thank God I have done something for you.

The CHAIRMAN: I think you ought to try to answer that, Mr. Wiggins, just to see if you cannot put us straight, as to whether Mr. Irvine is right or whether Mr. Lesage is right.

Mr. WIGGINS: Actually if the price of butter rose 8 cents per pound the price of butterfat would rise 12 cents a pound as far as the creamery was concerned.

Mr. IRVINE: Would you stop there just for a minute; what amount would you pay for the amount of butterfat required to make a pound of butter?

Mr. MAYBANK: After the rise?

Mr. IRVINE: Yes.

Mr. WIGGINS: I would pay for the butterfat required to make a pound of butter 42 cents, because the price of butterfat was 45 cents a pound and we were paying 53 cents a pound for butterfat.

Mr. IRVINE: You might give me now the way the amount of this increase worked out.

Mr. WIGGINS: I have given you that, sir.

Mr. IRVINE: You may have from your point of view but you have not answered my question as to whether I am right in saying that after the removal of the subsidy and the increase in the price of butter by 10 cents which occurred in May, that you then had increased your butterfat required to make a pound of butter by 8 cents but you had increased the price of a pound of butter made out of that butterfat by 10 cents.

Mr. WIGGINS: That is not correct, sir; we increased the cost price of the butterfat by 12 cents.

Mr. IRVINE: You increased it by 12 cents?

Mr. WIGGINS: Right.

Mr. IRVINE: I am not interested in your pound of butterfat now, I am interested in the amount of butterfat required to make a pound of butter and how much that was increased, whether it was 8 cents, 9 cents, 10 cents or 12 cents; whatever you say.

Mr. WIGGINS: The increase in the cost of the amount of butterfat required to make a pound of butter was 10 cents per pound.

Mr. IRVINE: Ten cents per pound; well then, I must take that. Could you give to the committee the cost of raw materials at the creamery?

Mr. LESAGE: Mr. Chairman, before Mr. Irvine leaves that pound of butterfat may I direct his attention to exhibit 52. He will find the answer to all of his

questions in tables 5 and 6; and, if Mr. Irvine will look at that he will see that the increase in the price of butterfat was the amount of the subsidy, exactly; and that the increase in the price of butter from prairie points to you averaged 8½ cents a pound, solids, Montreal.

Mr. IRVINE: Well then, may I ask this? If butterfat was increased by 10 cents per pound and the butter price was increased by 10 cents and it takes less butterfat to make a pound of butter, then there must have been some fraction of it go to the company by way of increase?

Mr. WIGGINS: I think I see your point now, sir. The butter price advanced only 8 cents, it did not advance to the ceiling.

Mr. IRVINE: It did not go to the ceiling?

Mr. WIGGINS: No, not at that time.

Mr. IRVINE: But it did subsequently?

Mr. WIGGINS: Oh yes, but that was a month or so later.

Mr. IRVINE: I have a question on that later, but if it is merely a matter of days I think the point is settled.

Mr. WIGGINS: If you will turn to the graph in the back of the folder, the second last sheet, the top line, that is the dotted line, it is the price line. You will notice that on the first day of May the butter market was just over 48·5 cents. It actually went lower during that period. It did not reach the 50-cent mark until the 23rd of June and then only for a day or two. Actually you have to go on to the 20th of July before we hit the 51-cent level, and we started to then. So it was some weeks after the first of May before the price went above that.

Mr. IRVINE: Would it be possible to get comparable figures as to the cost of materials at the creamery and the cost of butter bought by the creameries? I presume you buy as well as manufacture at certain points; the expenses of the creameries, plants, storage plants; all of those costs related to butter alone; then the cost of butter and the total cost of butter per pound; your selling price of butter and the net profit on every transaction.

Mr. CHILD: A good deal of that information is right in this binder, Mr. Irvine.

Mr. IRVINE: I know some of it is there but I would like to have this in one picture.

Mr. CHILD: I think that is impossible. Your last question was the net return, the net profit on every transaction, of which there would be many thousands.

Mr. IRVINE: On all transactions.

Mr. CHILD: Yes.

Mr. IRVINE: I do not mean every move you made.

Mr. CHILD: I must have misunderstood you.

Mr. IRVINE: I mean in your plants and your creameries and your storages.

Mr. CHILD: Let us take your questions one by one, if you like.

Mr. MONET: I think that is all in this exhibit 59, which the witness was asked to produce.

Mr. IRVINE: You say it is in exhibit 59?

Mr. MONET: Yes, I think all of that information is in exhibit 59.

Mr. CHILD: I think so.

Mr. IRVINE: If you could point out where those are given in the way I want them I will be glad to have them.

Mr. MONET: The committee will be able to have that right away?

Mr. CHILD: Suppose Mr. Irvine just asked me a question and then we will see what we can do?

Mr. IRVINE: Well, the first question is the cost of materials to the creamery.

Mr. CHILD: What materials are you speaking about; for instance, the cost of repairs might vary from month to month.

Mr. IRVINE: All the materials that go into butter.

Mr. CHILD: Those figures are right here on page 2, under cost of sales year by year.

Mr. IRVINE: The cost of sales must include more than the cost of materials.

Mr. CHILD: No.

Mr. IRVINE: Is that what you mean by that?

Mr. CHILD: You mean the cost of the butter sold.

Mr. MACINNIS: The final cost of producing butter.

Mr. CHILD: That is right, once you have a pound of butter in your hand, what that costs without any of these other expenses added.

Mr. MAYBANK: You might put it this way: that includes manufacturing right up to the point of sale, and the subsequent costs are the costs incurred in the actual selling, I presume.

Mr. CHILD: You might say that this is the amount of money we pay to the farmer, plus the cost of packaging.

Mr. MAYBANK: Plus the cost of—

Mr. CHILD: Packaging.

Mr. MAYBANK: Up to the time that you get it all ready to sell, you mean?

Mr. CHILD: No, the manufacturing expense is not in that. This item, cost of sales, is the amount of money that we pay to the producer, plus the cost of packaging.

Mr. MAYBANK: And that is what is sometimes referred to as the prime costs; or do you use that expression?

Mr. CHILD: We do not use it; I know what you mean.

Mr. MAYBANK: Is that the same thing?

Mr. CHILD: I think so.

The CHAIRMAN: I think that is clear now.

Mr. IRVINE: As long as I know what cost of sales implies.

Mr. CHILD: Yes. Some of these items are misleading, you will note; that is, they are used among accountants but are misleading for some other purposes.

Mr. IRVINE: Does that include your raw material costs?

Mr. CHILD: Yes.

Mr. IRVINE: Then the cost of butter bought at the creamery apart from the manufacture of it.

Mr. CHILD: That is in that figure and I cannot give it separately, but I can say this: it would be brought up to market.

Mr. IRVINE: That would vary every day?

Mr. CHILD: Oh, quite; but if we bought from another outside creamery he would charge us what he could get from anyone else.

Mr. IRVINE: Would there be a profit on that transaction by itself? Would the creamery make a profit on the transaction of buying butter at a certain price and selling it higher?

Mr. CHILD: If we could sell it over and above our cost of handling it there would be a profit.

Mr. IRVINE: Were there any such sales?

Mr. CHILD: Oh, of course; that is the sales which you see here, the sales of our own butter plus any other butter we bought. I think I am correct in saying this—I will ask Mr. Wiggins to check me—as far as creameries are concerned, ordinarily we do not buy very much butter outside of—would it be correct to say for our own use?

Mr. WIGGINS: That is correct. We buy butter in order to get a greater supply from many sources, and that is one of them. It is a relatively small amount, in some plants none at all.

Mr. MONET: What do you mean by small amounts?

Mr. WIGGINS: I would have to make that figure. It would be probably about twenty per cent more than shown.

Mr. IRVINE: Can you give us the expenses of the creameries as to plant and storage, expenses of selling, concerned with butter alone, in each of those transactions?

Mr. CHILD: Yes, they are here. We do not have any figures here on storage, as far as storage is concerned, because they are not in the butter business, they are in the storing business; but with that exception I can give you anything else you ask. It is right here, or I will give you the total if you like.

Mr. IRVINE: Please.

Mr. CHILD: Butter, creameries from 1939 to 1947.

Mr. IRVINE: And that is on what page?

Mr. CHILD: On page 2. There are a number of pages I will come to but the one I am looking at now is page 2. The expenses of the creameries for the fiscal years 1939 to 1947, total expense applicable to butter alone, is $2,051,734. Now, if you will turn over a page, we show there on page 3 the expenses of butter operations at the creameries for the calendar year 1946, and the total is $312,193; and on page 4, the 1947 calendar year, the expenses on butter at the creameries is $326,028; and on page 5, for the first two months of 1948, the expense in January was $18,666, and in February, $18,225.

Mr. PINARD: Will you be able to give us a breakdown of that?

Mr. CHILD: Would you like me to give you that now, or may I go on and come back to that later on?

Mr. PINARD: You can give us that later on.

Mr. IRVINE: Then I would like the total cost of your butter for the year on all transactions.

Mr. CHILD: I beg your pardon.

Mr. IRVINE: I would like to have the actual total cost of your butter, whether purchased or manufactured.

Mr. CHILD: I have that right here. I have already given that.

Mr. IRVINE: No, one year's total.

The CHAIRMAN: The cost of manufacturing alone.

Mr. CHILD: The figures are right there. I can give it to you for fiscal years or calendar years, which ever you prefer; or, shall I just go ahead?

Mr. IRVINE: Give me the total of the calendar year. Where is that?

Mr. CHILD: I will work back and begin by taking the calendar year 1947.

Mr. IRVINE: On what page are you now?

Mr. CHILD: On page 4. Do you want to check this over with your pencil? The cost of the product alone was, packaging for the whole calendar year $3,399,204; and as to the expenses applicable to that, $326,028. So that the total of the two would be the cost plus the expenses for the calendar year. Going back to page 3, I can give you the same figure for the calendar year 1946.

Mr. IRVINE: That is all right; and your selling price of butter for the year?

Mr. CHILD: I can give you—let us take 1947, page 4—

Mr. IRVINE: By the way, this figure that you have just given me, does that include all the butter you have handled or just creamery butter?

Mr. CHILD: Just creamery. I will go on and give you the others and come back to that.

Mr. IRVINE: Oh, yes; we will have to total that with this?

Mr. CHILD: If you like, yes.

Mr. IRVINE: Go ahead then with the others.

Mr. CHILD: Now, if you wish to turn to plant, on page 9, for the fiscal years 1939 to 1947, the total cost of butter sold for those years $82,456,018, and the total expenses applicable, $3,245,928. Do you see that?

Mr. IRVINE: I didn't get the last figure here.

Mr. CHILD: The third line down—are you on page 9?

Mr. IRVINE: Yes.

Mr. CHILD: The third line down—$82,000,000.—

Mr. IRVINE: Oh yes, I have that. Then your next one?

Mr. CHILD: The second last figure down, $3,245,928.

Mr. IRVINE: Oh yes.

Mr. CHILD: Would you like to go on to the calendar year? Take down to the calendar year 1946; the total cost of butter sold at our plants, $8,735,475.—that is about half way down the page there, under Saskatchewan—the last section in the sheet.

Mr. IRVINE: Oh yes.

Mr. CHILD: And the third figure down.

Mr. IRVINE: I have it.

Mr. CHILD: And the expense for that period totalled $413,629. Now, for the calendar year 1947, on the next page, page 11, the total cost of sales $12,085,955, and the total expenses $521,972. The figures are exactly the same for the branches but I will point them out for you if you like, Mr. Irvine. They are on pages 16, 17, 18 and 19 under exactly the same headings, and the accounting procedure is the same for all these divisions.

Mr. FLEMING: May I just interrupt there for the purposes of clarification of the record, we are dealing with expenses only and we are not saying anything about the cost of sales.

Mr. CHILD: What page are you looking at?

Mr. FLEMING: I mean all these figures you have been giving, the ones you have just been giving for page 11—it is just a matter for clarification for the record.

Mr. CHILD: I have been giving you both.

Mr. FLEMING: I know, but I want to make it clear that you have two separate items; you have the cost of sales items and you also have expenses?

Mr. CHILD: That is right.

Mr. FLEMING: And you have to subtract the latter from your total value of sales in order to arrive at any profit or loss?

Mr. CHILD: Yes. We might show that in one item, for example, but just by way of clarification we break it down in this way.

Mr. FLEMING: I was just putting that on the record. It is clear now that that is so.

Mr. CHILD: It is the usual profit and loss way of using these figures.

Mr. IRVINE: May I ask you to turn to page 9 for a minute?

Mr. CHILD: Yes.

Mr. IRVINE: And expenses again, I ask you to look at wages and salaries?

Mr. CHILD: Yes.

Mr. IRVINE: Now, do these plants handle butter exclusively?

Mr. CHILD: Oh, no.

Mr. IRVINE: Have you allocated the wage expense, for instance, to all of the products that are handled there or to butter alone?

Mr. CHILD: The figures you see on page 9, entitled wages and salaries, are for butter alone.

Mr. IRVINE: How do you manage to extract the actual wage cost on butter in a plant which is handling so many other products or some other products?

Mr. CHILD: It is quite easy, Mr. Irvine, because butter is handled in a separate department. There is a separate payroll for it. This represents the wages and salaries paid to the persons engaged exclusively in handling butter.

Mr. IRVINE: Your overhead expenses are apportioned in proportion to the business done in the various commodities handled?

Mr. CHILD: Yes.

Mr. IRVINE: Then, I want to have a look at page 11 again for a moment. The profit and loss statement on page 11 shows a loss, as of November 6.

Mr. CHILD: This is for the calendar year 1947?

Mr. IRVINE: Yes, November 6 shows a small loss. By December 4 a considerable profit is shown. At that time, I presume, there was every indication there would be a good profit on all butter in storage. A shortage was anticipated. You, having made a profit, at least in December, knew that the butter in storage would very likely maintain its price and even go higher.

Mr. CHILD: Yes.

Mr. IRVINE: That is a reasonable assumption?

Mr. CHILD: I think so.

Mr. IRVINE: Then, having made a very substantial profit in December with the price of butter as it was, why then did you raise the price of butter from 60·9 cents to 65·69 cents for the four week period following December 4?

Mr. CHILD: I think, as Mr. McLean explained, we did not raise the price, we followed the market.

Mr. PINARD: I would rather say that you led the market.

Mr. FLEMING: That is not what Mr. McLean said, if you are quoting him.

The CHAIRMAN: That is a matter of judgment.

Mr. IRVINE: At any rate, it was increased 6·5 cents a pound over what December 4 return shows to have been a profitable price?

Mr. CHILD: Where are you getting your 6·5 cents?

Mr. IRVINE: Have I again made a mistake in my subtraction?

The CHAIRMAN: You were on page 11; 6·5 is the amount counsel has arrived at.

Mr. IRVINE: Hurrah, I am right.

Mr. MONET: Perhaps I am wrong.

Mr. CHILD: You gentlemen are a little ahead of me. Where are you? I do not see any prices on page 11.

Mr. IRVINE: The price went up. We are merely figuring the amount of increase that took place after December, 1947.

Mr. CHILD: I was just wondering what chart you used to get 6·5.

Mr. IRVINE: The butter price, as I understand it on that date, December 4, was 60·69 cents; that was the price of butter about that date.

Mr. CHILD: If you look at page 24—

Mr. MAYBANK: I think you are getting the figure from some other statistic which was supplied.

Mr. IRVINE: I am taking the price of butter as I understand it. What was the price of butter on December 4?

Mr. CHILD: Look at page 24.

Mr. FLEMING: It was over 63, then, according to page 24.

Mr. CHILD: Have you page 24, Mr. Irvine?

Mr. IRVINE: Yes.

Mr. CHILD: We give the prices there under the out column. What date did you want to pick?

Mr. IRVINE: Take December 4.

Mr. CHILD: This is our week ending December 3, 63·23.

Mr. LESAGE: That is the average for the week ending on that date?

Mr. CHILD: Oh, yes, but that would be fair.

Mr. MONET: The average is 61·08, but the price of butter sold during that week was 63·23.

Mr. CHILD: Then, the average for the next week is 63, or 1·59 of an increase.

Mr. IRVINE: And it goes up to 69·8. It goes up, week after week, to the week ending December 31.

Mr. LESAGE: There is your 5 cents, between the week ending December 3 and December 31, you have a spread of 5 cents.

Mr. IRVINE: I say the price went up.

Mr. MAYBANK: The exact figure does not matter. The point is you have a 5 or 6½ cent rise; is that not the point?

Mr. IRVINE: Having arrived at the same figure as counsel, I am quite sure it is correct. Apart from the figure, it did rise very considerably, let us put it that way, during the four weeks following the 4th of December.

Mr. FLEMING: I suggest we get the exact figure and settle it.

The CHAIRMAN: The figures speak for themselves; it is a matter of calculation and that can be done any time. On page 24, there is a rise from the 3rd of December, progressively, right through to January. In December, it was 64; on January 7th it was 64·03 and 64·79 by the end of January. There is a progressive rise there.

Mr. IRVINE: At any rate, my question is, since the company was making a good profit in December at the price that butter was then, what justification does the company have for having increased its price by, let me say, at least 5 cents a pound, during the four weeks succeeding the 4th of December?

Mr. CHILD: My only answer to that is the same as I previously gave you, that the company sold at the market, at the same price as every other person producing and selling butter.

Mr. IRVINE: I am not charging you with selling any higher, but it was not necessary for the company to go to the ceiling, was it?

Mr. LESAGE: There was no ceiling.

Mr. CHILD: There was no ceiling.

Mr. MAYBANK: It was not necessary to accept the market price.

Mr. IRVINE: No, it was not necessary to accept the market price when you were already making a very excellent profit before the rise began.

Mr. CHILD: Let me give you a further explanation: as we outlined yesterday, all of the butter we sell, week by week, does not come out of our storage stocks. Let us say 50 per cent comes out of storage and the remainder comes from butter produced currently for which we paid current prices to the farmer.

Mr. IRVINE: That would be happening prior to December 4 just as much as after?

Mr. CHILD: It would be happening nearly all the time.

Mr. IRVINE: So, I do not think it would affect the picture greatly, although I see your point. The point is that with that occuring prior to the fourth, you were making a fine profit. The price of butter went up 5 cents, at least, during the four week period and still you added that to an already good profit margin.

Mr. CHILD: Our cost was going up, too—the cost of the butter we were making currently and, to some extent, by the carrying charges on the storage butter.

Mr. IRVINE: I do not think your figures show your cost jumped that high in the four weeks.

Mr. CHILD: I think if you have any figures among the exhibits of the prices paid to producers, you will see that.

Mr. IRVINE: Will you agree that the profit was excessively high during that period?

Mr. CHILD: We said it was.

The CHAIRMAN: It was admitted yesterday.

Mr. FLEMING: I do not think that was what Mr. McLean said. I believe he said it was unprecedented.

The CHAIRMAN: Mr. Fleming points out that Mr. McLean said it was unprecedented, and I think that is right.

Mr. MONET: I should like to ask a few questions. It was established yesterday, Mr. Child, that butter stored between June 5 and October 15 and sold apparently between November 12 and February 25, had been sold at a net profit of 11·21 cents; is that correct?

Mr. CHILD: On an average.

Mr. MONET: Would you now turn to page 11? For the week of December 4, or the four week period ending December 4, you give there as the total sales in pounds, 3,024,748; is that correct?

Mr. CHILD: Yes.

Mr. MONET: This figure, I understand, includes every pound of butter you sold during that period, whether it came from your plant, your storage butter or any source?

Mr. CHILD: That is right.

Mr. MONET: So, this figure covers every pound of butter sold by Canada Packers during that period?

Mr. CHILD: Through those eight plants.

Mr. MONET: You show there that the net profit on those 3,000,000 pounds—I am using round figures—has been established as $98,738.88; that is correct?

Mr. CHILD: Yes.

Mr. JOHNSTON: What page is that?

Mr. MONET: Page 11, the bottom line of the third column from the right. If you divide the total pounds of butter sold by the net profit as shown on that

page, would it not show that your net profit for each pound of butter coming from any source and sold through these plants would be 3·3 cents a pound?

Mr. CHILD: I differ with you on the arithmetic, 3·2.

Mr. MONET: I think this will bring out quite clearly what you are asking for, Mr. Irvine. For the period ending December 31, I understand you sold 2,550,223 pounds of butter?

Mr. CHILD: That is right.

Mr. MONET: Again, from all sources and sold through these plants?

Mr. CHILD: Correct.

Mr. MONET: Giving a net profit of $166,433.39?

Mr. CHILD: Right.

Mr. MONET: Would that give you a net profit per pound of 6·5 cents?

Mr. CHILD: You and I are in agreement, that is right.

Mr. MONET: Now, taking page 12, for the period ending—

Mr. LESAGE: What is the profit per pound for the period ending January 28.

Mr. MONET: The profit would be 7·7.

Mr. CHILD: I will accept your figures.

Mr. MONET: You will accept 7·7?

Mr. CHILD: It looks like that.

Mr. MONET: For the period ending February 25, the net profit would be 5·7?

Mr. CHILD: That is right.

Mr. LESAGE: Have you worked out the average?

Mr. MONET: I did not.

Mr. LESAGE: I did. I believe the average would be 5·7 cents. If you take the dollars and divide by the number of pounds sold, you will arrive at a profit per pound of 5·7 cents.

Mr. MAYBANK: I feel that the man who supplied the average ought to get a scholarship.

Mr. PINARD: Have you been with the company since its incorporation in 1927?

Mr. CHILD: No, I was at school then.

Mr. PINARD: We have your figures showing the profit on butter since 1939 only. I should like you to tell us, if you know it, what was the highest profit for the years during that period between 1927 and 1939?

Mr. CHILD: On butter?

Mr. PINARD: Yes.

Mr. CHILD: I think there is a sheet in here showing that.

Mr. PINARD: Table 2, but it only shows up to 1939.

Mr. CHILD: No, back to 1929.

Mr. PINARD: Where is that.

Mr. CHILD: On page 23; that covers the entire period of the company's operations, Mr. Pinard, with the exception of the seven and a half months in 1927 and 1928.

Mr. JOHNSTON: Those figures are only for the eight plants.

Mr. CHILD: Yes, but that would be the major part of the operations.

Mr. PINARD: In other words, it is correct to conclude that your profit of 11·21 for the period ending in March 1948, would be the highest profit you have made since the incorporation of the company?

Mr. CHILD: On butter, yes.

Mr. PINARD: You have a profit in 1941 of 8·64.

Mr. CHILD: I think you are talking about storage butter.

Mr. PINARD: Yes, storage butter.

Mr. CHILD: The average for all butter is 1·51.

Mr. PINARD: But for storage butter, now, you have it on table 2. In 1941, it is shown as 8·64. This is on table 2 attached to the statement of Mr. McLean.

Mr. CHILD: 1941, 8·64 on storage butter.

Mr. PINARD: Do you have figures for the storage butter for those 12 years before 1939?

Mr. CHILD: No.

Mr. PINARD: You do not?

Mr. CHILD: No.

Mr. PINARD: Have you any idea at all, or can you give us an approximation of the highest figure which was obtained during that period for storage butter?

Mr. CHILD: No, I do not know whether Mr. Wiggins has any idea of that.

Mr. PINARD: I should like to ask Mr. Wiggins if he has?

Mr. WIGGINS: I cannot speak from records, I can only speak from memory.

Mr. PINARD: What would you say?

Mr. WIGGINS: I would say no. 8·64 was the highest to that date, and this year is the highest again to date.

Mr. JOHNSTON: That would be 11·21.

Mr. PINARD: Now, coming back to the question I asked yesterday, I asked you if you had a breakdown of expenses for creameries, branches and plants. I refer you first to page 3. I was asking you yesterday if you had a breakdown of the expenses which are listed there by months?

Mr. CHILD: I can give you a breakdown of expenses corresponding to—I think it is page 4.

Mr. PINARD: For 1947?

Mr. CHILD: I have it here for the twelve periods, that is to date, of our fiscal year 1948.

Mr. LESAGE: Would it not be better to first give the figures for which I asked and then break them down?

Mr. PINARD: I was interested in knowing this; you did not secure a breakdown for 1946 and 1947?

Mr. CHILD: I was not able to.

Mr. PINARD: You were not able to do it as yet.

Mr. CHILD: I can give you, however, a breakdown for the fiscal year 1948 to date, that is, the twelve months. I think that would give you just as good a picture of the previous years. It would give you an idea of what they were.

Mr. JOHNSTON: Will you give those?

Mr. LESAGE: We had better get all the figures first before you break them down.

Mr. PINARD: Page 4 relates to the calendar year and you are now talking about the fiscal year.

Mr. CHILD: Mr. Lesage asked me for the last twelve periods of the fiscal year 1948; that is what he asked me for and that is what I got.

Mr. PINARD: You have not got it for the calendar year?

Mr. CHILD: No.

Mr. PINARD: I wanted to compare that with what you have here.

Mr. CHILD: This is the best I could get. If you would like this, I should be glad to read it.

Mr. LESAGE: Later, when we have all the figures.

Mr. PINARD: I was asking you yesterday some questions concerning page 3. Take 1946, for instance, the amount of expense for the period ending January 31 is $20,000. Now, it goes down to $18,000 in February and up to $24,000 in March; down to $17,000 and then slowly increases right to the end of the year, practically, except for December and January. The same thing seems to occur in 1947. I should like you to comment on that. Yesterday I asked you what the reason would be for that. In other words, there is a decrease from January to May and then there is an increase to the end of the year.

Mr. LESAGE: Well, take the year end figure from the 28th of March, that comes at the end of our fiscal year.

Mr. PINARD: You are talking about 1946?

Mr. CHILD: Yes, on page 3. Let us take those three months you have stated, the 31st of January, the 28th of February and the 28th of March. Now I think the explantion of the decrease from $20,000 to $18,000 in the first two would probably be due to lower volume. You will see that sales, in the first period were 440,000 and only 417,000 in the next period. I think that is the answer to that.

For the next one, the 28th of March, that would be the end of the fiscal year at which time we wind up the year. If there are any hangover expenses, any special charges, they would be cleaned up in that period. Certain overhead charges and so on are pro rated over the year and if we do not estimate quite accurately throughout the year, we have to pick them up at the end of the year.

Mr. PINARD: In other words, your method of accounting forces you to report that at the end of the year. You cannot distribute it over the year month by month?

Mr. CHILD: No. Actually, for the year's picture, you see, we would be all right, but this is broken down by four week periods for our own information. We try to get it as uniform as we can.

Mr. PINARD: I am asking you this question because it does not seem to reflect clearly, month by month, the expense items. In other words, we do not know exactly what the expenses have been for each month. If, for instance, you distribute those expenses irregularly and if you report them at the end of the year, we cannot take these figures into consideration as being accurate.

Mr. CHILD: I can tell you this, Mr. Pinard, our expenses and everybody else's expenses consist of out of pocket expenses which are paid day to day, for wages. There is no difficulty about their accuracy; they are charged as they go. Then, there are certain overhead expenses, for instance, such as municipal taxes. You pro rate them over the entire year. You do your best to estimate. It is a practice followed by any company, actually, and I do not think we are very far out as the difference would show here. I would say we did not do too bad a job of pro rating any overhead expenses. The same would be true of any company.

Mr. LESAGE: I come back to the figures for which I asked yesterday on page 2, for the twelve periods of the fiscal year ending March, 1948.

Mr. CHILD: On expenses?

Mr. LESAGE: No, the over-all.

Mr. CHILD: Oh, I know what you mean. You asked for the net profit?

Mr. LESAGE: The number of pounds sold.

Mr. CHILD: You asked me yesterday for the net result for that period.

Mr. LESAGE: Oh well, all right. I will be satisfied with that.

Mr. CHILD: For the creameries, the total net profit for the twelve months to March 1, $85,307.07; that is just an addition of those figures shown, I think on pages 4 and 5.

Mr. LESAGE: It was for that I asked and I did not want to work it out myself.

Mr. CHILD: I did it for you.

Mr. LESAGE: What would be the number of pounds sold?

Mr. CHILD: I did not add it up.

Mr. LESAGE: That is the profit on the creameries, $85,000. Now, page 9.

Mr. PINARD: That is up to the first of March, 1948, is it?

Mr. CHILD: Yes, the actual date is given—just a moment. It is the 25th of February.

Mr. LESAGE: What would it be for the plants?

Mr. CHILD: $584,349.13.

Mr. LESAGE: Now, page 16, the distributing branches?

Mr. CHILD: $25,707.13.

Mr. LESAGE: Did you total all three?

Mr. CHILD: $695,368.58.

Mr. LESAGE: What is the total amount of butter handled?

Mr. CHILD: The total amount of butter sold to the public in that period of time was 22,901,000 pounds.

Mr. LESAGE: Did you work out the average profit per pound?

Mr. CHILD: Yes, it is $3.04—

Mr. LESAGE: $3.04?

Mr. CHILD: $3.04 per hundred pounds, I mean. I am used to working in hundreds of pounds. It is 3·04 cents.

Mr. LESAGE: That was your profit before taxes on all your operations in the butter department for the first twelve periods of your fiscal year which contains 13 periods?

Mr. CHILD: That is right.

Mr. LESAGE: It will be a better year than last year?

Mr. PINARD: Tremendously.

Mr. CHILD: Last year was a loss.

Mr. LESAGE: The last fiscal year?

Mr. CHILD: In butter.

Mr. LESAGE: Yes, ·19. That is only for the plants, what was it for the three operations?

Mr. CHILD: $59,781.64.

Mr. FLEMING: Is that a loss?

Mr. LESAGE: What is the loss per pound?

The CHAIRMAN: There are two questions at once, there, and not one is answered. Just ask one question at a time and get an answer.

Mr. LESAGE: I asked, what was the loss per pound for the three operations?

Mr. CHILD: ·27 cents.

Mr. LESAGE: As I told you last night, I notice there is a difference between the figures on page 9 of the memorandum and page 2 of Mr. McLean's statement, yet both are headed "plant".

Mr. CHILD: The difference is due to the fact that sheet 9, in addition to the eight plants, contains a small butter operation at 419 St. Vincent Street, Montreal.

If you will look at page 1, under cold storages, the fourth one, 419 St. Vincent Street. We do some butter operations there. In making up this consolidation for you, I thought the best place to put that was with the plants. It is not a plant, it is not a branch and it is not a storage. I had to put it in somewhere.

Mr. LESAGE: It was for that reason the figures on table 2 of Mr. McLean's statement are lower?

Mr. CHILD: They are just lower by that much.

Mr. LESAGE: They both bear the same title and I wondered where the difference was. I have a question concerning page 20 of the financial statement. There is an item showing salaries, wages and bonuses, $18,000,000 odd dollars. What was the amount of bonus?

Mr. CHILD: I think it is given right in the report, here, on page 17. $1,250,000.

Mr. LESAGE: Where is it?

Mr. CHILD: On page 17, about three-quarters of the way down the page.

Mr. LESAGE: Oh, yes. Was it distributed according to the wages earned during the year by everyone?

Mr. CHILD: Oh, no. That is distributed over about ten or eleven thousand employees. It is decided by the manager of every particular unit.

Mr. LESAGE: Does it include any bonus to the four top executives?

Mr. CHILD: I should think so.

Mr. LESAGE: How much?

Mr. CHILD: I do not know.

Mr. LESAGE: Could you tell the committee what bonus was paid to the four top executives of your company out of that $1,250,000?

Mr. CHILD: I do not know the figures.

Mr. LESAGE: Would you send them to the committee when you are back in Toronto?

Mr. CHILD: Oh, yes.

Mr. PINARD: I think we should have a statement of the salaries paid to the executives as well. We might as well have that, if we are to have the bonuses.

Mr. CHILD: I can say this, if it is pertinent to the butter enquiry, that I should think the amounts involved would be a very, very small factor in the price of butter.

Mr. LESAGE: There is no doubt about it.

Mr. CHILD: I was wondering whether these questions were asked out of curiosity or whether it is pertinent to the butter enquiry?

The CHAIRMAN: What do you say, Mr. Lesage?

Mr. LESAGE: I was not much interested in the salaries, just the bonus.

Mr. MERRITT: It would not affect my judgment.

Mr. LESAGE: I was interested only in the bonuses paid to the top executives.

The CHAIRMAN: How would that affect the price of butter?

Mr. LESAGE: There is $1,250,000 there for the fiscal year ending 1947, and the loss in the butter department was only ·27 cents.

The CHAIRMAN: Oh, I see. I think that is relevant.

Mr. FLEMING: Just in fairness, if there was a deficit in the handling of butter last year, then certainly no part of the bonus paid to any executive or any employee in the company came out of the operations in butter. It must have been taken out of some other operation.

The CHAIRMAN: Was that out of the total operation?

Mr. CHILD: That is true, because no bonus is paid until the net profit of the company is determined after income taxes. If we make no profit, we pay no bonus. Therefore, none of this bonus in a loss year on butter, as stated by Mr. Fleming, would be attributable to butter.

Mr. FLEMING: A bonus is not an expense.

The CHAIRMAN: Could we find out what proportion of that $1,250,000 would be distributed, say, to non-executive employees?

Mr. CHILD: Just let me look at this report a minute and I might be able to give you some indication there. I think there is a figure in here. If you look at page 20, about three-quarters of the way down, remuneration to executives, officers and directors, that includes all the personnel named on the front page.

The CHAIRMAN: Would that include the bonus too?

Mr. CHILD: That would include the bonus. That is the total remuneration, salaries and bonuses. I think that would answer your question, Mr. Lesage. It gives you an idea.

Mr. LESAGE: This amount mentioned here is $1,891,000, and that would include the bonuses paid to the executive?

Mr. CHILD: I do not get that figure, $18,568.

Mr. LESAGE: Oh, yes, pardon me, my eyesight is bad.

Mr. CHILD: That includes $189,133. If you subtract the $189,000 the balance is the remuneration to all other employees than executives and directors.

The CHAIRMAN: How many would be in this executive officer class?

Mr. CHILD: Their names are given right at the beginning.

The CHAIRMAN: There are thirteen.

Mr. CHILD: No, it is fifteen.

The CHAIRMAN: Do you not think we have the picture?

Mr. LESAGE: Oh, yes, I am satisfied.

The CHAIRMAN: It is very interesting to note here on page 17, the total profit-sharing which has been in operation for thirteen years, compared with the total dividends. It is a very comparative figure; for profit-sharing, it is $8,910,000 and for dividends it is $9,550,000.

Mr. CHILD: It is roughly fifty-fifty.

The CHAIRMAN: I do not know what that has to do with the price of butter, though?

Mr. LESAGE: These dividends have been paid on a basis of the book value of the shares of $1,438,284?

Mr. CHILD: No, the amount of dividend paid, Mr. Lesage, has nothing to do with that. The dividends come out of the net profits for the year and are paid to the persons who hold the 1,200,000 shares.

Mr. LESAGE: I do not know if I should go through that but I will take just a minute to ask you, Mr. Chairman, if I would be all right to ask this: We have had the evidence of the executives of the co-operatives about their method of calculating the amount to be paid each week to the farmer for his butterfat and I wondered if I should not ask the present witness to tell us how they arrive at the price they are going to pay the farmers for butterfat.

The CHAIRMAN: I was just going to observe that that question is proper and it is one which has not been asked yet, the relative position of the

co-operatives and for instance this particular company. We have been told by two of the co-operatives, in one case the profit was negligible and in the other case there was no profit hardly at all.

Mr. LESAGE: No, because they return any profit they make to their members.

The CHAIRMAN: And particularly the one in Saskatchewan. We were satisfied with its profits. There is a difference in operation and maybe a comparison would not be possible.

Mr. FLEMING: We had some evidence yesterday afternoon from Mr. McLean as to the relative position of the wholesalers or people like Canada Packers on the one hand and the co-operatives, and I believe he said that when they had the meeting with the Minister of Agriculture around the end of December or the early part of January when they were discussing the ceiling that for Canada Packers Mr. McLean gave testimony that they were quite agreeable to a lower ceiling but the co-operatives felt that the ceiling ought to have been higher than what it was. I think the ceiling suggested was 57 cents.

The CHAIRMAN: We are not talking about ceiling now.

Mr. FLEMING: Let us get down to the basis of operation. I thought that is what Mr. Lesage was talking about.

Mr. LESAGE: No.

Mr. FLEMING: All right.

Mr. LESAGE: I want to know how they fix the price of butterfat.

Mr. WIGGINS: The butterfat is bought by the independent creamery on a week-to-week basis.

Mr. LESAGE: Would you speak a little louder, please.

Mr. WIGGINS: The butterfat is bought by the privately-owned creameries on a competitive basis.

Mr. LESAGE: Did you say on a competitive basis?

Mr. WIGGINS: It is safe to say that every district has more than one creamery serving the district. The price is affected by competition. That is the first statement I think I should make. The second is, in our business we take off a profit and loss account at the creamery every week and we know what we can afford to pay for butterfat. May I refer to page 2, which shows that we had to pay more than we thought fit because we showed a loss over the nine years, and that was a matter of competition as to price. Those figures show that over the long term of years that in practically a majority of the months that competition for the product was keen.

Mr. LESAGE: Of course, you know what you are getting for your butter from week to week and no doubt you take that into account in fixing the return to the farmer for his butterfat. Can you tell us what in your opinion is a usual or safe margin on a pound of butter?

Mr. WIGGINS: I do not think I can answer that in one statement because the volume of cream going to the creamery in any one month greatly affects the price per pound of the product.

Mr. LESAGE: But the average of all your creameries?

Mr. WIGGINS: It would average about 5·25 cents under the present basis of expenses.

Mr. LESAGE: I wanted to know if your margin was about the same as the co-operatives and I find that it is, because we have had their evidence on that point.

Mr. WIGGINS: I have no figures to answer that.

Mr. LESAGE: You say it was 5·25 cents. We have the figures of the co-operatives and it is about the same amount.

Mr. WIGGINS: Yes.

Mr. MACINNIS: Does your own company consult with other companies as to the price you will pay for butterfat?

Mr. WIGGINS: Very rarely, occasionally a neighbour in discussing with a neighbour—I mean a neighbouring creamery—and occasionally the type of remark is; well, the butter market is going down or up and it is going to affect the price of cream. But there is no fixing of price on cream. There is no way to do it, there are too many operators.

Mr. LESAGE: It is highly competitive. Of course, it is the policy of the co-operative creameries to return as much as possible to the farmers and that in a way sets the pattern; and, of course, the question of volume is very important in the situation too.

Mr. WIGGINS: You have it right.

Mr. MCCUBBIN: You handle much more butter than what is supplied by your different creameries?

Mr. WIGGINS: Oh, yes.

Mr. MCCUBBIN: You buy a lot of butter?

Mr. WIGGINS: Oh, yes.

Mr. LESAGE: That is about one quarter??

Mr. MCCUBBIN: Is that your answer?

Mr. WIGGINS: Roughly, we produce one quarter of our requirements, we have shipped to us by other creameries 50 per cent of our requirements, and we buy in the open market in carlots the other 25 per cent.

Mr. MCCUBBIN: Yesterday Mr. McLean told the committee that you had made large profits over the last few months. Do you admit that?

Mr. WIGGINS: Yes.

Mr. MCCUBBIN: If I were to suggest to you that a lot of private creamery operators, similar to Canada Packers, distributed those profits that they made to their patrons—does Canada Packers distribute some of the profit they have made to the patrons of their 15 creameries?

Mr. WIGGINS: No. The answer to that was given I think by Mr. McLean yesterday when he said that this present price level will inevitably bring about a drop in prices in which case we will take a loss.

Mr. MCCUBBIN: Yes. That is very well, but I do suggest to you that I could name you a number of creameries privately-owned, not co-operatives, who have distributed some of these profits to their patrons, and I was wondering if Canada Packers had thought of doing anything like that or if they had ever done anything like that?

Mr. WIGGINS: We have never done anything like that.

Mr. MACINNIS: He did not say that they had never thought of it, he said they had never done it.

Mr. MCCUBBIN: He said they had done it anyway.

The CHAIRMAN: Are there any other questions?

Mr. IRVINE: I have one more question, Mr. Chairman. I will not spend much time on it but I brought it up yesterday. I have been going over the profits and losses as shown on pages 2, 9, and 16; I have added all these together and all the profits together; and then I come to this conclusion; that if the company had not been charging 6 per cent on its capital, the 6 per cent interest on its capital, but only taking one fee for capital ultimately, that most if not all of these losses

would have been turned into a profit. Now, sir, I find in that a dual purpose cow here. This is the first time that I have heard of a dual purpose cow being milked by an accountant to show a profit or a loss as desired. I think that if it had not been for this 6 per cent interest rate charged, as I said, that many of these losses would have been profits. I would like the witness to comment on that because that would affect the price of butter if a loss is shown because of the 6 per cent interest charge, whereas if that had not been charged there would have been a profit instead of a loss.

The CHAIRMAN: Would either of you gentlemen care to comment on that?

Mr. CHILD: I can only repeat what Mr. McLean said yesterday, that we charged our creamery and other units 6 per cent interest on capital employed in their particular branch of the business.

Mr. PINARD: Would you care to comment, if your company had not taken a large profit would the retailer have taken it during the last few months?

Mr. CHILD: I do not wish to comment on that. I will just let Mr. McLean's statement stand.

Mr. PINARD: What is your opinion on that, we would like to have that.

Mr. CHILD: I have no opinion on it.

Mr. MACINNIS: You borrow from the banks, don't you? I think Mr. McLean said that yesterday?

Mr. CHILD: Yes, we do.

Mr. MACINNIS: What interest do you pay the banks?

Mr. CHILD: 4½ per cent.

Mr. MACINNIS: Is that the same interest you charge your branches?

Mr. CHILD: No, 6 per cent.

Mr. MACINNIS: So you are making a profit on the money you borrow from the bank?

Mr. CHILD: Only as far as departmental accounting is concerned. It is all washed out. It is not very big.

Mr. FLEMING: It all comes out in the wash, the same as anything else; in your annual statement?

Mr. CHILD: Yes.

The CHAIRMAN: Are there any other questions?

Mr. MONET: I have just one other question to ask on prices and then I will drop it. Would it be a fair statement of the evidence by Mr. McLean and yourself on prices to state as follows: That for the last eleven months of your present fiscal year you have sold 22,900,000 pounds of butter at an average of 3·04 cents net a pound?

Mr. CHILD: Yes.

Mr. MONET: Would it also be right to say that for all but 10,000,000 of this 22,900,000 pounds sold between December 4, 1947, and February 25, 1948, the average net profit was 5·5 cents?

Mr. CHILD: Where did you take that, Mr. Monet?

Mr. MONET: From the questionnaire which I made this morning and which you agreed on.

Mr. CHILD: Oh, yes; I should think that is right. I haven't worked it out but it looks about right.

Mr. MONET: You were questioned on that this morning and you agreed that those figures were correct?

Mr. CHILD: Those are correct; the average on all of that would be 5·5.

Mr. MONET: 5·5?

Mr. CHILD: That looks about right.

Mr. MONET: That would be for 10,000,000 pounds out of the 22,000,000?

Mr. CHILD: Oh, wait a minute; the 5·5 covers the whole of it.

Mr. MONET: The period from December 4 to February 25?

Mr. CHILD: Mr. Lesage, you and I worked that out; did not I agree with you?

Mr. LESAGE: Yes.

Mr. MONET: 22,000,000 divided by 4 gives 5·05—

Mr. LESAGE: It is 10,000,000 pounds anyway.

Mr. CHILD: That is correct.

Mr. MONET: Then for the butter that you had in storage from June 5 to October 15, that was sold between November 12 and February 25, that is 4,500,000, and you sold that at 11·21?

Mr. CHILD: That is right, on the storage portion only.

Mr. MONET: The storage portion only?

Mr. CHILD: Yes.

Mr. MONET: And you sold what you still had on hand on February 25 of that stored butter which averaged 53·91 cents—23,223 boxes?

Mr. CHILD: That is right.

Mr. MONET: I have no more questions, Mr. Chairman, with regard to the price of butter.

Mr. PINARD: I am still interested in a breakdown of the expenses for this one item of creamery production. We have here the table of expenses. I am not questioning that, but they appear very high. I would have thought we could have had a breakdown. I know it means a lot of work.

The CHAIRMAN: If the committee thinks we should have that, let's get it.

Mr. CHILD: I can give it to you by fiscal years from 1939 to 1947, for the plants.

Mr. PINARD: That would give us an idea anyway.

Mr. LESAGE: You could give it for the first eleven months of the present calendar year, that is what you said about an hour ago.

Mr. CHILD: I had it made out exactly that way. I have it for the creameries in that way.

Mr. LESAGE: Only for the creameries?

Mr. CHILD: For the plants I could give it to you for the calendar years 1946 and 1947, and I could give it to you for the fiscal years from 1939 to 1947.

Mr. PINARD: That would be enough.

Mr. CHILD: Do you want me to read them off or will I just give it to you?

Mr. PINARD: I would like the witness to file it.

The CHAIRMAN: Yes. Are there any other questions?

Mr. MONET: I would like to ask another question. I will ask Mr. Child to give this as quickly as possible. He told me this morning that he would like to make a statement on this as to the movement of butter stocks during the years 1946 and 1947. This information was asked by counsel from the company and I think it should be brought out in evidence. If you look at page 15, I think it is page 15, Mr. Child; have you a statement to make as to the movement of butter for the period 1946 to 1947 comparatively?

Mr. CHILD: I should just like to call your attention to column 5, sales during the period, just to show you that the same relative movement is true in 1947 as it is in 1946. For instance, starting with the 14th of August, 1947, we moved 1,662,000 pounds. In the previous year, 1,532,000 pounds. Now, in the next

period of 1947, 2,014,000 pounds; and in the previous year, 2,352,000 pounds, and so on. I just want to mention that to show that we moved out our stocks of butter in an orderly fashion and we moved it out this year, the year we are now in, just the same as we did in the previous year.

Mr. LESAGE: You have larger stocks of butter.

Mr. CHILD: The figures are given right there, Mr. Lesage.

Mr. LESAGE: That is what I mean.

Mr. CHILD: And you will notice also that the movement is larger.

Mr. LESAGE: Yes.

Mr. JOHNSTON: Except in December of 1947, you moved a larger amount?

Mr. CHILD: We moved out even more when the price was still going up.

Mr. LESAGE: The amount of butter that you put in in the months of July, August and September of 1947, is about 25 per cent higher or greater than usual. How do you account for that?

Mr. CHILD: I suppose that is due to higher production.

Mr. LESAGE: It may be due to higher production or to larger volume of buying by your company.

Mr. CHILD: Yes.

Mr. WIGGINS: The figures given there are ending periods of four weeks, so it is possible that from the 22nd of May through to August we did buy more butter.

Mr. LESAGE: Because your production by your creamery, pages 3 and 4, was lower in 1947 than it was in 1946?

Mr. WIGGINS: That is right. We did buy more butter.

Mr. LESAGE: You bought more butter for storage?

Mr. WIGGINS: We bought more butter.

Mr. CHILD: Or for sale.

Mr. LESAGE: Or for sale, so that at all times in 1947 you had more butter than for the same period in 1946 in the fall?

Mr. WIGGINS: Because of the heavier production.

Mr. LESAGE: Why did you buy more butter last year?

Mr. WIGGINS: If you will look at the chart at the back, at the accumulation of butter and the price trend, you will note that the price indicated the butter market required somebody to buy butter. If you will look at May, June and July. In other words, the butter market was away down.

Mr. LESAGE: I am not disputing that you know, Mr. Wiggins, because I would rather see a company who is in the business of buying butter buy it than to have it bought by the speculator.

Mr. WIGGINS: While we are looking at that chart I think I should perhaps call your attention to the fact that when the butter market was really advancing from the 1st of October we were reducing our stocks.

Mr. LESAGE: What did you say just now?

Mr. WIGGINS: From the beginning of October.

Mr. LESAGE: Yes.

Mr. WIGGINS: The price showed a very sharp advance and our stocks were being reduced.

Mr. LESAGE: Oh, yes, you did not store butter after October?

Mr. WIGGINS: No, but our butter was no part of that advance in the west.

Mr. LESAGE: No, of course not.

Mr. FLEMING: This is sales you are speaking of?

Mr. WIGGINS: Yes.

Mr. FLEMING: The question of sales relates to the principle involved. I just wanted to ask a question or two there. As I understand it what you have said in effect is that your company's policy has been to maintain the value of your product by handling the butter, keeping it at a fairly constant level; and do I understand that these variations in the price of butter, the sharp rise in the price of butter late in 1947, did not have any affect on that policy?

Mr. WIGGINS: That is correct.

Mr. FLEMING: And your policy in previous years was not to have any carry-over of butter from year to year? You are pretty well cleared out of butter at the end of the storage season?

The WIGGINS: That is right.

Mr. LESAGE: Nobody questions that it would not be good business to carry butter over from one year to the other.

Mr. PINARD: Are you holding butter for other persons or companies during the same period of operation as that in which you buy butter for your own account?

Mr. WIGGINS: That is one thing that has not been discussed yet. We do throughout the producing season and all through the fall of the year sell butter to customers and hold the butter for them for their demands from week to week. We supply the facilities for storing and financing the butter and we sell it to them for future delivery, and they give us orders to ship it out from week to week as they need it.

Mr. PINARD: Are they engaged in the butter trade?

Mr. WIGGINS: They are our customers; what I mean by customer—retailers, hospitals, etc.

Mr. PINARD: Do you know if there are any speculators who use your storage facilities to store their butter in?

Mr. WIGGINS: We do not sell our own butter to speculators. We have butter placed in storage for public storage. We do not know who it is sold to. We know who put it in there but we do not know who it was sold to. So I cannot say whether that is held for the speculator or not. The only butter we have, to which I referred, we hold for indvidual customers from year to year. We try to supply them.

Mr. PINARD: And you purchase that butter yourselves and hold it until they take delivery?

Mr. WIGGINS: Yes, we do.

Mr. PINARD: Do you purchase it for them?

Mr. WIGGINS: We did make purchases of that butter for some individuals.

The CHAIRMAN: You would know the quantities of butter stored by other people, would you not?

Mr. WIGGINS: Our storage manager would. I would not.

Mr. PINARD: Have you any idea as to what volume it would represent in relation to the total butter stored in your refrigerators?

Mr. CHILD: We reported those stocks to your committee.

Mr. WIGGINS: I do not know that figure.

Mr. CHILD: We reported the names and the amounts to your committee.

Mr. MONET: We have the names as reported by Canada Packers, Mr. Pinard, the names of the people who have butter stored in their storage warehouses.

Mr. PINARD: Have you also been able to secure the date of purchase and on which it was taken out again? Did you get the quantities?

Mr. MONET: No, we have not the quantities but we have written to all these people and are receiving answers every day from those people. We sent letters out to about a thousand people and we are getting anywhere from 20 to 30 replies every day. We are getting information on that point from people all over Canada.

Mr. PINARD: Would you tell us if the number of people using you storage facilities has increased in the last 16 months, for instance?

Mr. WIGGINS: I am sorry, I haven't that information. I have no detailed information on our storage.

Mr. CHILD: I can answer that. We have already given the information to Mr. Monet, I think for the years 1947 and 1946, showing the number of pounds stored and the person who stored it. I think that would answer your question.

Mr. MONET: Yes, we have that.

Mr. PINARD: One last question. You say you often purchase butter yourselves and store it in your premises for other people, do you also sell that butter occasionally?

Mr. WIGGINS: Yes, we do. I will give you an illustration. In Montreal we sell butter in the summer and fall to some country creameries who wish to have an assured supply for their own business during the winter.

Mr. PINARD: And these creameries are only using your premises to store their own butter, and such creameries purchase in quantities which are credited to their accounts?

Mr. WIGGINS: That is right, and they take it out as they want it.

Mr. MAYBANK: Do you have any knowledge of the proportion of buying and selling that is done by speculators?

Mr. WIGGINS: I haven't any specific knowledge on that. I speak only from observation, sir. But I will say this, that I think they are a very minor amount. Those fellows who used to get into the butter business have got some other places in which to speculate during the years when ceiling and controls were on and when there was no possibility of speculating and they did not get back into it this year to any extent. I will be frank with you. I could not name one.

Mr. MONET: Just this last question—page 15, column 7—on hand at the end of the period February 25, 2,135,644 pounds of butter?

Mr. CHILD: That is right.

Mr. MONET: That was all Canada Packers Limited had in their plant, in their storage plant, of the creamery butter?

Mr. CHILD: That is in the eight plants. We have the same figure for our creameries.

Mr. MONET: That was all the butter you had on hand, and that would last for what period approximately, that 2,135,000 pounds?

Mr. WIGGINS: Production is quite limited at the moment but we hope to be able to stretch that amount of butter out to carry us until the 12th or 15th of April.

Mr. MONET: Then production will be more active?

Mr. WIGGINS: Year in and year out production catches up to consumption some time around the 20th of April.

Mr. MONET: That is all, Mr. Chairman.

Mr. MACINNIS: Just one question, Mr. Wiggins: I think in answer to a question by Mr. Lesage you gave as the reason for the large stocks of butter in the middle and latter part of 1947, that butter was required as capital. In view

of the fact that you, a little earlier, had said that the butter market was very competitive you were not in a position to show a profit on these purchases.

Mr. WIGGINS: At that season of the year the butter market was steady to weak, and when the butter market is weak it is an indication that there is not enough capital left to take of it, or not enough people willing to spend frequently.

Mr. MACINNIS: But at the same time were you procuring it?

Mr. WIGGINS: No.

Mr. MACINNIS: Not at that period?

Mr. WIGGINS: Not in the October period, but towards the end of July, yes. But not in May and June.

Mr. MACINNIS: But all of these are after July, July and after?

Mr. WIGGINS: No.

Mr. MACINNIS: Well, I am sorry.

Mr. WIGGINS: What page are you on?

Mr. MACINNIS: On page 15, on hand at the end of the period 1947—take July—take May, you have 1,146,987; June, 2,468,606; July, 4,861,943; August, 7,378,398; September, 8,682,730—and October and November still higher than that. So that you are again in what you call a weak market; your prices were going up and your supplies were accumulating.

Mr. WIGGINS: Those amounts that you have just mentioned are amounts accumulated during the period up to that point. That means we started to buy or to increase our stocks of butter late in May.

Mr. MACINNIS: Yes.

Mr. WIGGINS: By the 17th of July we had 4,800,000 pounds and by the 15th —the chart shows the trend.

Mr. MACINNIS: Let us stay on this page for a moment. But in May the price went up progressively from 41·45 cents a pound to 65·59 cents a pound in December.

Mr. WIGGINS: The first instance was the lifting of the subsidy or the ceiling. It started then at 48·79.

Mr. MACINNIS: Oh, yes, 48·79, and then it went up each month during this period and pretty well until you get to December 31.

Mr. WIGGINS: The first 7,378,000 pounds was accumulated I should say at an average of just under 50 cents—48 cents, 49 cents, 50·05 cents and 50·5 cents.

Mr. MACINNIS: You get the average—oh, yes.

Mr. WIGGINS: That is there.

Mr. MACINNIS: That 51·12 would be the average?

Mr. WIGGINS: The next column, sir; the one just to the left of that. You are looking at the selling price instead of the cost.

Mr. MACINNIS: I am looking at the cost, 51·12 cents.

Mr. CHILD: That is for the whole year.

Mr. WIGGINS: Look opposite 14 odd, in the third column from the right.

Mr. MACINNIS: Yes.

Mr. WIGGINS: We had at that time accumulated 7,378,000 pounds of butter over the full period.

Mr. MACINNIS: Yes.

Mr. WIGGINS: Yes, the price was 50·05 cents.

Mr. MacINNIS: That was in July, wasn't it? That is obviously the July figure.

Mr. WIGGINS: 50·56 odd.

Mr. MacINNIS: Yes, 50·56.

Mr. WIGGINS: My point was, sir, that accumulation was at a time when the market was relatively the same.

Mr. MacINNIS: Well, your highest point of accumulation was in November, November 6.

Mr. WIGGINS: I would only repeat that a large percentage of the butter was taken from the same low market; that 7,300,000, out of the total of 9,000,000 odd was taken before the market reached 50·56 basis. The last 1,180,000 pounds was accumulated over the period of 12 weeks during which time the market had advanced to 57 cents.

The CHAIRMAN: Mr. Maybank has something that he wants to put in the record from the Dominion Bureau of Statistics.

Mr. MAYBANK: It was said that figures were given at different times about creamery butter and dairy butter and that the D.B.S. could not be absolutely accurate as to amount but rather showed the trend. I asked Mr. King to look into that and to give the proper reason for any such unreliability and he has given me a memorandum on the subject which reads as follows:

> Room 400, Elgin Bldg., Ottawa, March 17th, 1948. Memorandum to Mr. Maybank, re dairy butter production statistics.
>
> The basic reason for the unreliability of statistics of dairy butter production is that they were based originally on figures contained in the 1931 Census. The total amounts reported for that year were collected, but no count was made of the number of farmers who produced dairy butter. It is not at all certain that farmers could be accurate as to the amount of dairy butter they produced in any one year.
>
> Subsequent changes are based on reports from a small and varying sample of farmers, which is believed to show the trend of production reasonably well. The sample is too small however, to give an accurate idea of the changes in the total production of this type of butter.
>
> D.B.S. is in the process of improving their reporting of dairy butter.
>
> HENRY KING,
> *Secretariat, Special Committee on Prices.*

I thought if that statement went on the record that it would condition one somewhat in receiving the daily butter figures. I do not know that dairy butter is important in the picture that we are looking into, but we have the figures and they are assessible with these qualifications.

The CHAIRMAN: Gentlemen, is that all of these witnesses?

Thank you, gentlemen.

Mr. PINARD: May I ask one question more before we finish with Canada Packers?

The CHAIRMAN: Yes.

Mr. PINARD: May I say, Mr. Chairman, that I would be very much interested in hearing the whole of the story in respect to storage operations. If we are to ascertain whether there has been hoarding by speculators the best way we could find out would be to get information from the storage department operated by this company.

Mr. FLEMING: We are going to get that in time. Mr. Monet has returns coming in to him on that subject and it will be coming before the committee in connection with the information asked for from storage warehouses.

Mr. PINARD: That is information which is coming in as a result of the questionnaire the committee sent out. I thought it would be better if we were to get information from the people who are operating one of these storage warehouses, that probably they could tell us who the principal holders of butter were and what quantities they held.

The CHAIRMAN: Perhaps counsel would say a word about that.

Mr. MONET: Canada Packers have given us a statement for 1946 and 1947, containing the names of people for whom they are holding butter. We do not have the quantity, but we have the names, and we have written to those people who were mentioned in the information supplied to us from this company.

Mr. PINARD: Among the questions you asked did you ask how long they had kept that butter in storage?

Mr. MONET: We asked them the quantity of butter and the people who had put that butter in storage with them.

Mr. PINARD: Then you do not know the length of time the butter was kept there, what they did with it, when they sold it, or details of that kind?

Mr. MONET: Canada Packers would not have sold it. They were holding it for some other account.

Mr. PINARD: But it was held by them.

Mr. MONET: It was sold by somebody else, and we have written to ask the holders to whom it was sold, and other information as well.

Mr. PINARD: I think the committee should have the benefit of direct evidence from these people who operate a storage department themselves.

Mr. IRVINE: Are you recommending, or moving, that we should call witnesses from storages?

Mr. PINARD: I think it might be easier if we heard from the officials in charge of cold storage operations and attempt to get as much information from them as we could.

Mr. IRVINE: I would support you if you care to move that.

Mr. MONET: They have given us the names of people who were storing butter with them.

Mr. IRVINE: Are you calling them?

Mr. MONET: I do not know if that would be practical, there are hundreds of them.

Mr. IRVINE: Is there some way of verifying this evidence as to what became of the butter, when it was stored, and so on?

Mr. MONET: Do you want to summon all these people?

The CHAIRMAN: One at a time now, gentlemen.

Mr. PINARD: It would not be possible to do that. The reason I am asking this question is that these people have cold storage facilities at six places, Toronto, Winnipeg, Montreal, Ottawa and Three Rivers and another point, and I thought that the proper official from their cold storage department could give us most of the information we want; he could at least give us a list of the butter holders and the dates when the butter went into storage, and the time it was taken out, and general information about butter holdings on private account there. We should know the date of removal of the butter and the quantities that were sold. We will then have much better information than is obtainable from the questionnaire.

The CHAIRMAN: The committee decided to send out the questionnaires a long time ago. The information contained in some of these questionnaires has been the basis on which this enquiry into butter has proceeded.

Mr. MONET: I can state this, that it was the request of the committee that such a questionnaire be sent. The questionnaire was sent to Canada Packers, as to everyone else. They supplied us with the names of all people for whom they were holding butter during the years 1946 and 1947. The same thing was done by practically every large firm. We have a list of twenty-eight of them. After we received these questionnaires, we wrote something like a thousand letters to all the people mentioned in these returns. We received information, for the years 1946 and 1947, on the quantity of butter they had stored for themselves, where it was stored, and so on. We are receiving these statements on an average of about twenty-five to thirty a day. Some of them represent just a few pounds and some of them are for amounts varying from 25 to 50,000 pounds. I have a list of about fifty names of those who had 25 or 30,000 pounds of butter in 1947, and who did not have any in 1946.

Mr. PINARD: The only information you requested was how much butter they were holding and where.

Mr. MONET: That is all we were requested to obtain.

Mr. Pinard: I think it would be simpler to call an official of the department and get all the information.

The CHAIRMAN: What do you say about that, Mr. Child.

Mr. CHILD: We have no one official in charge of our cold storages. There is a manager who is in charge of each cold storage. I suggest, if Mr. Monet would write to us we will get you any additional information you desire concerning storages. After that, if you wish someone to come here and explain it, it is your privilege to call someone.

Mr. MONET: Could you give us more information on that?

Mr. CHILD: I think so.

Mr. LESAGE: Could you give the quantities?

Mr. CHILD: I should think so.

Mr. PINARD: And the period of time it was held in storage.

The CHAIRMAN: What do you say about that?

Mr. MONET: If the committee wants it, we will get it. I do not know when we will reach the end of this enquiry; it may take months.

Mr. MAYBANK: I was going to say, in the light of the discussion we have had here this morning, it would seem to me that counsel might take up the suggestion as to further information being obtained and the means of obtaining it. It would, perhaps, result in a communication going to Canada Packers, but that would be better than trying to make a definite arrangement now as to who could be called back, and so on.

Mr. FLEMING: You can't decide this question now, as to who is going to be called. You can only make a sensible decision on a question like that when you have all the information received in the questionnaires collated. Then we know where we are.

The CHAIRMAN: Counsel has heard the discussion and the suggestion is made we can write at this stage. It would look as though that information might be important to a thorough enquiry into this particular matter. If we cannot get the complete information we desire from the questionnaire, we will have to get it in some other effective way. I suggest we leave it to counsel and he will deal with the matter and report to us.

The meeting is adjourned.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 29

MONDAY, MARCH 22, 1948

WITNESSES:

Mr. John Freeman, President, Lovell & Christmas (Canada) Limited, Montreal, Que.

Mr. Gordon McLean, Secretary-Treasurer, Lovell & Christmas (Canada) Limited, Montreal, Que.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

MONDAY, March 22, 1948.

The Special Committee on Prices met at 11.00 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Fleming, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Maybank, McCubbin, Merritt, Winters.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

At the request of Counsel it was ordered that the following corrections be made in the printed record:

Page 1177, lines 1, 3 and 11, for the figure 219,000,000 substitute *2·9 million;* and in line 2, for the word "month" substitute "months".

Mr. John Freeman, President, and Mr. Gordon McLean, Secretary-Treasurer, Lovell & Christmas (Canada) Limited, Montreal, were called, sworn and examined. Mr. Freeman filed,

Exhibit No. 61—Series or six statements on butter operations—Lovell & Christmas (Canada) Limited. *(Printed in this day's Minutes of Evidence).*

Exhibit No. 62—Summary of Butter contracts cleared through the Canadian Commodity Clearing Association Inc., during the year 1947—Lovell & Christmas (Canada) Limited. *(Printed in this day's Minutes of Evidence).*

In the absence of Mr. Johnston, Mr. Low, M.P., was granted leave to question the witnesses.

At 1.00 p.m. witnesses retired and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Fleming, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, McCubbin, Merritt, Winters.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Mr. Freeman and Mr. McLean were recalled and further examined. Mr. McLean filed,

Exhibit No. 63—Comparative statemen t of profit on butter sales as between the period of April 1, 1946 to March 31, 1947, and that of April 1, 1947 to March 31, 1948. *(Printed in this day's Minutes of Evidence).*

During the proceedings, Mr. Homuth occupied the Chair for a while.

At 5.15 p.m. members were called in the House for a division and the Committee took recess for twenty minutes.

At 6.10 p.m. witnessess retired and the Committee adjourned until Tuesday, March 23, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
March 22, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: The meeing will please come to order.

Mr. MONET: Before I call the first witness, Mr. Chairman, there are a few corrections to be made on page 1177 of the evidence. In the first line, there is mention of an increase of 219,000,000 pounds. This should read 2·9 million pounds. In the second line, the word "month" should read "months". Then, on the third line, there is the same correction, the 219,000,000 pounds should be 2·9 million, and there is the same correction to be made on line eleven.

The first witness I wish to call this morning, Mr. Chairman, is John Freeman from Lovell & Christmas.

John Freeman, President, Lovell & Christmas (Canada) Limited, called and sworn.

By Mr. Monet:

Q. Mr. Freeman, would you give us your full name, please?—A. John Freeman.

Q. What firm are you representing?—A. Lovell & Christmas (Canada) Limited.

Q. Where is the head office situated?—A. 160 King Street, Montreal.

Q. When was Lovell & Christmas incorporated, Mr. Freeman?—A. In the year 1920.

Q. Would you give us the date?—A. May 19.

Q. Now, is Lovell & Christmas affiliated with any other company?—A. Lovell & Christmas (Canada) Limited, is a subsidiary of Lovell & Christmas Limited, London, England.

Q. Do you own any warehouses?—A. Yes, we own two warehouses.

Q. Where would they be situated?—A. One on King Street, Montreal, and the other on Queen Street, Montreal. The warehouses are back to back and inter-communicating.

Q. Now, does your company deal only in butter or in any other commodity?—A. Our company deals in other commodities.

Q. What are the others?—A. We deal in cheese and we also operate our own cold storage warehouses.

Q. You mean to say you have your own cold storage?—A. That is right.

Q. For all the purposes of your business?—A. For all the purposes of our business.

Q. Do you have to rent any other accommodation for the purpose of carrying on your business?—A. At times; at times, we use public cold storages.

Q. Would you describe, for the benefit of the members of the committee, the nature of your operations?—A. The nature of our operations is that we buy

and sell butter and cheese. We operate these cold storages, primarily for the storage of our own product, but we are also known as a semi-public cold storage, that is, we also store for others when we can conveniently do so.

By Mr. Maybank:

Q. May I interject a question at this point? Is that public cold storage only for those two products or is it general?—A. We store other products to a lesser degree. For instance, sometimes we store meat, maybe poultry and sometimes eggs in one form or another.

By Mr. Winters:

Q. But not your own?—A. No.

Q. You store them for other people?—A. That is right.

By Mr. Maybank:

Q. That is on the public side?—A. Yes.

By Mr. Monet:

Q. Would you keep on describing the nature of your operations?—A. I think that describes them, in a general way.

Q. I understand you store all your own butter in your own warehouses and you also store butter for other people, is that correct?—A. That is right.

Q. Would you tell the members of the committee what it costs per month to hold your butter in storage?—A. One-half cent per pound per month.

Q. What does it cost per month to hold butter in public storage when you have to rent some accommodation?—A. The same.

Q. A ½ cent a pound?—A. A ½ cent a pound. The rate is 14 cents per 56 pounds for the first month, and 11 cents per box, monthly, thereafter.

Q. Can you give the members of the committee the proportion of your own butter you store in public storage?

By Mr. Winters:

Q. The witness said that was the rate; is that the charge you make to customers?—A. That is the charge we make to the customers and that is the charge we pay when we are the customer.

By Mr. Monet:

Q. Now, Mr. Freeman, you were asked to supply some information to the members of the committee by way of a questionnaire. I am now showing you a questionnaire which has been filled in by your company and which is going to be filed as exhibit 61. Would you look at this questionnaire, as prepared by you and say whether you take it as being the questionnaire prepared and answered by your company?—A. I would say that is exact.

EXHIBIT No. 61: Reply to questionnaire by Lovell & Christmas (Canada) Limited.

Statement 1
EXHIBIT 61

LOVELL & CHRISTMAS (CANADA) LIMITED

GENERAL INFORMATION

Address of Company—160 King Street, Montreal, Que.

Incorporated—19th May, 1920, taking over a predecessor business established towards the close of the 19th century.

Subsidiary Companies—None.

Creameries—None.

Retail Outlets—None.

Warehouses—152-160 King Street, Montreal; 271-275 Queen Street, Montreal.

Index to Statements

Statement No.

1. General information.
2. Profit and loss on butter operations for the fiscal years ended 31st March, 1939 to 1947, inclusive and for the 11 months ended 28th February, 1948.
3. Monthly profit and loss for each of the eleven months ended 28th February, 1948.
4. Quantities and value of butter by months during 1946, 1947 and 1948.
5. Quantities and value of butter by months during 1943 and 1944.
6. Quantities and value of butter by months during 1939 and 1940.

LOVELL & CHRISTMAS (CANADA) LIMITED

Profit and Loss on Butter Operations for Fiscal Years ended 31st March 1939 to 1947 inclusive, and for the 11 months ended, 28th February 1948

Statement 2.

Year ended 31st March	Sales	Cost of sales	Gross profit	Direct expenses	Profit before deducting administration and selling expenses	Administration and selling expenses	Net departmental profit before taxes on income
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
1939	856,750 95	851,917 94	4,833 01	3,295 08	1,537 93	20,951 52	19,413 59
1940	1,156,209 71	1,098,644 75	57,564 96	7,471 30	50,093 66	30,087 40	20,006 26
1941	1,326,246 80	1,263,213 82	63,032 98	6,541 07	56,491 91	28,923 89	27,568 02
1942	1,465,655 71	1,405,549 22	60,106 49	7,921 97	52,184 52	30,680 79	21,503 73
1943	908,711 72	866,749 33	41,962 39	10,688 44	31,273 95	25,960 23	5,313 72
1944	1,179,342 00	1,155,497 05	23,844 95	7,988 99	15,855 96	23,974 65	*8,118 69
1945	925,706 85	911,288 55	14,418 30	3,701 75	10,716 55	18,992 41	*8,275 86
1946	964,519 57	930,618 16	29,901 41	7,581 26	22,320 15	22,891 92	*571 77
1947	993,252 47	980,518 06	12,734 41	4,347 41	8,387 00	19,303 52	*10,916 52
11 months ended 28 Feb. 1948	2,729,078 12	2,564,345 25	164,732 87	15,888 33	148,844 54	34,910 12	113,934 42

* Loss.

Direct expenses represent the following charges:—
Labour.
Cartage.
Weighing.
Butter Boxes, Wrappers, etc.
Coopering Supplies and Wire.
Cold Sotrage Expenses on Stock.
Sundries.
Depreciation on Machinery.
Insurance on Merchandise.

Administration and selling expenses represent the following charges:—
Executive and Office Salaries: Communication: Depreciation on Furniture:
Office Expenses, Maintenance and Sundries: Travelling Expenses:
Subscriptions and Memberships: Donations, Charity:
Taxes—Municipal, Provincial, Federal: Workmen's Compensation:
Unemployment Insurance: Salary Savings Insurance, Employees:
Public Liability Insurance: Exchange and Bank Charges: Legal Fees and Expenses:
Excise Stamps: Interest: Bad and Doubtful Debts: Loss on Investments:
Auditing Fees: Directors Fees.

LOWELL & CHRISTMAS (CANADA) LIMITED

Profit and loss on butter operations for each of the eleven months ended 28th February 1948.

Statement 3.

Month	Sales	Cost of Sales	Gross profit	Direct Expenses	Profit before deducting administration and selling expenses	Administration and selling expenses	Net departmental profit before taxes on income	
							Amount	per lb.
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	cts.
April 1947	70,919 36	70,367 76	651 60	288 47	353 13	2,000 40	1,647 27	.....
May 1947	7,488 59	7,339 81	148 78	240 34	*91 56	1,586 73	*1,678 29	.....
June 1947	234,020 94	231,150 79	2,870 15	843 40	2,026 75	2,608 14	*581 39	.....
July 1947	123,699 43	121,832 99	1,866 44	1,845 31	21 13	3,931 17	*3,910 04	.....
August 1947	327,315 68	302,596 35	24,719 33	2,195 07	22,524 26	3,082 39	19,441 87	2·616
September 1947	253,189 58	231,423 96	21,765 62	2,228 84	19,536 78	4,971 71	14,565 07	2·691
October 1947	249,527 52	237,937 32	11,590 20	2,097 87	9,492 33	4,387 28	5,105 05	0·599
November 1947	434,790 31	394,284 82	40,505 49	2,152 03	38,353 46	4,166 74	34,186 72	3·577
December 1947	373,052 88	336,617 35	36,435 53	1,473 43	34,962 10	2,741 37	32,220 73	3·577
January 1948	318,319 98	301,884 41	16,435 57	1,491 44	14,944 13	3,292 33	11,651 80	2·452
February 1948	336,753 85	329,009 69	7,744 16	1,022 13	6,722 03	2,141 86	4,580 17	0·821
Total	2,729,078 12	2,564,345 25	164,732 87	15,888 33	148,844 54	34,910 12	113,934 42	1·890

* Loss.

LOVELL & CHRISTMAS (CANADA) LIMITED

QUANTITIES AND VALUE OF BUTTER—BY MONTHS

160 King Street, Montreal, Quebec. Statement 4.

—	Quantities of Butter—Lbs.				Dollar Value		Average per lb.		
	On hand at beginning of month	Purchases during month	Sales during month	On hand at end of month	Purchases during month	Sales during month	Cost of purchases	Selling Price	Margin between cost and selling price
1946	$	$	$	$	$	$	cts.	cts.	cts.
January	70,847	170,688	219,231	22,304	62,298	80,957	36·498	36·928	0·430
February	22,304	.....	12,118	10,186	.....	4,592	.....	27,901	
March	10,186	11,200	12,729	8,657	4,088	4,817	36·508	37·844	1·336
April	8,657	14,672	20,667	2,662	5,866	8,467	39·983	40·972	0·989
May	2,662	194,656	164,838	32,480	75,153	64,617	38·608	39·200	0·592
June	32,480	584,416	384,619	232,277	222,615	147,412	38·091	38·325	0·234
July	232,277	368,424	256,616	344,085	146,022	101,433	39·634	39·527	†0·107
August	344,085	377,608	638,233	83,460	150,835	257,516	39·945	40·348	0·403
September	83,460	760,536	565,951	278,045	307,459	231,655	40·426	40·932	0·506
October	278,045	165,760	252,997	190,808	67,259	102,987	40·576	40·707	0·131
November	190,808	2,744	41,590	151,962	1,097	16,933	40·000	40·715	0·715
December	151,962	100,408	131,859	119,856	40,634	53,667	40·469	40·700	0·231
	70,847	2,751,712	2,701,448	119,856	1,083,226	1,075,053	39·366	39·795	0·429
1947									
January	119,856	.....	6,143	113,713	.....	2,612	.....	42·642	.....
February	113,713	.....	9,996	103,717	.....	3,914	.....	39·155	.....
March	103,717	.....	4,834	98,883	.....	2,034	.....	42·076	.....
April	89,883	57,960	146,629	10,214	23,133	70,919	*48·413	48·366	†0·407
May	10,214	281,680	16,052	275,842	136,940	7,488	48·615	46·648	†1·967
June	275,842	973,672	467,215	782,299	485,780	234,020	49·891	50·088	0·197
July	782,299	892,416	372,199	1,302,516	452,995	195,038	50·760	52·401	1·641
August	1,302,516	643,564	743,008	1,203,172	347,582	415,813	54·000	55·963	1·963
September	1,203,172	733,208	541,143	1,395,237	437,466	320,647	59·664	59·253	†0·411
October	1,395,237	787,416	852,083	1,330,570	451,533	499,499	57·343	58·620	1·277
November	1,330,570	476,000	955,614	850,956	297,291	584,084	62·456	61·121	†1·335
December	850,956	601,720	900,558	552,118	399,027	572,957	66·314	63·622	†2·692
	119,856	5,447,736	5,015,474	552,118	3,031,747	2,909,025	55·742	58·001	2·349
1948									
January	552,118	567,728	475,042	644,804	376,205	320,212	66·265	67·407	1·142
February	644,804	239,176	557,206	326,774	158,506	367,105	66·271	65·883	†0·388
	552,118	806,904	1,032,248	326,774	534,711	687,317	66·267	66·584	0·317

Statement 5.

1943										
January	465,931	Nil	388,413	77,518	.....	134,538	.....	34·637	.....	
February	77,518	53,978	127,114	4,382	18,942	46,061	35·092	36·236	1·144	
March	4,382	279,135	278,944	4,573	97,673	98,866	34·991	35·442	0·451	
April	4,573	292,572	295,243	1,902	102,248	103,385	34·948	35·016	0·068	
May	1,902	571,434	569,225	4,111	196,882	196,743	34·454	34·563	0·109	
June	4,111	179,581	63,321	120,371	59,053	20,933	32·884	33·059	0·175	
July	120,371	638,344	76,537	682,178	210,402	25,184	32·960	32·905	†0·055	
August	682,178	36,008	95,419	622,767	11,494	31,545	31·923	33·060	1·137	
September	622,767	685,720	143,689	1,164,798	228,230	47,653	33·283	33·164	†0·119	
October	1,164,798	205,912	125,054	1,245,656	68,518	43,136	33·275	34·494	1,219	
November	1,245,656	4,704	888,730	361,630	1,634	305,951	34·750	34·425	†0·32	
December	361,630	47,320	391,362	17,588	15,828	136,025	33·448	34·757	1·309	
	465,931	2,994,708	3,443,051	17,588	1,010,904	1,190,020	33·756	34·563	0·807	
1944										
January	17,224	204,400	172,969	48,655	70,648	60,091	34·563	34·741	0·178	
February	48,655	344,008	356,780	35,883	120,316	126,494	34·974	35·455	0·481	
March	35,883	233,240	232,051	37,072	81,634	82,194	35·000	35·420	0·420	
April	37,072	317,632	350,602	4,102	110,843	122,798	34·896	35·024	0·128	
May	4,102	97,272	91,580	9,794	32,280	30,684	33·185	33·505	0·320	
June	9,794	287,616	260,150	37,260	95,305	87,036	33·136	33·456	0·320	
July	37,260	83,776	85,768	35,268	27,902	28,856	33·306	33·645	0·339	
August	35,268	329,840	233,368	131,740	112,798	80,474	34·197	34·483	0·286	
September	131,740	425,600	357,395	199,945	147,507	126,986	34·658	35·531	0·875	
October	199,945	167,048	236,948	130,045	58,200	83,629	34·840	35·294	0·454	
November	130,045	152,320	205,025	77,340	53,066	72,872	34·838	35·543	0·705	
December	77,340	158,816	174,391	61,765	55,153	61,822	34·728	35·450	0·722	
	17,224	2,801,568	2,757,027	61,765	965,652	963,936	34·468	34·963	0·495	

* Includes subsidy of 8½c. per lb.
† Excess of cost over selling price.

LOVELL & CHRISTMAS (CANADA) LIMITED

QUANTITIES AND VALUE OF BUTTER—BY MONTHS

160 King Street, Montreal, Quebec. Statement 6.

—	Quantities of Butter—Lbs.				Dollar Value		Average per lb.		
	On hand at beginning of month	Purchases during month	Sales during month	On hand at end of month	Purchases during month	Sales during month	Cost of purchases	Selling Price	Margin between cost and selling price
	$	$	$	$	$	$	cts.	cts.	cts.
1939									
January									
February									
March									
April			Detailed records no longer available.						
May									
June									
July									
August	1,227,598	564,437	473,934	1,318,101	113,969	101,031	20·191	21·317	0·126
September	1,318,101	744,831	833,107	1,229,825	190,580	218,879	25·587	26·272	0·685
October	1,229,825	359,410	233,265	1,355,970	103,002	64,681	28·659	27·703	0·956
November	1,355,970	55,756	230,565	1,181,161	16,974	64,889	30·443	28·146	†2·297
December	1,181,161	39,961	165,183	1,055,939	13,938	43,822	34·879	26·529	†8·350
1940									
January	1,055,939	153,792	259,027	950,704	40,894	69,628	26·590	26·880	0·290
February	950,704	159,463	740,630	369,537	38,957	194,745	24·430	26·294	1·864
March	369,537	151,631	403,875	117,293	42,067	108,340	27·743	26·825	†0·918
April	117,293	19,752	113,146	23,899	6,057	29,537	30·669	26·105	†4·564
May	23,899	281,443	122,018	183,324	64,406	28,852	22·949	23·646	0·697
June	183,324	919,054	156,087	946,291	209,089	35,312	22·750	22·623	†0·127
July	946,291	883,401	600,447	1,229,245	196,354	135,175	22·227	22·512	0·285
August	1,229,245	211,847	500,583	940,509	47,636	110,508	22·486	22·076	†0·410
September	940,509	588,565	456,294	1,072,780	132,802	104,037	22·563	22·800	0·237
October	1,072,780	563,422	663,756	972,446	149,674	183,289	26·565	27·614	1·049
November	972,446	185,293	603,614	554,125	54,953	175,593	29·657	29·090	†0·567
December	554,125	611,385	590,421	575,089	207,341	189,072	33·913	32·023	†1·890
	1,055,939	4,729,048	5,209,898	575,089	1,190,230	1,364,088	25·168	26·183	1·015

† Excess of cost over selling price.

By Mr. Monet:

Q. Before coming to the questionnaire Mr. Freeman, I should like you to tell the members of the committee what, in your opinion, were the causes of the price increases in butter following decontrol last June?—A. Do I answer your question from the questionnaire?

Q. Do not deal with the questionnaire now. I should like you to give the members of the committee your opinion as to the causes of the price increase in butter from June last after decontrol?—A. The two main reasons, in my opinion, were the continued heavier consumption than the previous year and the reduced production during the second half of the season.

Q. Would there be any other factors, in your opinion, than those two?—A. You are talking from the beginning of the season?

Q. I am talking from after decontrol?—A. After June 9?

Q. Yes.—A. I would say those were the two main factors.

Q. In your opinion, do you believe that such increases as there were were justified?—A. I believe they were amply justified.

The CHAIRMAN: You are talking of June, now?

Mr. MONET: I am talking of June onwards.

By The Chairman:

Q. From what period do you say the justification relates?—A. Well, Mr. Monet—I am sorry, Mr. Chairman, Mr. Monet said from the period commencing with decontrol, as I understood it.

Q. Up until when?—A. Up until the present time.

By Mr. Monet:

Q. You have not exhibit 52, but if you will look at it and refer to the prices as tabled here, Mr. Freeman, can you give an explanation of the very substantial rise from July to August, when the rise was over 5 cents a pound?—A. That is when it first became evident that consumption was running far ahead of the previous year.

Q. Do you mean to say that would be the only cause for this substantial increase in price?—A. Yes, at that time.

Q. I notice from August to September, looking at Exhibit 52, there was another very substantial increase of about 4 cents a pound? What would be the justification for this substantial increase, if there is any justification?—A. Further evidence of heavy consumer demand.

Q. Have you got anything to say about the supply for that period?—A. From the period—this will refer to the last two questions

Q. Yes.—A. From the period from July 1 or, rather, for the month of July, the increase in consumption was 3,497,000 pounds; for the month of August, it was 4,421,859 pounds. As a result of this consumption, the stock about the first of September, the dominion stock, amounted to 66,940,000 pounds, compared to 68,542,972 pounds. In other words, for the first month, I think that is right, there was a dcerease in the stock as compared to the previous year.

Mr. LESAGE: Pardon me, Mr. Monet, what is the source of those figures?

The WITNESS: Dominion Bureau of Statistics.

Mr. MONET: Exhibit 52.

Mr. LESAGE: I am looking at table 3 of that exhibit and the figures shown are not the same.

Mr. MONET: What table are you looking at?

Mr. LESAGE: Table 3.

Mr. MONET: We have the D.B.S. figures in table 6. From where did you take those figures?

The WITNESS: From the Dominion Bureau of Statistics.

The CHAIRMAN: The document from which you are reading is not the same as the one we have.

The WITNESS: This is my own record.

By Mr. Monet:

Q. From where did you get the figures your are reading, contained in your own record?—A. From the Dominion Bureau of Statistics.

Mr. LESAGE: If you look at table 3, you will see there is a difference from the figures as given by Mr. Freeman.

The WITNESS: Are you using the revised figures?

Mr. LESAGE: I do not know. It is headed, "Dominion Bureau of Statistics, Butter Statistics, 1939-1948".

The WITNESS: We are using the revised figures.

Mr. MONET: The difference may come from the fact that in table 3, the D.B.S. figures include creamery butter, dairy butter and whey butter. Are your figures just for creamery butter?

The WITNESS: Yes.

Mr. MONET: That explains the difference.

Mr. LESAGE: Oh, probably.

By Mr. Monet:

Q. Would you tell the members of the committee, Mr. Freeman, if, from June, 1947, to September, 1947, the commodity exchange was operating?—A. Yes, sir, it was.

Q. Was it before June, 1947?—A. On spot transactions, it was but on future transactions, it was not.

Q. Would it be correct to suggest that the commodity exchange started operating on futures on June 17, 1947?—A. That is right.

Q. Could that also have been a cause for the rise in prices, Mr. Freeman? —A. In my opinion, no.

Q. We will come back later to the commodity exchange. Would you tell the members of the committee who did, in your opinion, benefit mostly from these rising prices you have just described from June, 1947, to January, 1948? Would it be the producer, the manufacturer, the wholesaler, the jobber or the retailer? I should like you to give the members of the committee your opinion as to that. Pardon me, if your neighbour also wishes to be sworn, it is his privilege. He can answer the questions you cannot answer if he wants to be sworn?—A. Is the way we are proceeding satisfactory also?

Mr. MONET: I think it might be better if he were sworn because Mr. Freeman is asking him quite a few questions.

Mr. MCLEAN: We would just as soon Mr. Freeman proceed to give the evidence and if there is a point upon which he cannot give an answer, then I might attempt to do so.

The CHAIRMAN: You had better be sworn if you propose to offer any evidence.

Gordon McLean, Secretary Treasurer, Lovell & Christmas (Canada) Limited, called and sworn.

Mr. MONET: What is your name?
Mr. MCLEAN: Mr. McLean.
Mr. MONET: What is your first name?
Mr. MCLEAN: Gordon McLean.
Mr. MONET: What is your address?
Mr. MCLEAN: 3454 Stanley Street, Montreal.
Mr. MONET: What is your occupation?
Mr. MCLEAN: I am an active director of Lovell and Christmas.
The CHAIRMAN: I am sure the committee will agree to the same procedure as obtained with regard to the former witnesses, namely, that counsel will be permitted to carry out his line of questioning and then, after he is finished, the members of the committee may ask whatever questions they desire.
Mr. MCCUBBIN: What position does Mr. McLean hold in this company?
Mr. MCLEAN: I am a director of Lovell and Christmas (Canada) Limited.
Mr. MCCUBBIN: How long have you been a director?
Mr. MCLEAN: Eight and a half years.
Mr. FLEMING: Just to clear up one other point, does Mr. McLean not hold any office in the company?
Mr. MCLEAN: I am secretary-treasurer of the firm.
Mr. MONET: Would you answer my last question, Mr. Freeman, please?
Mr. FREEMAN: I would say that the industry benefited at every level as the result of the advance in prices.
Mr. MONET: Did it benefit every level the same percentage or what proportion would the different people in the industry have benefited, starting from the producer and carrying on up to the consumer?
Mr. FREEMAN: I do not feel we can express an opinion on that. We do not know what an individual producer was producing. We would not know to what extent others were operating. I do not see how we could determine just what others were doing in the industry.
Mr. MONET: You would know about yourselves, of course.
Mr. FREEMAN: Yes, sir.
Mr. MONET: From the benefit you received, yourselves, to which we will come later, you probably would be able to give a fair proportion of your benefit as compared to the benefit to others?
Mr. FREEMAN: No, I would not know how others benefited.
Mr. MONET: How do you buy your butter?
Mr. FREEMAN: We buy our butter on the market.
Mr. MONET: When you say the market, what do you mean?
Mr. FREEMAN: We buy on the Montreal market. We buy on the Toronto market, on the commodity exchange and we buy from producers.
Mr. MONET: You mean from creameries?
Mr. FREEMAN: Yes. We have consignments from creameries.
Mr. MONET: Do you buy any butter through brokers?
Mr. FREEMAN: Yes, we do.
Mr. MONET: Can you give the members of the committee the proportion of butter you buy from these different people taking your whole transaction in butter?

Mr. FREEMAN: I do not have that information here but I think we could get it if you wish.

Mr. MONET: I think it would be interesting for the members of the committee to know that. Would you be able to supply the committee with the proportion of butter bought from these different persons you have just named?

Mr. FREEMAN: Yes.

Mr. MONET: Now, Mr. Freeman, did you at any time during 1947 or up to date in 1948 refuse to accept any bids for supplies of butter.

Mr. FREEMAN: Yes.

Mr. MONET: When was that?

Mr. FREEMAN: I could not give you any dates because we have no record of the bids we refuse.

Mr. MONET: Can you give the members of the committee the period of the year when it happened? Take 1947, for instance.

Mr. FREEMAN: Well, if a bid is submitted to us which is below the market we turn it down. That is the normal practice at any time.

Mr. MONET: Were there any such bids refused in the course of 1947?

Mr. FREEMAN: Yes.

Mr. MONET: A great number.

Mr. FREEMAN: Not a great number.

Mr. MONET: What might it be?

Mr. MCLEAN: May I attempt to answer that?

Mr. MONET: Yes.

Mr. MCLEAN: Commencing in the month of September, when it became apparent to everyone in the distributive butter business we were not going to produce sufficient to look after our requirements, there were people who did not know our name for the last two years who would come and make bids to us for cars of butter that might be below the market, and even if they were at the market we have our own trade we must protect. All during 1947 when people whom we considered our regular trade required 50 boxes of butter or 5,000 boxes of butter they got it at the market daily or weekly or monthly, whenever they required it. If they wanted to store butter at their risk we were always there to look after their requirements. In other words, it is natural that you only have certain trade you can look after. You cannot look after everybody from coast to coast. Therefore if you only have sufficient butter to look after your own trade requirements you cannot be looking after some other person's customers. I think that is about the best way I can explain that to you. In other words, we would naturally protect our own trade before we would somebody else who does not buy from us every week. Possibly that answers the question at times we would refuse bids, but not from our regular trade, not once.

Mr. MONET: So it would be a fair statement, from what you have just said, to say that you did not refuse any bids for supplies of butter from your regular customers?

Mr. MCLEAN: That is correct.

Mr. MONET: But you did refuse bids from people who were not your regular customers?

Mr. MCLEAN: That is right, because if we had served them, as we saw the shortage developing, we would have had to cut our own customers off which would have been very poor business. Our own trade was looked after right through this thing, and they had the privilege, during the producing season, of storing butter if they wished. We had to look after their requirements every week of the year regardless. They had the privilege of storing it if they wished.

Mr. MONET: Do I understand that in your own trade you are always looking forward for new customers?

Mr. MCLEAN: I would say yes and no.

Mr. FREEMAN: When supplies warrant.

Mr. MCLEAN: Commencing in September we had our hands full to look after our own trade.

Mr. MONET: Although in a general way you would be looking for new customers in your trade you did not feel like accepting bids from September on?

Mr. MCLEAN: I would explain it this way, that we can only handle a certain percentage of Canada's butter production in a distributive way, which happens to be, let us say, around 2½ per cent of Canada's butter production. We are not equipped to handle 12 per cent.

Mr. IRVINE: Did you handle any more during this period in question than you did previously?

Mr. MCLEAN: Did we?

Mr. IRVINE: Yes.

Mr. MCLEAN: Yes.

Mr. IRVINE: How did that happen if there was a shortage?

Mr. MCLEAN: We looked after our requirements from increased production. If you will refer to those volume figures we just back into our original position in the butter distributive trade after the controls were lifted.

Mr. MONET: We will refer to that in a few minutes, Mr. Irvine. Are we to take it that you did not at any time during 1947 or up to now in 1948 refuse to sell any butter to any of your regular customers?

Mr. FREEMAN: Right.

Mr. MONET: Now, Mr. Freeman, is the firm you are representing a member of the commodity exchange?

Mr. FREEMAN: Yes, sir.

Mr. MONET: For the information of the members of the committee would you please outline the operation of the commodity exchange? I would ask you for the moment not to refer to future contracts, but the operation apart from that. We will come to future contracts later on. First, how many members are there of the commodity exchange?

Mr. FREEMAN: I would say about 25, 20 or 25.

Mr. MONET: Would you call them all clearing members?

Mr. FREEMAN: No.

Mr. MONET: How many clearing members?

Mr. FREEMAN: We are talking about the Canadian Commodity Exchange now?

Mr. MONET: Yes.

Mr. FREEMAN: That is the Canadian Commodity Clearing Association.

Mr. MONET: How many members?

Mr. FREEMAN: I would say there are about six or seven.

Mr. MONET: Six or seven?

Mr. FREEMAN: Yes.

Mr. MONET: Would you explain to the members of the committee the difference between the clearing association and the commodity exchange?

Mr. FREEMAN: The commodity exchange is where spot butter is traded in.

Mr. MONET: That is the commodity exchange?

Mr. FREEMAN: Yes.

Mr. MONET: Yes?

Mr. FREEMAN: And the other is where futures are traded.

Mr. MONET: So am I to take it that on the Commodity Clearing Association nothing else but futures are traded? Is that right?

Mr. MCLEAN: May I correct Mr. Freeman? I think he is wrong in that statement. The Canadian Commodity Exchange trade both future and spot transactions, but after a future transaction is traded then it is cleared through the Canadian Commodity Clearing Association. The Commodity Exchange handles physically the future and spot transactions, but as far as futures are concerned the clearing house clears the futures.

Mr. MONET: I should like you to describe fully to the members of the committee all the operations of those two, and make it very clear so that there will not be any misunderstanding.

Mr. FREEMAN: Which should we take first?

Mr. MONET: Take first the Commodity Exchange.

Mr. FREEMAN: In the first place the exchange at no time buys or sells butter. It provides, regulates and maintains a market place where buyers and sellers or their representatives meet and buy or sell their butter. In order to further this purpose its declared objects are to establish equitable and just principles and to maintain uniformity in rules and usages. It disseminates prices and sales daily through quotation systems and the press.

Mr. MONET: That is the Commodity Exchange?

Mr. FREEMAN: That is the Commodity Exchange.

Mr. MONET: I should like you, Mr. Freeman, to tell the members of the committee the operations of the Commodity Clearing Association.

Mr. FREEMAN: The clearing association acts as a central clearing agency for exchange members. Every member of the exchange has the privilege of becoming a clearing member subject to his compliance with certain conditions such as (1) The deposit of such an amount as may be required in the guarantee fund of the association; (2) agreement to clear all trades through the clearing association; (3) agreement to abide by the bylaws and rules of the clearing association and all amendments.

The clearing association's functions are to see that all contracts cleared are properly margined and brought to the market price daily. It also acts as a guarantor to the buyer and seller that delivery will be taken or made.

Mr. MONET: Are the operations you have just described, Mr. Freeman, important factors in fixing the price of butter?

Mr. FREEMAN: They do not fix the price of butter. They are an important factor in establishing the market.

Mr. MONET: You mean the price?

Mr. FREEMAN: Yes.

Mr. MONET: The market price?

Mr. FREEMAN: The market price.

Mr. MONET: In what way are they an important factor in establishing the market price of butter?

Mr. FREEMAN: The prices at which it is purchased and sold on the Commodity Exchange show the value of butter at that time.

Mr. MONET: You mean the price—

Mr. FREEMAN: Determines the value, the price.

Mr. MONET: Determines the price. When there would be a short supply and heavy demand what would be the result of the operation? What would be the effect rather of the operations of the Commodity Exchange as far as price is concerned?

Mr. FREEMAN: The same as in any other market under similar conditions, that is, when supplies are in short demand the price becomes firmer.

Mr. MONET: So the operations on the Commodity Exchange in a situation like you have just described, short supply and heavy demand, would tend to raise the price of butter? Would that be correct?

Mr. FREEMAN: Not any more than anywhere else.

Mr. MONET: What do you mean by that?

Mr. FREEMAN: Not any more than on the Montreal market or Toronto market or markets anywhere across the country.

Mr. MONET: You mean the Montreal and Toronto butter markets?

Mr. FREEMAN: Butter markets.

Mr. LESAGE: Mr. Monet, when you think it is the proper time would it be possible to ask the witness to describe one complete operation?

Mr. MONET: I am coming to that. You mean a future contract?

Mr. LESAGE: Not especially future contracts; one complete operation.

Mr. MONET: Would you ask that?

Mr. LESAGE: No, you ask it. I should like to have a clear picture.

Mr. MONET: Would you describe the operation on the Commodity Exchange from the beginning to the end?

Mr. FREEMAN: May I read this?

The CHAIRMAN: What is that?

Mr. MONET: It is about futures. I should like you to describe the operations on the Commodity Exchange from the beginning to the end, future contracts and other contracts if there are any.

Mr. FREEMAN: What is a future contract? It is an agreement on the part of the seller to deliver during the specified month and for the buyer to take delivery during the specified month a car of butter containing 400 boxes, 22,400 pounds (5 per cent tolerance). Both buyer and seller post a margin of $1,500 per car which must be maintained. Additional margin is required with each fluctuation of $\frac{1}{8}$ cent per pound; therefore there is no possibility of default.

Who would be interested in buying a future contract? A good example would be a creamery in the maritime provinces where they do not produce sufficient butter locally to look after their year around requirements. This creamery has the choice of storing actual butter, produced in western Canada, Ontario, or Quebec, or buying a future contract to take up the slack between his production and his requirements. During the flush production months his capital is pretty well tied up in actual product and in some cases it would not be convenient to pay cash for a car of butter. Therefore he buys a future contract.

Who would be interested in selling a future contract? A hedger would be one. In our business the hedger is usually a firm with large freezer facilities and also a large receiver of actual butter weekly from local creameries during the flush production season. Selling a future contract assures him cold storage **earning and reduces market risk on part of his butter receipts.**

Another example of a firm interested in selling a future contract would be a creamery situated in an area of heavy production where he produced all of his distributive requirements in his own creamery. He might prefer to distribute his own manufactured butter, rather than buy from other creameries

but he does not wish nor could not afford to take the risk on the market value of his total inventory until it was required for distribution. A protection for him would be to sell a future contract or contracts according to his position in the industry.

As he withdrew actual butter from storage he would buy in his future contract or contracts. If the market advanced in the interval the amount he lost on his future transaction would be offset by the appreciation in value of the actual product. If the market had dropped, the reverse procedure would take place. In any case he was taking the market risk out of his business.

It is our opinion that at times during the season, future trading has a steadying influence on the spot market. It is added support for the actual product during the flush production season.

The Canadian Commodity Exchange is generally accepted as the true daily butter market in Canada because it reflects buying and selling interest from coast to coast.

The Canadian Commodity Exchange is the only exchange of its type in the dairy industry in Canada and although it is located in Montreal the trading is not restricted to Montreal. People in the industry from Vancouver to Halifax use the facilities, and in our opinion a large percentage of the business comes from provinces other than Quebec.

It is also our opinion that the big percentage of all future contracts are transacted by firms or individuals directly connected with the dairy industry. The Canadian Commodity Exchange is an integral part of the dairy industry and has a most important part to play in the marketing of Canadian creamery butter.

Mr. LESAGE: Would you give us now an actual example of a complete transaction either on futures or otherwise on the commodity exchange and also the clearing association?

Mr. MCLEAN: May I answer that? We gave you a couple of instances in this short report. We will take the case of a creamery in the Maritimes. He would estimate his butter requirements, and he would check his usual sources of supply in the Maritime provinces from local creameries. He would estimate how much he would receive from them during the producing season, and he would estimate that he would not receive sufficient butter to look after his requirements. He might either write or phone a clearing member such as Lovell and Christmas Canada Limited, and he would say, "I am going to require a car of butter in November; I am going to require a car of butter in February and I am going to require a car of butter in March. What are the quotations on those three options at the present time?" We would look and say, "November butter is 53 cents per pound." He would say, "What is the price on western butter today?" "53 cents per pound".

The western market has been continually running above the Montreal commodity exchange price all season, and during the flush production season you can buy a November contract through a clearing house such as ours at the same price as a car of spot western butter. Therefore the creamery in question would say, "Please buy for me a car of butter at 53 cents for November delivery. I will give you $\frac{1}{8}$ of a cent discretion." Or he might say, "53 cents is the limit" or "I will pay up to $53\frac{1}{2}$. Use your judgment." To follow it through, the Commodity Exchange operates, you might say, during a restricted period from 12 o'clock noon to a quarter to one. I would go on to that floor. Trading is done on the floor and there are buyers and sellers on the floor; and then whatever exchange conditions were—the buyer might—say that November butter is selling at $53\frac{2}{3}$, he might give us a buying order for 53 cents and we would stand by until it came approximately to that level. I mean, let us say, that he had given us an order to buy for him at 53 cents and if somebody else was selling say within

⅛ of a cent, then our buyer would sign up a transaction and say, here is one contract for 400 boxes, 22,400 pounds etc. Therefore that creamery would be protecting his requirements with one kind of butter.

Mr. LESAGE: Do you take delivery of the commodity?

Mr. MCLEAN: No.

Mr. LESAGE: That is what I want to know.

Mr. MCLEAN: All right, we are a clearing member.

Mr. LESAGE: Yes.

Mr. MCLEAN: Therefore the identity of the actual buyer is not disclosed.

Mr. LESAGE: It is not disclosed?

Mr. MCLEAN: No. Then we correct our position with the Canadian Commodity Clearing Association. Well, the clearing member must balance up in his total position with the Canadian Commodity Clearing Association. I was going to say that if we had a position of 50 cars long, we either have clients for the total 50, or it is up to the clearing member to balance that one way or the other. They do not know the identity of every client. Now, to get at that point a little further, Mr. Lesage, a futures contract is a hedge against the future requirements on the part of either buyer or seller. Take the case of the creamery in the Maritimes. Once again—

Mr. LESAGE: Go on with the same example. What happens after that?

Mr. MCLEAN: All right. Supposing he bought that contract in June for November delivery. We are always estimating what we think production will be, and it does fluctuate a bit. That creamery later on may find that he was able to get more butter locally than he had figured on and therefore he could buy butter locally more advantageously that he had figured on and he sells his hedge on the Canadian Commodity Exchange, or he can take delivery of the actual car of butter during the months specified.

Mr. LESAGE: At the price set?

Mr. MCLEAN: That is right, yes; regardless of whether the market is up or down.

Mr. LESAGE: And I suppose that car of butter which has been sold there may not actually be manufactured at the time?

Mr. MCLEAN: The big percentage—you are taking the position of a man on the short side. His short position is covered by inventory. In case of our firm with bigger freezer facilities, if we are receiving a certain quantity of butter weekly we do not want to take the market risk on all of it, and if the man in the Maritimes requires one car of it we will sell that spot butter for November delivery and it is actually carried in our warehouse; and the spread between the spot market and the future price contains approximately the charge of storage and the extra charges. Now that is a more advantageous trade for us than selling a car of spot butter because we might have three months cold storage earnings, equivalent to about 11 cents on a box—do you follow?

Mr. LESAGE: Yes.

Mr. MCLEAN: Therefore it may be a good trade for us with a big purchaser, with big receipts of butter. But, as I say, it could be bought and go through our firm without our knowing who is buying it. I do not know whether we have made our point very clear regarding the creamery who don't want to hold all of their own butter. If you had a creamery and you were manufacturing 1,000,000 pounds of butter per year and you had a distributive outlet for 1,000,000 pounds of butter per year, and, let us say, you have built up a name for your butter, for a certain quality of butter—it might be solids 1·5 per cent, and they appreciated that quality; then, if you bought a car of butter from some other firm which might have a score of 2·5, your customers would not like it so

well, that is what you have in mind when you come to distribute it, you have regard to the preference of your customers over a period of years. I mean, in the fall, the butter market fluctuates up and down; and when you see it is going to steady down and you are going to have enough butter of your own make; well, you just say, I am going to sell a futures contract or buy a futures contract because as long as I can deliver at this level of prices I am satisfied. I want to take the risk out of it; and then, because I see that I can distribute all of my own make I arrange to go ahead and sell what I have been holding by way of hedge. It is protection against requirements, or against a mark-up.

Mr. LESAGE: And this Maritime distributor will get his carload if he needs it?

Mr. MCLEAN: If he needs it.

Mr. LESAGE: In November?

Mr. MCLEAN: That is right.

Mr. LESAGE: From you?

Mr. MCLEAN: No.

Mr. LESAGE: You bought it for him?

Mr. MCLEAN: It depends on what our net position is, Mr. Lesage. We might buy 100 cars and we might sell 50, to a man who wanted it, with a result that our net position is 50. Therefore, we hold in the Canadian Commodity Clearing Association 50 contracts, and they balance their longs and their shorts. In other words, if they bought 100 and sold 50, our net is 50 boxes, therefore we have to deliver 50 boxes to the Commodity Clearing Association to offset those against the other side of the picture. There is a matter of a 50-box difference, do you follow that? Therefore, we deliver to the ultimate buyer.

Mr. LESAGE: All of these operations are not taken into account on the balance sheet?

Mr. MCLEAN: Yes, for buying and selling. If you look at our position as it was at the end of the period.

Mr. MONET: That will be explained later.

Mr. LESAGE: All right.

Mr. FLEMING: Is the function of the clearing association to make sure that there is not a short over-all position?

Mr. MCLEAN: There cannot be, Mr. Fleming.

Mr. FLEMING: I mean is that one of the particular functions of the clearing association?

Mr. MCLEAN: You might say the clearing association handles the money in connection with the transaction.

Mr. FLEMING: And there is also a balancing of contracts?

Mr. MCLEAN: Yes, they balance the shorts and the longs.

Mr. FLEMING: And are they daily balances?

Mr. MCLEAN: Oh, definitely.

Mr. FLEMING: You mean that all transactions have to be balanced out each day?

Mr. MCLEAN: In Montreal the commodity exchange clears its business by quarter to one. Everyone with a position has to balance their points account on every fluctuation of the market daily before 3 o'clock, before the bank closes; and our firm, Lovell and Christmas, has to balance that day.

Mr. FLEMING: And all the other commodity exchanges in Canada have a similar clearing association?

Mr. MCLEAN: There is only one Canadian Commodity Exchange in Canada.

Mr. FLEMING: I thought we were told there were public exchanges in other cities?

Mr. MCLEAN: I think that is in connection with the co-operatives. There is only one Canadian Commodity Exchange. I do not know of any other.

Mr. FLEMING: We were told that there were other commodity exchanges than the one in Montreal. I think one of the witnesses told us there was one in Toronto.

Mr. MCLEAN: There might be, Mr. Fleming. I do not know where it is.

Mr. MONET: Now, Mr. Freeman, in the evidence you gave a moment ago you put the question, "who would be interested in buying futures contracts", and you gave as an example a creamery as one who would be interested in buying say a November futures contract. Is it not a fact that speculators might be interested in buying futures contracts?

Mr. MCLEAN: I would say, yes, Mr. Monet; but I cannot go by our own experience, our own position.

Mr. MONET: I know.

Mr. MCLEAN: I would not want to make a definite statement that there was no commodity speculative interest in the butter market this year, but I would say that the percentage would be so small that it didn't amount to anything.

Mr. MONET: But, just for the information of the committee, Mr. McLean, do you know whether or not a speculator would be interested in buying futures contracts? You have given us the example of the creamery which would buy them to meet their potential demand should they run short of supply.

Mr. MCLEAN: That is correct.

Mr. MONET: What about the speculator, could the speculator be interested in buying futures on the commodity exchange?

Mr. MCLEAN: Yes.

Mr. MONET: And would that not be the place where they would buy it?

Mr. MCLEAN: Not necessarily.

Mr. MONET: Where could he buy it?

Mr. MCLEAN: He would buy spot butter any place in Canada, but the percentage of what you might call speculative interest—we do not have any of it—it would be so small—your point is correct, the opportunity is there.

Mr. MONET: The opportunity is there, that is if he wanted to take it?

Mr. MCLEAN: If he wanted to risk his money.

Mr. MONET: In other words, there would be the possibility of speculation there?

Mr. MCLEAN: Yes, but do not direct that particularly to the commodity exchange.

Mr. MONET: No.

Mr. MCLEAN: The speculator could speculate in butter but not necessarily get it on the commodity exchange.

Mr. MONET: But the commodity exchange would make it possible for him to buy it?

Mr. MCLEAN: That is right.

Mr. MONET: During the year 1947, and up to date in 1948, did you sell any butter futures contracts to any individual or organization not associated with the dairy industry?

Mr. FREEMAN: No.

Mr. MONET: You did not?

Mr. FREEMAN: No.

Mr. MONET: Would you give to the committee the amounts of the butter futures contracts cleared through you in 1947 from June to December?

Mr. FREEMAN: We bought 154 contracts and sold 138.

Mr. MONET: Correct. Now I have here, Mr. Freeman, as bought in the month of August by your firm 26 futures; and sold, 18, is that correct?

Mr. FREEMAN: That is right.

Mr. MONET: Would you give an explanation to the members of the committee as to the difference between your purchases and your sales for that month?

Mr. MCLEAN: What sort of an explanation do you want?

Mr. MONET: Why did you purchase more that month than you sold?

Mr. MCLEAN: We had more buying orders than selling orders.

Mr. MONET: I understand that this butter was not all purchased for yourselves.

Mr. MCLEAN: No, we cleared for other people. There was more buying interest than selling interest during the month of August.

Mr. MONET: Would these purchases be purely for clients of yours or would some of them be for your own company?

Mr. MCLEAN: Out of that position our own company during the month in question bought 5 contracts and sold 8.

Mr. MONET: For yourselves?

Mr. MCLEAN: For our own account.

Mr. MONET: And the difference would be for some of your clients?

Mr. MCLEAN: Yes.

Mr. MERRITT: Is that sheet available, Mr. Monet?

Mr. MONET: You are referring to this statement on futures operations?

Mr. MERRITT: Yes.

Mr. FREEMAN: That is a statement covering our futures operations.

Mr. MONET: Mr. Chairman, I am sorry to say that I received this too late to have it mimeographed for distribution to the members this morning, but that can be arranged to make it available to them this afternoon.

The CHAIRMAN: That is what, a report of holdings?

Mr. MONET: It is a report of transactions through the Canadian Commodity Exchange. It could be filed later.

Mr. HOMUTH: It is not in this Exhibit?

Mr. MONET: No, it is not in Exhibit 61.

Mr. MAYBANK: Could it be given an exhibit number and put in some time later?

Mr. MONET: Yes, I would do that. That will be Exhibit 62.

EXHIBIT No. 62: Summary of butter contracts cleared through the Canadian Commodity Clearing Assn.

LOVELL & CHRISTMAS (CANADA) LIMITED

Summary of butter contracts cleared through The Canadian Commodity Clearing Assn. Inc. during the year 1947.

	RONALD A. CHISHOLM				POLLOCK SAUNDERS LTD.				LOVELL & CHRISTMAS (CAN) LTD.				TOTAL			
	Bought		Sold		Bought		Sold		Bought		Sold		Bought		Sold	
1947	Contracts	Lbs.	Contracts	Lbs.	Contracts	Lbs.	Contracts	Lbs.	Contracts	Lbs.	Contracts	Lbs.	Contracts	Lbs.	Contracts	Lbs.
July	3	67,200							3	67,200	5	112,000	6	134,000	5	112,000
August	20	448,000	10	224,000	1	22,400			5	112,000	8	179,200	26	582,400	18	403,200
September	5	112,000	6	134,400					12	268,800	6	134,400	17	380,800	12	268,800
October	36	806,400	18	403,200	7	156,800	3	67,200	10	224,000	19	425,600	53	1,187,200	40	896,000
November	6	134,400	11	246,400			3	67,200	7	156,800	11	246,400	13	291,200	25	560,000
December	14	313,600	24	537,600			2	44,800	25	560,000	12	268,800	39	873,600	38	851,200
Total bought and sold	84	1,881,600	69	1,545,600	8	179,200	8	179,200	62	1,388,800	61	1,366,400	154	3,449,600	138	3,091,200

RONALD A. CHISHOLM,
Metropolitan Building,
44 Victoria St.,
Toronto, Ontario.

POLLOCK SAUNDERS LTD,
353 St. Nicholas St.,
Montreal.

Mr. FLEMING: Would that not be Exhibit 61?

Mr. MONET: Exhibit 61, is the answers to the questionnaire.

The CHAIRMAN: This will be Exhibit 62.

Mr. MONET: It is a summary of the butter contracts dealt with by this company through the Canadian Commodity Clearing Association. Now, Mr. Freeman, for the month of October I see that you purchased 53 and sold 40 contracts?

Mr. FREEMAN: That is correct.

Mr. MONET: And the same explanation applies in that case, I presume.

Mr. FREEMAN: That is right.

Mr. MONET: And in November I see that you bought 13 and sold 25?

Mr. FREEMAN: Right.

Mr. MONET: And I see that for the month of October you purchased 8 more contracts than you sold, was butter production increasing at that time or decreasing?

Mr. MCLEAN: The explanation of that, Mr. Monet, would be that during the month of August as a clearing member we were not buying or selling any of this butter for our own firm, we were acting on behalf of other clients or purchasers.

Mr. MONET: Quite.

Mr. MCLEAN: As that statement indicates, we were doing more buying than selling in that particular period to the extent of 8 contracts.

Mr. MONET: Why was that, why did you do more buying than selling; do you mean that you had more requests to buy than you had to sell?

Mr. MCLEAN: Yes.

Mr. MONET: Was the price lower at the time?

Mr. MCLEAN: In the month of August the market was more or less stationary until—let us see, the middle of the month.

Mr. MONET: What about October, Mr. McLean, where you purchased 53 and sold 40; would the same explanation apply?

Mr. MCLEAN: Yes, 13 contracts. I remember the October butter market very well. The butter market dropped 5 cents a pound in two weeks, from October 10 until—let us see—October 26.

Mr. MONET: So you had more orders to buy than you had to sell?

Mr. MCLEAN: That is the way it turned out.

Mr. MONET: What was the price of butter in November?

Mr. MCLEAN: The butter market in November advanced considerably from the low of the month before. The low in the month of October was at 56 cents.

Mr. MONET: All right, but I see by the figures indicated here that in the month of November you purchased 13 futures and sold 25?

Mr. MCLEAN: That is correct. May I explain this to you?

Mr. MONET: I would like to have you give me an explanation of it.

Mr. MCLEAN: You see on the sold side, part of the commitments would be a liquidation of contracts on the bought side—do you follow?

Mr. MONET: Yes.

Mr. MCLEAN: In other words, they are not all new commitments. They might be liquidations of the original contracts; or, as in the example I gave you previously, the creamery in the Maritimes, getting enough local butter decides to sell the futures contracts which he has previously bought.

Mr. MONET: In your opinion, Mr. Freeman, as a membrer of the Commodity Exchange Clearing Association, would the buying of futures contracts without

trade requirements tend to advance prices? I would like to have this made very clear.

Mr. CLEAVER: Would you repeat the question?

Mr. MONET: Would the buying of futures contracts without trade requirements tend to advance prices

Mr. MCLEAN: May I answer that, Mr. Monet.

Mr. MONET: Yes.

Mr. MCLEAN: As Mr. Freeman said previously, it became quite apparent in the month of September that we were not going to produce sufficient butter to look after our requirements. If there had been a small speculative interest in the butter market with the level of prices getting up even close to 60 cents it is my opinion that the speculative interest if any, would have been out of the market; the speculative interest would not have participated in the butter market above 60 cents, providing there had been any speculative interest. My opinion is that it was buying against actual requirements that put this butter market up.

Mr. MAYBANK: Well, as a matter of fact, any purchase has a tendency to put the price up?

Mr. MCLEAN: Not necessarily, Mr. Maybank. Might I answer it this way: In a market such as butter it must find its true level according to supply and demand. A certain interest might shove the butter market up a quarter, three-eights or half a cent but during a period of weeks when that buying interest is out it must find its own level.

Mr. MAYBANK: Well, take a demand for one pound.

Mr. MCLEAN: Yes.

Mr. MAYBANK: You would not expect the purchase of one pound of butter to raise the price?

Mr. MCLEAN: No.

Mr. MAYBANK: If 1,000 pounds, probably the answer is the same; correct?

Mr. MCLEAN: Yes.

Mr. MAYBANK: But with 1,000,000 pounds purchased, the answer is still the same?

Mr. MCLEAN: I can give you the answer to what you are driving at.

Mr. MAYBANK: What I am driving at is just to get an answer to that question; now, change the figure to 1,000,000 pounds, is your answer still the same as it was for one pound?

Mr. MCLEAN: My answer, Mr. Maybank, to cover that is, the buying interest which brought about this big advance in the butter market was caused by the Canadian consumer consuming on the average 3,000,000 pounds of butter.

Mr. MAYBANK: That is not an answer to my question. My question was whether there would be any tendency one way or another in the purchase of 1,000,000 pounds of butter; does that tend to put the market up in itself; is there a tendency that way?

Mr. MCLEAN: Yes.

Mr. MAYBANK: At what point, between one pound and 1,000,000 pounds, does the tendency come into the picture? I now recall my first proposition, which was this: does not any purchase tend, in however infinitismal a fashion, does it not tend in the direction of upping prices?

Mr. MCLEAN: I do not see that, myself.

Mr. MAYBANK: You do not; but it does occur, in your opinion, at the point 1,000,000?

Mr. McLEAN: I will give you an example, and I have seen this happen, to my regret. During the summer, we have purchased 2,000 boxes of butter from the Canadian Commodity Exchange, for argument's sake, at 52 cents. We had bought all we wanted, and the butter market sold at 51 cents in a matter of five minutes.

Mr. MAYBANK: I think you are confusing the meaning of the words, "to tend," in an economic sense and the actual happening. Well, it need not be pursued.

Mr. McLEAN: If there were more buying interests than sellling interests on any market, the tendency would be for the market to advance.

Mr. MAYBANK: Do you not mean that is the case, the market will advance; that is the difference?

Mr. McLEAN: Yes.

Mr. MAYBANK: You may have a tendency for a long time before it results in a fact, is that not so?

Mr. McLEAN: I would say that is close to being correct.

Mr. WINTERS: Then, getting back to Mr. Monet's question, considering the brokerage operations, that people holding stocks of butter tend to put the market up, the answer would be yes?

Mr. HOMUTH: Is there such a thing on the market as short selling?

Mr. McLEAN: The opportunity is there. Of course, anybody who did any short selling this year would have made an awful mistake.

Mr. WINTERS: Would you not say, in answer to Mr. Monet's question, that the answer would be yes, that brokerage operations tend to put the price of butter up?

Mr. McLEAN: No, I would not agree to that.

Mr. WINTERS: It would seem, on the face of what you have said here, that might be the answer that one would normally deduce.

Mr. McLEAN: My answer to the question was, if there were more buying interests than selling interests in any market, the tendency would be for the price to go up.

The CHAIRMAN: If there are a lot more buyers than there is supply, naturally the price does go up?

Mr. McLEAN: Yes.

The CHAIRMAN: That is what you are saying?

Mr. McLEAN: Yes.

Mr. WINTERS: There has to be buying before there can be selling?

Mr. MACINNIS: At what point in the butter market is there an incentive for speculation, when the demand is more active than the supply, or when the demand is less?

Mr. McLEAN: May I ask you, please, to ask me that question again?

Mr. MACINNIS: I think you said, in answer to Mr. Monet, there was some speculative buying?

Mr. McLEAN: No, I do not think I said that. I said there might have been, but very little. From our own experience on the Canadian Commodity Exchange, we did not have any part of it.

Mr. MACINNIS: I may be wrong, but I thought your answer was that there was some but not very much.

Mr. McLEAN: There might have been, but if there was the percentage was very small. For the benefit of the record, please, quote me correctly. So far as the transactions of Lovell & Christmas (Canada) Limited on the Canadian Commodity Exchange, Incorporated, are concerned, we did not have any speculative buying interest.

Mr. MacINNIS: Then, what kind of butter market would provide an incentive for speculation?

Mr. McLEAN: Any kind of market where the buyer figured that there was a profit.

Mr. MacINNIS: That would be a rising market?

Mr. McLEAN: Not necessarily, it could be a dropping market, because if the market dropped to a point he might figure there might be a nickel here, some place.

Mr. MacINNIS: Is not the nickel more likely to be there during a rising market, for the speculator?

Mr. McLEAN: No.

Mr. FLEMING: It depends on how far it has gone.

Mr. McLEAN: Yes.

Mr. FREEMAN: And it depends on the price, in relation to the supply and demand.

Mr. WINTERS: You say you had no speculative interest in buying butter.

Mr. McLEAN: No. Surprising?.

Mr. WINTERS: No, I am just trying to keep an open mind on the subject. What was your main interest?

Mr. McLEAN: A dealer interest, a distributor interest of people who eat and sleep butter fifty-two weeks of the year.

Mr. McCUBBIN: Do you mean to tell me you had no speculative interest when, in November, 1946, you bought 2,000 some odd pounds, while in November, 1947, you bought 476,000 pounds?

Mr. McLEAN: The answer to that is that during 1946 we were under government control. We were not free to move as we saw fit. We were, in 1947, as from June 9—I believe that is the correct date. At that point, we decided to get back into our original position in the butter industry. If you compare our figures for 1939 and 1940 to our figures today, they are not out of line.

The CHAIRMAN: Counsel will be going into that.

Mr. McCUBBIN: Very well, I will drop it then.

The CHAIRMAN: All right, Mr. Monet.

Mr. MONET: Turning to exhibit 61, Mr. Freeman, I should like you to turn to statement 2. In the first column, which is headed, "sales"—I am not talking about the column headed, "Year ended 31st March"—in the first column entitled, "sales" for the year 1948, your total sales were $2,729,078.12; is that correct? That figure is for the eleven months ending 28th of February, 1948?

Mr. FREEMAN: That is right.

Mr. MONET: I understand your fiscal year ends on March 31?

Mr. FREEMAN: That is right.

Mr. MONET: It is for that reason you have only eleven months reported in column one?

Mr. FREEMAN: Well, this statement was made up before—we are not out of March, yet.

Mr. MONET: I know, it is just for eleven months?

Mr. FREEMAN: Just for eleven months.

Mr. MONET: If you compare this amount of $2,729,078.12 with your biggest year from 1939 to 1947, which, I take it, was 1942—is that right?

Mr. FREEMAN: 1942, that is right.

Mr. MONET: Where the total sales were $1,465,655.71?

Mr. FREEMAN: That is right.

Mr. MONET: So, your sales for the current fiscal year are practically double the heaviest sales you ever had between 1939 and 1947?

Mr. FREEMAN: Yes, so is the price of butter.

Mr. FLEMING: These are dollar sales of which you are speaking now?

Mr. FREEMAN: Dollar sales.

Mr. FLEMING: Have you the quantity?

Mr. MONET: Not there, it is on a later sheet. I want to draw your attention now to the amount in the last column for this period of eleven months ending the 28th of February, 1948. You give, as the net departmental profit before taxes on income, $113,934.42—this is on statement 2?

Mr. FREEMAN: Yes, that is right.

Mr. MONET: That would represent your profits for the current fiscal year?

Mr. FREEMAN: For the eleven months ending February 28.

Mr. MONET: In other words, your fiscal year is not yet complete?

Mr. FREEMAN: Not yet complete.

Mr. MONET: For the first eleven months, this amount represents your profit?

Mr. FREEMAN: On butter, yes.

Mr. MONET: I also wish to point out to you that, in the last column, there were five months out of the previous ten months in which you had a loss?

Mr. FREEMAN: That is right.

Mr. MCCUBBIN: Five years.

Mr. MONET: Pardon me, five years. The largest amount of profit made between 1939 and 1947 was in the year 1941, $27,568.02; is that correct?

Mr. FREEMAN: That is correct.

Mr. MONET: In this statement 2, the second page of this statement, you have administrative and selling expenses listed and would you tell the members of the committee how you break that down? It amounts to $34,910.12 for the current fiscal year. How do you arrive at that amount?

Mr. FREEMAN: That item of $34,910.12 represents a percentage, as between our butter and cheese accounts for administrative and selling expenses; that is, the expenses we cannot trace directly to either commodity or the expenses that are interlocking. We charge them on a percentage basis to the department.

Mr. MONET: What basis do you use, Mr. Freeman, in making the charge against butter and cheese?

Mr. FREEMAN: 40 per cent to butter; that is the basis we have had since before the war.

Mr. LESAGE: 40 per cent to butter and 60 per cent to cheese?

Mr. FREEMAN: That is right.

Mr. LESAGE: What was the relative volume of your operations for butter and cheese during the last eleven months?

Mr. FREEMAN: I do not have that information here, Mr. Lesage, but as it turns out for this year our 40 per cent is conservative, as for butter in relation to cheese. We think it is a bit low.

Mr. LESAGE: This year, yes, you are making a profit; but in 1947?

Mr. FREEMAN: What was it in 1947?

Mr. LESAGE: What was the volume of cheese you handled. We have the volume of butter?

Mr. FREEMAN: I have not got the cheese figures here.

Mr. LESAGE: Could we have them? Mr. Monet, that is what I should like to have, the volume of cheese handled in 1946 and 1947, in dollars and pounds,

and the net departmental profits before taxes on income for the years 1939 to 1947.

Mr. MONET: Would you repeat that?

Mr. LESAGE: I should like the departmental profit and loss before taxes on income for cheese from 1939 to 1947 and also for the first eleven months of 1948.

Mr. MCLEAN: Is this not getting away from the point in question? Is not the purpose of this to reveal our butter operations?

Mr. MONET: I must say, in all fairness to the witnesses, they were requested to give information only as to their butter operations. I understand that, on this statement which has come to hand just a short time ago, this firm does interlock cheese and butter operations.

Mr. LESAGE: This firm has a double operation in cheese and butter. They are charging expenses on the set basis of 40 to 60 per cent. I think it would be proper to have those figures.

Mr. MCLEAN: I believe I can answer this question for you. This division is approved by our auditors, Riddell, Stead, Graham and Hutchison, and also approved by our parent company in London as an equitable distribution of administrative expenses, which they accept.

Mr. LESAGE: I am not an auditor.

Mr. WINTERS: Did your total administrative expenses go up anything like the relationship shown here between 1947 and 1948, or does that just bear a relationship between butter and cheese?

Mr. FREEMAN: The relationship is constant. We have the administrative selling expenses from 1939 to 1947 here, that is on a 40 per cent basis.

Mr. LESAGE: I do not see what objection you would have to this?

The CHAIRMAN: I do not appreciate the point. The significant thing to me is the $113,000 which is almost double the profit in the years 1940 to 1944. It seems to me that is the significant thing. How can these administrative expenses of $34,000 help us very much?

Mr. LESAGE: I am not insisting on that, Mr. Chairman. What I should like to have is the relative volume of the cheese transactions, for the same years as we have for butter, in order to make a comparison. For instance, I assume that the transactions in cheese during the war years and up to 1946, were much higher than they are now, and the ratio was 40 to 60 per cent between butter and cheese then. It is a constant figure. Now, this year, for the first eleven months, the transactions in butter were much higher than they were in cheese.

Mr. MCLEAN: Do you feel the 40 per cent is too low? If so, it would make our position very much better?

Mr. LESAGE: I do not have to render any judgment on that. I want the facts. I do not say it is too low. I do not have the figures. I will have an idea when I have the figures. I submit it is an important point.

Mr. FLEMING: Mr. Chairman, the basis of the suggestion made by Mr. Lesage now is that the 40 per cent may not be an adequate share of the overhead to charge against butter in view of the fact butter operations, in relation to cheese operations, have probably expanded very greatly in the last year. Now, the effect of that, of course, would be to increase the figure of $34,910 and to reduce the figure of $113,000, the net departmental profit.

Mr. LESAGE: Or, for the previous years, to decrease the administrative selling expenses in the butter department and increase the profit. The only way to ascertain the facts is to have the figures.

Mr. MCLEAN: We have revealed the figures, and our accountants and auditors seem to be of the opinion that percentage is still, let us say, approximately right.

Mr. LESAGE: Is there any objection to giving us the volume in pounds and dollars of your cheese operations for the years 1939 to 1947? I do not see how there could be any objection to it.

Mr. MCLEAN: There is no objection. If it is important to you, we will get the information for you.

Mr. LESAGE: Perhaps I am wrong, but I think it is.

The CHAIRMAN: I believe the significant fact is what has already been shown on this sheet, the significantly large profit for this year. It seems to me that is the figure in which we ought to be interested. It may be that the disclosure of the information for which you have asked might add to that a little or decrease it.

Mr. LESAGE: Decrease it, but it is not so much the present fiscal year as the previous years in which I am interested. I know and everybody knows that the volume of cheese transactions during the war years was very high, while the volume of butter transactions was low.

The CHAIRMAN: You can give us that information?

Mr. MCLEAN: Yes.

Mr. LESAGE: Could you give it to us this afternoon?

Mr. MCLEAN: I could not say when; we will do it as fast as we can. We will have to telephone Montreal. We do not keep volume records.

Mr. LESAGE: Of your cheese transactions?

Mr. MCLEAN: No.

Mr. LESAGE: How is that?

Mr. MCLEAN: Most of these figures relating to volume which we filed for you, we do not keep those ourselves.

Mr. LESAGE: You say it has been checked by your auditors. If it has been checked by your auditors, they took the figures from some place?

Mr. MCLEAN: I do not know what way they checked it, but they approved our balance sheet in every shape and form. Now, it might be possible that they have that, I do not know; but with regard to getting all these volume figures for cheese for the period for which you have asked, we do not have them. We do not keep that record, but certainly we will gladly get them for you as quickly as possible. I do not know how long it will take. We worked night and day to get these volume figures on butter for you and we were glad to do it. However, I would not want to make a guess as to how long it would take.

Mr. HOMUTH: If it is really important they have no alternative except to do it, but I can easily understand that, for anyone who does not keep volume figures, it is tremendously difficult to go back and try and figure it out.

Mr. LESAGE: You have two departments, butter and cheese; is that correct?

Mr. MCLEAN: And the cold storage.

Mr. LESAGE: Do you have your figures on the cold storage separate from the others?

Mr. FREEMAN: Yes.

Mr. LESAGE: So you have, for each year, the total volume of your sales in your balance sheet?

Mr. FREEMAN: The dollar value.

Mr. LESAGE: If you subtract the amount which is shown in the first column of statement 2 for each year, which is for butter, you will have the dollar value for cheese?

Mr. MCLEAN: That is correct.

Mr. LESAGE: Can you give me the dollar value?

Mr. FREEMAN: The dollar value basis, we can give you that information this afternoon.

Mr. MCLEAN: From the poundage standpoint, we do not keep that record.

Mr. LESAGE: But from the dollar value standpoint?

Mr. FREEMAN: We can get that almost immediately.

Mr. FLEMING: Was this pro rating of administrative expenses as between cheese and butter on a 60-40 basis established originally on the basis of volume or dollar value?

Mr. FREEMAN: All factors were taken into consideration. You get your dollars and volume—we worked on this for many years. It was a bit of a hobby with us, and we think we have it. There are so many factors of which the layman cannot think, which enter into this. When you store butter and cheese, you store cheese at a temperature of 45 and you store butter at a temperature of zero. We wish somebody would tell us how much more it costs to put a temperature of zero into a room than put a temperature of 45 into a room. We have turned these figures around and around, and, after many years of experience, 40 per cent is the figure at which we arrived.

Mr. HOMUTH: When cheese and butter were both controlled by the government and the price set by the government, the government accepted that basis of 40-60?

Mr. FREEMAN: Yes, that is right.

Mr. LESAGE: I am not the government.

Mr. HOMUTH: You are part of it.

Mr. LESAGE: No, I am a member of the House of Commons.

Mr. FLEMING: Not supporting it now?

Mr. LESAGE: Maybe I am supporting it.

Mr. FLEMING: Could you tell us the year in which you arrived at this 40-60 basis? How long has it been in effect?

Mr. FREEMAN: For over fifteen years.

Mr. WINTERS: I have a question there. If this administrative and selling expense for butter is 40 per cent, the total, then, for the year 1948, would be approximately $87,000; would that be right, for butter and cheese, and the corresponding figure for the whole year of 1947 would be $48,000, that is almost double? How would you account for such a big increase in administrative expense?

Mr. FREEMAN: I cannot quite account for that, but referring back you will notice in 1940, the administrative and selling expense was $30,000; in 1942 it was $30,000; and for this year it is $35,000—that reflects the increased cost. Well, that figure was so low for the previous year— I can't quite tell you at the moment.

Mr. MCLEAN: Possibly part of the explanation, if you refer to 1944 and 1945; that was when we were under control and the volume of butter that we handled was low in relationship to the year 1940 and the year 1947—and in 1946 and 1945 to a lesser extent. The 1944 volume of butter we handled was less than 1947; therefore, cheese had to take up a larger portion of administrative expense. Is that what you want?

Mr. LESAGE: It is 60?

Mr. FREEMAN: Yes, always 60.

Mr. WINTERS: Quite a few of these items that go into administration and selling expense are substantially fixed charges or of that nature. I do not quite see how you go from $48,000 in 1947 to what will be over $87,000 for the following year. It will almost double. I would like to know how that arises.

The CHAIRMAN: Where do you get that $48,000 item?

Mr. WINTERS: I was interpolating. It was $19,000 in 1947, and that was 40 per cent of the total, that would be roughly $48,000.

The CHAIRMAN: That is right.

Mr. MCLEAN: We made one mistake. We didn't mean to. That 64 per cent there is administrative expense, except interest. Our interest charged is based on the amount of money tied up in each commodity. We can't split that. We overlooked that, I am sorry; therefore, in a year such as this, with butter at a high level of price and a high inventory the interest cost in carrying that product, which is direct expense to butter—that possibly accounts for part of that, because interest is a big expense with us.

Mr. WINTERS: Have you increased salaries and wages paid this year?

Mr. MCLEAN: No.

Mr. MCINNIS: The greater the volume of business you did the greater your relative expense would be, and apparently during the current calendar year you had almost four times as much as in the calendar year 1947.

Mr. MCCUBBIN: What kind of investments did you have? You mentioned loss on investments?

Mr. MCLEAN: These are the details of our administrative and selling expenses. We had no losses on investments.

Mr. MCCUBBIN: You mention it there.

Mr. MCLEAN: There is no interest charged against it.

Mr. FLEMING: This is a sort of formula?

Mr. FREEMAN: That is a form, yes.

Mr. FLEMING: I said, it is a formula.

Mr. FREEMAN: That is taken right off the balance sheet.

Mr. LESAGE: Did you get an answer to your question?

The CHAIRMAN: What is that?

Mr. MACINNIS: I don't know. I asked a question and I made an observation.

Mr. LESAGE: Yes, and you said something about volume.

Mr. MACINNIS: Unless it can be accounted for by the increase in the volume of business I cannot see how all the expenses, such as direct expense of the type of labour—I cannot see that there has been so large an increase in labour costs and in material costs; labour is up about 80 per cent compared with the year 1939.

Mr. MACINNIS: Yes, but compared to the year 1947?

Mr. MAYBANK: That volume increased about three times.

Mr. WINTERS: That is in dollar volume.

Mr. MAYBANK: Oh, I see; that is money volume.

Mr. MCLEAN: If you refer to our poundage volume—

Mr. MONET: That would be on page 4.

The CHAIRMAN: I think Mr. MacInnis' question might be answered. It is a proper question. Can you tell us how you arrive at that increase in expenses? That is perhaps the most direct way of getting at just what the expenses were. Could you give us an idea of that?

Mr. MONET: You might explain that by making a comparison between 1947 and let us say 1941. Would you give us an explanation of the difference between those two years?

The CHAIRMAN: Yes.

Mr. MONET: Of course, the last fiscal year has not completed yet, there will be another month to be added to that.

Mr. HOMUTH: How was your volume? You could answer the question very simply, what was your volume poundage of butter as compared with the year before?

Mr. MCLEAN: Approximately double.

Mr. FLEMING: Were are your figures on this statement?

Mr. MONET: That is on the statement before you, Mr. Fleming.

The CHAIRMAN: Volume would not necessarily explain it. It might.

Mr. HOMUTH: Volume would explain it as far as cartage, weighing, wrapping, cooperage supplies, wire and everything of that kind used in handling butter is concerned.

Mr. LESAGE: If you haven't got it for the fiscal year you would have it for the calendar year.

Mr. MONET: Pardon me, if you just take out the first three months, for instance.

Mr. LESAGE: Oh yes.

Mr. MONET: We will ask that of one of the witnesses. We know the current fiscal year for them has not yet ended but we might have it for the calendar year.

Mr. FREEMAN: The volume of butter is double.

The CHAIRMAN: Your paper and all that sort of thing too.

Mr. FREEMAN: Your direct butter expense would increase accordingly.

The CHAIRMAN: As Mr. Homuth says, it should not be difficult for you to answer; obviously, if there were an increase in volume it would apply to costs. Can't you tell us that now?

Mr. MONET: Could you give us the same information as to the difference between 1947 and 1948?

Mr. FREEMAN: That is, direct expense?

Mr. MCLEAN: I can tell you, gentlemen; we can give you the exact detail covering these different headings for the two years in question, if you wish. We would have to get it from the office.

Mr. HOMUTH: That is the answer.

The CHAIRMAN: We will get that.

Mr. FLEMING: Are you going to prepare that information on the same basis as this statement too, because it is going to be difficult to follow it otherwise. I was just making a rough calculation here and it seems to me the volume is more than double. If you will look at those figures, the third column on page 4, in the terms of your fiscal year, I think you will find it is more than double—1947 over 1946. I think you will find the fiscal year ending the 31st of March, 1947, runs roughly to 2,500,000.

The CHAIRMAN: Yes.

Mr. FLEMING: And the eleven months from April 1, 1947, to February 29, 1948, went about 6,000,000, so the increase is something like 2·4 times rather than twice.

Mr. MAYBANK: May I ask a few questions on these words that are down there under direct expense: The first is labour, I presume that refers to payments paid to your own employees?

Mr. FREEMAN: That is right.

Mr. MCLEAN: Warehouse labour.

Mr. MAYBANK: What you pay your own employees, that is all I am interested in.

Mr. MCLEAN: Yes.

Mr. MAYBANK: Cartage is the payment of an amount of money to somebody else?

Mr. FREEMAN: Yes.

Mr. MAYBANK: Weighing is money you pay out?

Mr. FREEMAN: Right.

Mr. MAYBANK: Then what about wrappers, you buy them?

Mr. FREEMAN: Right.

Mr. MAYBANK: Coopering supplies, wire, the same?

Mr. FREEMAN: Yes.

Mr. MAYBANK: Cold storage expenses on stock, is sometimes a payment which is made to yourselves?

Mr. FREEMAN: That is right.

Mr. MAYBANK: And sometimes a payment made to another cold storage; or, is that latter statement correct?

Mr. FREEMAN: Mostly to ourselves.

Mr. MAYBANK: You do not use some other public storage to any great extent?

Mr. FREEMAN: We said a few moments ago that it was 85 per cent our own storage.

Mr. MAYBANK: It is 85 per cent your own storage?

Mr. FREEMAN: Yes.

Mr. MAYBANK: And have cold storage rates gone up during the year?

Mr. FREEMAN: That is right, they have gone up.

Mr. MAYBANK: Can you give us offhand the proportion of increase? If you cannot say that offhand you might answer it later.

Mr. FREEMAN: Yes.

Mr. MCLEAN: About 10 per cent.

Mr. MAYBANK: About 10 per cent?

Mr. MCLEAN: Yes.

Mr. MAYBANK: Depreciation on machinery, now machinery speaking generally is fully depreciated in seven or eight years, your kind of machinery?

Mr. FREEMAN: It is not on our refrigerator machinery, just our butter printing machinery on which the depreciation is very low.

Mr. MAYBANK: I was speaking more particularly of the purchase of any new machinery in one year with respect to which a depreciation would only begin to appear in the next year?

Mr. FREEMAN: No.

Mr. MAYBANK: No new machinery?

Mr. FREEMAN: No.

Mr. MAYBANK: Then the depreciation on machinery which you show for 1947 to March 31, will be just the same as what you show proportionately for the first eleven months of the current fiscal year?

Mr. FREEMAN: Yes sir.

Mr. MAYBANK: So there is no change in depreciation?

Mr. FREEMAN: No sir.

Mr. MAYBANK: I see, then as to insurance on merchandise—I suppose there is not great change there, unless the rates have gone up—have they?

Mr. FREEMAN: No, the rates have not gone up but the values have gone up.

Mr. MAYBANK: I appreciate that, that would be on account of larger stocks?

Mr. FREEMAN: The volume is higher.

Mr. MAYBANK: Yes.

Mr. FREEMAN: We have a larger stock of higher value.

Mr. MAYBANK: And it is insured by the dollar, not the pound?

Mr. FREEMAN: It is insured by the dollar.

Mr. MAYBANK: That is all right. I just wanted to get this statement on the record so we would be better able to appreciate what we had before us.

The CHAIRMAN: This figure of $15,888.33, represents your maximum expense? You have explained the figure. Anything that you show us now would not increase at that figure?

Mr. MCLEAN: Certainly not.

The CHAIRMAN: But don't you want to change the ultimate showing of net profit before taxes on income, $313,000?

Mr. FREEMAN: No.

Mr. IRVINE: Is it customary on a balance sheet to have one statement for all phases of the business?

Mr. FREEMAN: On the balance sheet?

Mr. IRVINE: Yes.

Mr. FREEMAN: Altogether.

Mr. IRVINE: Then it would seem to me that your cold storage would have some significance, you might make a very high profit on your butter and your cold storage would show as an expense to the company.

Mr. FREEMAN: Of course, so far as the cold storage department is concerned, the butter revenue is derived either from butter stored by Lovell and Christmas, or from butter stored on the account of Lovell and Christmas's customers.

Mr. FLEMING: May I ask you what method of refrigeration you use in your plant?

Mr. FREEMAN: Air circulation.

Mr. FLEMING: How do you refrigerate the air?

Mr. FREEMAN: Ammonia compressors.

Mr. FLEMING: I was wondering about the 10 per cent increase in your cost of operating your refrigeration plant during the year, how did that come about—labour or materials?

Mr. FREEMAN: I would say, Mr. Fleming, that the cost of everything has been going up like that. (raising hands and indicating)

Mr. FLEMING: Probably on both labour and materials then.

Mr. FREEMAN: Everything, yes.

Mr. IRVINE: Now, the items under your administrative and selling expenses, there are a couple of items here on which I would like to have an explanation, although I do not think it affects it very much. What do you mean by salary savings, etc.?

Mr. FREEMAN: That does not enter into the figures at all. That is an accommodation we give the members of our staff. They take out insurance on their own lives and we have nothing to do with it other than to help them finance it.

Mr. IRVINE: Do you pay a certain amount of the premium for them?

Mr. FREEMAN: No, we suggest an accommodation to them.

Mr. FLEMING: You lend them the money?

Mr. FREEMAN: We lend them the money.

Mr. IRVINE: What do you mean by loss on investments? How can you charge a loss on an investment to an expense account—don't you just show it as a loss?

Mr. FREEMAN: In the figures you have before you there are no losses on investments.

Mr. IRVINE: If there had been it would have been shown there?

Mr. FREEMAN: I do not know. It would depend on the nature of the loss.

Mr. IRVINE: I am just asking for information.

Mr. HOMUTH: You would not deduct it twice from your financial statement.

Mr. FREEMAN: Oh, no.

Mr. HOMUTH: It would be a nice thing if one could.

Mr. FLEMING: As I said, this is a formula used in arriving at administrative and selling expense.

The CHAIRMAN: Gentlemen, there is something which I should have mentioned earlier. On Friday, Mr. Johnston told me that it would not be possible for him to be here this week and he asked me if it would be all right to have Mr. Low take his place. I told him, of course, that any member of the House of Commons has the right to come into any committee, and Mr. Low is here this morning. I am sure we are all very happy to have him here, and apart from the question of the right to vote I should not think there would be any difficulty. Mr. Johnston has been a very assiduous member and he is being vicariously represented this morning by Mr. Low. I do not think that Mr. Low would want to be here without wanting to take part in our deliberations, so I thought I would just mention his presence because I think he was about to ask a question, and I wonder if that would be agreeable to the committee.

Mr. FLEMING: I think he should have all rights of members of the committee except the right to vote.

Mr. MACINNIS: I suggest that he have all the rights of the committee, except the right to vote.

Mr. IRVINE: Of course, we cannot give him that.

Mr. MAYBANK: Mr. Chairman, I think we are all quite willing to give that recognition to Mr. Low.

Mr. LOW: Thank you, very much.

Mr. HOMUTH: Mr. Freeman, I do not see anywhere on this statement—of course, we have not the financial statement in front of us here of your operations. I see here that your direct expenses represent the following charges—and among other things I see, depreciation on machinery. You have been asked about your refrigeration machinery and you say that that was not a direct expense to butter. Where else would it be? It must be in here somewhere.

Mr. MAYBANK: It is not in either of these formulas.

Mr. HOMUTH: Did you say it was not?

Mr. MAYBANK: Maybe it is all fully depreciated, is it?

Mr. FREEMAN: No.

Mr. HOMUTH: I just wondered if your answer was wrong with regard to depreciation on machinery. The fact of the matter is that would come in—your refrigeration machinery would come in under that, I would think.

Mr. MAYBANK: There are compressors, aren't there? Would it all be depreciated?

Mr. FREEMAN: No, they are not all depreciated.

Mr. HOMUTH: I just wanted to check that answer of yours.

Mr. FREEMAN: No. As to depreciation, the answer of course, as Mr. Maybank says, is that the depreciation on butter was very low. That is shown in the right-hand column there under direct expense. The depreciation on our

refrigerating machinery is charged entirely under cold storage, so it is not a direct expense and does not apply to this. This is for butter only.

Mr. MAYBANK: I see. In so far as the question of the depreciation of refrigeration machinery comes into the butter question at all it is to be found in the fact that you pay yourselves a cold storage rate?

Mr. FREEMAN: That is right. We pay ourselves a rate, then we take care of the depreciation of that machinery in cold storage statement.

Mr. LESAGE: It is in your cold storage statement?

Mr. MAYBANK: And if you were giving us a cheese statement it would not be found in that at all?

Mr. FREEMAN: No, it would not be found in cheese either.

Mr. MAYBANK: And that suggests that you give yourselves the rate on cheese too.

Mr. FREEMAN: Right.

Mr. MAYBANK: One of the witnesses told us, as I call it, that the storage charge for butter could easily be taken at $\frac{3}{8}$ cent per month. I notice you show your butter at $\frac{1}{2}$ cent a month.

Mr. FREEMAN: That rate of $\frac{3}{8}$ cent was calculated when butter was at 40 cents a pound. There has been an increase in storage rates and there has also been an increase in the value and it works out around 50 cents—we take $\frac{1}{2}$ cent—it works out anywhere from 48 to 52. It will all depend on conditions at the time you put it in store, and on the market. If it is stored in good supply with a low rate of insurance—say in a new building, you might set it down to ·48 instead of ·5, but if you are using an old building it will be a little higher than that.

Mr. MAYBANK: I do not think that statement was made by a butter man, by a man in the trade, I think it was made by Mr. Singleton on his recollection of what the price was.

Mr. MCLEAN: I believe the reference was that the Wartime Prices and Trade Board set it.

Mr. LESAGE: You are correct.

Mr. MAYBANK That is right

Mr. LESAGE: Would 3 cents per pound of butter be a fair estimate of the cost of storage for the whole of the storage season on the average?

Mr. MCLEAN: In other words, you are thinking on the basis of the average pound of butter in storage surplus?

Mr. LESAGE: About that.

Mr. MCLEAN: I would say that would be approximately right.

Mr. LESAGE: Canada Packers put it at 2·91 cents.

The CHAIRMAN: I think we had better let counsel go on now.

Mr. MONET: Referring to your statement 3, Mr. Freeman, that is the profit and loss on butter operations for each of the eleven months ended February 28, 1948; I understand that the figures there, or the totals of the figures at any rate, are the same as the ones that are referred to in your earlier statement for the eleven months ended February 28, 1948, would that be correct?

Mr. FREEMAN: That would be correct:

Mr. MONET: But it does show your profit or loss on butter operations for each month during the period?

Mr. FREEMAN: Yes.

Mr. MONET: In other words, you have a total there for each of the months of the first eleven months of your current company year on your butter operations?

Mr. FREEMAN: That is right.

Mr. MONET: Now, I point out to you in the last column of this statement No. 3 that the first four months of the current fiscal year showed a loss; would that be correct?

Mr. FREEMAN: That is right.

Mr. MONET: And the highest loss you had was in the month of July when the loss was $3,910.04?

Mr. FREEMAN: That is right.

Mr. MONET: And since the month of July I understand that every month profits were made.

Mr. FREEMAN: Yes, sir.

Mr. MONET: And the highest profit was in November, 1947, where it amounted to $34,186.72?

Mr. FREEMAN: Yes.

Mr. MONET: And that would be your highest profit month for the months during the present fiscal year?

Mr. FREEMAN: Right.

Mr. MONET: I also point out to you that in the last column under the heading "per lb." that during the months of October and November your profit on a pound of butter was 3·577?

Mr. FREEMAN: That is right.

Mr. FLEMING: That is November and December?

Mr. MONET: Pardon me, November and December.

Mr. FREEMAN: That is right, yes.

Mr. MONET: And the average for all your butter operations in pounds for the current fiscal year for the first eleven months of your current fiscal year would be 1·89 cents?

Mr. FREEMAN: That is right.

Mr. MONET: Now, I want you to turn to page 4 of your statement, showing your holdings of butter. I wish to direct your attention to the amount of butter on hand at the end of the month, column 4, from July to October which, I understand, is the amount of butter kept for the winter months' sales; would that be correct?

Mr. FREEMAN: That is correct.

Mr. MONET: The amount would be roughly equivalent to two months' sales?

Mr. FREEMAN: No—well, depending on what two months.

Mr. MONET: Well, for the months following; take the month of July, for instance.

Mr. FREEMAN: Yes.

Mr. MONET: At the end of the month you had 1,302,000 pounds?

Mr. FREEMAN: That is right.

Mr. MONET: Now, would that be the equivalent of more than one month's sales? Take, for example, the following month, the month of August?

Mr. FREEMAN: Yes.

Mr. MONET: Where you sold 743,000 pounds?

Mr. FREEMAN: That is right.

Mr. MONET: And in the month of September, you sold 541,000 pounds?

Mr. FREEMAN: That is right.

Mr. MONET: So, your holdings at the end of the month of July were practically equivalent to the next two months' sales; would that be correct?

Mr. FREEMAN: Yes.

Mr. MONET: Would it be so for the next three months of the year 1947, August and September?

Mr. FREEMAN: No, the September holdings—that is at the end of the month?

Mr. MONET: Yes.

Mr. FREEMAN: —were not as large as the October and November sales.

Mr. MONET: Right, but your holdings at the end of July and your holdings at the end of August were practically twice as high as the two months' sales for the following months?

Mr. FREEMAN: That is right.

Mr. MONET: Would you compare, now, Mr. Freeman, your holdings as described in column 4 for the month of July, 1946 with July, 1947?

Mr. FREEMAN: Yes.

Mr. MONET: I note there would be a difference of close to a million pounds?

Mr. FREEMAN: That is right.

Mr. MONET: Will you also look at your holdings for August, 1946, at which time you had on hand 83,460 pounds and compare that with August 1947, when you were holding 1,203,000 pounds. Why were you holding so much butter in 1947 as compared with 1946 for the same months?

Mr. FREEMAN: Because in those two months of 1947, we were providing for the winter requirements of our trade which it was possible to do when controls were removed. In the previous year, the distribution of butter in the winter months was under the direction of the Wartime Prices and Trade Board, and there is a different situation there altogether.

Mr. MONET: I should like you to explain that difference in the situation because there is a very large difference in the amount of your holdings. I should like the members of the committee to have the explanation.

The CHAIRMAN: It is one o'clock. The meeting is adjourned.

The meeting adjourned to meet again at 4.00 p.m.

AFTERNOON SESSION

The committee resumed at 4.00 p.m.

The CHAIRMAN: The meeting will come to order.

Mr. IRVINE: Just before you start questioning the witness, I have a little matter I want to bring to the attention of the committee. I shall be just as brief as I possibly can. Sometime ago, when the Canada Packers were here, we discussed the increase in the price following the removal of the subsidies on butter. There was some dispute arose in the committee over the figures which I brought to the attention of the witness. I want to make that clear now so that when the next witness comes, counsel may settle, for all time, this issue.

Here is the problem. One pound of butter consists of ·8 pounds of butter fat. The rest is made up of a certain percentage of water, salt, mineral ash and the like—perhaps some other things. There is no increase in the price of those things that are registered, so that the only increase in the cost of production, after the removal of the subsidy, was 8 cents a pound, but the butter was sold at 10 cents a pound in excess—this is the increase I am talking about—the butter was sold at an increase of 10 cents a pound when it only cost 8 cents more to make after the removal of the subsidies.

Now, that simply means that they made a clear 2 cents a pound on every pound of butter owing to the removal of the subsidies; that is my problem. I want counsel, when the next creamery representatives come here, to see whether I am in error on that or not. I was shown, in the evidence, to be in error because Mr. Lesage, for whose mind I have the profoundest respect, raised an objection and I sort of wilted. I think the case is a good one.

Mr. LESAGE: I do not want the figures given by Mr. Irvine to be on the record without questioning because I still hold they are wrong. I have proof of it in exhibit 52. It proves there was an increase in the price paid to the producers on butter fat, not of 10 cents, but of 8½ cents—no, the price of butter was 8½ cents. The increase in the price of butter was not 10 cents, but 8½ cents, and the subsidy on butter fat was 10 cents.

The CHAIRMAN: Now, we have noted the two points of view and when the right time comes—

Mr. HOMUTH: Where are we at?

The CHAIRMAN: It will be a matter of dates, to find out. I am going to ask Mr. Homuth, unofficially, to look into that matter and report to the chair.

Mr. HOMUTH: I can answer it now.

Mr. MONET: The next witness will be a man who is interested in the dairy industry and he will be able to clarify that point, once and for all.

Now, Mr. Lesage, do you want to question the witness on the point you raised this morning concerning cheese? I think the witness has the information now. Before doing so, I should like to say that exhibit 62, Mr. Chairman, has been distributed to the members of the committee.

The CHAIRMAN: Yes.

Mr. MONET: Mr. Lesage, do you wish to question the witness on that point now?

Mr. LESAGE: My questioning will not be on exhibit 62, it will be on cheese.

The CHAIRMAN: Counsel started a line of questioning this morning, and I think he ought to finish. He was not finished at one o'clock, and I think he ought to finish.

Mr. LESAGE: I am in no hurry.

Mr. MONET: Would you turn, then, to statement No. 4? At the adjournment, I was asking you to compare the quantity of butter on hand at the end of the months of July, August, September and October of 1946 and 1947, and explain to the members of the committee why you were holding a larger amount of butter in 1947 than in 1946 for the corresponding months.

Mr. FREEMAN: In the months referred to in 1947, we were providing for our winter requirements. You will notice that in that calendar year, the total sales were 5,015,000 pounds. Now, the only comparable operation to that in the returns was in 1940, when the sales for the calendar year were 5,209,000 pounds. We were back to operating on our own, as it were, and providing for the winter requirements at the time, which we were unable to do in 1946.

Mr. MONET: Is that the only explanation you can give?

Mr. FREEMAN: Those were the months when that buying was taking place.

Mr. MONET: Still, as you already stated this morning, this balance at the end of each month for the months of July and August, particularly, were at least twice as much as the amount needed for a month's sales; is that correct?

Mr. FREEMAN: Quite right. We have to buy, in the period of long production against the period of short production.

Mr. IRVINE: Did you not have to do the same thing before as you are doing now?

Mr. FREEMAN: No, in 1947, we were providing for our winter distribution. In 1946, the winter distribution was taken care of by the Wartime Prices and Trade Board.

Mr. MONET: Do you mean that you didn't need as much butter in 1946 as in 1947 for carrying on your business?

Mr. FREEMAN: What is that again, please?

Mr. MONET: Did you need as much butter in 1946 as in 1947 for carrying on your business?

Mr. FREEMAN: We could not buy it in 1946.

Mr. MONET: And you did carry on your business just the same?

Mr. FREEMAN: We carried on as best we could.

Mr. MCLEAN: May I attempt to explain that, Mr. Monet? During the period of control, all these figures for which you have asked, commencing with the year 1942—

Mr. MONET: We have not 1942.

Mr. MCLEAN: 1943, then, 1944 and 1946, were periods when we operated under control. During that period, we did lose ground in the butter distributive business as compared with not only 1940, but 1939. If you refer to our peak stock in August, 1939, it compares very favourably with the peak stock we carried in 1947. During the two years prior to April, 1939 to 1940, our volume is approximately the same as 1947.

A more important point than that is, that during the eight months under review, June 1st to end of February 1947 and 1948, we turned our maximum stock of butter over approximately four and a half times, which proves that this butter was required for what we call our distributive trade. We were trying to get back into our rightful position in the butter distributive trade which we could not do under government control.

Mr. HOMUTH: Mr. McLean, the same picture is there for 1940.

The CHAIRMAN: Do you not think we ought to let counsel finish?

Mr. LESAGE: That is exactly what the witness said a minute ago.

Mr. MONET: Still, Mr. Freeman, coming back to the months of July, August and September, 1947, I should like you to tell the members of the committee why you kept two months' supply. It does not seem you did the same thing in the year 1946. Why did you keep two months' supply ahead for the months of July, August and September, 1947?

Mr. MCLEAN: Well, we did the same thing in 1940.

Mr. IRVINE: Why did you do it then, that is the point?

Mr. MONET: At that time, was there not a shortage in sight?

Mr. MCLEAN: There was a shortage in sight in 1946.

Mr. MONET: I am taking about July, August and September, 1947. Did you not say this morning there was a shortage in sight at that time?

Mr. MCLEAN: It became apparent to the trade generally in September.

Mr. MONET: The price was also rising, was it not?

Mr. MCLEAN: Not during July and August.

Mr. MONET: When did it start rising?

Mr. MCLEAN: Let us say, the latter part of August.

Mr. MONET: There was a substantial increase between July and August amounting to about 5 cents and a fraction?

Mr. MCLEAN: Possibly between the 1st of July and the last of August.

Mr. MONET: I should like you to give some explanation to the members of the committee as to why, at that specific period, you kept a two months' supply of butter ahead when there was quite a demand for butter?

Mr. McLEAN: Well, as you say, there was quite a demand, as is apparent from our sales figures during that period. We figured we required that quantity of butter if we were to get back into our rightful position in the distributive trade. I think that is the only explanation we can give.

Mr. MONET: Could you not sell more butter in the following months? For instance, could you not have sold more than you did?

Mr. McLEAN: If you want to boil these figures down, when was our peak stock in 1947?

Mr. MONET: It is up to you to give the answers, but it would appear to me as if it was September.

Mr. McLEAN: All right, September. In other words, if you want to add the months—in order to show the picture, let us add the months of October, November and December.

Mr. MONET: Yes?

Mr. McLEAN: In the three months, we turned over our stock twice. If you want to make a comparison of the months from October, November and December, if you just add those up quickly, you will see we distributed approximately 2,700,000 pounds against a peak stock of 1,395,000, and that peak stock was arrived at during our flush production period. If we had not accumulated that butter during that period, we would not have had a chance from September on.

Mr. MONET: If I look at 1946, I see that for practically every month of 1946, you never had more than one month or a little over one month's supply ahead?

Mr. McLEAN: The answer to that, Mr. Monet, is that the butter market was at the ceiling approximately at the middle of July, and it was practically impossible to buy butter from, let us say, the 1st of August on. As a matter of fact, we went beyond our usual source of supply and paid ceiling prices f.o.b. Quebec city, and were out of pocket the cartage to bring it into Montreal, and we kept buying as long as the product was available from that direction. The supply position became so drastic that the Wartime Prices and Trade Board had to take over distribution once again. Mind you, it must be kind of hard for you to believe that during 1946 as from the 1st of August it was almost impossible to buy butter in a wholesale way. I know that must be hard to understand but possibly some future witnesses might bear us out on that fact. I do not know.

Mr. MONET: Taking the last figure on this fourth column, the balance on hand at the end of the month, February, 1948, it shows a total of 326,774 pounds as against 98,883 at the end of March, 1947, which was the end of your fiscal year in 1947. Is that right?

Mr. FREEMAN: That is right.

Mr. LESAGE: Why not take February and compare it with February?

Mr. MONET: That is correct, 326,774 pounds on hand at the end of February, 1948?

Mr. FREEMAN: That is right.

Mr. MONET: As against 98,883 at the end of March which was the end of your fiscal year, 1947?

Mr. FREEMAN: That is right.

Mr. MONET: That would give a total of approximately 218,000 pounds, would it not?

Mr. FREEMAN: Right.

Mr. MONET: That is the balance on hand you had on February 28th, but is the cost of this butter included in the total cost of your purchase price as mentioned this morning?

Mr. MCLEAN: May I attempt to explain those figures?

Mr. MONET: I wish you would.

Mr. MCLEAN: In our figures showing sales and stock on hand there is a difference of 326,774 pounds unsold as at February 28th. We anticipated this question from you, and we have totalled our purchases for the year and our sales for the year, and we are working on the assumption that this unsold position at February 28th will be sold at ceiling prices.

Mr. MONET: That is what I was going to ask you.

Mr. MCLEAN: In other words, you want to know at how much our total inventory, including our unsold position, was sold, and the average gross profit and net profit per pound.

Mr. MONET: That is what I want to know.

Mr. MCLEAN: We have that explanation for you. Our total sales were 6,353,523 pounds. Our gross profit was $222,732.57. Our gross profit per pound was 3·505. Our net profit was $168,734.44 which shows a net profit per pound of 2·65 cents. During the period under review from April 1, 1947 to March 31, 1948, our average selling price, including this unsold balance as at February 28th, is 60·261 cents per pound.

Mr. MONET: What did you say that other figure was, 2·65?

Mr. MCLEAN: Net. We will come back to that. Our average selling price on the 6,353,523 pounds was 60·261 cents per pound. The average purchase cost of that butter was 56·756 cents per pound.

The CHAIRMAN: I think you had better go a little slowly on those figures. Some members of the committee are trying to get them.

Mr. IRVINE: Can we not get a copy of that?

Mr. MCLEAN: We have copies for every one of you.

The CHAIRMAN: Let us distribute them right away. Those are not all the figures you gave a moment ago.

Mr. MONET: Those are the figures he has just given.

The CHAIRMAN: He was reading some figures.

Mr. MONET: I think this should be filed as a separate exhibit.

The CHAIRMAN: Exhibit No. 63.

EXHIBIT No. 63.—Statement as to net and gross profit on butter sales, Lovell & Christmas (Canada) Limited.

LOVELL & CHRISTMAS (CANADA) LIMITED

Period	Months	Sales in pounds	Gross profit	Profit per lb. (Cents)	Net profit	Profit per lb. (Cents)
April 1, 1946 to March 31, 1947....	12	2,478,343	$ 12,734.41	·513	$ 10,916.52	·440
April 1, 1947 to March 31, 1948....	12	6,353,523	222,732.57	3·505	168,734.44	2·65

April 1, 1947 to March 31, 1948

	Cents per pound
Average selling price	60·261
Average purchase cost	56·756
Gross profit	3·505
Net profit	2·65

Mr. McLEAN: In other words, this should reveal to you our complete butter operations for the fiscal year commencing April 1, which includes our stock of 326,774 pounds unsold at February 28. We are going on the assumption that quantity will be sold at the ceiling price.

Mr. MONET: That is the question I was going to ask you. I take it this exhibit reveals a net profit of 2·65 cents a pound.

Mr. McLEAN: Correct.

Mr. MONET: On your butter operations?

Mr. McLEAN: Yes, sir.

Mr. MONET: Instead of 1·89 as shown on statement No. 3 filed as an exhibit?

Mr. McLEAN: That is correct.

Mr. MONET: You have certainly foreseen what I wanted because that was one of the questions I had to ask. That is all for these witnesses for the present.

The CHAIRMAN: Will the committee excuse me for a minute?

Mr. MONET: Do you think this is a fair and reasonable profit on your operation?

Mr. FREEMAN: We think it is an unusual profit. We are the first to admit it. It was one that we did not foresee until very late in the season.

Mr. MONET: In percentage what would you say this profit is equivalent to if you compare it with former years?

Mr. McLEAN: It is considerably higher.

Mr. FREEMAN: It is very much higher.

Mr. MONET: Higher than for how many years past, since you have been in business?

Mr. FREEMAN: Many years past.

Mr. MONET: What do you mean by "many years"?

The CHAIRMAN: Is it not a fact you have never had as high a profit?

Mr. FREEMAN: That is more like it.

The CHAIRMAN: You never had a profit like that?

Mr. FREEMAN: Never had a profit like that.

Mr. McLEAN: We doubt if we ever will again.

Mr. FLEMING: May I ask the witnesses to turn to pages 3 and 4—

Mr. LESAGE: Could I be given the figures I ask for this morning?

The CHAIRMAN: You will remember, Mr. Fleming, that earlier in the day Mr. Lesage tried to ask some questions. I suggested that he wait until counsel was finished. I merely point out I should recognize him first, but if he gives way to you it is all right. I did interrupt him at one point. Do you give way to Mr. Fleming?

Mr. LESAGE: I think I should have the figures I asked for first.

Mr. FLEMING: I do not ask Mr. Lesage to give way to me.

The CHAIRMAN: It is all right.

Mr. FLEMING: I do not ask anybody to give way to me.

The CHAIRMAN: The point is you were questioning. I should have said to you earlier I had stopped him, and that I should recognize him first.

Mr. FLEMING: I understand.

The CHAIRMAN: I want to be fair.

Mr. FLEMING: Quite. I do not want Mr. Lesage to think I was asking him to give way to me.

The CHAIRMAN: I was the one who was doing the asking.

Mr. FLEMING: I did not want him to think I backed up your request.

Mr. LESAGE: Mr. McLean, can you give me the figures I asked for this morning?

Mr. MCLEAN: There was a slight misunderstanding between you and me as I found out at 4 o'clock. I did not know you wanted profit figures on cheese. I gave you that one figure, and you said—

Mr. LESAGE: Will you give it to the members of the committee?

Mr. MCLEAN: You said you wanted to get a comparison. Why not get the whole information you require and put it in letter form to you?

Mr. LESAGE: I understand for the eleven months ending on the 28th of February your sales of cheese were $2,300,000?

Mr. MCLEAN: That is right.

Mr. LESAGE: Which would be over 40 per cent of your total sales of cheese and butter?

Mr. MCLEAN: As I explained to you when you were over here what you must do is convert sales value back into poundage.

Mr. LESAGE: Why do you do that?

Mr. MCLEAN: Well, to figure out the amount of volume handled.

Mr. LESAGE: I understand that the administration and selling expenses should not be apportioned as much on the pounds as on the value?

Mr. MCLEAN: That could be a matter of opinion.

Mr. LESAGE: There is no special reason for apportioning it in pounds because if I understand correctly a box of cheese has 88 pounds and a box of butter has 56 pounds.

Mr. MCLEAN: I will explain it to you this way. With the amount of money involved in cheese, and the amount of money involved in butter, provided it is exactly the same, there is twice as much volume tied up in cheese because it is approximately half the price. Therefore you have to figure it in terms of poundage because it takes as much of the management's attention to direct traffic of the 40,000 cheese as it does the 20,000 butter.

Mr. LESAGE: 20,000?

Mr. MCLEAN: The relationship is approximately that for $1 you buy two pounds of cheese and one pound of butter. That is why I took the sales value and converted it into poundage because it represents twice the volume in terms of cheese as in butter, and we are talking in terms of the distributing of administrative expense. Therefore you should speak in terms of the volume of the product you have to market, in terms of pounds rather than dollars.

Mr. LESAGE: What does it mean in pounds?

Mr. MCLEAN: Approximately 9,200,000 pounds of cheese.

Mr. LESAGE: How much?

Mr. MCLEAN: 9,200,000 pounds of cheese, and add that on to our butter volume of 6,400,000. That adds up to 15,600,000; take 40 per cent of that and it gives you 6,240,000, and the butter volume was 6,350,000, so it substantiates our 40 per cent.

Mr. LESAGE: I also asked for your profit on cheese but you have not got it here. You can supply that figure to the committee?

Mr. FREEMAN: Yes.

Mr. LESAGE: I also asked for the same figures for the years 1939 to 1947 inclusive but I understand you have not got them here and you are going to file them. Is that correct?

Mr. MCLEAN: If it is important.

Mr. LESAGE: Well, I do not want to say—

The CHAIRMAN: I think it has a bearing, not a great bearing.

Mr. LESAGE: I do not want to say it is of first importance, but I am troubled about it. I will speak frankly to you. I do not want to put you in a bad spot, but in 1944, 1945, 1946 and 1947 you show losses in the butter department.

Mr. MCLEAN: Yes.

Mr. LESAGE: This year you arrive, by the calculation you have just made, to a proportion of about 60 per cent to 40 per cent in cheese and butter. That is correct?

Mr. MCLEAN: Yes.

Mr. LESAGE: You have to admit that in the last preceding years the proportion of the sales of butter to cheese was not as high as this year. That is correct?

Mr. MCLEAN: We haven't that information with us.

Mr. LESAGE: No, but you would know that; you would know the proportion of cheese last year and in each of the preceding years?

Mr. MCLEAN: How far back do you want to go?

Mr. LESAGE: The last four years.

Mr. MCLEAN: I would not want to answer that statement without having the facts and figures before me.

Mr. LESAGE: I think Mr. Freeman will admit that for the last four years the proportion would be higher for cheese, and much higher, going as far as 75 to 25.

Mr. MCLEAN: You tell us what you want and we will get it for you.

Mr. LESAGE: You know the business very well and you have been in it all during the war years and you know you sold much more cheese than butter. You will admit that?

Mr. MCLEAN: I would say, yes.

Mr. LESAGE: Yes. Then the proportion would not have been 60 to 40. I am not blaming you for adopting this proportion but I want a clear picture for the benefit of the committee. I am not blaming you in any way.

The CHAIRMAN: Specifically, what is it you want to know, Mr. Lesage?

Mr. LESAGE: I have asked for it.

The CHAIRMAN: Do you understand what Mr. Lesage is asking you for? You might ask him again, Mr. Lesage.

Mr. LESAGE: The dollar value and the poundage of cheese sold from 1939 to 1947 inclusive, for each year.

The CHAIRMAN: Now, is there any difficulty in getting that information?

Mr. MCLEAN: Well, Mr. Martin, we don't keep those records. It would take a little time but we could get it for you.

The CHAIRMAN: All right.

Mr. LESAGE: I would like to have it in dollars if I cannot have it in pounds.

Mr. MCLEAN: Oh, yes.

Mr. LESAGE: And when it is in dollars would you give us an approximation of what it would be in pounds?

Mr. MCLEAN: Yes, we could do that.

Mr. MACINNIS: I think you should have it in both pounds and dollars.

The CHAIRMAN: Mr. MacInnis asked for a breakdown of that direct expense. We will have that too?

Mr. McLEAN: Yes, sir. I think we have that explanation.

The CHAIRMAN: Oh well, you can give that.

Mr. LESAGE: Would you take Statement No. 2.

Mr. McLEAN: Pardon me just one minute; I think you and I are talking cross purposes here. You asked me at 4 o'clock for our cheese results. I understood you to ask for it this morning, and you have asked for it again.

Mr. LESAGE: I have asked this morning and I am always asking for the same thing, the same figures in cheese that we have been given in butter. The first column is poundage and then the profit or loss. That is what I have been asking for since this morning.

Mr. McLEAN: You did not ask that again just a minute ago?

Mr. LESAGE: I did not go into all the details

Mr McLEAN: If you do not go into the details we do not know what you want.

Mr. LESAGE: Well, Mr. Chairman, I asked this morning and I just ask, one by one, if he could give us the items of information in which I am interested.

The CHAIRMAN: I think you will find you will get along easier if you just try to ask questions.

Mr. LESAGE: I think the witness knows what I want.

Mr. McLEAN: It is not very clear yet.

The CHAIRMAN: The witness says it is not clear yet.

Mr. LESAGE: Well, I will repeat it. Would you look at Statement 2, please. We look at column 1, for butter. Can you give me exactly the same information for cheese?

Mr. McLEAN: Yes sir.

The CHAIRMAN: That is better.

Mr. LESAGE: Would you add for each year the approximate conversion in pounds of cheese?

Mr. McLEAN: Yes.

Mr. LESAGE: Now, would you look at the last column and give me the same figures for the cheese department. That is the information I want. Is that clear to you now, Mr. McLean.

Mr. McLEAN: Yes, Mr. Lesage.

Mr. LESAGE: Now in proportions—I do not have the figures in the two lots. I suppose I have them in the sense that I did receive the proportion of cheese to butter in 1945, that it was 75 to 25 per cent. What would have been your loss of profit on butter if you had taken that basis for calculating or anticipating your selling expenses?

Mr. McLEAN: In other words, if our 60/40 is not correct for purposes of comparison with these figures we will work out the others for you.

Mr. LESAGE: Exactly, if it is 75/25.

Mr. McLEAN: Yes, or suppose it is 40/60 or 44/60 or 62/38—I take it that you want it for each year. Is that what you mean?

Mr. LESAGE: No, I can work it out if I have the number of pounds. I am asking you now what it would have meant if it had not been 75/25 in 1945. It was $18,992.41, which is approximately $19,000, and that was 40 per cent of your expenses?

Mr. FREEMAN: Right.

Mr. LESAGE: What is 25 per cent of that?

Mr. McLEAN: We know what you want now.

Mr. LESAGE: Yes. Divide 19 by 4—

Mr. WINTERS: $47,000.—somewhere around $27,000. Then you take 25 per cent of that, which comes to about $12,000; so instead of $18,000 administrative and selling expense against butter you would have something like $12,000.

Mr. LESAGE: Which would mean that the loss instead of being $18,000, would be approximately $1,000.

Mr. WINTERS: That is right.

Mr. LESAGE: And in 1946, there would not have been any loss at all.

Mr. WINTERS: Yes.

Mr. LESAGE: Anyway, we will have the figures. Will you look at Statement 4—

Mr. MONET: You will evidently want it for the period ending February 29?

Mr. LESAGE: Yes, I do.

Mr. MCLEAN: We will duplicate page 2.

Mr. LESAGE: If you would be good enough to do that that would be the best way out.

Mr. MCLEAN: Yes.

Mr. LESAGE: Would you look at Statement 4, and tell me—look at column 3, sales during the month—I am looking especially at sales in 1947 from June to December inclusive; does it include sales made for butter which after the actual sale remain on your premises in the name of same buyer?

Mr. MCLEAN: It includes our total sales during that period, part of the butter was delivered and part remained in our warehouses or storage.

Mr. LESAGE: Some was your property and some was the property of others but it remained in your storage?

Mr. MCLEAN: I will explain it to you this way, Mr. Lesage; you take our November volume, 955,000 pounds, that is the butter we sold in total. Part of that might have been shipped out a carload here and a carload there, or 100 boxes to this customer or 50 boxes to that customer; or some of it might have been sold to a customer for storage to look after his requirements during the winter. Is that clear?

Mr. LESAGE: That is the answer, yes. You do not have as we asked Canada Packers, for instance, the average of the purchase cost of one pound of butter for each month from 1947?

Mr. MCLEAN: No, sir, we do not have that.

Mr. LESAGE: You did not work it out?

Mr. MCLEAN: No, sir.

Mr. LESAGE: We had that from Canada Packers and I was just wondering if you also had it.

Mr. MCLEAN: No, we haven't done that, but we have the average covering our total.

Mr. WINTERS: Will you explain why your sales figures on Statement 4 do not agree with the sales figures for the same month on statement 3; has that been explained?

Mr. MONET: No.

Mr. LESAGE: We have a column which gives the cost of purchases.

Mr. BEAUDRY: The average cost of butter month by month.

Mr. LESAGE: It is not here.

Mr. MCLEAN: I beg your pardon?

Mr. LESAGE: The last three columns of Statement 4.

Mr. BEAUDRY: I think Mr. Lesage means the average cost by months and the total that you are carrying, and the average cost over the year. Canada Packers gave us that figure of their average costs by months, cumulative; in other words, for March we had the average cost of purchased for the first three months.

Mr. MCLEAN: Where do you want to start with that, Mr. Lesage?

Mr. LESAGE: I am all right. I find what I want here.

Mr. FLEMING: Mr. Chairman, I believe Mr. Lesage is finished now. Would you look at the bottom of pages 3 and 4, and starting with the bottom of page 2 —pages 2, 3 and 4—you have the average for the eleven months ending February 29, 1948; the net profit on your butter operations before taxes on income is $113,000, in round figures.

The CHAIRMAN: I wonder if I may interrupt for a moment and ask Mr. Homuth to assume the chair? I have to leave.

(Mr. Homuth, Acting Chairman)

Mr. FLEMING: You have described that profit, Mr. Freeman, as an unusual profit; is that correct?

Mr. FREEMAN: Correct, yes.

Mr. FLEMING: As I understand the evidence given here part of that profit is attributable to the advance in price and part of it is attributable to the increase in the volume of turnover?

Mr. FREEMAN: Right.

Mr. FLEMING: Those are the two factors which enter into this result?

Mr. FREEMAN: That is right.

Mr. FLEMING: Now, trying to come a little closer at the proportions contributed by these two factors, can you tell the committee without too much delay in calculation what your profit would have been, that is your net profit, corresponding to this figure of $113,000, on the same volume of turnover as in the eleven months of the immediately preceding fiscal period applying your average selling price in each case?

Mr. MCLEAN: It will be difficult to estimate that because it would depend on what level we purchased the butter at.

Mr. FLEMING: I was taking it at your average figure, your average profit per pound. We have these figures on the average profit per pound, and while I appreciate that there must be some question about justifying the average profits on the first eleven months ended February 29, 1948, as compared to the eleven months of the previous fiscal year on the turnover of the similar period still it might be of some assistance to us, and I am trying to find out how much of that $113,000 is attributable to the advance in price and how much is attributable to increased volume?

Mr. MCLEAN: During the twelve-months' period under review in 1946, sales volume was two million seven; during the twelve-months' period April 1 to—

Mr. FLEMING: Excuse me, you are taking the calendar year there.

Mr. MCLEAN: Yes. We would have to subtract.

Mr. FLEMING: Let us take the eleven months for the previous year that correspond with the eleven months ended February 29, 1948, during which you earned this net profit of $113,000.

Mr. MCLEAN: A rough figure would be approximately half.

Mr. FLEMING: About half is attributable to the increased volume and about half is attributable to the advance in price?

Mr. MCLEAN: Yes.

Mr. FLEMING: I am speaking of that figure $113,000. Now, if you will look at the bottom of Statement No. 3 I see that your margin of profit per pound, as well as your margin of over-all profit on butter has been dropping during January and February of this year?

Mr. LESAGE: We do not have a quorum now, Mr. Chairman.

The ACTING CHAIRMAN: I was just going to draw your attention to that fact and we might have to recess.

Mr. LESAGE: I think Colonel Merritt should stay for a little while. I do not think he should take advantage of what is going on in the House.

Mr. MERRITT: I will not break up your meeting.

Mr. WINTERS: Hear, hear.

The ACTING CHAIRMAN: The fact of the matter is that under the committee rules we could not carry on unless we had a quorum.

Mr. MERRITT: Well I hope you will make it interesting.

Mr. WINTERS: It would depend on whether you could see a quorum, Mr. Chairman.

Mr. FLEMING: I am just waiting for the answer. I think the witness is doing a little figuring.

Mr. MCLEAN: Mr. Fleming, I think this is the answer to your question—you are saying the margin of profit from November to February dropped.

Mr. FLEMING: No I said your margin per pound as well as your over-all profit dropped in both January and February of this year.

Mr. MCLEAN: Yes, I think the answer possibly might be that during January and February we bought all the butter we could at ceiling prices, replacing what we were selling, raising the average cost of the butter we owned, and that action reduced the margin of profit per pound sold.

Mr. FLEMING: That is what I want to get at. If you will look at Statement No. 4, the last two lines, it shows that in January you purchased more than you sold by about 92,000 pounds and in February you sold more than you bought by approximately 320,000 pounds.

Mr. MCLEAN: That is right—no we sold 200,000— we reduced by 200,000.

Mr. FLEMING: You sold about 328,000 pounds more than you bought in February?

Mr. FREEMAN: That is right.

The ACTING CHAIRMAN: Yes.

Mr. FLEMING: So your margin of profit is reduced owing to the fact your purchases are at substantially reduced prices during the last two months.

Mr. MCLEAN: Yes, if you will look at this figure, our purchase in February were 239,000 pounds of butter at an average cost of 66·27 cents, and we sold during that same period 557,000 pounds of butter at an average of 65·88 cents. Now in a normal market that is the case of losing money pretty fast.

Mr. FLEMING: Yes, and I wanted to draw your attention to that fact. Your Margin of profit in January had dropped to about 1·1 cents per pound.

Mr. MCLEAN: Yes.

Mr. FLEMING: Then in February, while you are buying substantial amounts of butter, really more than you bought in January, you are paying more for it than you are selling it for.

Mr. MCLEAN: That is correct.

Mr. WINTERS: Well, how does that compare with the figures on Statement 2 which shows a profit for those same months?

Mr. FLEMING: No, Statement No. 2 does not segregate those two months.

Mr. WINTERS: I am sorry, it is Statement No. 3.

Mr. FLEMING: Can you clear up Mr. Winters' point? What he is pointing out is that Statement No. 2 shows that in average terms you are sustaining a loss of ·39 cents per pound of butter but your last figure on Statement No. 3 shows a net departmental profit of ·8 cents per pound?

Mr. MCLEAN: Well, Mr. Fleming, we answered the questions as they were presented to us and the questions as asked did not reveal the answer you want. Therefore, we lined up a supplementary sheet which was not asked for because the figures did not include the inventory. We lined up a supplementary sheet which we went over with your auditor and Mr. Monet. May I explain it to you in another way? If you buy butter at 66 per pound and sell butter at 65 cents per pound you lose a cent per pound, but supposing you had butter on hand bought at 63 cents per pound and you sold that butter during the same period you would show a profit.

Mr. FLEMING: I think that is clear now, and the figures on statement 4 relate simply to the average price at which you purchased butter during that period and the average price at which you sold butter.

Mr. MCLEAN: That is right.

Mr. FLEMING: And Statement No. 3 would be on a proper basis—it would include your inventory and profit on sales made in February on butter purchased at an earlier period at a lower price?

Mr. MCLEAN: Yes, in other words the right hand columns of statement 4 do not reveal our butter operations. It shows a spread between that we bought and what we sold but our inventory was priced below the market. We gave you a supplementary sheet to give you more information than that which you asked. I think that statements must be here somewherre.

Mr. MONET: Yes, I think it is on Statement 4.

Mr. LESAGE: It is on Statement 3.

Mr. MONET: Yes, it is on Statement 3, Mr. McLean.

Mr. MCLEAN: Yes, but it is not in Statement 4.

Mr. MONET: It is contained in Statement 3 in the last column.

Mr. FLEMING: I think you have cleared up the point to my satisfaction at least. Now is it fair to say the margin between the price at which you are selling and the price at which you have been buying butter within the last month or two has closed right up?

Mr. MCLEAN: What do you mean?

Mr. FLEMING: The margin between what you are buying at and what you are selling at has closed right up within the last two months.

Mr. MCLEAN: Definitely; as a matter of fact, with the ceiling price there is one-half cent per pound between the wholesale selling price to the producer —on a car of butter sold to a broker—and what we are allowed to sell in solids to our trade.

Mr. FLEMING: As things stand now the period which has been called an unusual profit period has ended?

Mr. MCLEAN: Oh, definitely.

Mr. FLEMING: Butter was decontrolled I believe in June of last year.

Mr. MCLEAN: June, 1947.

Mr. FLEMING: Were there conferences between the trade and the Wartime Prices and Trade Board prior to the decontrol of butter?

Mr. FREEMAN: There were conferences between the Wartime Prices and Trade Board—

Mr. FLEMING: —and the trade?

Mr. FREEMAN: Yes, through the National Dairy Council.

Mr. FLEMING: What was the purpose of those conferences?

Mr. FREEMAN: The purpose of those conferences was to consider the position that was developing in respect to butter.

The Chairman, Hon. Paul Martin, resumed the chair.

Mr. FLEMING: What was the position you are referring to?

Mr. FREEMAN: It was a position of shortage.

Mr. FLEMING: Was the subject of decontrol discussed in the light of that imminent shortage?

Mr. FREEMAN: I was not at those meetings. We are members of the National Dairy Council and I belive those meetings have been referred to in Mr. Taylor's evidence.

Mr. FLEMING: Yes, there have been references made to them but I would like to have your knowledge as to what transpired. You were represented at the conferences, I take it?

Mr. FREEMAN: No, other than we were represented in the way that we are members of the National Dairy Council.

Mr. FLEMING: Well, the council represented its members.

Mr. FREEMAN: That is right.

Mr. FLEMING: I want your information as to what occurred at those conferences. It appeared there was an imminent shortage.

Mr. FREEMAN: That is right.

Mr. FLEMING: And I asked if decontrol was discussed at those conferences in the light of the imminent shortage of butter?

Mr. MCLEAN: Would you mind asking that question again, Mr. Fleming?

Mr. FLEMING: I am asking whether at the conferences the subject of decontrol of butter was discussed in the light of the imminent shortage?

Mr. MCLEAN: May I say this, Mr. Fleming. I am not avoiding the issue in question but I believe Mr. Duplan is here. He is the president of the National Dairy Council and he could answer the question much better than we could now. I understand he is being called as a witness.

Mr. MONET: Yes, Mr. Duplan will be called.

Mr. FLEMING: I will not try to obtain second-hand information from you then, if we can get first-hand information from Mr. Duplan.

Mr. MONET: I should say that the company with which Mr. Duplan is associated will be here. The president has been summoned and I have been told that Mr. Duplan would be here, although he is not the president.

Mr. FLEMING: Do I understand Mr. Duplan was then the president of the National Dairy Council and that he participated in these conferences?

Mr. MONET: Mr. Duplan will be called.

Mr. MCLEAN: Mr. R. C. Smellie was president at that time but Mr. Duplan is the president now and he can speak with much more authority than can we, in view of the fact that we did not attend the meetings even though we were full-fledged members of the National Dairy Council.

Mr. FLEMING: Very well. Were you called upon to supply any figures to the government or to the Wartime Prices and Trade Board at that time?

Mr. FREEMAN: No.

Mr. FLEMING: Was the subject of profits which might be expected in the event of decontrol and in the light of the imminent shortage of butter discussed?

Mr. LESAGE: When was that?

Mr. FLEMING: We are discussing the time immediately prior to decontrol.

Mr. LESAGE: Last May?

Mr. FLEMING: Yes.

Mr. LESAGE: There was no imminent shortage at that time.

Mr. FLEMING: The witness said that there was.

Mr. FREEMAN: Decontrol took place on June 9 and these meetings were not prior to June 9, they were subsequent.

Mr. FLEMING: I wish you had said so because I asked you a question concerning the period prior to decontrol. When did these conferences take place?

Mr. FREEMAN: In September and December.

Mr. FLEMING: September and December?

Mr. FREEMAN: Last, yes.

Mr. FLEMING: Were either of you gentlemen present at either of these conferences?

Mr. FREEMAN: No, sir.

Mr. FLEMING: Where were these conferences held?

Mr. FREEMAN: In Ottawa.

Mr. FLEMING: Were they held with the Wartime Prices and Trade Board or with representatives of the government?

Mr. FREEMAN: The Wartime Prices and Trade Board.

Mr. FLEMING: What was the purpose of the conference, now that you have given me this later period?

Mr. FREEMAN: The purpose of the conference was to consider the position which was developing in the butter market.

Mr. FLEMING: Now, let us take September, first, Mr. Freeman; what was the position which was developing in September that was discussed?

Mr. LESAGE: He does not know, he was not there.

Mr. FLEMING: He can tell us what the position was.

Mr. FREEMAN: I was not there.

Mr. FLEMING: You referred to the position developing on the market and said it was to discuss that position that the conference was called. What was that position in September?

Mr. FREEMAN: An impending shortage of butter.

Mr. FLEMING: Was it quite clear at that time that there was going to be a serious shortage develop during the winter?

Mr. FREEMAN: It looked that way at that time, yes.

Mr. FLEMING: There had been a free market, as to price at that time, for three months?

Mr. FREEMAN: Since June 9.

Mr. FLEMING: Three months?

Mr. FREEMAN: Yes.

Mr. FLEMING: Was there anything said at that time about the re-imposition of ceilings?

Mr. FREEMAN: I cannot say, I do not know.

Mr. FLEMING: Were you called upon to give any information about the profit you were then making on butter?

Mr. FREEMAN: No.

Mr. FLEMING: Were these figures on your profit available to the National Dairy Council, your representative?

Mr. FREEMAN: No.

Mr. FLEMING: They were not?

Mr. FREEMAN: No.

Mr. FLEMING: Then, coming down to December, was that also a conference at Ottawa?

Mr. FREEMAN: Yes.

Mr. FLEMING: We had a reference the other day in the evidence by Mr. McLean of Canada Packers, to a conference which was held by the Minister of Agriculture at the end of December or the first of January. Would that be the same conference to which you refer or would that be another one?

Mr. FREEMAN: No, these are conferences with the National Dairy Council.

Mr. FLEMING: With the Wartime Prices and Trade Board?

Mr. FREEMAN: Yes.

Mr. FLEMING: This one, you say, was in December?

Mr. FREEMAN: Yes.

Mr. FLEMING: Now, the position at that time was that the market was advancing rapidly, the price was advancing rapidly?

Mr. FREEMAN: That is right, yes.

Mr. FLEMING: The shortage that had been feared in September had developed?

Mr. FREEMAN: It had become real.

Mr. FLEMING: Yes, it had become a very real threat, by that time, had it not?

Mr. FREEMAN: Yes.

Mr. FLEMING: Was that position well known throughout the trade and to the Wartime Prices and Trade Board?

Mr. FREEMAN: That position was well known throughout the trade, throughout the industry.

Mr. FLEMING: Were you called upon to supply any figures concerning profits at that time?

Mr. FREEMAN: This is the first occasion on which we have been called upon to supply figures on profit.

Mr. FLEMING: Your company?

Mr. FREEMAN: Yes.

Mr. FLEMING: Then what was the outcome of the December meeting?

Mr. FREEMAN: The outcome of the December meeting was that those of us who gathered there unanimously agreed that we should suggest to the government that the question of imports be studied further and that a price ceiling be imposed.

Mr. FLEMING: You say, "those of us who were there", suggested that. I did not understand you were there.

Mr. FREEMAN: Yes, I was at that meeting.

Mr. FLEMING: You were at the December meeting?

Mr. FREEMAN: There were three meetings.

The CHAIRMAN: Let us identify these meetings. We have two December meetings. We now have a meeting with the Wartime Prices and Trade Board.

Mr. FREEMAN: No, we are away from that.

Mr. FLEMING: Just to clarify the meetings, give them in sequence.

Mr. FREEMAN: The meetings between the National Dairy Council and the Wartime Prices and Trade Board were September 16 and December 2.

Mr. FLEMING: Was there a third meeting?

Mr. FREEMAN: There was a third meeting, not with the Wartime Prices and Trade Board.

Mr. FLEMING: With whom was that?

Mr. FREEMAN: With the Department of Agriculture.

Mr. FLEMING: Was that the meeting with the minister?

Mr. FREEMAN: Yes, sir.

Mr. FLEMING: Is that the meeting we heard about from Mr. McLean of Canada Packers?

Mr. FREEMAN: Yes, sir.

Mr. MONET: Do you know the date of that?

Mr. FREEMAN: December 29.

Mr. FLEMING: With the Minister of Agriculture?

Mr. FREEMAN: Yes.

Mr. LESAGE: Were you there?

Mr. FREEMAN: On December 29?

Mr. LESAGE: Yes.

Mr. FREEMAN: Yes.

Mr. FLEMING: You were not at the meeting on September 16 or December 2 with the Wartime Prices and Trade Board?

Mr. FREEMAN: That is right.

Mr. FLEMING: You were at the meeting on December 29?

Mr. FREEMAN: That is right.

Mr. FLEMING: You referred to certain suggestions being made, including the suggestion for the re-imposition of a ceiling price on butter.

Mr. FREEMAN: Yes.

Mr. FLEMING: Did those suggestions come out of the meeting of December 22 or 29?

Mr. FREEMAN: December 29.

Mr. FLEMING: The conference with the minister; do I understand that the suggestions for the re-imposition of the ceiling price on butter came from you and persons engaged in the business like yourself?

The CHAIRMAN: He did not say he made the suggestion.

Mr. FLEMING: If I may put my question, it is a fair question.

The CHAIRMAN: This witness has not said he made the suggestion. Your question stated that he did make that suggestion, he and others.

Mr. FLEMING: The question will elicit the information. The statement, if you want to repeat it, which the witness made earlier was that suggestions were made by those who were present.

Mr. MCLEAN: It was unanimously agreed; that is the way I heard it.

Mr. FLEMING: By those who were at the meeting, and he was at the meeting.

Mr. FREEMAN: That is right.

Mr. FLEMING: Do I understand that you and others attending this meeting with the minister agreed unanimously, and asked for the re-imposition of the ceiling on butter?

Mr. FREEMAN: That is right.

Mr. FLEMING: Who were the others represented at that meeting or who attended it?

Mr. FREEMAN: I cannot recall.

Mr. FLEMING: Perhaps your memory does not enable you to give us the roster of those present, but what kind of people were they?

Mr. FREEMAN: I would say they were producers and trade representatives, producers and distributor representatives.

Mr. FLEMING: Whom do you mean by "producers"?

Mr. LESAGE: If you had been here last week, you would know that Mr. Turnbull of the Co-op was there.

Mr. FLEMING: Perhaps we could get on faster without interruptions of that kind.

Mr. FREEMAN: Mr. Turnbull was there.

Mr. FLEMING: Mr. Turnbull was there?

Mr. LESAGE: And Mr. McLean.

Mr. FREEMAN: Mr. McLean was there and I was there.

Mr. FLEMING: Any others whom you recall?

Mr. FREEMAN: Mr. Olive was there.

Mr. FLEMING: About how many people were there?

The CHAIRMAN: May I suggest something to you, Mr. Fleming—

Mr. FLEMING: I am always amenable to suggestion.

The CHAIRMAN: —with the idea of saving time, the fact is that there was unanimous agreement about the ceiling and the ceiling was put on on the 19th of January, need we pursue it?

Mr. FLEMING: I am interested in knowing who were the people who asked for the re-imposition of the ceiling. I think it is a rather interesting point.

Are there any others whom you can call to mind?

Mr. FREEMAN: Yes, Mr. Olive was there.

Mr. FLEMING: Any others?

Mr. FREEMAN: That is all I can think of at the moment.

Mr. FLEMING: Perhaps you can help us on this; those interests that were represented, you have indicated the producers were represented, the distributors were represented and the butter trade?

Mr. FREEMAN: Yes.

Mr. FLEMING: Any other particular interest?

The CHAIRMAN: We will adjourn until after this vote has been taken in the House. We will return as soon as the vote has been taken.

—On resuming.

The CHAIRMAN: All right, continue Mr. Fleming, just as though nothing had happened.

Mr. FLEMING: We were dealing with the meeting of December 29. You had indicated some of the people who were at the meeting, and I think you indicated that the producer interests and distributor interests were represented at the meeting, and that all represented there were unanimous in favour of the re-imposition of ceilings. Do I understand you made the request for the re-imposition of ceilings to the government?

Mr. FREEMAN: No, we offered that as a suggestion.

Mr. FLEMING: Did the suggestion originate with you and others represented there or with the minister?

Mr. FREEMAN: Yes, the suggestion originated with the members gathered together there.

Mr. FLEMING: Not with the minister?

Mr. FREEMAN: No.

Mr. FLEMING: Did you suggest any particular ceiling price?

Mr. FREEMAN: No, we did not.

Mr. FLEMING: Was the amount of the ceiling price or a particular figure discussed?

Mr. FREEMAN: No.

Mr. FLEMING: It was just a general request from you and others like you for re-imposition of ceilings?

Mr. FREEMAN: That is right.

Mr. FLEMING: Why did you make that request? I do not mean you especially but you and the others who did make it.

Mr. FREEMAN: Well, I will have to tell you why I was in favour of that, because butter was getting into such short supply that if a ceiling had not been imposed I felt the price would go much higher, and it would not be beneficial to the industry as a whole.

Mr. FLEMING: Was there a discussion about the profits that had been made by those who had stocks of butter by reason of the advance in prices in the fall?

Mr. FREEMAN: I do not recall.. I am sorry I cannot be more helpful. That is all I can recall to memory.

Mr. FLEMING: Perhaps others who were there, you mentioned some two or three who are going to be called as witnesses, may be able to tell us the facts.

The CHAIRMAN: Are you through, Mr. Fleming?

Mr. FLEMING: Not quite, Mr. Chairman. Was there open discussion of the fact that with an advance in the market price in the fall there would be a substantial profit made by those who were holding butter?

Mr. FREEMAN: I do not remember any such discussion.

Mr. FLEMING: You do not remember?

Mr. FREEMAN: No.

Mr. FLEMING: I take it was no secret anyway. There is no secret about the fact anyway?

The CHAIRMAN: About what fact?

Mr. FLEMING: About the fact that those who had butter in the fall made a substantial profit by reason of the advance in price?

Mr. FREEMAN: No, there was no secret about that at all.

Mr. FLEMING: It is a matter of general knowledge, I guess isn't it?

Mr. FREEMAN: General knowledge of anybody in the industry, that anybody in the industry participated—they could not do otherwise.

Mr. FLEMING: And did the Minister know that?

Mr. FREEMAN: I said, in the industry.

The CHAIRMAN: He cannot speak for the Minister, Mr. Fleming. He can only speak for himself and for the industry. Let's leave it at that.

Mr. FLEMING: I want to know if the Minister discussed the question of profits resulting from the holding of butter at that meeting; do you remember whether he did or not?

Mr. FREEMAN: No. I did not take any notes of that meeting. I think I have told you all I know about it.

Mr. FLEMING: All right.

The CHAIRMAN: Just one final question then. You said the price was higher. Do you mean it was too high?

Mr. FREEMAN: No. If I said the price was higher the reference I had was to the price going higher.

The CHAIRMAN: You did not think it was too high at that time?

Mr. FREEMAN: It was pretty high.

The CHAIRMAN: There would not have have been anything to prevent you from having sold it at a lower price than you did had you wanted to do that, would there?

Mr. FREEMAN: We have to sell at the market.

The CHAIRMAN: Why do you have to sell at the market?

Mr. FREEMAN: Because we have to replace at the market.

The CHAIRMAN: This question came up the other day. I can understand the situation in which you found yourself but there was nothing to prevent you selling at a lower figure and you would still have made a profit.

Mr. FREEMAN: Yes, but if you did that the difference between what we sold at and the market price would be taken by somebody else.

Mr. MCLEAN: Mr. Martin, may I attempt to explain. You are speaking of the period—

The CHAIRMAN: —in December.

Mr. MCLEAN: Yes.

The CHAIRMAN: Or I am speaking of any time?

Mr. MACLEAN: At that time it was apparent there was not sufficient butter to look after our distribution requirements and if a firm such as Lowell & Christmas had offered to sell butter at 60 cents a pound—the butter we had on hand for sale—it would have been absorbed by the market because the market was much bigger than Lovella & Christmas' interest in the market. If we had sold our butter at 60 cents a pound we should not have been able to stop the price increase at that time.

The CHAIRMAN: I suggest to you that it is pretty difficult for ordinary people to understand your action when you felt the price was too high. We were told the other day by Canada Packers that they felt the price was too high, and it seems to me very difficult for a reasonable man to understand why, if that was the feeling, it would not have been very easy to reduce the price.

Mr. MAYBANK: Was the feeling generally shared—I mean that the price was too high?

Mr. MCLEAN: Well, Mr. Maybank, I cannot speak for the other people in the trade but I think we should have been satisfied with less.

Mr. FLEMING: Less than what?

Mr. MCLEAN: We would have been satisfied with less, in the general interest of our long-term position in the industry.

Mr. MAYBANK: There was a meeting between several people at which this suggestion was made. We have had the meeting described and Mr. Fleming has been asking about that meeting.

Mr. Fleming has been asking about that meeting.

Mr. MCLEAN: Yes.

Mr. MAYBANK: How many were at it?

Mr. MCLEAN: I was not there, Mr. Maybank, I do not know.

Mr. MAYBANK: Do you know, Mr. Freeman, who were there?

Mr. FREEMAN: Yes, since Mr. Fleming raised the point, I found out who was there. Do you want me to give the names?

Mr. MAYBANK: Yes, if you can.

Mr. FREEMAN: J. S. McLean, W. R. Aird, F. W. Jones, J. Turnbull, B. Stanley, Mr. Baillie, Henri Bois, J. E. Lussier, John Freeman, E. Raney, C. Holman, J. Spiers, V. Hooper, Mr. Hardy, K. H. Olive.

Mr. MAYBANK: That was a group pretty well representative of the butter interests?

Mr. FREEMAN: A good cross section.

Mr. MAYBANK: Representing a large chunk of the total inventory of the country?

Mr. FREEMAN: I would not say that.

Mr. MAYBANK: You do not know whether that is right, or you do not think that is right?

Mr. FREEMAN: I do not know if that is right.

Mr. MACINNIS: Have you the names of the firms that those men represented?

Mr. FREEMAN: Yes, I have.

Mr. MACINNIS: Could that not go into the record?

Mr. MAYBANK: You can add that information for which Mr. MacInnis has asked, to the record.

Mr. FREEMAN: That is right.

Mr. MAYBANK: Would you do that now?

Mr. FREEMAN: J. S. McLean, Canada Packers Limited; W. R. Aird, Dominion Dairies; F. W. Jones, The Borden Company; J. Turnbull, Saskatchewan Co-operative; B. Stanley, Northern Alberta Dairy Pool; Mr. Baillie, United Farmers of Ontario; Henri Bois and J. E. Lussier, Co-Operative Federee de Quebec; John Freeman, Lovell & Christmas (Canada) Limited; E. Raney, Swift Canadian Company; C. Holman, Burns & Co., J. Spiers, Modern Dairies; V. Hooper, Loblaw Groceterias; Mr. Hardy, Safeways; K. H. Olive, Olive & Dorion.

Mr. MAYBANK: They were all pretty much of the same view as you have expressed here, were they?

Mr. FREEMAN: The resolution was unanimous.

Mr. MAYBANK: In the absence of a ceiling, was there anything to prevent a combination in restraint of a price rise?

Mr. FREEMAN: Was there anything to—

Mr. MAYBANK: Was there anything to prevent a combination in restraint of a price rise?

Mr. FREEMAN: We have never combined.

Mr. MAYBANK: To keep prices down?

Mr. FREEMAN: We have never combined.

Mr. MAYBANK: You want to make it clear that you have not combined at all. Of course, I was interested as to whether you had ever combined to keep prices down.

Mr. FREEMAN: No.

Mr. MAYBANK: The answer to that is, of course, no, since you made it all-inclusive. There is no moral or legal objection to that kind of combination, is there?

Mr. FLEMING: The witness would not know that.

Mr. MAYBANK: Let the witness answer.

Mr. FLEMING: It is a legal question.

Mr. MAYBANK: I am asking him whether he knows. If he does not know, he will say so.

Mr. FREEMAN: I do not know.

Mr. MCLEAN: May I answer that?

Mr. MAYBANK: Yes.

Mr. MCLEAN: The butter business is just about the most competitive business there is. Mr. J. S. McLean mentioned there are approximately 1,400 people buying and selling butter across the country and a combine is just something unheard of in our business.

Mr. MAYBANK: I am not suggesting there is anything in the nature of a combine, I only asked whether any consideration had been given to a combine in restraint of a price rise by you who were present, then.

Mr. MCLEAN: It is the most competitive business there is.

Mr. MAYBANK: Would you say that you large holders of butter could not have combined together to say, "We will take less than we can take", Would there have been anything objectionable to that course?

Mr. MCLEAN: Except, what is it, twenty years in jail? It is part of the Combines Act, is it not?

Mr. MAYBANK: Is that the reason you were afraid of the Combines Act?

The CHAIRMAN: I think, in fairness to the witness, he does not understand your question.

Mr. MAYBANK: I said, was there anything objectionable to getting together to take less than you could take?

Mr. FREEMAN: Thas was not considered.

Mr. MAYBANK: You did not consider at all whether or not you could pass on the benefit of the large profit that was then standing upon your books? You gave no consideration to that? Is that right?

Mr. FREEMAN: We gave no consideration.

Mr. HOMUTH: That is not a fair question.

Mr. MAYBANK: I only asked whether consideration had been given to that sort of decision.

Mr. HOMUTH: I say it is not a fair question in view of the answer Mr. Freeman gave to another question. He said if they sold at a loss they would have had to go in the market and purchase it at a much higher price again.

Mr. MAYBANK: All right. That answer is not being lost sight of. The fact is that you were in a position, at any rate, to consider passing on some of the profits to the public and that you did not give any consideration to that?

Mr. MCLEAN: I will answer it this way. Possibly we could have; possibly we should have, but we did not.

Mr. MAYBANK: Exactly. I was only asking for the fact and you have answered satisfactorily.

The CHAIRMAN: I guess we had better adjourn.

Mr. FLEMING: I might mention one thing. Mr. Freeman mentioned a resolution that was passed. Was there a resolution passed?

Mr. FREEMAN: There was no solution passed, no.

Mr. FLEMING: You used the expression. I did not know whether you attached some significance to it.

Mr. FREEMAN: It was unanimously agreed.

Mr. MAYBANK: But it was not a formal resolution?

Mr. FREEMAN: No.

Mr. MAYBANK: But there was unanimity of opinion in the expressions that were made.

Mr. LESAGE: Do we free the witnesses?

The CHAIRMAN: No. Mr. Beaudry has some questions.

Mr. MAYBANK: That was all I had to ask.

Mr. FLEMING: I have no more.

Mr. HOMUTH: You are going to put on file that breakdown of those costs?

Mr. MCLEAN: This would only take half a minute. I have some information here. If it is not sufficient I will have to get hold of the office again. It is in answer to Mr. MacInnis' question.

Mr. MONET: You can give it to us now. You will be here tomorrow morning and if something is missing you can get that.

Mr. MCLEAN: Mr. MacInnis asked us why our total direct expense in 1947 totalled $15,888.33 as compared with $4,347.41 for the year 1946.

Mr. MONET: 1947?

Mr. MCLEAN: Compared with 1946. The main item of expense is cold storage on our stock. In the year 1947 it totalled $12,404.24 as compared with $2,224.88 in 1946. So when you take that item out of direct expense our direct 1947 expense was $3,484.09 as compared with $2,122.53 or approximately $1,366 difference which I think could be explained by increase in volume.

The committee adjourned, to resume on Tuesday, March 23, 1948 at 11 o'clock a.m.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 30

TUESDAY, MARCH 23, 1948

WITNESSES:

Mr. John Freeman, President, Lovell & Christmas (Canada) Limited, Montreal, Que.

Mr. Gordon McLean, Secretary-Treasurer, Lovell & Christmas (Canada) Limited, Montreal, Que.

Mr. W. R. Aird, President, Dominion Dairies Limited, Montreal, Que.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

TUESDAY, March 23, 1948.

The Special Committee on Prices met at 11.00 a.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Fleming, Homuth, Irvine, Lesage, MacInnis, Martin, McCubbin, Merritt, Pinard, Winters.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

In the absence of Mr. Johnston, Mr. Low, M.P., was granted leave to take part in the examination of witnesses.

Mr. John Freeman, President, and Mr. Gordon McLean, Secretary-Treasurer, Lovell & Christmas (Canada) Limited, Montreal, were recalled and further examined. Mr. Freeman filed,—

Exhibit No. 64—List of firms or individuals having butter in storage during 1946 and 1947 in premises of Lovell & Christmas (Canada) Limited. *(Printed in this day's Minutes of Evidence).*

Witnesses retired.

Mr. W. R. Aird, President, Dominion Dairies Limited, Montreal, Que., was called, sworn and examined. He filed,—

Exhibit No. 65—Statement of general information on butter operations by Dominion Dairies Limited.

Exhibit No. 66—Dominion Dairies Limited Annual Report for the year ending 31st March, 1947.

During the proceedings Mr. Winters took the Chair in the temporary absence of the Chairman.

At 1.00 p.m. witnesses retired and the Committee adjourned until 4.00 p.m. this day.

AFTERNOON SITTING

The Committee resumed at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Beaudry, Homuth, Irvine, Lesage, MacInnis, Martin, Merritt, Pinard, Winters.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Mr. Aird was recalled and further examined.

During the proceedings, in the temporary absence of the Chairman, Mr. Winters took the Chair.

At 4.55 p.m., the members being called in the House for a division, the Committee took recess.

At 5.30 p.m., witness retired and the Committee went into executive session, having agreed to resume its public sittings after the Easter recess, on Monday, April 5, at 4.00 p.m.

R. ARSENAULT,
Clerk of the Committee.

9043—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
March 23, 1948.

The Special Committee on Prices met this day at 11.00 a.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: Mr. Beaudry has some questions.

John Freeman, President, Lovell & Christmas (Canada) Limited, recalled.

Gordon McLean, Secretary-Treasurer, Lovell & Christmas (Canada) Limited, recalled.

Mr. BEAUDRY: Mr. Freeman or Mr. McLean, in connection first with an answer given to Mr. Lesage yesterday would you clear up one point. Do you operate a butter brokerage business as well as a wholesale business?

Mr. MCLEAN: We are classified as dealers, but at times we do handle butter on a commission basis.

Mr. BEAUDRY: I am referring specifically to an answer given Mr. Lesage in which you said that you did make purchases of butter which remained in your warehouse for the account of the actual purchasers?

Mr. MCLEAN: That is correct.

Mr. BEAUDRY: We assume in those cases you are acting as a broker, or are we wrong?

Mr. MCLEAN: I will explain it this way to you. The difference between a broker and a dealer is that the dealer invests money in the actual product. In the functioning of our business we may sell a part of that butter to some other dealer, but we had taken a position in the butter originally. We did not work on brokerage in the true sense of the word.

Mr. BEAUDRY: Again referring to that answer, when in the course of those operations referred to you purchased butter and warehoused it for the actual purchaser where you acting on a strictly commission basis, let us say $\frac{1}{8}$ of a cent a pound, or were you conducting your normal transaction of purchasing and reselling?

Mr. MCLEAN: That is correct.

Mr. BEAUDRY: So all these figures here in statements Nos. 2, 3, 4 and 5 represent in all cases the actual outlay of money by you?

Mr. MCLEAN: In our volume figures, as I mentioned to Mr. Lesage, that includes spot transactions and future transactions. In the case of a future transaction you do not handle the physical product until the time of delivery, but if you notice our position on the commodity exchange our net position was one contract. We showed so many contracts on the buying side and so many contracts on the selling side. One offsets the other, to give you a true volume picture.

Mr. LESAGE: As a last question on this subject take statement No. 4. I refer to the same figures I was referring to yesterday, the third column, the months of June to December inclusive.

Mr. IRVINE: Which page?

Mr. LESAGE: Page 4.

Mr. WINTERS: Which year?

Mr. LESAGE: 1947. Do those figures include any transactions in which you acted as a broker at $\frac{1}{8}$ of a cent per pound?

Mr. MCLEAN: We buy and sell butter at the market, Mr. Lesage, and as our figures reveal we made an average net profit of 3·65 cents.

The CHAIRMAN: He is asking you another question.

Mr. LESAGE: Do these figures include any brokerage business in which the return to your company would be $\frac{1}{8}$ of a cent?

Mr. MCLEAN: No.

Mr. LESAGE: That is all right. It is clear to my mind now.

Mr. MCLEAN: I am trying to give you the answer you want, but I do not know exactly how to put it to you. I am trying to give you the answer you want.

Mr. LESAGE: All right, you have given it now.

Mr. MACINNIS: I was going to suggest that perhaps Mr. McLean could give an answer to this by a direct question.

Mr. BEAUDRY: I was planning to arrive at that.

Mr. MACINNIS: Perhaps you were going to ask that.

Mr. BEAUDRY: Would you give the committee some details about the actual operation of a wholesale butter business? Would you tell me first what the usual terms of purchase are?

Mr. MCLEAN: We pay cash for butter.

Mr. BEAUDRY: You pay cash for all the butter you purchase?

Mr. MCLEAN: That is correct, yes.

Mr. BEAUDRY: Does that include futures?

Mr. MCLEAN: Well, you operate futures on a margin basis of $1,500 per car which must be maintained. Each fluctuation of $\frac{1}{8}$ of a cent must be adjusted with the clearing house. You put up $1,500 which must be maintained according to fluctuations in the market.

Mr. BEAUDRY: $1,500 per car load?

Mr. MCLEAN: Right.

Mr. BEAUDRY: Which is how many pounds?

Mr. MCLEAN: 22,400, with 5 per cent tolerance either way.

Mr. BEAUDRY: That is the normal load. I understand that sometime during the war—which would not affect what we are referring to now—the minimum load per car was higher, was it?

Mr. MCLEAN: Correct.

Mr. HOMUTH: That minimum load did not apply in eastern Canada.

Mr. MCLEAN: Mr. Beaudry is referring to a future contract on the commodity exchange, not a spot transaction.

Mr. HOMUTH: In the regulation by the railway board the heavier load only involved western shipments?

Mr. MCLEAN: Correct.

Mr. HOMUTH: Not eastern shipments?

Mr. MCLEAN: No.

Mr. BEAUDRY: Could you not buy future western butter? What are the normal terms of sale in your particular business? Is that also a cash business throughout?

Mr. McLEAN: No. Are you referring to our distributive trade, in other words, people who buy butter from us every week, on what terms do we sell them butter? If that is the question the answer is cash.

Mr. BEAUDRY: What part of your business would not be conducted on a cash basis from the sales angle?

Mr. McLEAN: Well, we do sell butter for storage, and as a convenience to our customers we will finance the product for them, but they will put up a margin.

Mr. BEAUDRY: On what basis do you finance it?

Mr. McLEAN: What margin is required?

Mr. BEAUDRY: Yes.

Mr. McLEAN: $2.50 a box.

Mr. BEAUDRY: $3.50?

Mr. McLEAN: $2.50.

Mr. BEAUDRY: What rate of interest do they pay, or do they pay any interest?

Mr. McLEAN: Five per cent.

Mr. BEAUDRY: That, of course, does not deal with futures. That deals with the actual physical stock on hand?

Mr. McLEAN: Correct.

Mr. BEAUDRY: Against the stock which you hold in storage for future resale is it your procedure to obtain loans?

Mr. McLEAN: Oh, yes. We borrow from the Bank of Montreal once we use our capital.

Mr. BEAUDRY: Is there a set percentage of value against which either the Bank of Montreal or other banks lend in the case of butter? Is there an established amount against the value of the stock held.

Mr. McLEAN: They lend us money to be used for the purchase of butter or cheese in the normal functioning of our business.

Mr. BEAUDRY: I appreciate that, but let us say you have 10,000 pounds of butter in stock worth $10,000. How much would the bank or banks normally be willing to lend against that $10,000 stock?

Mr. McLEAN: 100 per cent. We make our arrangements at the start of the season with the Bank of Montreal.

Mr. HOMUTH: They might lend you 120 per cent if they trusted you.

Mr. McLEAN: Plus.

Mr. BEAUDRY: That is very constructive.

Mr. HOMUTH: Certainly yours are not.

Mr. BEAUDRY: Perhaps you will bear with me. You have been very kind for the last month and a half. Is the rate of interest which you pay on these loans charged in the cost which is shown here as administrative cost?

Mr. McLEAN: Correct.

Mr. WINTERS: Are these figures of quantities on hand at the end of each month actual quantities stored or are they just book quantities?

Mr. McLEAN: Actual quantities stored.

Mr. WINTERS: They are in all cases actual stored quantities?

Mr. McLEAN: Yes.

Mr. BEAUDRY: Can we deduce that the top quantity you normally carry on hand in your business, that you have in the warehouse for the operation of your business, would be roughly the total of the amounts of butter carried during September, October and December, or is that too high or too low?

Mr. McLEAN: Are you asking us how we arrive at our peak stock?

Mr. BEAUDRY: No, I would like to know what your peak stock is?

Mr. McLEAN: In figures?

Mr. BEAUDRY: Yes.

Mr. McLEAN: 1,395,000 pounds.

Mr. BEAUDRY: That would be the peak that you would purchase?

Mr. McLEAN: That is the peak we reached in 1947.

Mr. BEAUDRY: That would be butter you had on hand at that time?

Mr. McLEAN: At the end of September.

Mr. BEAUDRY: Is there any way of establishing what the average peak carried by you was during that period? I am trying to bring this out. That figure shows you had so much on hand at that time. How much of that over a period of three months would be constant?

Mr. McLEAN: We maintained a stock position in excess of 1,300,000 up to the end of October.

Mr. BEAUDRY: Can you average over the year the amount you would have on hand per month? We have a figure here which gives the average but it does not give the exact average.

Mr. McLEAN: If you take our sales of 6,400,000 and divide by 12 that would be an average of half a million pounds.

Mr. BEAUDRY: That is not exactly true because your purchases are very uneven.

Mr. McLEAN: That is correct.

Mr. BEAUDRY: In one month you might purchase 2,000,000 pounds and sell 2,000,000 and show a peak of 2,000,000 pounds for that particular month and yet for the 5,000,000 pounds basis for the year the actual average in stock on hand only was 250,000 pounds per month. I am thinking of carrying charges.

Mr. McLEAN: Yes.

Mr. BEAUDRY: Is there any way of arriving at a truer picture of an average on that basis? If you cannot give it to me now would you be able to supply it later in written form?

Mr. McLEAN: I hardly understand your question, Mr. Beaudry. I do not know exactly what you are driving at. I would gladly answer it if I could get your question clearly.

Mr. BEAUDRY: Then I will ask you something else and you may understand it from there on. What constitutes your assets beyond your butter or cheese inventories?

Mr. FREEMAN: Our premises.

Mr. BEAUDRY: Your premises, which are?

Mr. FREEMAN: Two warehouses.

Mr. BEAUDRY: Both owned?

Mr. FREEMAN: Both owned.

Mr. BEAUDRY: Both in the city of Montreal?

Mr. FREEMAN: Yes sir.

Mr. BEAUDRY: What is the value of them? Would you give me both the city valuation and the book value?

Mr. FREEMAN: May we send you that? I haven't got that here.

Mr. BEAUDRY: Would you be able to give me the book value?

Mr. FREEMAN: Our book value is approximately $100,000.

Mr. BEAUDRY: For both?

Mr. FREEMAN: Yes.

Mr. BEAUDRY: That is after depreciation over twenty years I suppose?

Mr. FREEMAN: Yes.

Mr. BEAUDRY: Are those warehouses used entirely to store your own butter or do you lease a good part of them?

Mr. FREEMAN: It is used for both purposes.

Mr. BEAUDRY: What proportion for both purposes?

Mr. MCLEAN: Well, during the flush production period, during the summer, our chief space is taken up, I would say 80 per cent by cheese for our own firm, but we do store cheese for other people in the industry who do not have their own warehouse space. You might say we act as a public warehouse in the case of cheese. In the case of butter our plant I would say would be occupied 80 per cent with our own product and 20 per cent by product that we would buy and hold for storage. During the winter months when the product is leaving our plant we store meat and poultry and frozen eggs, principally those three items.

Mr. BEAUDRY: You store butter and cheese for different lengths of time, or do they require different storage facilities?

Mr. MCLEAN: You mean in our two plants are we storing under the same system?

Mr. BEAUDRY: Yes.

Mr. MCLEAN: Oh, yes.

Mr. BEAUDRY: So part of your investment which is made up of real estate, particularly these two warehouses, could be divided—that sum of $100,000 mentioned earlier—could be divided into what percentage as applicable to your business of purchases of butter and to what percentage applicable to your business as warehousemen?

Mr. MCLEAN: Of course, it all ties into the one operation, that is the operation of Lovell and Christmas (Canada) Limited. We do not know at the start of the season to what extent we are going to store products for other people.

Mr. BEAUDRY: Yes, you have the revenue figures on that I presume?

Mr. MCLEAN: Oh, yes.

Mr. BEAUDRY: Would it be possible to get those revenue figures for warehousing?

Mr. MCLEAN: We could, if it is important to the butter enquiry.

Mr. BEAUDRY: Well, I wish to establish that for the benefit of the committee. I am trying to arrive at this, there is an investment of $100,000, in real estate.

Mr. MCLEAN: That is book value, Mr. Beaudry; in other words, you could not replace it for anything like $100,000.

Mr. BEAUDRY: I appreciate that. I will leave that figure unquoted, if you prefer. I want to know how much that would influence the price of butter?

Mr. MCLEAN: It does not influence it at all.

Mr. BEAUDRY: It does not enter into the cost of butter?

Mr. MCLEAN: No; in the butter business you are trading on margin; your costs are 10 cents; if the price drops 20 cents your costs are out of the picture entirely.

Mr. BEAUDRY: I can see that.

Mr. MCLEAN: In other words, if we had inventory of butter at 60 cents and the market was 50 cents we could not get our costs out of that product, if the market was 10 cents below our costs.

Mr. BEAUDRY: I appreciate that, but to arrive at the figure I have in mind you would still have to take in all the expenses incidental to the operations shown in your statement 2, in connection with the ownership or rental of premises of whatever nature to a certain extent.

Mr. MCLEAN: Well—

Mr. BEAUDRY: Surely your costs would have to be included, all your costs, not only the actual cost of the butter.

Mr. MCLEAN: We still have that cost of operation even if we lost 10 cents on it.

Mr. BEAUDRY: I appreciate that, still to arrive at the figure of 50 cents per pound for butter you would have to include part or all of your administrative and selling expense.

Mr. MCLEAN: We are not manufacturers.

Mr. BEAUDRY: I apprciate that, but let us assume you purchase butter at 50 cents.

Mr. MCLEAN: Yes.

Mr. BEAUDRY: That would establish how much of a profit or a loss you made. You would have to add to that 50 cents, whatever you have incurred by way of expense.

Mr. MCLEAN: Yes.

Mr. BEAUDRY: In connection with butter; and certainly rental of premises or purchase of premises would enter into part of that cost. I see what you are trying to tell me. You are trying to tell me that in your operation you operate on a more or less fixed basis and depending on whether your margin on sales is high enough or too low you have either a profit or a loss on butter.

Mr. MCLEAN: Yes. If we buy butter at 50 cents a pound and the cost of handling that product is 1·8 cents we have to get 51·8 cents a pound for that butter or we do not sell it. As a matter of fact, we sell it at market, and the market might be 50⅜, or it might be 53⅜. But what we might do is try to make our expenses at the end of the year, but we do not figure out the cost per pound when buying and selling a car of butter.

Mr. BEAUDRY: No, you can't figure it to that extent, but you do figure it over-all. You have given us the figures on your statement No. 4, also No. 3, and No. 5, showing the margin between the cost and selling price; that would include all the items under operation expenses shown on page 2.

Mr. MCLEAN: That is right.

Mr. BEAUDRY: Referring again to the last column of statement No. 2, for the years 1939 and 1947, I see that your big profit—or, before I go into that, are there any other profits before 1939, or losses, vastly different from the ones shown for 1939 and 1942? These figures we did not ask you for.

Mr. MCLEAN: Those are figures we do not have and I would not even make a guess because we do not keep these records. We can get the information if you require it.

Mr. BEAUDRY: Before we go into that, would you say that the year 1940 was a normal year for butter operations over the twenty odd years of experience you have had? Would that be a good year taking all in all?

Mr. MCLEAN: I think the answer would be, reasonably good.

Mr. BEAUDRY: Reasonably good?

Mr. MCLEAN: But nothing outstanding.

Mr. BEAUDRY: What amount of investment did the operation for that year require to arrive at a profit of $20,000?

Mr. MCLEAN: You mean, how much money was tied up in volume?

Mr. BEAUDRY: You might call it that way, or give it to us that way. I don't want the total figures of the amount of purchases over a year.

Mr. MCLEAN: Offhand, I cannot answer that, Mr. Beaudry.

Mr. BEAUDRY: Could you later?

Mr. MCLEAN: Yes.

Mr. BEAUDRY: Could you give that in written form?

Mr. McLEAN: Yes, if you will give me the question in written form so I will know exactly what you want.

The CHAIRMAN: The questions will be in the record. The questions are in the record. There is a verbatim record being made and everything is taken down in this committee, and those questions are now in the record.

Mr. McLEAN: I see.

Mr. MONET: I will see that you get the questions in the form in which you have asked for them.

Mr. McLEAN: Thank you, Mr. Monet.

Mr. BEAUDRY: In the year 1940, to which we referred a moment ago, you purchased throughout the year 4,729,048 pounds?

Mr. McLEAN: Right.

Mr. BEAUDRY: In the year 1947, you purchased 5,447,000 pounds. Will you give me in the same way the amount of money involved there in the way of investment, will you supply that at the same time?

Mr. McLEAN: Yes.

The CHAIRMAN: Mr. Beaudry, I don't want to stop you—

Mr. BEAUDRY: That is my last question.

The CHAIRMAN: Yes.

Mr. BEAUDRY: I mean, that has been my last question. I want those two questions answered.

The CHAIRMAN: Yes. Have you an answer to give to Mr. Beaudry?

Mr. BEAUDRY: Those answers will have to be made in writing.

Mr. McLEAN: Yes, we will get that information for you.

The CHAIRMAN: Mr. Monet has a few questions.

Mr. MONET: Before you leave this, Mr. Freeman, I understand that at the request of the secretariat on February 17th you supplied the names and addresses of people who were storing butter with your firm?

Mr. FREEMAN: That is right.

Mr. MONET: Would you now look at this list which was supplied by your firm and tell the members of the committee if you identify this list as being correct and the one supplied by you?

Mr. FREEMAN: I identify this as being correct and the one supplied by me.

Mr. MONET: Now, Mr. Chairman, this will be mimeographed and filed as an exhibit. It will be of importance to the members of the committee. We will call it exhibit 64.

EXHIBIT No. 64: List of persons storing butter with Lovell and Christmas (Canada) Limited.

EXHIBIT No. 64

OTTAWA, FEBRUARY 17, 1948.

The House of Commons Committee on Prices requires from your firm a list of the names of all individuals or firms who have stored butter in your premises during the past two years. Please list the names below indicating the year when the butter was stored.

Have you stored butter on your own account?..... Yes.....
Yes or No

If "Yes" please complete questionnaire enclosed and return to the Dominion Bureau of Statistics which will compile them.

Name	Address	1946	1947
A. Ally	2310 Dorion St., Montreal		*
A. Ayotte	St. Anne, Co. Richelieu, Que.		*
Moe Beren	6659 Park Ave., Montreal		*
A. Bissonnette	610 William St., Montreal	*	*
Canada Packers Ltd.	1260 Hill St., Montreal	*	*
Carnation Co.	Sherbrooke, Que.	*	*
R. A. Chisholm	44 Victoria St., Toronto, Ont.		*
Convent d'Hochelaga	3587 Notre Dame St. E., Montreal		*
Crescent Cheese Co.	6659 Park Ave., Montreal	*	*
S. Deslauriers	South Durham, Drummond Co., Quebec		*
Drew Brown	530 Mountain St., Montreal	*	
L. S. Dusseault	605 Pie IX Blvd., Montreal	*	*
Eastern Farm Products	423 St. Paul St. E., Montreal	*	*
Gordon & Son Inc.	1208 Greene Ave., Westmount, Montreal	*	*
A. T. Guild	384 Lake Shore Rd., Beaurepaire, Que.		*
Omer Hardy	Shawinigan Falls, Que.		*
G. Hodge & Son	166 King Street, Montreal		*
G. Lacoste	4861 Garnier St., Montreal	*	*
Le Grand Semenaire	2065 Sherbrooke St., Montreal		*
Lerner Bros.	3560 Park Ave., Montreal		*
Limoges & Cie	644 William St., Montreal		*
Lucerne Food Products Ltd.	Aylmer Road, Hull, Que.		*
G. Miller	2334 Rushbrook St., Montreal	*	*
Alex. D. McGillis & Co.	407 McGill St., Montreal		*
P. W. McLagan Ltd.	417 St. Peter St., Montreal		*
J. Pineo	93 Beech St., Halifax, Nova Scotia		*
Producers Dairy Co.	3641 Lafontaine St., Montreal		*
J. E. Sauliers	144 5th Ave., Ville St., Pierre, Que.		*
Shawinigan Dairy	Shawinigan Falls, Que.		*
Sutton Milk Products	Sutton, Que.		*
Swift Canadian Co.	1000 Craig St. E., Montreal		*
V. A. Tremblay	Box 443, Huntingdon, Que.		*

* Indicates butter stored.

The statements in this schedule are certified to be correct. Firm Lovell & Christmas (Canada) Limited. Place 160 King St., Montreal. Signature (Sgd.) John Freeman.

Firm No.....

Mr. MONET: This will be the list of the names of people for whom you are holding butter in your premises?

Mr. FREEMAN: That is right.

The CHAIRMAN: On this particular date, of course?

Mr. FREEMAN: Yes.

Mr. MONET: Can you also tell members of the committee the quantity stored for each of these people?

Mr. FREEMAN: We can file that information.

Mr. MONET: Have you got that information with you?

Mr. FREEMAN: No.

Mr. MONET: But you could supply it?

Mr. FREEMAN: Yes.

Mr. MONET: You can supply members of the committee with the quantity held by you for each of the persons mentioned in this exhibit 64?

Mr. FREEMAN: That is right.

Mr. MONET: Could you also supply the members of the committee with the following information; when this butter was stored in by each of these persons?

Mr. FREEMAN: Yes, sir.

Mr. MONET: Can you supply the committee with information as to when the butter was taken out by each of those persons?

Mr. FREEMAN: Yes, sir.

Mr. MONET: Will you also supply the committee with information as to whether, in your opinion, any of those people are not in the butter trade or business?

Mr. FREEMAN: We would be glad to give our opinion on that matter.

Mr. MONET: In other words you will give the members of the committee your opinion as to those people listed on exhibit No. 64 who are not in the butter business.

Mr. FREEMAN: Yes.

Mr. MONET: You will supply that information as soon as possible?

Mr. FREEMAN: Yes sir.

Mr. IRVINE: Before you dismiss the witness there is one question I would like to ask. I would like to have further enlightenment on one point. Counsel questioned the witness as to the figures on page 4 of the statement asking him to note the difference between the amounts of butter in storage during the months of July, August, September, and October of 1947, as compared with 1946. The answer, made by Mr. McLean I think was that the stocks were greater in 1947 than for those months mentioned because the company was providing for winter requirements, whereas in the previous year the Wartime Prices and Trade Board was providing for the requirements of their customers, and therefore it was not necessary for the company to store butter for that purpose. Now I want to know in what way the Wartime Prices and Trade Board provided for the service of your customers during 1946? I was not clear on that point

Mr. MCLEAN: The Wartime Prices and Trade Board took over the distribution of butter—I cannot give you the exact date—but during the winter period when supplies were short the board would decide who required a car of butter and whether it was more important for that car to be delivered to the city of Montreal, or Halifax, or Toronto. The Wartime Prices and Trade Board took over complete distribution and the producer had nothing to say as to where his butter was to go and likewise the dealer had nothing to say.

Mr. IRVINE: You could just buy when you were told to buy, and I suppose you would have some kind of a permit.

Mr. McLEAN: We would apply to the board for supplies.

Mr. IRVINE: That is the point I wanted to get.

Mr. WINTERS: Mr. Chairman, I would like to ask a question. What volume of business do you aim at in a normal year with respect to butter turn-over?

Mr. McLEAN: You might say that we have no objective in that direction, Mr. Winters. I would say that we handled just about all we could this year and comparing it with 1939-40 the figure is about 6,000,000 pounds.

Mr. WINTERS: You think 6,000,000 pounds would be a normal year?

Mr. McLEAN: Yes, considering our position in the trade.

Mr. WINTERS: How much do you consider you would need to mark up each pound of butter to clear you a profit over expenses, to make a reasonable profit on 6,000,000 pounds?

Mr. McLEAN: We have never considered it that way. If we consider the cost of handling is 2 cents a pound and somebody else is selling butter 1 cent lower than we are we would not get our cost back. The question is one of replacement or, in other words, the market value.

Mr. WINTERS: Well, I think anyone who is handling a product has a pretty good rough yardstick as to what it costs them to handle the product.

Mr. McLEAN: If you will refer to page 2 I think the information there will give you the answer. During the year ending March 31, 1947, we lost $11,000, which means, therefore, we did not get our purchase costs plus carrying charges back out of that product. We would have liked to have received it back but we could not.

Mr. WINTERS: There is still a question as to whether you lost that money or whether it is a matter of allocation of overhead as against cheese and butter operations. That question has not been settled to my knowledge and we still have not received figures.

Mr. McLEAN: We will supply them.

Mr. WINTERS: To whom do you sell this butter, or have you given that information to the committee?

The CHAIRMAN: You are referring to the type of person to whom it is sold?

Mr. WINTERS: Yes, is it sold to the wholesaler or the retailer or to both?

Mr. McLEAN: We sell to both wholesalers and retailers.

Mr. WINTERS: In this period in which butter was running high, although you do not know what mark-up you need per pound to clear your operating expenses and show a profit, you do know that the profits were running higher than you would normally expect?

Mr. McLEAN: That is correct.

Mr. WINTERS: During that period and with that knowledge did you ever consider decreasing your price?

Mr. McLEAN: No, sir.

Mr. WINTERS: Were you concerned about the high mark-up you were getting during that period?

Mr. McLEAN: Yes, we were concerned.

Mr. WINTERS: But you never actually took steps to lower the price to your customers?

Mr. McLEAN: No.

Mr. MACINNIS: He was not concerned to that extent.

The CHAIRMAN: Is that all?

Mr. IRVINE: Could we have a copy—or perhaps we have it—of the annual statement of this company with respect to all its operations for the years 1946 and 1947?

Mr. MONET: I have not got that but could we have it?

Mr. FREEMAN: Well, we are a private company, a subsidiary of Lovell & Christmas in England, and our statement is incorporated in the results of the parent company. It is not the policy of the company to publish the statements of its subsidiaries and we would much prefer if that question were not pressed and that we would not have to present our balance sheet.

The CHAIRMAN: We would have to know, I think, whether it would have a bearing upon the issue before the committee. If the balance sheet does have a bearing, then of course there is nothing that can be withheld from the committee.

Mr. IRVINE: I think it possibly might have a bearing on the very question raised by Mr. Winters a moment ago. For instance, unless we have a complete statement in regard to cheese and butter in storage, I am not sure it can be fully determined as to how much should go to butter and how much should go to something else.

Mr. MACINNIS: That is a question which was raised before in connection with A. & P., I think it was. If my memory serves me correctly, we did not insist upon receiving a statement from the A. & P. to go into our record.

The CHAIRMAN: To go into what?

Mr. MACINNIS: We did not insist on receiving figures from them for the record.

The CHAIRMAN: That is right.

Mr. MACINNIS: There was a statement submitted to counsel. Now I think we should not treat this firm differently. I am not saying that Lovell & Christmas should not be required to give us the information—whether they are subsidiaries of another company or not—I do not say that they should not give a statement of their business, but what I am concerned with is that we should not insist on any figures from one firm that we do not insist upon from other firms.

Mr. IRVINE: I would not think of doing such a thing but I do not believe we have settled the point. I do not think we have yielded our right to demand the statements.

Mr. LESAGE: In the case of practically all companies on whose behalf witnesses were called we have received financial statements. In the case of A. & P. we did not get a financial statement, but if I remember rightly we were told the capital employed in the operation and the net profit.

The CHAIRMAN: Yes.

Mr. LESAGE: If we could have those figures for this company for the years 1946 and 1947 it would not be a disclosure of their financial statement.

Mr. MCLEAN: If, in your opinion, Mr. Chairman, the information is required it is available to you, but as we stated we prefer not to produce it if you can get along without it.

The CHAIRMAN: Well, it is not for me to say; it is for the committee to decide whether the information is of material concern and interest for the purposes of this committee. If it is, and if the committee insists, then it must be produced.

Mr. IRVINE: I do not see how we can decide whether a thing is of value to us until we know what is contained therein. As far as I am concerned every company that appears before us should be prepared to make available its financial statements for years of operation of their business which are under discussion.

Mr. MCLEAN: Perhaps the trading figures asked for by Mr. Lesage and Mr. Beaudry would reveal what you want.

Mr. IRVINE: I doubt whether that information would be adequate but it is for the committee to say whether it wants any more information. As far as I am concerned I would want the whole thing.

The CHAIRMAN: Well, of course, Mr. Irvine, if the committee has any feeling in that direction it can send its auditors into the business at any time it wishes.

Mr. IRVINE: I think that should be done.

Mr. LESAGE: Well, Mr. Chairman, for the committee's purposes the net profit figure with the capital employed is important in order to make a comparison with the gross profit, and to decide whether or not in the operations of 1946 and 1947 there was a loss in the butter department. That is the importance of the information and as far as I am concerned the figures of the capital employed and the net profit to the company before and after taxes would be sufficient.

Mr. MACINNIS: May I quote from the record to show what has been done so far in this matter. I am referring to page 732.

Mr. MONET: What page?

Mr. MACINNIS: 732.

> Mr. MACINNIS: I understood yesterday that we were going to get the financial statement of this company. Has that been filed yet?
>
> Mr. CLEAVER: I wonder if Mr. Bird would be allowed to give us the information which he has. If there is anything lacking, so far as I am concerned, I will ask for it.
>
> The WITNESS: You wanted meat?
>
> Mr. CLEAVER: Yes.

The witness then goes on to give a figure which is not important in this matter.

> Mr. MACINNIS: Following that up, Mr. Chairman, is the committee going to get the same information from this company as the others?
>
> Mr. CLEAVER: I think we should have all the information they are willing to give and look at it and then make up our minds.
>
> The CHAIRMAN: I think, as I said yesterday, at some stage we are going to have to decide whether or not to send accountants to all of these companies ourselves. Counsel is giving consideration to a proposal along that line and may be prepared to express his opinion tomorrow.

Then Mr. Homuth made a point and the chairman said this:

> I think that is correct. What we get here is piecemeal. But as Mr. Homuth says it will be better to have our accountants do that. We will want to consider that in the light of a proposal which counsel has under consideration and will present perhaps tomorrow or the day after.

Now as far as my memory goes we have not insisted on the receipt of a statement from A. & P. and we have not received it.

The CHAIRMAN: I think that is a summary of the position.

Mr. IRVINE: Well, Mr. Chairman, we can perhaps leave it at the moment and the committee can decide whether it is important enough to send an accountant.

Mr. LESAGE: Yes, but just the same I would like the information about the profit.

The CHAIRMAN: It is agreed that we will receive that information.

Mr. FREEMAN: You want the net profit and the capital employed?

Mr. LESAGE: Do you have that information with you?

Mr. FREEMAN: No, I have not got it with me but we will send it to you quite promptly. You require it for what years?

Mr. LESAGE: The financial year ending the 31st March, 1946; the financial year ending the 31st March, 1947; and the first eleven months of the present fiscal year.

Mr. McLEAN: Would you like our auditors to approve those figures which we send?

Mr. LESAGE: It would be quite satisfactory to me if they were not approved, but I suppose it would be better if they were.

Mr. McLEAN: If you desire that, we will furnish it.

Mr. LESAGE: It would be quite satisfactory.

Mr. MONET: Could you do that? It would be better if it were approved.

Mr. WINTERS: Do you sell to wholesalers in the maritimes?

Mr. McLEAN: Yes we do.

Mr. WINTERS: Could you say who they are? Have you a list of them?

Mr. McLEAN: We do most of that business through brokers. The butter we might sell would be delivered to the maritimes.

Mr. WINTERS: Brokers operating in Montreal?

Mr. McLEAN: Yes.

The CHAIRMAN: So there will be no misunderstanding on this point you raised, I want it clearly understood that the committee is not deciding now what it shall do, but it should be known that the committee has the power of eliciting any information which it wants to enable it to make as complete an enquiry as possible. I think that should be stated. You may bring that point up this afternoon at an executive session of the committee.

Are there any other questions?

Mr. LESAGE: Yes; what is your stock of butter today?

Mr. McLEAN: Just offhand I do not know, Mr. Lesage.

Mr. LESAGE: You have no figures for the end of last week?

Mr. McLEAN: No. We were here from Tuesday night to Friday night and we worked all day Saturday to get some of the figures we were asked to look up. We were so busy we forgot to look and see what we were doing in our own business.

Mr. LESAGE: The last figure we have here is the figure for the 28th of February, 1948. You cannot give me any figure for any date after that?

Mr. McLEAN: I am not trying to evade the question, Mr. Lesage; I really do not know, but our stock is decreasing.

Mr. LESAGE: You know why I am asking you that question. People are concerned about the fact they can hardly get butter.

The CHAIRMAN: You are in the same position as all of us, our wives are going after us.

Mr. FREEMAN: Would you include us in that? May I ask one question? This information, when it is sent up, will it be incorporated in the evidence?

Mr. MONET: Oh, yes, it will.

Mr. FREEMAN: This is not information for the committee alone?

Mr. MONET: It is for the members of the committee, but all information is recorded.

The CHAIRMAN: Any information which is based on a question before this committee is included in the record.

Thank you very much, Mr. McLean and Mr. Freeman.

Mr. MONET: The next witness, Mr. Chairman, is Mr. Aird.

The CHAIRMAN: What was the answer to your question about the current supplies of butter?

Mr. LESAGE: The answer was that Mr. McLean had been here for some tmie; he was not in Montreal so he could not give me any figure. The last figure we have is for February 28, 326,000 pounds.

Mr. MONET: Would it have increased since then or decreased?

Mr. MCLEAN: Definitely decreased.

Mr. HOMUTH: That is the natural thing to happen in the spring.

Mr. MCLEAN: Yes.

Mr. MONET: When do you expect your stock to start going up?

Mr. MCLEAN: Not until the month of May.

The CHAIRMAN: Just following up Mr. Homuth's remark, you are not withholding any butter now from the public?

Mr. MCLEAN: Not from our regular trade.

The CHAIRMAN: From your regular trade?

Mr. MCLEAN: We have just sufficient butter to look after the people whom we call our customers. We are not withholding butter from sale.

The CHAIRMAN: There may be an impression butter is being deliberately withheld. Since people are concerned about the shortage at the present time, I think we ought to take this opportunity, while this inquiry is continuing and evidence is being adduced, to ascertain whether that is so. If that is not the case, it should be stated.

Mr. MCLEAN: Well, Mr. Martin, in a matter of a week or ten days we are going to be very embarrassed with our own customers. They are going to be out of butter.

Mr. HOMUTH: The witness made it quite clear the other day that they would refuse to sell butter, perhaps, to people who had never dealt with them before, the same as the corner grocer will do sometimes. However, I think they have never withheld supplies from their own customers.

Mr. MACINNIS: I do not know just what the legal position is on that point. Has a company in the public business of buying and selling got the right to refuse to sell to a customer just because that customer had not bought from that company before? It might very well be that a shortage of butter could be created by firms holding butter for special customers. There is, I believe in some quarters, a definite shortage of butter; but from the figures we have it would appear there is considerable butter in storage with this company.

Mr. MERRITT: Surely, we are going to get into this position: if you use up all the butter now, there will not be any at the end of April. This seems to me to be the supply and effective demand working at a price. If these people are withholding butter from anyone but their regular customers they are just exercising precisely that distribution control which Mr. Taylor, in his evidence, told us would have to be employed in the event a shortage developed.

Mr. LESAGE: I think if all the butter presently in the warehouses was sold to the people who wanted to buy it now, we would likely witness, first, a black market and secondly, the complete disappearance of butter in two weeks.

Mr. MCLEAN: That is correct, Mr. Lesage.

Mr. MACINNIS: The withholding of butter, then, is not the solution. We had just as grave a shortage of butter during the war years.

Mr. MERRITT: We had rationing.

Mr. MACINNIS: All right, we had rationing. Instead of the government doing the rationing, the rationing is done by certain companies.

Mr. HOMUTH: Oh, no.

Mr. LESAGE: It is not rationing, it is distribution.

Mr. MACINNIS: It is rationing. This company decides who is going to get the butter which it has in stock.

Mr. HOMUTH: They do not, they simply decide that, since they have built up a business and have customers, those customers receive first consideration. If they had a surplus of butter, they might deal with others. It is only good business.

Mr. MACINNIS: Before Mr. Homuth answers my question by a direct, "they do not"; they have said they are doing it.

The CHAIRMAN: Mr. Freeman wishes to make a statement.

Mr. FREEMAN: By April 10, at the very latest, we and our customers will be out of butter. We are not going to be able to buy any butter until the second half of April. We will have no butter and our customers will have no butter.

The CHAIRMAN: You have said butter is being withheld for your regular customers. Apart from the merits of that, is any butter being held by you for the purpose of raising the price?

Mr. FREEMAN: No, the price is at the ceiling. Actually, it would be to our advantage to sell all our butter today and save the carrying charges. We are trying to do a distributive job and avoid the point raised by Mr. Lesage.

Mr. LESAGE: The black market and the complete disappearance of butter.

Mr. FREEMAN: Yes.

Mr. LESAGE: Are you buying any butter at the present time?

Mr. FREEMAN: We cannot.

Mr. MCLEAN: We have not been able to buy one pound of butter in six weeks.

Mr. IRVINE: Mr. Chairman, I do not suppose this is the place to discuss a matter of policy in regard to the distribution of butter. If it were, I should certainly have something to say about it.

Mr. MACINNIS: Let me reply to a statement made by Mr. McLean, that they had not bought any butter for the last six weeks. We are in the third week of March. According to the company's own statement, butter bought by the company during the month of February amounted to 239,000 pounds.

Mr. MCLEAN: All in the very early part of February.

Mr. MACINNIS: That seems to me to be quite a large amount since in the month of February, 1946, the company did not buy any. They were not able to buy it. So, you cannot say you are not buying any in March; we will have to wait and see.

Mr. MCLEAN: We have not bought any butter for six weeks. I think my statement is still correct; that must have been in the very early days. It only shows the total purchased for the month. We do not expect to be able to buy any butter until the end of the third week in April, when production picks up. I hope we are wrong.

The CHAIRMAN: This committee will continue to be interested in this question. Next witness.

Mr. MONET: The next witness is Mr. Aird, of Dominion Dairies Limited.

William Robert Aird, President, Dominion Dairies Limited, called and sworn:

By Mr. Monet:

Q. Mr. Aird, would give the committee your full name?—A. William Robert Aird.

Q. Your address?—A. 490 Strathcona Avenue, Westmount.

Q. I understand you are president of Dominion Dairies Limited?—A. Right.

Q. Would you tell the members of the committee where the head office of the Dominion Dairies Limited is situated?—A. 7460 Upper Lachine Road, Montreal.

Q. Would you also give the members of the committee the date of the incorporation of the company?—A. 30th of March, 1943.

Q. Now, Mr. Aird, you were requested to file some information with the secretariat to be given as evidence before the committee. Would you look at this statement entitled, "Reply to questionnaire *re* information required from manufacturers and wholesalers of butter", and tell the members of the committee if those answers were prepared by your company?—A. That is right.

Q. I take it you accept these statements in this document which will be filed as exhibit 65? There are copies for each member of the committee, Mr. Chairman. Before exhibit 65 is distributed, would you also file, as Exhibit 66, the annual report of your company for the year ending March 31, 1947?—A. Yes.

Q. And the subsidiary companies are included in that report?

Mr. MacInnis: Mr. Monet, you filed exhibit 64 this morning; have we copies of that?

Mr. Monet: No, it will be distributed this afternoon. It was not mimeographed.

Exhibit No. 65: Statement on butter operations—Dominion Dairies Limited.

REPLIES TO QUESTIONNAIRE *RE* INFORMATION REQUIRED FROM MANUFACTURERS AND WHOLESALERS OF BUTTER

1. Dominion Dairies Limited.

2. 30th March, 1943.

3. Acme Farmers Dairy Limited, Walmer Road & MacPherson Ave., Toronto, Ont. Elmhurst Dairy Limited, 7460 Upper Lachine Road, Montreal, Que. Hull Dairy Limited, 200 St. Joseph Boulevard, Hull, Que. The Producers Dairy Limited, 275 Kent Street, Ottawa, Ont. Crescent Creamery Company, Limited, 542 Sherburn St., Winnipeg, Man.

4. Elmhurst Dairy (Division)—7460 Upper Lachine Road, Montreal, Que.; 6240 Hutchison St., Outremont, Que.; 101 River Ave., Verdun, Que.; Hudson, Que.; Richmond (Upper Melbourne), Que.; Henryville, Que.; Clarenceville, Que.; Huntingdon, Que.

The Producers Dairy (Division)—275 Kent Street, Ottawa, Ont.; 200 St. Joseph Blvd., Hull, Que.; Buckingham, Que.; Shawville, Que.; Campbell's Bay, Que.; Almonte, Ont.

Acme Farmers Dairy (Division)—Walmer Road & MacPherson Ave., Toronto, Ont.; 2359 Danforth Ave., Toronto, Ont.; Centre Island, Toronto, Ont.; 254 Berkeley Street, Toronto, Ont.; Napanee, Ont.; Sydenham, Ont.

Crescent Creamery Company, Limited—542 Sherburn Street, Winnipeg, Man.; Portage La Prairie, Man.; Swan River, Man.; Steinbach, Man.; Yorkton, Sask.

5. See accompanying schedules and note.

6. See note.

7. Financial Statements for year ended 31st March, 1947, of Dominion Dairies Limited and Crescent Creamery Company, Limited are enclosed.

Note—Dominion Dairies Limited and Crescent Creamery Company, Limited do not keep separate Trading Accounts for butter. The operations at the plants at which butter is produced are diversified and are employed mainly in the manu-

facture of concentrated milk products. They are also sources of supply for milk and cream that is shipped to city plants for distribution from the vehicles of the company and for cream that is used in the manufacture of ice cream. The butter produced at these plants is sold mainly from the same vehicles that distribute milk and cream. For this reason it is not practical from an accounting or operating standpoint to keep separate Trading Accounts for butter. The selling price of butter by the company is governed by the quoted Market Price for butter on either the Toronto or Montreal Exchanges and we have shown on the enclosed table the average selling price for butter month by month for the years in question together with the average quoted Montreal Market Price per carload lots.

DOMINION DAIRIES LIMITED

7460 Upper Lachine Road, Montreal, Quebec

QUANTITIES AND VALUE OF BUTTER—BY MONTHS

Month	Quantities of butter—Lbs.					Average per lb.				
	On hand at beginning of month	Purchases during month	Make	Sub-total	Sales during month and transfers	On hand at end of month	Sales during month only	Market price	Selling price	Margin between market price and selling price
								cts.	cts.	cts.
1946										
January	359,640	172,794	93,552	625,986	396,544	229,442	389,814	36·5	38·4	1·9
February	229,442	128,451	96,275	454,168	315,002	139,166	312,119	36·5	38·5	2·0
March	139,166	55,072	183,684	377,922	286,226	91,696	286,226	36·5	38·6	2·1
April	91,696	25,390	285,463	402,549	281,820	120,729	281,393	40·5	42·5	2·0
May	120,729	48,534	554,083	723,346	408,903	314,443	408,903	39·1	41·2	2·1
June	314,443	213,146	805,211	1,332,800	555,293	777,507	555,293	38·6	40·3	1·7
July	777,507	53,578	724,541	1,555,626	566,456	989,170	566,456	40·0	40·9	0·9
August	989,170	161,746	544,318	1,695,234	518,175	1,177,059	518,175	40·5	42·1	1·6
September	1,177,059	92,838	431,654	1,701,551	459,242	1,242,309	456,444	40·5	42·0	1·5
October	1,242,309	96,586	406,394	1,745,289	489,475	1,255,814	489,094	40·5	42·2	1·7
November	1,255,814	.....	205,682	1,461,496	431,517	1,029,979	428,778	40·5	42·3	1·8
December	1,029,979	32,966	181,371	1,244,316	468,624	775,692	468,419	40·5	42·3	1·8
Total	.....	1,081,101	4,512,228	.....	5,177,277	.....	5,161,114	.....	.....	.....
1947										
January	775,692	108,921	194,868	1,079,481	597,605	481,876	596,874	40·5	42·1	1·6
February	481,876	94,631	133,252	709,749	456,454	253,295	456,328	40·5	42·7	2·2
March	253,295	78,379	292,385	624,059	473,400	150,659	472,995	40·5	42·4	1·9
April	150,659	108,181	395,404	654,244	538,709	115,535	537,471	40·5	42·4	1·9
May	115,535	58,816	606,927	781,278	381,778	399,500	381,454	48·4	52·1	3·7
June	399,500	32,000	820,058	1,251,558	551,248	700,310	550,616	50·1	51·5	1·4
July	700,310	418,688	736,652	1,855,650	616,709	1,238,941	588,087	50·2	52·6	2·4
August	1,238,941	104,358	650,683	1,993,982	643,255	1,350,727	605,179	55·5	56·9	1·4
September	1,350,727	114,544	626,948	2,092,219	496,562	1,595,657	484,698	59·6	62·6	3·0
October	1,595,657	24,440	539,801	2,159,898	594,820	1,565,078	572,946	57·5	60·7	3·2
November	1,565,078	92,274	181,064	1,838,416	558,827	1,279,589	525,097	60·5	65·3	4·8
December	1,278,589	18,598	107,788	1,405,975	576,833	829,142	452,548	66·4	68·4	2·0
Total	.....	1,253,830	5,285,820	.....	6,486,200	.....	6,224,293	.....	.....	.....

1948										
January	829,142	91,234	107,138	1,027,514	419,751	607,763	406,572	67·9	69·9	2·0
February	607,763	14,950	114,091	736,804	425,211	311,593	403,843	67·7	69·6	1·9
1943										
January	375,199	68,484	181,692	625,375	364,623	260,752	363,663	35·3	37·1	1·8
February	260,752	28,348	156,195	445,295	233,777	211,518	232,183	35·3	37·1	1·8
March	211,518	32,960	257,737	502,215	276,548	225,667	275,764	35·3	36·7	1·4
April	225,667	21,430	385,715	632,812	453,865	178,947	453,865	35·3	36·1	0·8
May	178,947	16,224	595,355	790,526	508,943	281,583	508,943	33·2	34·8	1·6
June	281,583	47,852	915,278	1,244,713	609,234	635,479	609,234	33·1	34·3	1·2
July	635,479	19,890	819,560	1,474,929	729,046	745,883	729,046	33·3	34·3	1·0
August	745,883	15,826	710,960	1,472,669	633,979	838,690	633,979	33·3	34·3	1·0
September	838,690	34,013	590,757	1,463,460	577,943	885,517	577,943	33·8	35·1	1·3
October	885,517	26,650	347,422	1,259,589	423,106	836,483	423,106	34·5	36·1	1·6
November	836,483	42,810	119,111	998,404	351,043	647,361	351,043	35·1	36·9	1·8
December	647,361	33,712	111,702	792,775	368,238	424,537	368,238	35·3	37·1	1·8
Total	.....	388,199	5,191,484	.....	5,530,345	.....	5,527,007	.....	.....	.....
1944										
January	424,537	93,104	117,830	635,471	348,140	287,331	348,140	35·3	37·1	1·8
February	287,331	219,154	123,866	630,351	350,608	279,743	350,608	35·3	37·2	1·9
March	279,743	66,658	203,703	550,104	409,220	140,884	409,220	35·3	36·8	1·5
April	140,884	85,483	297,509	523,876	376,765	147,111	376,765	35·3	36·8	1·5
May	147,111	79,502	593,863	820,476	478,054	342,422	478,054	33·8	36·2	2·4
June	342,422	94,795	862,318	1,299,535	713,667	585,868	713,667	33·4	34·6	1·2
July	585,868	18,520	794,750	1,399,138	601,053	798,085	601,053	33·9	34·9	1·0
August	798,085	28,820	653,705	1,480,610	511,575	969,035	511,575	34·6	35·6	1·0
September	969,035	42,407	516,126	1,537,568	564,968	962,600	564,968	35·2	36·3	1·1
October	962,600	45,368	381,849	1,389,817	357,031	1,032,786	357,031	35·2	37·1	1·9
November	1,032,786	21,900	206,047	1,260,733	375,802	884,931	375,802	35·2	37·0	1·8
December	884,931	31,250	164,310	1,080,491	399,023	681,468	399,023	35·2	37·0	1·7
Total	.....	826,961	4,915,876	.....	5,485,906	.....	5,485,906	.....	.....	.....

DOMINION DAIRIES LIMITED

7460 Upper Lachine Road, Montreal, Quebec

QUANTITIES AND VALUE OF BUTTER—BY MONTHS

Month	Quantities of butter—Lbs.					Average per lb.				
	On hand at beginning of month	Purchases during month	Make	Sub-total	Sales during month and transfers	On hand at end of month	Sales during month only	Market price	Selling price	Margin between market price and selling price
								cts.	cts.	cts.
1939										
January	1,094,697	11,850	128,563	1,235,110	512,598	722,512	511,666	22·8	23·2	0·4
February	722,512	50	109,044	831,606	477,680	353,926	476,071	22·3	23·1	0·8
March	353,926	11,350	166,474	531,750	411,965	119,785	411,019	21·7	23·5	1·8
April	119,785	64,233	277,079	461,097	362,247	98,850	360,917	21·5	23·0	1·5
May	98,850	46,619	495,015	640,484	403,314	237,170	397,809	20·9	22·1	1·2
June	237,170	22,550	771,590	1,031,310	554,835	476,475	551,379	22·0	22·8	0·8
July	476,475	55,104	623,244	1,154,823	452,091	702,732	441,942	21·8	23·1	1·3
August	702,732	56,203	581,757	1,340,692	406,249	934,443	394,742	21·6	22·8	1·2
September	934,443	73,768	542,487	1,550,698	500,187	1,050,511	496,827	26·6	26·3	*0·3*
October	1,050,511	28,728	406,552	1,485,791	391,064	1,094,727	390,290	27·8	29·1	1·3
November	1,094,727	14,425	229,780	1,338,932	411,600	927,332	406,928	28·2	29·4	1·2
December	927,332	12,096	168,084	1,107,512	404,051	703,461	400,328	28·0	29·4	1·4
Totals	.....	396,976	4,499,669	.....	5,287,881	.....	5,239,918	.....	.....	.....
1940										
January	703,461	15,056	138,740	857,257	378,474	478,783	376,010	27·7	29·0	1·3
February	478,783	70,409	118,618	667,810	413,985	253,825	410,676	26·8	28·2	1·4
March	253,825	148,439	146,408	548,672	391,753	156,919	390,232	27·7	29·3	1·6
April	156,919	56,755	272,189	485,863	354,187	131,676	348,752	26·5	28·5	2·0
May	131,676	25,984	478,711	636,371	406,543	229,828	393,549	23·3	24·8	1·5
June	229,828	12,768	736,209	978,805	384,370	594,435	374,280	22·5	24·3	1·8
July	594,435	51,184	731,493	1,377,112	408,290	968,822	383,777	22·7	23·8	1·1
August	968,822	104,008	602,714	1,675,544	597,384	1,078,160	577,230	22·4	23·4	1·0
September	1,078,160	22,442	469,663	1,570,265	501,651	1,068,614	485,425	23·4	24·3	0·9
October	1,068,614	53,392	351,346	1,473,352	493,405	979,947	487,563	27·7	27·9	0·2
November	979,947	99,429	188,494	1,267,870	478,696	689,174	473,413	30·2	31·4	1·2
December	789,174	81,816	154,384	1,025,374	331,972	693,402	322,228	34·9	32·5	*2·4*
Totals	.....	741,682	4,388,969	.....	5,140,710	.....	5,023,135	.....	.....	.....

SCHEDULE SHOWING PROFIT OR LOSS PER POUND ON COMBINED BUTTER OPERATIONS OF DOMINION DAIRIES LIMITED AND ITS SUBSIDIARY CRESCENT CREAMERY COMPANY LIMITED

Year ended 31 March 1944	Loss	1·23
Year ended 31 March 1945	Loss	1·15
Year ended 31 March 1946	Loss	·84
Year ended 31 March 1947	Loss	2·19
9 mons. to 31 December 1947	Profit	1·31

This schedule shows the profit or loss per pound of butter (before income taxes) in our fiscal years ended 31st March, 1944 to 1947 inclusive and for the nine months ended 31st December, 1947. We do not operate butter Trading Accounts, and in order to arrive at the figures as shown on this schedule we have estimated on a unit basis the expenses applicable to butter.

EXHIBIT No. 66—Copy of annual report of Dominion Dairies Limited for year ending 31st March, 1947. (filed).

Mr. MONET: Exhibit 65 is the statement; exhibit 66 is the annual report.

By Mr. Monet:

Q. Mr. Aird, before asking you some general questions on your trade I should like to refer you immediately to page 1 of exhibit 65 and ask you to describe for the benefit of the members of the committee the operations of the different plants to which you refer on that page. Start with paragraph 3. Would you tell the members of the committee what are the subsidiary companies listed under that paragraph?—A. Dominion Dairies Limited is the operating company and own wholly Acme Farmers Dairy Limited of Toronto, Elmhurst Dairy Limited of Montreal, Hull Dairy Limited, Hull, and the Producers Dairy Limited of Ottawa. Dominion Dairies is the operating company. These four small companies are small companies with ten shares of capital stock. They were incorporated at the time Dominion Dairies came into being so that the operations could be continued in those four cities, Toronto, Montreal, Hull and Ottawa, and maintain the names of the companies whose assets they bought on the 30 of March, 1943.

By Mr. MacInnis:

Q. There is Crescent Creamery Company here.—A. I will cover that in a moment. Those four companies make no profit and make no loss. They are just there for the purpose of continuing the operations under the names of the respective companies. In the case of the Crescent Creamery Company that is a different proposition. Crescent Creamery Company is a subsidiary company owned through partial ownership of the preferred shares and all of the common shares except the qualifying directors' shares. I think that answers the question there as far as I can.

By Mr. Monet:

Q. Can you tell the members of the committee when each of those companies was incorporated?—A. Acme Farmers Dairy Limited, the present company, was reincorporated in 1943 about the same time as Dominion Dairies. I have not got the exact date of that because they are not operating companies. All of the operations of Dominion Dairies and those companies are in Dominion Dairies, in the balance sheet which I have submitted to you.

Mr. PINARD: Would you ask the witness what he means by reincorporated?

The WITNESS: On March 30, 1943, Dominion Dairies was formed and bought the assets of these other companies. As all of the assets were owned by Dominion Dairies we formed these four small companies in order to carry

on under the trade names of Acme Farmers, Producers, Elmhurst and Hull, Laiterie de Hull.

By Mr. Monet:

Q. Can you give us the date of incorporation of the Elmhurst Dairy?—A. It was somewhere in 1873 originally.

By Mr. Irvine:

Q. Dominion Dairies?—A. Elmhurst somewhere in 1873.

By Mr. Monet:

Q. Would you be able to supply the committee with the exact dates for the incorporation of all these subsidiary companies?—A. Yes.

By Mr. Irvine:

Q. How about Dominion Dairies itself? When was it incorporated?—A. The 30th of March 1943.

Q. Has it any business apart from operating these other companies?—A. No.

By Mr. Monet:

Q. That is what I am having the witness describe just now. Referring to the Crescent Creamery Company Limited, Mr. Aird, what have you to say about it?—A. Crescent Creamery Company is a subsidiary company. Dominion Dairies have ownership in about 42 per cent of the preferred stock and all of the common stock except the directors' qualifying shares.

Q. And it also operates for the benefit of Dominion Dairies Limited?—A. No. The only income Dominion Dairies get from Crescent Creamery Company is in the form of a dividend on their investment if and when paid.

Q. A dividend paid by Crescent Creamery Company to Dominion Dairies Limited?—A. To its shareholders, and we are a shareholder, so we get it.

Q. What proportion of shares have you got?—A. We have 42½ per cent of the preferred stock.

The CHAIRMAN: As a matter of convenience, Mr. Arsenault has been discussing this matter with me, and I take it it will not be necessary to put the annual report into the record. It is an exhibit. We do not want to clutter up the record too much. We did make a mistake and put one of them in.

The WITNESS: I was asked for it.

The CHAIRMAN: Oh, we definitely want it, but it will be an unrecorded exhibit available to members of the committee.

By Mr. Monet:

Q. Coming to paragraph 4 on the first page would you describe the nature of the operations of the four main city dairy plants? I understand you have four main dairy plants. Is that correct?—A. Yes.

Q. The Elmhurst Dairy division?—A. Yes.

Q. The Producers Dairy division.—A. Yes.

Q. Acme Farmers Dairy division?—A. Yes.

Q. And the Crescent Creamery Company Limited?—A. That is not a division. That is a separate company.

Q. Would you explain the operations of each of those four?—A. Well, taking the three operations first, Elmhurst, Producers and Acme Farmers, as I said, they are wholly owned by Dominion Dairies. Dominion Dairies operates them and the assets and all of the things they do are done by Dominon Dairies. We supply staff, personnel and all the rest of it. We have three main city plants in Montreal, Ottawa and Toronto, and we have eight distributing depots. We are primarily milk and cream distributors, butter distributors, ice cream manufacturers and distributors. We manufacture milk powder and condensed

milk, and all of these three divisions of Dominion Dairies, these various plants that are listed which I will refer to in a moment, are sources of supply of the dairy products that are handled in and through these three divisions in their respective cities. Let us take Montreal. We have the main bottling and pasteurizing and distribution plant at Upper Lachine road. We have a distributing depot up on Hutchison street in the north end.

Q. Excuse me for interrupting, but I should like to know the number of each so the committee can follow it up properly. I understand you have four main city dairy plants?—A. Yes.

Q. You have given the nature of their operations?—A. And eight depots.

Q. Tell the members of the committee how many depots you have?—A. Eight, four in Montreal, two in Ottawa, two in Toronto.

Q. Name the depots in Montreal.—A. There is one on Hutchison street taking care of the north end, one on River Avenue, Verdun, taking care of the southern part, one in the municipality of Hudson, Quebec, which takes care of a number of residents throughout five or six municipalities located adjacent to there. There is one at Huntingdon, Quebec, taking care of Huntingdon.

Q. Those are the four distributing depots?—A. Yes.

Q. How many have you got in the Producers Dairy division?—A. Two, one in Hull and one in Buckingham.

Q. How many have you got in the Acme Farmers Dairy division?—A. Two, one on Danforth avenue and one on Centre Island.

Q. You have none in Crescent Creamery Limited?—A. No.

Q. Describe the nature of the operations of these distributing depots?—A. Well, our chief function is to deliver products by our vehicles, whether they be horse-drawn or motor vehicle, to over 110,000 homes a day.

Q. 110,000 homes a day, for all of them?—A. For all of them, including Winnipeg.

Q. Now, I understand you also have one creamery. Is that correct?—A. Well, we have one plant that is only engaged in the manufacture of butter, and that is out in the province of Saskatchewan at Yorkton. All of the other country plants are diversified operations.

Q. Would you explain that? Tell the members of the committee what you mean by that?—A. I will have to pretty well take them one by one because the operations are different. I can group them all in the one lot if you like. Take, for instance, the plant at Richmond. It is really Upper Melbourne but is known as Richmond. That operates as a source of supply of milk and cream for the Elmhurst division in Montreal. Henryville is the same. Clarenceville has a dual operation in that it buys what we call milk that is not inspected for use in the city of Montreal. We are tied in with a lot of regulations, but Clarenceville buys uninspected milk and churns their cream into butter and makes casein out of the residue, or skim. Huntingdon is a plant that has just recently started into operation, and will be operated very similar to Richmond as a source of supply of milk and cream for the Montreal market.

Q. Do all these plants, Mr. Aird make or sell butter?—A. All of those listed sell butter. They do not all make it.

Q. Which are the ones that do not make it.—A. Hutchinson street, River avenue, Hudson, Richmond, Henryville and Huntingdon.

Q. All the others will be making butter?—A. No, no.

Q. Which are the ones that do not make it?—A. Hutchison street, River not make butter. Hull does not make butter. Buckingham does not make butter. Shawville, Campbell's Bay and Almonte do. They are a diversified operation, not wholly butter. Walmer Road makes butter. Danforth avenue does not. Centre Island does not. Berkeley does not. Napanee does not. Sydenham does. Napanee and Sydenham are close together. Any surplus butter fat is churned into butter at Sydenham.

Q. Is it your policy to sell butter when manufactured or to hold it?—A. We do all three.

Q. Give some explanation as to that.—A. During the war the general policy was altered to take care of changed conditions when the Wartime Prices and Trade Board came into being and the price of butter was fixed. Our policy since the 1st of June has reverted back to what it was prior to the war. We can by experience reasonably estimate what our requirements of butter will be together with our estimated make of butter to see us through one season until the next. Our policy has been to accumulate as well as make. By the way, we make approximately 80 per cent of the butter we sell, so therefore there is approximately 20 per cent that we have got to find to see us through. Sometimes we guess right and sometimes we guess wrong on our butter. Our butter is sold to 110,000 customers. They do not all buy butter from us. Right now they would all like to because we have not got much to sell, but there are many of them who do not buy from us throughout the year. Perhaps this might be interesting. The distribution retail is 33·81 per cent on the operations for the nine months ending December 31.

Q. We will come to that later in the figures you have submitted to us. I want you to give the members of the committee the policy of your company when it is manufactured, whether you hold it or sell it immediately.—A. We make or accumulate as we require for our customers.

Q. Has that always been the policy of your company?—A. Always except, as I say, during a part of the war period when butter was rationed. We did not know whether the ration would be raised or decreased so therefore we discontinued that policy to a certain extent, and had to be governed by what we thought might happen to the butter industry. With a free market you can reasonably estimate what your customers are going to take. On a rationed market you do not know.

Q. What would determine the quantity of butter you would hold after it being manufactured?—A. Our reasonable requirements from month to month to see us through till the following production year.

Q. For the customers?—A. For the customers we have.

Q. How long would you have to hold butter to meet these requirements?—A. We do not hold butter very long in our requirements because we make about 80 per cent of the butter that we sell, and at no time do we have much over three months' requirements of butter at the end of any peak month holdings.

Q. What would you do with the butter you buy? Would you hold that 20 per cent of butter you buy?—A. We buy it as we go along from month to month.

Q. From month to month?—A. Yes. Some months we buy more. We buy some in the summer time to put away for winter sales.

Q. And that butter you buy you also buy for the customers to whom you have referred?—A. All our trading is for our customers. We do not buy or sell butter on the market.

Q. You do not sell butter?—A. No, sir.

Q. All the butter you make or buy is purely for sale to your customers?—A. To our own customers.

Mr. IRVINE: That is to consumers?

The WITNESS: To the consumers—hospitals, restaurants, hotels, institutions, the people we sell our dairy products to.

By Mr. Monet:

Q. You have your own cold storage, Mr. Aird?—A. We do both, depending upon the division operating. Throughout the greater part of the year we can store all our butter in our own warehouses. We do not operate any separate warehouses. Our warehouse is a part of our general organization and we do not

lease any warehouse space to anybody else. We do not warehouse anything for anybody else. We are a self-contained organization and we deal within ourselves.

Q. You do not lease any warehouse space to anybody else?—A. Not for the public, no.

Q. You use your warehouse space purely for the purposes of your company?—A. Right.

Q. And do you rent any storage accommodation from anybody else?—A. Yes, we do.

Q. What proportion of your butter would you store in public storage?—A. A very small proportion.

Q. What would be that proportion?—A. At the peak, 20 per cent in this area here, in Montreal it might run to 60 per cent, Winnipeg, very little—across Canada 15 per cent.

Q. Where did you say it would be 20 per cent?—A. In the Ottawa section.

Q. In Montreal you say you store about 40 per cent?—A. 40 per cent or 50 per cent at the peak.

Q. What is the cost of public storage to you, Mr. Aird?—A. I am speaking from memory now. I do not rent a warehouse but I buy it. It is costing us somewhere under a half a cent a pound a month. I would say between ·45 and ·5 cents a pound.

Q. Somebody made the statement to the committee yesterday that for the last few months these costs have increased?—A. That is right. I think the increase came into effect in the year 1947. It used to be 10 cents per box per month and that was increased to 11 cents a box and 3 cents extra for the first month. I think that would be correct.

Q. Did you at any time—you have already said you sell all your butter to your customers but I want to make this very clear—does your company at any time sell butter through the commodity exchange?—A. I have never bought or sold through the Montreal commodity exchange.

Q. Your company have never had any dealings with the commodity exchange?—A. No.

Q. Coming back to the production of butter, Mr. Aird, would you tell the members of the committee what basis you use in setting your price for butterfat?—A. That is the sixty-four dollar question.

Q. I do not know what question it is, but I would like you to answer, to give me a very full explanation.—A. I will have to say this about that: Where we buy butter as butterfat and churn it into butter, naturally we have to take into consideration the market price at which butter is being sold.

Mr. LESAGE: At that time?

The WITNESS: At that time, and the price as fixed by the milk control boards for milk for manufacturing purposes in the area in which we expect to buy the butterfat; and also competition in the vicinity of that plant from cheese or butterfat from manufacturers of cheese or manufacturers of butter. There is no definite fixed rule which you can use in arriving at it; rather it is a question of determining to the best of your ability how the market trend is and the price that may be fixed, or the condition in the butter market. It all depends on the demand for milk for manufacturing purposes because we have a manufacturing plant adjacent to us or in that same plant we are manufacturing butter we cannot buy milk for butter at less than we pay for manufacturing it for other purposes. We have to use the manufacturing price.

Mr. IRVINE: By the way, would you say whether your company manufactures cheese?

The WITNESS: We manufacture some cottage cheese but no cheddar cheese.

Mr. LOW: Just in that connection, Mr. Aird, you might find that having determined the price in that area, the price that you would pay for butterfat,

you might have to revise it within a short time because you are not getting an adequate supply of milk?

The WITNESS: Yes. Well, in this area here we buy on a bi-monthly basis; that is, we pay on the 1st and the 15th, and the 16th to the 30th or the 31st; and that is determined by the average price of butter and cheese and milk for any other purposes to which I have referred. We are not going to be able to get the producer to ship his goods to us unless we meet the prevailing price in the area. Suppose somebody else needs more milk and the price goes up a couple or 3 cents a pound, we have to meet it. But there is no price fixing.

Mr. LESAGE: You mean, no fixed rule?

The WITNESS: No fixed rule, and I could go out and raise my price tomorrow if I had to get more butter.

By Mr. Monet:

Q. On that line would this be a fair statement to make: In determining the price of butterfat the main factors entering into consideration would be the wholesale price, the cost of manufacture, the overrun and the competition between creameries?—A. Not the cost of manufacture.

Q. No.—A. The cost of manufacturing does not enter into our purchase price of butterfat or the selling price of butter. It may be strange, but that is the fact, because the cost of manufacturing does not enter into the price we pay to the producer or the price at which we sell the butter.

Mr. LESAGE: Because it is constant?

The WITNESS: It is fairly constant on an annual basis but not on a monthly basis.

Mr. LESAGE: No, no; I agree with that.

Mr. WINTERS: But on a long-term basis it would have to enter into it, would it not?

The WITNESS: On a long-term basis, if you are going to stay in the butter business you have still got to follow the market.

Mr. IRVINE: You would not stay in the butter business if you did not make those expenses on your investment.

The WITNESS: I did stay in it, as you will see later on. Butter in an organization such as ours where we are dealing—I am not a butterman, I am a milkman, and our job is to supply our customers, and it is a convenience more than anything else for the customer that we sell; so, therefore, when you get to look at my figures on butter you will find that I lost money on the basis that we figured our costs on butter.

Mr. MCCUBBIN: It is only a service?

The WITNESS: It helps us to sell more milk.

Mr. WINTERS: But on a long-term basis the price has a relationship to cost.

The WITNESS: On a long-term basis we would not be in it.

By Mr. Monet:

Q. While we are on this question of butterfat, Mr. Aird, I would like you to give very clear information to the members of the committee on this butterfat price and the price of butter as at last April and May. I understand the subsidy on butterfat was removed last May, was it not?—A. The subsidy I think was removed on the 1st of May, yes.

Q. What was the subsidy on butterfat at that time?—A. On a pound of butterfat it was 10 cents.

Q. Now would you please tell the committee, when the subsidy on butterfat was removed to what extent the price of butter rose?—A. If I remember correctly, the average price of butter for the month of May was 48·5 cents.

Q. You mean from April to May?—A. The price went up, the market price went up 8½ cents.

Q. Is it not a fact that the price of butter was allowed to rise 10 cents when the subsidy on butterfat was removed?—A. The ceiling.

Q. The ceiling.—A. The ceiling was allowed to rise 10 cents but butter did not go up.

Q. You say it did not go up?—A. No, not on the market.

Mr. IRVINE: Never at any time from then on?

The WITNESS: Oh yes. I am talking about when the ceiling was removed.

By Mr. Monet:

Q. I am talking about when the ceiling was removed, because I want to make that very clear. Now, after the ceiling was removed I understand the price of butter rose quite considerably, did it not?—A. Yes, it went up to 50 cents average in June. It could have gone to 50 cents in May, but it did not go to 50 cents in May.

Q. Well, the rise then from June till the new ceiling was reimposed—did the removing of the subsidy have anything to do with the subsequent rises after May 1?—A. I do not understand your question.

Q. Did the removal of subsidies have anything to do with the rise in the price of butter after this first rise between May and June?—A. Well, the removal of the subsidy meant that we had to refund to the government, the corporation that pays the subsidy, 8·5 cents on the entire quantity of butter we held on April 30.

Q. That was at the time when the subsidy was removed?—A. Simultaneously with the removal of the subsidy we had to pay back 8½ cents a pound.

Q. In other words, Mr. Aird, the price of butter rose 8½ cents from April to May when the subsidy was removed?—A. Overnight.

Q. And you were called upon to turn back that 8½ cents?—A. Which we did, 8½ cents a pound.

Q. And that was on the butter that you were holding at that time?—A. Yes, sir.

Q. What I want to know, after the month of May the price of butter kept rising; is that right?—A. Yes.

Q. Until the month of October?—A. Yes, right until January.

Q. Well, did it not go up between October to November from 57 to 63?—A. Yes, but it came down from the high in September—it came down in October and went back up again in November.

Q. What I want to know now is if the removal of the subsidy, which caused the rise of 8½ cents between April and May, was also the cause of the increase in price from June to October?—A. I do not think the removal of the subsidy in May had anything to do with the subsequent rise in the price of butter, except to the extent of the original 8½ cents.

Q. That is what I want to bring out. Will you have to question the witness on that point, Mr. Irvine?

Mr. IRVINE: No.

Mr. MONET: That is all I have to ask on this point.

By Mr. Monet:

Q. What was the price paid for butter for the first of each month from June, 1947, to March, 1948?—A. From June, 1947, to March, 1948—there are only two places where we are able to store butter in large quantities—where we buy what is known as churning cream and churn it into butter, that is in Shawville and Campbell's Bay, both on the Quebec side north of Ottawa here, and in Manitoba and Saskatchewan; and in June—do you want me to give you these figures?

Q. Yes, please?—A. We paid 54·5 cents on the Quebec side for the first half of June, and 56 cents for the second half; 55·5 for the first half of July and 56 for the second half; 57·5 for the first half of August and 64 cents for the second half of August; 66 for the first half of September and 65 for the second half; 65 for the first half of October and 62·5 for the second half; 63·5 for the first half of November and 68·5 for the second half of November; 72·5 for the first half of December and 76·5 for the second half of December; 76 for the first half of January and 74 for the second half of January; and 74 for the first half of February. I did not have in my office the figure for the last half of February, but it would be about the same as the 74 cents for the first half. Now, I had better qualify that. That is the price for a pound of butterfat delivered to our plant and it costs us 3 cents a pound to haul it. The producer gets 3 cents less than the price I have given here.

Q. Three cents less is paid to the producer?—A. Yes.

By Mr. Pinard:

Q. Why is there that difference?—A. We pick it up at the farm, sir, and haul it to our plant, and our average over-all cost is 3 cents a pound for hauling it.

Q. Has that always been your custom?—A. In this area, yes. I was going to quote the Manitoba and Saskatchewan prices which are based on delivery by the producers to the plant. We do not do any hauling there.

By Mr. Monet:

Q. Would you give those figures, please, so that we may have a clear picture? —A. In Manitoba we buy on a cash daily basis, so therefore I have got to give you the average price paid for a pound of butterfat in a month. When a farmer ships us cream in Manitoba a cheque goes out the next day for that can of cream and so it is on a different basis to that of the Quebec operation.

Q. Give us the figures, please?—A. The monthly average for April was 42¾ cents; for the month of May, 52 cents; for the month of June, 52½ cents; for the month of July, 53½ cents; for the month of August, 56½ cents; for the month of September, 62¾ cents; for the month of October, 62½ cents; for the month of November, 62½ cents; for the month of December, 68½ cents; for the month of January, 70½ cents; for the month of February, 69½ cents.

Mr. IRVINE: 69½ cents for the month of February?

The WITNESS: Yes, 69½ cents for February.

By Mr. Monet:

Q. That is what you paid the producer for butterfat?—A. That is the average price paid for butterfat in those months I have mentioned in the provinces of Manitoba and Saskatchewan.

Q. And what did it cost you to bring it to the plant?—A. Nothing, that was a delivery to the plant price.

Q. That is a delivery to the plant price?—A. Yes.

Q. Have you got any other figures you can give as to prices?—A. No, I have not.

Q. Now, Mr. Aird, can you give the members of the committee an idea of what were, in your opinion, the main factors for the substantial increases in butter prices from January 1947 until the ceiling was re-imposed?—A. Well there were a number of contributing factors. The first and foremost factor was that when we got to July, particularly in this part of the country, we found that the crops were such—they were going to be poor—that it looked as though the make and the consumption were out of balance.

(Mr. Winters took the chair.)

Those were part of the picture. Also I think a contributing factor was the fact that the price of milk for other products had increased. It was somewhat

difficult as a buyer of milk for various products to tell the producer that he would get more for milk if it went into one product than if it went into another. That factor too entered into the picture. Fluid milk contributed in no small measure to the demands of the producers for a higher price.

By Mr. Lesage:

Q. Did the price of fluid milk have a very important effect?—A. Yes, on the 1st of October of the year before—

Q. For instance, the provincial dairy board in the province of Quebec fixed the price at 17 cents, 10 cents going to the producers, is that correct?—A. Yes.

Q. Which meant that the farmers were expecting a much higher return for their milk whether it was going to go into butter or cheese?—A. That is right.

Q. Well, the price has fallen now?

Mr. HOMUTH: Well, wait a minute, if we are going to start an argument on that—

By Mr. Monet:

Q. Now, Mr. Aird, would you tell the members of the committee who, in your opinion, benefited mostly from the rise in prices, the producer or the wholesaler?—A. I would say in the first instance the producer benefited and we benefited in our company. The consumer benefited to the extent that we got more butter that we would otherwise have had for them. Unfortunately the consumer paid more for it but if you want to get butter you have got to pay enough to keep it coming.

By Mr. Lesage:

Q. Well, in the fluid milk department the distributors got more of the increase than did the producers?—A. No.

Q. Is that correct?—A. No, I think I can prove it to you when you look at the figures I have submitted. Our operating spread between the market and those prices I quoted are approximately the same all the way along.

Q. No, but in regard to fluid milk?—A. I do not understand.

Q. Well, the producers did get less of the increase than the distributors received?—A. No, I do not think that is so. Are you talking of the fact the cream producers got less than the fluid milk producers?

Q. No, I mean the producers of fluid milk got less of the last increase than did the distributors?—A. That is milk, and I am not prepared to answer the question at the present moment because I have not got those figures with me.

By Mr. Irvine:

Q. May I ask a question arising out of the last answer. As I understood it the producers benefited by the increase, the dealers or manufacturers, whichever you call yourselves benefited, and the consumers benefited. In that case it must be a good thing to have had an increase in the prices?—A. It looks that way.

Mr. HOMUTH: It is a very happy circle.

Mr. IRVINE: Well, we are wasting our time here, Mr. Chairman, if that is the case.

Mr. FLEMING: You can say that again.

By Mr. Monet:

Q. How can you explain that the consumer did benefit from the rise in prices? I would like you to make that very clear because you have said the consumer did benefit from the rise in prices?—A. What I meant to infer was that the higher prices brought out more butter which enabled us to give the consumer more butter than if the price had been kept down.

Mr. IRVINE: Do you mean to say it affected the cows so that they milked more?

The WITNESS: It did not affect the cows but it affected the men who owned the cows.

Mr. IRVINE: They pulled harder?

By Mr. Lesage:

Q. Less cheese and more butter?—A. It swung milk away from cheese, the dual factories switched their operation from cheese toward butter.

Q. The edge was given to butter?—A. Yes.

By Mr. Monet:

Q. I understood there was an apparent shortage of butter last fall?—A. There was, and there is now.

Q. I am talking about last fall, and I know there is a shortage now. Last fall there was an apparent shortage of butter?—A. Yes sir, there was.

Q. I would like you to explain very clearly what you meant by the statement, and I think it is very important that you should explain it, when you said the consumer benefited from the increase in price. Did you mean that?—A. I meant, and I qualified the statement, that the higher prices brought out more butter. Now, if butter is beneficial to the consumer they did benefit because there was higher production. They did not benefit on the price.

Q. They would have benefited merely because there would have been more butter?—A. The consumer did benefit because there was more butter but the consumer did not benefit in regard to price. You can benefit in two ways.

Mr. LESAGE: Supply and price.

Mr. MONET: Yes, and I wanted that information because the way it was first put I could not just see it.

Mr. IRVINE: Can you say now to what extent the situation altered in favour of butter as compared to cheese? What was the percentage increase of milk that went to butter?

The WITNESS: I have no figures on that, Mr. Irvine, but I think the records will show that there was a considerably greater decrease in cheese production. If I remember rightly I think there was a slight increase in butter. The figure is in the record somewhere but I do not recall just where it is.

Mr. LESAGE: If you will look at Exhibit No. 52 you will find the production of butter for 1946 and 1947.

Mr. IRVINE: Is it compared to cheese?

Mr. LESAGE: No.

Mr. IRVINE: Well have we those comparative figures anywhere?

Mr. MERRITT: We had a statement on the matter from Mr. K. W. Taylor.

Mr. IRVINE: I think we ought to have that figure here somewhere, and while I am not disposed to doubt the word of the witness, nevertheless I would like more than the mere statement that there was an increase. I would like to know for sure.

Mr. MERRITT: I might say that we had a statement to that effect from the chairman of the Wartime Prices and Trade Board.

Mr. IRVINE: I think we did have a statement.

Mr. FLEMING: If it would be convenient for Mr. Monet, and if he was not going to ask this question himself, I would like to follow up Mr. Lesage's question of a moment ago when he was inquiring as to what was referred to by Mr. Aird as benefit to the producer, the distributor, and the consumer. Leaving

out the benefit to the consumer which has been explained, and confining ourselves to the benefit shared by the producer and the distributor, I take it that the benefit was in the form of an increase in price.

The WITNESS: The producer benefited by the higher price.

Mr. FLEMING: Are you going to comment on this Mr. Monet?

Mr. MONET: It is quite all right, go ahead.

Mr. FLEMING: I wonder if you could give the relative degrees of benefit to the producer and to the distributor from the rise in the price of butter?

The WITNESS: If you take the price in July of 55½ cents—that is in the first half of July—and you go on to November the figure is 63½ cents which is an 8 cent increase for a pound of butterfat.

By Mr. Monet:

Q. Where do you take that figure from?—A. That is the price I paid.

Q. For butterfat?—A. For butterfat. I am talking about my own company.

Q. What would be the price for butter? Exhibit No. 52 gives the price in August as 55¼ cents?—A. Yes, but I paid 64 cents in the last half of August for a pound of butterfat.

By Mr. Fleming:

Q. I think it would be better if we just let Mr. Aird explain in his own way the breakdown of benefit as between the producer and the distributor? —A. What I meant by the statement that the producer benefited—and I am not saying that he got more out of it—is that the distributor paid the producer a higher price for the butterfat. If the producer's cost went up more than he received then he did not benefit.

Q. Let us speak in terms of the increase as between the distributor and the consumer?—A. I have not got it worked out to the extent to which we participated except that we had storage butter. We had butter which we had purchased at the lower price and as the price went up we sold at the higher price and we benefited. The producer benefited to the extent that he sold the pound of butterfat to me at the higher price. That is what I meant by the statement that he benefited.

Mr. IRVINE: Well, can you say—

Mr. FLEMING: I have not quite finished yet, Mr. Irvine.

Mr. IRVINE: Oh, I am sorry.

By Mr. Fleming:

Q. We can measure the increase in price to the consumer, and we have had the figure on that increase?—A. Yes.

Q. Now can you tell us how much of that increase would go to the producer and how much would be the increase in your participation?—A. I have not got it worked out in that way.

Mr. MONET: Could you work that out and give us the answer this afternoon.

The WITNESS: I doubt it.

By Mr. Irvine:

Q. Could you answer this, Mr. Aird; are we to understand from the answer you gave a moment ago to Mr. Fleming's question that the producer received 8 cents a pound more for butterfat after the removal of the subsidy than he did before?—A. In my case, we bought butterfat and he received ten more.

By Mr. Fleming:

Q. Probably at that point you could tell us, when you resold that, at what advance in price did you resell?—A. Our selling price went up from 42·4 cents to 52·1.

Q. You advanced the price 9·7 cents and you were paying— —A. The producers 10 more for a pound of butterfat.

Q. We have to translate those figures?—A. We had a slight gain there.

Q. It looks to me as though you had practically no gain, that the producer was getting it all?—A. No, I have to be frank, because we had a slight gain. We went up 9·7 and the subsidy was 8·5.

Q. You went up 8½?

The ACTING CHAIRMAN: He was up 9·7.

The WITNESS: The 10 cents a pound butterfat we went up is equivalent to 8½.

The ACTING CHAIRMAN: The producer got the 8½?

By Mr. Fleming:

Q. You shared, then, to the extent of 1·2 cents a pound?—A. Right.

Q. The producer got 8·5 cents a pound on butter?—A. Yes.

Q. We are on a common basis, there. You get 1·2 cents per pound of butter and the producer gets 8·5 cents per pound of butter?—A. He got 8·5 cents before.

Q. He continued to get it?—A. He got it from us. That is why we went up 10 cents. We made a gain.

Q. But he got quite a bit of gain, compared with you?—A. He had no gain, Mr. Fleming.

Q. He carries forward into the price what was previously a subsidy?—A. He got it from the government and he got it from us afterwards; his position was the same.

By Mr. Irvine:

Q. That is what I was asking you before, but I did not understand you to say that. I understood you to say the producer got 10 cents more?—A. No, I was talking about the period subsequent to the removal of subsidies on butter, who benefited. We were talking about two different things. Mr. Fleming is questioning me concerning the period from the month of May on. There was a ceiling of 50 cents on butter, and with the removal of the subsidy, who gained? I did not make the statement that the consumer gained or the producer gained in that period. Mr. Monet was asking me concerning what happened between July and November.

Mr. MONET: I also asked you concerning the period from April to May; that is, the rise of 8½ cents was due to the removal of the subsidy?

The WITNESS: Right.

By Mr. Monet:

Q. And the producer did not get anything more at that period when the subsidy was removed?—A. He got the ten cents from us which he used to get from the government.

Q. He did not get anything more?—A. He did not get anything more.

Q. Instead of getting it as a subsidy from the government he got it from the creamery?—A. Yes.

By Mr. Fleming:

Q. We are talking about producers, to whom do you refer?—A. The actual man who milks the cows and sells me the goods, that is the producer.

Q. From an earlier remark about the degree of participation in the advance in price on the part of the producer on one hand and the distributor on the other, I thought your reply had some reference to the advance in the fall of the year as well. Did you make a remark about the degree of participation of the producer and distributor in that increase in the fall?—A. From the first half of July, when we were under no control, open market, no subsidy, we paid the farmer in Quebec 55½ cents.

Q. That is butterfat, now?—A. For a pound of butterfat, and about the first half of December we paid 72½ cents for the same thing.

Q. So that the price to the farmer went up 17½ cents per pound of butterfat in that period?—A. Right—for our company.

Q. Then, could you tell us about your selling price?—A. Our average selling price in July, 1947, was 50·2 cents a pound—I am sorry, 52·6 cents a pound.

Q. For butter?—A. For butter; and our average selling price for butter in December was 68·4, an increase of 15·8 cents.

Q. 15·8 cents per pound of butter. How do you translate that into butterfat, now?—A. That is a lot of arithmetic.

By Mr. Monet:

Q. I understand you make 1·22 pounds of butter with a pound of butterfat?—A. Approximately, yes.

By Mr. Fleming:

Q. I want you to compare the advance to the farmer of 17½ cents per pound of butterfat with the advance to the consumer of 15·8 cents per pound of butter?—A. I evidently picked a bad one to give you as an example. I should have gone back a little farther and forward a little more, because it would be 22 cents.

Q. Give us a fair picture.—A. I will get that and work out an answer for you this afternoon.

Mr. LESAGE: Mr. Fleming, you cannot forget that the distributors kept butter for which they had paid a much lower price and which gave them a supplementary profit that the producers did not get.

Mr. FLEMING: That is a different question entirely. Mr. Lesage is talking about inventory profit again and that is a different question.

The CHAIRMAN: We will get an answer to your question and then analyse it.

By Mr. Monet:

Q. You will work this out and answer Mr. Fleming's question this afternoon?—A. Yes, what the 22 cents the producer got meant to us. How much of the 22 cent increase he got and how much we got.

By Mr. Fleming:

Q. In other words, thinking in terms of the advance in price that the consumer paid over this period, how was that advance distributed as between the producer and the distributor?—A. In relation to a pound of butter fat and pound of butter?

Q. I would rather have them on a common basis?—A. Yes.

By Mr. Lesage:

Q. In order to have a true picture, you will have to show the proportion you kept in stock, the proportion of your profit on inventory stock?—A. I do not keep a separate stock. I will explain that when we come to that point.

Q. We cannot have a true picture without that?—A. No.

Q. You admit that?—A. Yes, I am not inferring our picture by quoting the 54½ cents and 76½ cents; that is the straight purchase price.

Q. Because your average cost was lower?—A. It is a different thing entirely.

Mr. IRVINE: That really does not affect the question you were asking.

M. FLEMING: No, Mr. Lesage is talking about an entirely different thing.

By Mr. Monet:

Q. I understand there is a 1 cent margin in there owing to the fact you sold butter in cartons?—A. Yes.

Q. That was provided for by the orders of the Wartime Prices and Trade Board?—A. Yes, it was always the custom during the war and was continued afterwards and is still in effect.

Q. The price you stated this morning would include that 1 cent?—A. That is the average price.

The ACTING CHAIRMAN: It is one o'clock and the meeting is adjourned.

The meeting adjourned to meet again at 4.00 p.m.

AFTERNOON SESSION

The committee resumed at 4 p.m.

The CHAIRMAN: I am sure I express the feeling of every member of the committee when I say that we are very happy to see that Mr. Waling, who took sick in this room, is back. We are very glad to see he is here.

William Robert Aird, President, Dominion Dairies Limited, recalled.

By Mr. Monet:

Q. Mr. Aird, at the adjournment you were asked a question by Mr. Fleming. I understand you are now in a position to answer that question?—A. Yes.

Q. Please do so.—A. For the month of June, 1947, our company's average selling price of butter was 51·5 cents a pound. For the month of December, 1947, it was 68·4, or an increase in December over the June price of 16·9 cents a pound. The purchase price of butter fat f.o.b. plant in June, 1947, was 54·5 cents and December, 1947, 76·5 cents, or an increase in the purchase price of butter fat at the plant of 22 cents. Converting that 22 cents to a pound of butter on a basis of a 20 per cent over-run the producers got 18·3 cents more. The purchase price increased over the selling price by 1·4 cents a pound of butter.

Q. A pound of butter?—A. Yes.

Q. That is the spread between June, 1947 and December 1947—A. Right.

Q. Now, Mr. Aird, coming back to exhibit 65 I understand that you did not give the information as requested from you by counsel. Would you give an explanation to the members of the committee why you could not do so and as to the way you did proceed?—A. We do not keep separate trading accounts for butter.

Q. I understand there is a note on page 2 of exhibit 66 which refers to that. Would that be right?—A. Right. Our butter operations are all intertwined with our fluid milk distribution, so therefore we are in a different position to the straight butter trader. It is handled by the same vehicles that handle our other products, and therefore we do not draw off a profit and loss account for butter as such. The operations of these plants at which butter is produced are diversi-

fied, as I explained this morning, and they are employed mainly in the manufacture of concentrated milk products. They are also sources of supply for milk and cream shipped to city plants for distribution from the vehicles of the company and for cream used in the manufacture of ice cream. The butter produced at these plants is sold mainly from the same vehicles. For this reason it is not practical from an accounting or operating standpoint to keep separate trading accounts for butter. When I say it is not practical from an accounting or operating standpoint that is from our point of view.

Q. You mean you do not account for it that way?—A. That is right.

Q. That is why you could not give the information as requested?—A. That is right.

Q. But you did supply counsel with all the information requested aside from that?—A. To the best of our ability, yes. Where you asked for the cost price and so on I have had to fill in the actual selling price of our butter, and the Montreal market price. I show the difference between the two. Then on the last page I show the profit or loss on a pound of butter on a yearly basis. I am unable to determine the actual cost on a pound of butter in any of our plants until the actual year has been completed, because I do not know what the costs are until the year has run its course. Receipts of milk and cream vary to a tremendous extent, as these figures show, and to arrive at the cost of a pound of butter I have got to get to the end of the year to find out what proportion of the expenses to charge against this or that or the other.

Q. For the moment, Mr. Aird, I will refer you to page 3 of Exhibit 65. The heading is "quantities and value of butter by months", for the years 1946 and 1947?—A. Yes.

Q. I see that the first column reads, "on hand at beginning of month"?—A. Right.

Q. And the second column is "purchases during month"?—A. Right.

Q. And the third column is "make". What do you mean by "make"?—A. That is the butter actually made by our organization in the plants that we operate.

Q. And the purchases during months?—A. Are the actual purchases from places other than our own plants.

Q. Then, the fourth column is the total of the first three, I presume?—A. The first two.

Q. And plus the butter on hand?—A. The first three, yes.

Q. Plus the butter on hand at the beginning of the month?—A. Right.

Q. Reading the heading of the fifth column we see that it is "sales during month and transfers"?—A. Yes.

Q. What do you mean by that?—A. That includes the actual sales, and we use butter in other products, so if you take the difference between the sales during the month and the sales and transfers you have the quantity of butter that is used in other products.

Q. You mean if you take the difference between column 5 with the heading "sales during month and transfers" and column 7, "sales during month only"?—A. That is right.

Q. How do you account for the difference?—A. Used in other products, not sold as butter.

Q. Would you describe to the members of the committee what it would be used for?—A. It might be used in ice cream. It might be used in cheese.

Q. That would be after it had already been made into butter?—A. Right.

By Mr. Irvine:

Q. After it is made into butter?—A. Yes, sir; it is common practice.

By Mr. Monet:

Q. Can you give some explanation to the committee why you would do that?—A. Why would we do that? Because fluid sweet cream was in short supply.

Q. That is the only reason?—A. That is the only reason.

Q. And that explains the difference for the month of January, 1946, for instance, between 389,814 and 396,544.—A. Roughly, 7,000,000 pounds, yes.

Q. Not 7,000,000, 7,000?—A. 7,000 pounds.

Q. Would be turned from butter to other products?—A. Right.

Q. While we are on this subject, Mr. Aird, I notice for the month of December, 1947, there is a very substantial amount between the sales during month and transfers, column 5, which are 576,833, and your sales during the month which amount to 452,548?—A. Right.

Q. Do you have some information to give to the committee as to that? There is over 124,000 pounds difference.—A. Right. During the year 1946 it was common practice to obtain permits from the Wartime Prices and Trade Board for the use of butter in other products. With the lifting of the rationing of butter we carried this butter as straight butter, and when we came to the month of December, a month of quite short supply, with a large increase in ice cream sales volume, there was a lot of this butter that was transferred over, used in the other departments. That butter has all been used. I verified that yesterday by telephone. None of that butter is on hand. It has not been sold as butter. It has been used in other products.

Q. In different products?—A. You must remember that transfer includes fairly large operations and in four places, four cities of operation.

Q. But the difference seems to be so large between those two figures in December, 1947, comparing it with the same figures for all of the rest of the months of those two years. I should like you to give a very specific explanation as to that.—A. I have tried to explain that in the way I have given it to you, and that is the only explanation that there is, that butter is in shorter supply, and cream is in shorter supply this year than it was last year, and therefore the extent to which we had to use butter this year in comparison with previous years is much greater.

Q. Was not the supply of butter shorter in December, 1947 than in November, 1947?—A. Yes, but we had more cream coming in. For instance, if you will look at the make we made 181,000 pounds of butter in November and only 107,000 in December, so our make dropped roughly about 50 per cent. Therefore we had to use more butter.

Q. If you had to use more butter why did you turn more butter into the other products for that month of December?—A. Because we have to sell the other products.

Q. That would be the reason?—A. That would be the reason. We have to sell the other products.

Q. You did not feel like keeping it in butter as it was.—A. That butter was not made or carried in inventory for supply to our regular butter customers. That was carried for the purpose for which it was used.

By Mr. Beaudry:

Q. The butter transfers for December, 1947, according to these figures, would amount to roughly 126,000 pounds?—A. 124,000 pounds.

Q. You say that has all been used from what date to what date?—A. From that date to the present time.

Q. In those three months?—A. In the other products. It was not all used in December.

Q. Would that be used more in ice cream than in cheese?—A. Yes.

Q. Would it be possible to tell us the ice cream sales figures for January, February and March of this year?—A. I can get that for you. I have not got them here.

Q. Will you get those figures?

Mr. MONET: Yes, we will. You want the January, February and March figures for ice cream.

The WITNESS: I cannot give you March yet.

Mr. MONET: January, February and March up to date.

Mr. BEAUDRY: Yes, up to date.

By Mr. Monet:

Q. Now Mr. Aird, I would refer you to column 2 on the same page which is headed "purchases during month." I notice in July, 1947, your purchases were 418,688 pounds?—A. Right.

Q. Which is a very much larger amount than any other month during the year 1947, and I would say during the year 1946?—A. That is right.

Q. Would you give an explanation to the members of the committee why there was a so much larger amount of purchase?—A. Yes. You will notice that our sales for the year are 1,300,000 pounds greater. I mean that sales rose from 5,161,000 to 6,224,000, or an increase of nearly 1,100,000 pounds. We operate in our company on the basis of a regular budget of butter control. We know, or we think we know, what our production is likely to be in the various places in which butter is made. We have a fairly good idea as to what our sales are going to be. And we try to keep a balance between the inventories plus our make plus our future make to see us through to about April 30, and at times we decide—you will notice here so far we bought butter in June, we bought 213,000 pounds in June and we bought 418,000 pounds in July this year. It may have been a week later. It may have been a month later. But they come within a month. Now, if you notice the sales side, we sold butter, and during the three months or four months possibly of June, July and August, we sold 12 carloads of butter from our subsidiaries in the west, which amounts roughly to 400,000 pounds of butter we sold in the west because the price that we could obtain for butter from the west was higher than the eastern price and we replaced that butter with 418,000 pounds of butter that we bought in the east. Now, I think the statement that I have made is verified by the chart that was supplied by Mr. Taylor, and is on file and it shows that the price of butter in western Canada was running higher than in eastern Canada. Therefore, I am in business to operate this business for the shareholders and try to make a dollar. If I can sell 400,000 pounds of butter and get some other butter to replace it at a lower price, naturally that is what I am going to do, I am going to sell in one place and purchase in the other. That is the explanation of that.

Q. The only explanation was, you say, that there was a larger profit to be made through that operation?—A. Right. I am frank in admitting it.

Q. Did the same thing apply to the month of June, 1946? You referred the members of the committee to the month of June, 1946, where there had been—

—A. No.

Q. —a substantial amount of butter purchased in the same way—A. No, it did not.

Q. It does not absorb it?—A. No, because last year, in 1946, if I remember rightly, we had a fixed price for butter and at that time we decided we needed to buy butter; but it was in short supply and it was rationed and we decided to take care of our customers and we needed to buy butter in the month of June, which we did.

By Mr. Lesage:

Q. The difference in the price between east and west was about 3 cents a pound, was it not?—A. I haven't got that figure here. I think on this chart—we bought in the month of July—between 2 cents and 3 cents I think, Mr. Lesage.

Q. About $10,000 profit on that operation?—A. If we sold it then. We did not sell, we held it.

Q. You held it?—A. We sold in the west and bought in the east.

Q. And that operation itself would bring in about $10,000?—A. I cannot answer that, because the company which sold is a separate taxpayer. They made a profit. We only realize the profit in the other company when the butter was sold.

By Mr. Monet:

Q. Then the result of what you did was, as you have just said, that you made a larger profit than you would have had you purchased that supply in the east?—A. It was a separate company. I have to make a profit on each company. I cannot take butter from another company with different shareholders and take their butter and store it at less than they could get for it and put it into another company with another group of shareholders. So we sold that there and bought it here. It is two separate companies.

Q. You sold it there and you made a larger profit than as though it had been bought here?—A. No. that butter may have gone to Montreal, but not to me. I do not know who they sold it to.

Q. I see, but you sold it there to make a larger profit?—A. We sold it there to make a profit.

Mr. LESAGE: It was a good operation.

By Mr. Monet:

Q. I would call your attention now to column 3, under the heading "make". I understand that that is the butter made by your company?—A. Right.

Q. There was no butter purchased under that heading?—A. No, not under that heading.

Q. Now, I refer you to the month of August, 1947, and want to compare it with 1946; in 1947, August, it reads 650,683 pounds?—A. Right.

Q. As against 544,318, for 1946?—A. Right.

Q. I now refer you to September of 1947, reading 626,948?—A. September, what year?

Q. September of 1947?—A. Right.

Q. As against 431,654 for 1946?—A. Right.

Q. Then in October of 1947, it was 539,801, as against 406,394. Would you explain to the members of the committee why the make was so much larger in 1947 than it was in 1946?—A. We were fortunate enough to get more cream to make into butter at the plants that we operate. We have a greater intake. Our shippers had more cream to sell to us and we made more butter.

Q. Was there not a shortage in sight at the time?—A. There was a shortage, not at that moment; there was a shortage in the offing to see us through to next April.

Q. It was only because you could get more cream at that time that the differences in your operations appear as they do?—A. That would appear to me to be, and it is a fact. In our operations we were able to make 700,000 pounds more butter in the year 1947 than we did in 1946 in the plants we operated.

Q. I know the figures show that, but I want to know why?—A. Because we were able to get more milk or cream in order to make butter with.

Mr. IRVINE: Then it would not be right to suggest that you made more butter because of your expectations of a shortage of butter in 1947, as compared

with 1946?—A. Well, Mr. Irvine, this company may have been more fortunate than our competitors in getting more goods into our plant. In considering the butter problem for our company I did not look at my make here. I had to look at the over-all picture. I have to see that I have enough on hand to satisfy our customers. I can show an increase such as that even when somebody else operating in competition with me in the same neighbourhood might go down. My producers might like my assistants looks better than our competitors and ship us their cream, I don't know. We got more, that is all. I think that the figures for stock in these months there were less than the year before in Canada, the actual over-all stock picture.

Mr. IRVINE: You are speaking of the whole industry?

The WITNESS: I think so. I am talking from memory. I think the over-all stocks were less, but we made more.

By Mr. Monet:

Q. Coming down the same column I see that for the month of December, 1947, you made 107,788 pounds of butter as against 181,371 in 1946?—A. Yes.

Q. Would you give an explanation as to that? There is quite a drop there between the other figures we have mentioned and these?—A. There was a tremendous falling off. If you take November of last year, 205, and November this year, 181; whereas in October we were 133,000 pounds high. There was a very steep drop in November and December in the places where we were operating, even though we were able to do more in the earlier months we were not able to get as much in the winter.

Q. I see there you have the same thing for January and February?—A. January and February are the same. We were down 87,000 pounds in January and only a matter of 19,000 pounds in February. Of course, there is one day more in February this year and that must be taken into consideration, 29 days this year and, of course, cows milk on the 29th of February as well as on the 28th.

The CHAIRMAN: They don't get a holiday on that day?

The WITNESS: No, sir.

By Mr. Monet:

Q. During those months probably your competitors were luckier than they had been in the previous months?—A. From the knowledge I have I would say they were not.

Q. They were not?—A. No.

Q. They were able to produce more cream than you did?—A. I do not think so.

Mr. LESAGE: Just a minute, would you refer to the over-all production in Canada each month in 1947, I see it was higher than in 1946, according to table 2, of Exhibit 52.

Mr. MONET: I just wanted the witness to explain these figures because they are not before us.

Mr. LESAGE: That is all right.

Mr. BEAUDRY: I take it from the evidence that you are going to reach the selling price shortly. I will wait for you to reach that point.

Mr. MONET: I will come to that very shortly, Mr. Beaudry.

By Mr. Monet:

Q. Coming to the sales in December of 1947, column 7; you have already given us an explanation of the sales during that month as compared with the transfer?—A. Yes, sir.

Q. Now I will refer you to column 6, under July of 1947, under the heading "on hand at the end of the month", and I see that you had 1,238,941 pounds; is that correct?—A. Right.

Q. I understand that most of that butter was on hand at that time and had been purchased before the month of July; would that be correct?—A. No.

Q. When would it have been purchased?—A. At the end of July, during the month of July we made 736,000 pounds of that 1,238,000 pounds.

Q. Right. And this butter according to the price indicated under the column headed "market price" in column 8, for the month of July would cost the company 50·2 cents?—A. No, that is the market price.

Q. What would it have cost the company?—A. I haven't got the cost price on butter for that month. I haven't got any cost prices for any month on butter until we get to our year.

Mr. LESAGE: Would it be less, or more?

By Mr. Monet:

Q. Would the figure listed there as the market price, 50·2 cents, would that be a fair figure?—A. No, there is no comparison between that and our cost. That is the market price. We did make money in the nine months ending December 31, so I will say our cost was less.

Q. Surely you can give the committee a very fair idea of the cost price of the butter you had on hand at the end of July, 1947? I understand the market price was 50·2 cents?—A. Yes, sir.

Q. Could you give us at least a very close idea of what the cost price was to the company?

Mr. LESAGE: Could he tell us how much he paid for it, for the butter he bought? He could do that at least.

The WITNESS: For the 418,000 pounds that I bought in July I paid 49·5 cents.

Mr. LESAGE: 49·5 cents?

The WITNESS: For most of it.

By Mr. Monet:

Q. And that is for what you bought?—A. Yes.

Q. For the make, what would it be?—A. It would be close to the 50-cent figure.

Q. That is what I thought, so it would be a fair statement to say that the butter you had on hand at the end of July, 1947, had cost the company an average of 50·2 cents a pound?—A. Approximately.

Mr. LESAGE: It is not the butterfat you had on hand at that time, that you bought in July, because the butter that you had on hand surely would have cost you less.

Mr. MONET: I am taking the highest price for it, Mr. Lesage.

Mr. LESAGE: You said, the butter on hand at the end of July.

Mr. MONET: I am taking the highest price, 50·2 cents. The cost would be less than that.

Mr. LESAGE: Yes.

By Mr. Monet:

Q. The cost at the highest would have been 50·2 cents a pound?—A. If I may answer that in this way: If you take the 418,000 pounds that we bought and the 736,000 pounds that we made—that comes to 1,155,000 pounds of the 1,800,000 pounds we had on hand in July—so therefore there was only, roughly, 600,000 pounds of a difference that we made in June on hand.

Q. Yes, I would like you, Mr. Aird, to tell the members of the committee the average price of the butter you had on hand at the end of July?

Mr. LESAGE: The average cost.

By Mr. Monet:

Q. Yes, tell us what it cost the company?—A. I have not got that figure.

Q. Can you work it out and give it to the committee? It is very important in the light of the next questions I have to ask you. Please give it to us as closely as possible?—A. I would say about 50 cents.

Q. That is for all of the butter you had on hand at the end of July, 1947?—A. Right.

Q. That would be, at all events, the most it would cost the company?—A. That is the cost in the form in which it was—in 56 pound boxes. There is no overhead there; that is the bare cost of the butter in the inventory.

Q. All right. Now when would that butter be sold, Mr. Aird?—A. Well, if you take the sales for the next three months, August, September, and October, they total 1·8 million. I had 1·8 million and by the end of October it was all sold.

Q. Well, then, if you want to refer to column 9 I take it that the selling price for the month of August was 56·9 cents, September 62·6 cents, and October 60·7 cents?—A. Right.

Q. Now would that make an average of 59 cents a pound?—A. Possibly, I have not figured it out.

(Mr. Winters took the chair.)

Q. It is about 59 cents?—A. About 58¾.

Q. Yes, so it would be a fair statement to say that this butter that we have just referred to as being on hand at the end of July, sold during the months of August and September and part of October, was sold at an average price of 58¾ cents?—A. Right.

Q. Giving a profit to your company on this butter of 8¾ cents a pound?—A. Absolutely no.

Mr. LESAGE: A gross profit.

The WITNESS: A gross profit.

Mr. MONET: I did not use the word net profit, and I meant gross profit.

Mr. BEAUDRY: May I interject a question? I am fully satisfied that the margin shown here between the market price has been established. I am not thinking of the cost price for the moment but the selling price does not give us a truly accurate picture. I am just thinking of the four months of 1947 as the basis. I am using those four months because there is no change in so far as the market price is concerned and practically no change in so far as the selling price is concerned. In January, apparently, there is a margin of 1·6, in February 2·9, in March 1·9, and in April 1·9. However, it turns out that you bought more butter at an average of 40·5 than you sold at the average of 42·17. There was still a difference from those figures of 118,000 pounds on the 1st of May, and that amount is shown as having cost 40·5 cents which was presumably sold at 52·1 cents. Throughout the period we are only establishing a difference in margin of 1·6, 2·2, 1·9, and 1·9. Would we not get a clearer picture if we had a multiplication of the make and purchases per month by the cost price, and if we want to use the market price as a standard the same multiplication would apply?

Mr. LESAGE: I do not think we have had that.

The WITNESS: I do not follow.

By Mr. Beaudry:

Q. If, taking your figures for January, we multiplied by 40·5 cents your purchases of 108,000 pounds and your make of 194,000 pounds, plus what you had on hand at the beginning of the month, and the cost then for the last six months of 1946 was at a market price of 40·5 cents— —A. No, the market price was 40·5 cents but we may not have made it at that.

Q. Well what are we going to use as a standard?—A. You cannot use the fixed ceiling price as the cost to me for making a pound of butter.

Q. You have not supplied the cost?—A. I cannot give you the cost for any month of this year until I get to the end of this month.

Q. I am referring to the last months of 1946?

Mr. PINARD: Why can you not give that?

The WITNESS: If you look at these figures you will find we purchased 820,000 pounds in June and 107,000 pounds in December. Now I do not know how to apportion the expenses in the pounds of butter made in any of those plants until I get through the year and know what the actual cost of operating the plant is.

By Mr. Beaudry:

Q. Well there again I am referring to 1946 and on that basis you must have a definite cost price per pound for butter?—A. I have the cost for the year 1946.

Q. What is the cost?—A. I have not got it with me here.

Q. It would be extremely important to find out the cost of that 1,000,000 pounds which you had on hand in January 1947?—A. I may say, sir, our company does not compile statements on an annual basis from January to December. Our fiscal year starts on the 1st of April and ends on the 31st of March and therefore I am at a loss to give you figures for the 12 months of the calendar year as we do not follow it.

Q. You would have the figures from the 1st of April 1946 to the 31st of March 1947?—A. Right.

Q. Could we have the cost per pound for that period?—A. I would be glad to get the figure and submit it but I have not got it here.

By Mr. Lesage:

Q. Would it be possible, Mr. Chairman, to have him add, starting from April 1947, the number of pounds purchased during each month plus the number of pounds made, and have those figures multiplied by the average cost? I understand that you do not have the exact cost but for instance you said that for July the figure would be 50 cents?—A. Approximately, yes.

Q. Yes, and then have for each month in the same way the number of pounds sold and the price at which they were sold calculated so we could see for sure how much the butter cost and how much you sold it for?—A. Yes.

Q. Because it looks to me that on the 1st of August you had in stock 538,600 pounds more than you had on the 1st of July?—A. When?

Q. On the 1st of August 1947 you had on hand 538,600 pounds more than you had on the 1st of July?—A. That is right.

Q. And you kept on hand from the 1st of August to the end of December, or at least to the 1st of December, approximately the same surplus over the 1st of July? Is that correct?—A. That is right.

Q. Which means that there is one profit we are sure of—one gross profit that we are sure of—and it is the difference between 50 cents and your price for December. Your selling price in December was 68 cents and since then it has not gone below that figure.—A. That is not correct. You cannot say I held in

storage that 1,238,000 pounds of butter that I had on hand on the 1st of August—that I still had it on hand on December 1st—because I might point out to you that since August 1st we have made nearly 2,400,000 pounds.

Q. I do not say that it is the same butter, Mr. Aird?—A. I had a 1,000,000 pounds, yes.

Q. You had 1,278,000 pounds in December?—A. Yes.

Q. Which means you had the same difference in poundage in stock?—A. Yes, there is only a difference of 40,000 pounds between what we had in August and what we had in December.

Q. It was about the same?—A. Yes.

Q. Working on an average and looking at column 9 we see there is a regular upward trend in prices?—A. Yes.

Q. And we see on an average you made, on 538,000 pounds, a gross margin of 18 cents?—A. No, you cannot say—

Q. Well in the first three months you admitted to counsel that you made 9 cents?—A. I beg your pardon, I did not. I did not admit I made 9 cents.

Q. Yes, 9 cents?

Mr. MONET: 8¾ cents.

The WITNESS: Approximately 8¾ cents, gross.

Mr. LESAGE: I am continually speaking of gross.

The WITNESS: I want to be clear that it is gross.

Mr. HOMUTH: Well, Mr. Chairman—

The ACTING CHAIRMAN: Just a moment Mr. Homuth.

Mr. HOMUTH: We are talking about gross margin and unless it is clear, the result is that the papers get the idea, or are liable to get the idea or impression spread across the country that this firm made 8 or 9 or 18 cents a pound on butter and I think we should be very careful.

Mr. LESAGE: I have been very careful and I have been referring to gross margin all the time.

The ACTING CHAIRMAN: We all understand that it is gross margin, now let us go on.

By Mr. Lesage:

Q. You made 8¾ cents gross margin on a certain quantity that you had on hand on the 1st of July or at the end of July, which quantity you sold during August, September, and October?—A. It would appear that way, yes.

Q. If we take what you had on hand on the 1st of August, 530,000 pounds more than you had on the 1st of July, you surely made at least 7 cents on that amount?—A. Will you say that again and give me those dates? What was the month?

Q. July and August?—A. At the end of July I had 1,238,000 pounds on hand.

Q. Yes.—A. And at the end of August—

The ACTING CHAIRMAN: There is the division bell gentlemen. We will reconvene after the vote.

. . . On resuming

Hon. Mr. Martin resumes the chair.

The CHAIRMAN: It is important that we have an executive session of the committee at five-thirty, so we will adjourn the taking of formal evidence at five-thirty. The committee at an executive session held yesterday reviewed its work and reviewed the plans for the future operation of the committee's hearings. There was some consideration given to the continuing of sessions during the Easter recess, but when counsel and others, through the chairman,

explained some of their plans, it was thought it would be more convenient and more efficient from the point of view of the committee's operations if counsel and the secretariat were given an opportunity of doing certain work during the Easter recess. Accordingly, the committee decided that, in the interest of efficiency, more would be gained by not sitting during the Easter recess and giving counsel and the secretariat an opportunity of attending to certain preliminaries prior to the full committee's sessions. Therefore, after it adjourns today the committee will resume its operations on the afternoon of April 5th, I believe I have correctly stated the decision of the full executive session yesterday.

Mr. MONET: Mr. Lesage, do you wish to follow up your question?

Mr. LESAGE: If the calculation has been made.

The WITNESS: I have two calculations. The first one deals with the butter we had on hand on July 31st, 1,238,941. You may recall that we had on December 1st, 1,279,589 pounds, that was approximately the same quantity. What I should like to point out is this, that of the 1,238,941 we had on hand in August and September, we sold and transferred 1,139,817 pounds. So that on the basis of first in, first out, we only had 99,000 pounds of the July butter on hand at the end of September.

Then, following that through, for the end of October, we only had 259,000 of August butter on hand at the end of October. Following it through to the end of November, we had only 442,000 of September butter on hand. Now, that is on the basis of straight trading, in and out.

By Mr. Winters:

Q. What did you say your total for August and September was for sales during the month?—A. Sales and transfers, 1,139,817. I may have made a mistake.

By Mr. Monet:

Q. That would be the addition of August and September?—A. That is the addition of August and September, and the next addition I gave was the addition of September and October. In other words, at no time did we have during that period three months' supply of butter.

By Mr. Lesage:

Q. What I meant, Mr. Aird, was the fact that there was a continuous upward trend in your selling price and also in your cost price?—A. I have the other answer, I think.

Q. You have it?—A. Yes.

Q. All right.—A. Sticking to these prices I have here—that is all I can take at the moment—the market price was 50·2 cents. Now then, the August market price was 55·5. Taking July 31st market price as 50·2, which I take it is correct, and the market price in August as 55·5; the market price in September was 59·6; the market price in October was 57·5—that may be fractionally wrong with the figures as given by the Dominion Bureau of Statistics. Then, the average selling price of butter in August, September and October was 57·5 cents. The butter we sold in August and September was sold on that price basis at 57½ or 7·3 cents, roughly, gross profit.

Mr. LESAGE: Mr. Monet has told me his intention so far as questioning the witness is concerned and, under the circumstances, since he has shown me his line of questioning, I think I had better leave it to him.

By Mr. Monet:

Q. My line of questioning is very simple, based on the information we have here. I believe the witness has said that the average gross price at which the company sold the butter they had on hand at the end of July was 58¾ cents and that the average cost price was 50 cents. Now, proceeding in the same manner with the following months, I see, Mr. Aird, that at the end of November, 1947, your company had on hand 1,279,589 pounds?—A. Right.

Q. Would it be a fair statement to say that the market price of this butter as established by page 3, would be 59 cents a pound? Would you figure it out and see if my calculation is correct?—A. Well, that is the average of 57 and 60, is it?

Q. Yes.—A. It would be approximately.

Q. It would be approximately 59 cents?—A. Approximately.

Q. When you say "approximately" how close would it be to 59, 59 and ⅛th or ⅞ths?

Mr. LESAGE: It would be less than that because a lot more butter was made in October than in November.

Mr. MONET: It was 57·5 for October.

The WITNESS: It would be 59 exactly.

Mr. LESAGE: I think the amount of butter made in October was much higher.

The WITNESS: I agree with Mr. Lesage. If you are going to get this information correctly, you have to take the pounds made in each month. It would be less than 59.

By Mr. Monet:

Q. Putting it at the highest figure, it would be 59?—A. I would say so.

Q. This butter you had on hand at the end of November, 1947, would have been sold, for the most part, during the months of December, January and February, 1948; would that be correct?—A. Yes, at the end of February we had 829,000 pounds. We had 1,279,000 for the month you are talking about. We had sold and transferred 576,000 and 419,000 in January. Therefore, in the months of December and January we had used roughly 1,000,000 pounds of that and, in February, it was all gone.

Q. It was all gone?—A. Yes.

Q. So, taking the prices as listed here, the selling prices, I would take it that the December selling price was 68·4?—A. Yes.

Q. That is column 9?—A. Yes.

Q. In January, 1948, the selling price would be 69 cents?—A. 69·9.

Q. In February, 1948, 69·6?—A. Right.

Q. Now, would this make an average of 69 cents a pound; that is, an average price for those three months?—A. Yes, it would, because it is 68·4 and 69·9.

Q. Would it be a fair statement to make, then, that on that amount of butter the company made a gross average profit of 10 cents a pound?—A. No.

Q. Why?—A. Because in the months of January, February and December our cost of making butter would be considerably higher.

Q. I am talking of gross profit?—A. Yes, the gross profit—the market price was 67 and the other was 69. The butter we had on hand, according to these figures here, was on that basis.

Mr. LESAGE: Mr. Monet is not speaking of the butter you made in the months of December, January and February, he is speaking of the butter you had on hand.

By Mr. Monet:

Q. I am speaking only of the butter you had on hand at the end of November, 1,279,589 pounds?—A. Yes, at 60 cents, the market price was 60 cents.

Q. You agreed on 59?—A. Well, the average was 59—I think that is reasonably clear.

Q. To make this very clear, this butter was sold in December, January and the balance in February?—A. Right.

Q. At an average gross price of 69 cents?—A. Yes.

Q. So, on the amount of butter sold during that period the company would have made a gross profit of 10 cents a pound; is that correct?—A. Approximately.

Mr. LESAGE: How much per pound is that?

By Mr. Monet:

Q. I am coming to that. If you refer, then, to the butter sold during August, September and October, December, January and February, would it be fair to state that the company realized a very abnormal profit of about 8 cents a pound on 2½ million pounds?—A. No, it would not.

Q. Gross profit?—A. No, it would not be fair to say that. It would be fair to say there was an approximate gross profit of that, yes.

Q. That is what I am asking you.—A. Between 8 and 10 cents.

Mr. LESAGE: Between 8 and 10 cents.

Mr. MONET: On 2½ million pounds sold during that period?

The WITNESS: Yes.

By Mr. Monet:

Q. That would make close to $200,000 if any calculation is correct?—A. I would have to verify that.

Mr. LESAGE: If we had all the calculations for which Mr. Beaudry and I have asked, you would see it is correct.

The WITNESS: I suppose so, but I cannot make these calculations as quickly as you refer to them.

By Mr. Beaudry:

Q. Referring to the selling price in February, may I ask whether your sale price is standard?—A. No, we sell in various ways. Somewhere, I have our actual selling prices. We have various prices. In order to arrive at that average selling price, you must take into account that for the nine months we sold approximately 33·8 per cent to the retail trade. When I speak of the retail trade. I mean direct to the homes. We sold wholesale, and by that I mean to stores, hotels, restaurants, hospitals and institutions, 58·2 per cent. In carload lots, we sold 7·67 per cent.

Q. Would those car lots be sales to other wholesalers or transfers?—A. They were sales to jobbers for somebody else. I do not know who bought them. I explained before, that is butter that was sold in the west.

By Mr. MacInnis:

Q. What is the sale price in each case?—A. Pardon?

Q. What is the sale price in each case?—A. Well, it varied all through the year. Our average selling price is listed right there.

By Mr. Beaudry:

Q. Have you got it for any given month? Have you the average selling price for any given month?—A. It is right on there, our average selling price.

Q. Have you got a breakdown of that or the component factors to show how you arrive at that average?—A. No, because the price changed so often. We were following the market up and down. I can give you the present price of butter in each respective place.

Q. Please do that.—A. At the present time in the city of Montreal we are selling butter to stores at 69¼ cents.

By Mr. Pinard:

Q. You are not selling it today?—A We are selling some. We are selling to our own customers. We are selling to homes at 73 cents.

By Mr. MacInnis:

Q. Is that the ceiling in Montreal?—A. That is our ceiling. In Ottawa we are selling to homes at 71, and to stores at 69. This was on March 19. We are selling to chain stores in Ottawa at 68¾. In Toronto we are selling to homes at 72 and 73 in a carton, and at 69 to stores. In Winnipeg we are selling to homes at 70, 71 in a carton, and to stores at 67. We also sell some sweet butter. That is very small. I can give you that if you want it. That is saltless butter.

By Mr. Beaudry:

Q. You are doing almost 60 per cent of your business not with the consumer but acting more or less as a wholesaler, a manufacturer and a wholesaler?—A. No. We consider that in these wholesale accounts we sell to consumers in a great many cases.

Q. You gave a figure of 58·52 for sales to stores and hotels?—A. Yes.

Q. Would that not place you more in the position of being a wholesaler and manufacturer than in the position of selling directly to the consumer?—A. We wholesale more butter than we sell retail.

The CHAIRMAN: We will now have an executive session.

The committee adjourned, to resume Monday, April 5. 1948.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 31

TUESDAY, APRIL 6, 1948

WITNESSES:

Mr. W. R. Aird, President, Dominion Dairies Limited, Montreal, Que.
Mr. E. G. Silverwood, President, Silverwood Dairies Limited, London, Ont.
Mr. J. H. Duplan, Executive Vice-President, Silverwood Dairies Limited, London, Ont.
Mr. J. H. Gillies, Vice-President and Treasurer, Silverwood Dairies Limited, London, Ont.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

TUESDAY, April 6, 1948.

The Special Committee on Prices met at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members Present: Messrs. Beaudry, Cleaver, Homuth, Irvine, Lesage, MacInnis, Martin, Mayhew, Merritt, Pinard, Winters.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

On motion of Mr. Beaudry,

Resolved,—That all participants in a butter transaction whereby Pelchat & Gauthier, of Montreal, were able to offer butter as a premium for purchases of jewelry, be subpœnaed, and that this Committee be given all details in connection with this transaction;

That all commodity brokers in Montreal area, and, if later necessary, all large retail butter outlets in Montreal be subpœnaed to testify on sales or offers of sales of butter conditionally upon purchase of other goods.

Counsel filed,

Exhibit No. 67—Statement showing comparison monthly average butterfat and creamery butter prices special grade butterfat f.o.b. shipping point, supplementary to evidence of Mr. J. F. Singleton on March 16, 1948. *(Printed in this day's evidence).*

Exhibit No. 68—Statement on high scoring cheese eligible for Dominion Government premium during 1947, supplementary to evidence of Mr. J. F. Singleton on March 16, 1948. *(Printed in this day's evidence).*

Exhibit No. 69—Statement of butter shipments to Montreal dealers by Saskatchewan Co-operative Creamery Association Limited, supplementary to evidence of Mr. J. S. Turnbull on March 16, 1948. *(Printed in this day's evidence).*

Exhibit No. 70—Comparative statement of butter operations for 1946 and 1947, January to December inclusive, by Co-opérative Fédérée de Québec, supplementary to evidence of Mr. H. C. Bois, on March 18, 1948. *(Printed in this day's evidence).*

At the request of Counsel, corrections were ordered made in the printed evidence, as recorded in the Minutes of Evidence.

Mr. W. R. Aird, President, Dominion Dairies Limited, Montreal, was recalled and further examined.

Witness discharged.

Mr. E. G. Silverwood, President, Mr. J. H. Duplan, Executive Vice-President, and Mr. J. H. Gillies, Vice-President and Treasurer, Silverwood Dairies Limited, London, Ont., were called together, sworn and examined.

Mr. Silverwood filed,

Exhibit No. 71—Series of six statements on butter operations by Silverwood Dairies Limited. *(Printed in this day's evidence).*

Exhibit No. 72—Consolidated Balance Sheet of Silverwood Dairies Limited and its subsidiary companies as at 31st March, 1947.

At 6 p.m. witnesses retired and the Committee adjourned until Wednesday, April 7, at 4 p.m.

R. ARSENAULT,
Clerk of the Committee.

9148—1½

MINUTES OF EVIDENCE

HOUSE OF COMMONS,
APRIL 6, 1948

The Special Committee on Prices met this day at 4.00 p.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: Mr. Monet, you have your witness here.

Mr. BEAUDRY: During the past ten days, while the committee has been in recess, some events have occurred in Montreal, and more particularly in my constituency, which I believe it is my duty to bring before the committee. For almost two weeks Montreal and its vicinity have been practically butterless. During that time in many instances butter has become a premium for the sale of other merchandise. It has even happened in some cases mentioned in the press, instances of which I will give to you, that butter has become a premium for the promotion of sales in the case of a drug store, a jeweler and a hairdressing parlour.

I am not bringing this matter before the committee with a view to discussing the legal aspect. I understand the Wartime Prices and Trade Board has already launched quite a lengthy investigation. However, since scarcity is definitely a factor in price generally speaking I would suggest the committee temporarily alter the present trend of our investigation into butter, and go immediately into this question of scarcity.

It seems a great anomaly that at a time when over a million people in Montreal find it extremely difficult, if not impossible, to secure butter by the quarter pound, that a jeweler, for instance, has found it possible to secure what has been described as a very substantial quantity of butter. I for one should like to know how that butter was acquired, how it was possible to acquire it.

Therefore I would ask the committee, Mr. Chairman, to inquire immediately into the source of purchase of this butter, its price, and its eventual disposal. I believe that counsel should receive instructions from this committee to subpoena all participants in that particular deal. I am temporarily leaving aside the matter of the drug store and the hairdressing parlour because I believe the amounts involved there are relatively negligible. However, if the committee chooses, we can go into that.

There is a further question and one that is far more important. I am informed that the transformation of butter into a premium, a premium which is obtainable on the purchase of other merchandise, and of which we see evidence in Montreal retail business on a small scale, has occurred on a very large scale in the wholesale handling of butter, and that commodity brokers, either with or without the knowledge or consent of their principals, have relatively recently offered western butter in quantities up to carload lots, conditional upon the purchase of other commodities, more particularly poultry. If that is true we shall be forced as a committee to come to the conclusion, at least in part, that the scarcity of butter is due to manipulation of stocks. The public is entitled to know if that has been done, and if so, by whom, and what measure of profit was involved.

To that end I would suggest that the committee instruct our counsel to subpoena as many commodity brokers in Montreal and area as may be necessary, and perhaps as many large retail outlets as may have been affected, and as may be necessary in order that we may get all the evidence pertaining to this matter. I would further suggest that perhaps this should become a matter for an interim report to the House.

With your leave I should like to move, seconded by Mr. Pinard, that all participants in a butter transaction whereby Pelchat and Gauthier, Montreal jewelers, were able to offer butter as a premium for purchases of jewelry, be subpoenaed, and that this committee be given all details in connection with this transaction; that all commodity brokers in Montreal area, or as many as necessary and if later necessary all large retail butter outlets in Montreal be subpoenaed to testify on sales or offers of sales of butter conditionally upon purchases of other goods; and that this evidence be the subject of an interim report of this committee to the House of Commons.

The CHAIRMAN: The motion is before us. What I have said to other members about the work of the committee I think I should, in all fairness, suggest to Mr. Beaudry, that I think matters of this sort are procedural, apart altogether from their merits, and should first be brought up in the steering committee. However, the matter is before the whole committee now, and I think we should deal with it.

Mr. BEAUDRY: May I submit that precisely because we were in recess it was impossible to convene the steering committee, and that furthermore there is a great question of urgency in this particular matter.

The CHAIRMAN: I think you will remember on two former occasions I did suggest to members of this committee who brought up various matters—I think Mr. Irvine was one, and I think Mr. Fleming was another—that we agreed that matters of this sort would first of all be brought up in the steering committee. It is not a matter of great difficulty to call the steering committee. However, this practice has been followed, and likely you have been persuaded by the urgency of the matter.

Mr. BEAUDRY: The situation is extremely serious in Montreal. I realize everybody appreciates that.

The CHAIRMAN: I am not commenting on the merits or seriousness. I am simply suggesting for the guidance of the committee that we have to stick to the rules.

Mr. IRVINE: I think there is a mitigating circumstance here that did not appear in my own case. I could have gone to the steering committee, but it was not possible to do that when there was no steering committee here.

The CHAIRMAN: Gentlemen, you have before you a motion moved by Mr. Beaudry and seconded by Mr. Pinard, that all participants in a butter transaction whereby Pelchat and Gauthier, Montreal jewelers, were able to offer butter as a premium for purchases of jewelry, be subpoenaed and that this committee be given all details in connection with this transaction; that all commodity brokers in Montreal area, or as many as necessary, and if later necessary all large retail butter outlets in Montreal be subpoenaed to testify on sales or offers of sales of butter conditionally upon purchases of other goods; and that this evidence be the subject of an interim report of this committee to the House of Commons.

The question is in the hands of the committee.

Mr. WINTERS: This localizes the problem to Montreal. It is serious in Montreal, but there are certain aspects of the butter problem which are not peculiar to Montreal alone. There is a problem reported in the Halifax press last week which caused a great deal of consternation there. It it tied up with the shortage of butter. It seemed to resolve itself around the point that what butter was coming on the market was classified, as far as I can tell, as third grade, but was being sold as first grade for the same price as first grade butter. That is a situation that gave everybody a great deal of concern because they felt they were not only getting a poor quality of butter by they were paying a high price for it. I think that is a matter that should be investigated, too. It is a question of how to approach it. I am sure there are problems in other parts of the country.

My own thinking at the present time is that these problems, the one in Halifax and the one in Montreal and others elsewhere, should be referred to counsel, and let counsel make a recommendation as to how we should proceed because I think the public wants to know the stories behind these situations.

Mr. BEAUDRY: I am in sympathy with Mr. Winters on the score of the quality of the butter, but in the case of Montreal, which is probably one-tenth of the consuming population of Canada, I do not think we have been concerned so much about quality because we have not seen very much butter, and we have not been disturbed as to whether it was first, second or third grade. We have had no butter. I would suggest it is extremely important for over one-tenth of the population of Canada that we ascertain at once why some people can secure butter and why the majority of the population cannot, how it is achieved. If we are only able to find out we would at least be teaching everybody how to go about it.

Mr. PINARD: Not only can they not buy butter but some people are hoarding it. It seems to me it is a case of hoarding butter. If you are offering it for sale as a premium you are hoarding it.

The CHAIRMAN: May I suggest that I think the committee would all be agreed that this matter is one that bears looking into. The immediate question is priority in our order of procedure. Counsel has a definite line of witnesses to follow in connection with this very matter of butter. Are we going to ask counsel to interrupt his present plan and to call these witnesses? I have had a chance of discussing the matter with him. He says, of course, that the matter is in the hands of the committee, and that if we decide that he has no objection, but it should be clearly understood that what we will be doing is interrupting one phase of the work to go into an aspect that certainly at some time or other requires investigation. Perhaps now is the time.

Mr. BEAUDRY: I would submit to the committee that this is a matter of great urgency. I would suggest that as to one part of my motion the examination of witnesses should require a very very short time. We are going into one particular deal, one particular transaction. Probably all aspects of that transaction could be explored in fifteen minutes.

Mr. LESAGE: Why not say half an hour?

Mr. BEAUDRY: I will give you half an hour. The second part of my motion I think could stand as is, and perhaps counsel might find it possible to restrict the number of people we should have to interrogate before this committee to such a small number that perhaps there also our investigation could be conducted in a very brief period of time. After all we would have a very limited number of questions to ask. We are looking for one or two answers from any of the witnesses. I do not imagine that it would interrupt our proceedings for more than one day.

Mr. IRVINE: I would say if we are going to do it at all we should do it immediately.

Mr. MERRITT: I have no objection whatever to interrupting the ordinary course of the evidence because of this shortage. To my mind it would be a solemn farce if we go on investigating the high price of non-existent butter. I want to go further than Mr. Beaudry has gone. I want to suggest that we recall before the committee Mr. Taylor and perhaps Mr. Singleton because I want to point out to you that what we are faced with now is not the question of the high price of butter, but no butter at all. I think we have had from Mr. Taylor some pretty significant evidence. The government has imposed a price ceiling but the government has not taken the more distasteful step of rationing. When you remove price as a rationing agency and do not substitute some other rationing agency is the place of price I think you will find shortages like this automatically develop.

I should like to find out much more than why people are hoarding butter or selling butter with jewelry. I should like to know why we have an over-all shortage. I do not want to prejudge the issue, but I fear we may find it was the failure to ration at the same time as you imposed price control that brought about the over-all shortage.

The CHAIRMAN: I think you will be told that if you had put on controls and had rationing the situation would have taken care of itself, but perhaps that would not be a satisfactory answer to you, Mr. Merritt.

Mr. MERRITT: Well, I think the committee should have that evidence.

The CHAIRMAN: Mr. MacInnis, did you want to say something?

Mr. MACINNIS: Yes, Mr. Chairman. I support the motion with the possible exception of the last part of it which asks that an interim report should be made to the House. That would depend on what we find and I submit it should not appear in the motion at the present time.

The CHAIRMAN: Yes.

Mr. MACINNIS: We might be committed to make a report when we did not have anything to report. I think, with Mr. Irvine, that we will have to deal with this now if we are going to deal with it at all; and I think, Mr. Chairman—I am not criticizing you—I think you would have been justified in having asked counsel (Mr. Monet) to look into this situation before the committee resumed.

The CHAIRMAN: Yes. I might say, Mr. MacInnis, that counsel did call me on the phone yesterday and we did discuss this very matter and I gave him, I will not say that I gave him authority, but I did tell him that I thought he ought to make some preliminary investigation, which he has done; and he is prepared now to call witnesses in connection with this Pelchat and Gauthier matter. We are ready to do that very thing. So that I did take on myself to do what you say I had the authority to do.

Mr. MACINNIS: I am not criticizing, but there is another point to which I would like to refer.

The CHAIRMAN: But I did not feel that I should pursue this thing until I had the chance—we had hoped to have received a telephone call back here by 5 o'clock from one of the parties with whom counsel has been in touch, and it was only after we had heard from that telephone call that I proposed to call a meeting of the steering committee, but not on this particular matter.

Mr. MACINNIS: Yes. There were some of the butter dealers whom we had before us just before the recess who took the position that they would not sell butter even to ordinary retail outlets. They said they were saving it for their customers. Now we find that butter is going to jewelry stores, to hairdressing concerns and all that sort of thing.

The CHAIRMAN: Yes.

Mr. MACINNIS: I think the motion is timely and we should deal with it now.

The CHAIRMAN: Mr. MacInnis suggests, Mr. Beaudry, that you should leave out the reference to an interim report by this committee.

Mr. BEAUDRY: That is agreeable to me if it is agreeable to the chair.

The CHAIRMAN: Perhaps you would make an amendment, Mr. MacInnis.

Mr. MACINNIS: And if he is agreeable, I do not think an amendment is needed.

Mr. LESAGE: On the second part of the motion, that which relates to the calling of witnesses, I presume no doubt that Mr. Beaudry who has brought this matter forward will give the names of the persons he has in mind to counsel for the committee.

The CHAIRMAN: May I ask what the pleasure of the committee is with regard to the motion?

Some Hon. MEMBERS: Agreed.

The CHAIRMAN: I had a discussion with counsel of the committee on this matter this morning and we agreed upon a plan for calling certain witnesses. May that plan be followed in connection with this matter? Normally this would be discussed with the steering committee and they would be told actually who the witnesses were. Counsel is ready now to proceed and call witnesses on this matter.

Mr. LESAGE: Can we have them tomorrow?

The CHAIRMAN: I think the witnesses will be here on Thursday.

Mr. MONET: Yes, on Thursday. I will give you the names tomorrow, Wednesday.

Mr. LESAGE: That is my suggestion.

The CHAIRMAN: We will have these witnesses at the earliest moment.

Mr. MAYHEW: Are we conflicting with the Wartime Prices and Trade Board? Do you know how far they have gone?

The CHAIRMAN: There is no objection in the matter so far as the board is concerned.

Mr. WINTERS: In connection with this I would ask that counsel give some consideration to the Halifax situation and bring in a recommendation as to what should be done and how we should proceed to investigate that problem.

Mr. MERRITT: Mr. Chairman, I do not know if a motion is in order, but I did not mix up my question with that raised by Mr. Beaudry. I would like to see Mr. Taylor recalled. I feel that it was this acute shortage which made possible the situation which he described, and I think the committee ought to understand clearly what caused butter to run out; and I would myself think it would be more in order that we hear Mr. Taylor before we hear the other witnesses for Thursday—that we hear him tomorrow.

The CHAIRMAN: Don't you think Mr. Taylor has already told us? He has explained this thing I think pretty well the last time he was before the committee.

Mr. BEAUDRY: With due deference to Mr. Merritt, I am thinking of the Montreal public who certainly are entitled to consideration and protection.

The CHAIRMAN: Not only Montreal, everyone.

Mr. MERRITT: I was suggesting we do that tomorrow.

Mr. BEAUDRY: We have very definite evidence of this practice, and I think the situation is one which we should explore as quickly as we can. I have no objection to Mr. Taylor being called at a later date. I cannot agree with Mr. Merritt's contention that Mr. Taylor should come in before. I do not see what more, or anything he could add to this particular case.

Mr. MERRITT: I would not hold up Mr. Beaudry's motion for anything. I thoroughly approved of it and said so. But it was when you said that we could not have these witnesses until Thursday that I suggested we could hear from Mr. Taylor tomorrow and get the over-all reason for the shortage outlined before we proceed with this particular investigation.

The CHAIRMAN: My suggestion is that if you will read Mr. Taylor's evidence you will find that he has given the reasons. But there would be no objection if, after we have heard these witnesses, we recall him, if the committee thought it desirable.

Mr. MERRITT: Do you not think it was the action of the government which precipitated this situation? Is that what you mean?

The CHAIRMAN: No, no; I did not say that at all. I said, if you will read Mr. Taylor's evidence—

Mr. MERRITT: I think it is apparent.

The CHAIRMAN: No, I said that Mr. Taylor's evidence speaks for itself. And if I may respectfully suggest to you, Mr. Merritt, Mr. MacInnis and Mr. Irvine have an equal right to their view, that had controlled rationing been retained this would not have happened. It would be the same kind of valueless assertion.

Mr. IRVINE: Don't say that is valueless.

Mr. MACINNIS: It is an excellent argument, and we can use it for a variety of reasons.

Mr. MERRITT: My suggestion is in no way valueless. My suggestion is this, that a price control measure unaccompanied by rationing is going to produce a shortage.

The CHAIRMAN: Yes.

Mr. MERRITT: And that the reason these things that Mr. Beaudry complains of were possible appears to me to be the action of the government in taking one half of the controls off without taking the other half off at the same time.

The CHAIRMAN: I suggest that this is not the place to argue the reasons for it.

Mr. MERRITT: That is why I wanted to hear Mr. Taylor.

The CHAIRMAN: The committee has decided on this matter by accepting a motion. I think it would be a waste of time at this point, but if you wish to make a motion, Mr. Merritt, I will put it.

Mr. MERRITT: Mr. Chairman, if my point is clear and agreed upon, as you seem to think, I will not need Mr. Taylor back; but if my point is not agreed upon then I think we should have Mr. Taylor back.

The CHAIRMAN: If I do not make any comment on that it is not that I agree with you.

Mr. MAYHEW: What we want to know is the actual facts. We can only get them by the calling of witnesses.

The CHAIRMAN: That is the point, that is what we have decided to do.

All right, Mr. Monet.

Mr. MONET: Before we proceed, Mr. Chairman, with the further examination of Mr. Aird I want to table for the committee certain documents which I have been requested to put in since the beginning of this investigation. For the benefit of members of the committee we have put together a few documents that are going to be filed as requested. In report No. 25 of the Minutes of Proceedings and Evidence of Tuesday, March 16, at page 1185, there was a request for a comparison of the monthly average butterfat and creamery butter prices. This will be filed as exhibit 67.

EXHIBIT 67: Comparison monthly average butterfat and creamery butter prices.

COMPARISON MONTHLY AVERAGE BUTTERFAT AND CREAMERY BUTTER PRICES
SPECIAL GRADE BUTTERFAT F.O.B. SHIPPING POINT

1947	Alberta c per lb.	Saskatchewan c per lb.	Manitoba c per lb.	Ontario c per lb.	Wholesale Butter First Grade Montreal c per lb.
May	49·55	49·15	48·80	52·70	48·50
Ratio fat to butter	1:0·978	1:0·987	1:0·994	1:0·921	
June	50·31	50·50	49·50	51·44	49·75
Ratio	1:0·988	1:0·985	1:1·005	1:0·967	
July	51·87	52·25	51·50	52·62	49·75
Ratio	1:0·958	1:0·952	1:0·966	1:0·945	
August	55·75	55·95	55·00	56·30	55·25
Ratio	1:0·991	1:0·987	1:1·004	1:0·981	
September	62·00	61·75	61·00	63·75	59·125
Ratio	1:0·953	1:0·957	1:0·969	1:0·927	
October	60·87	60·75	60·25	64·25	57·125
Ratio	1:0·938	1:0·940	1:0·948	1:0·889	
November	61·75	61·35	60·60	62·50	60·375
Ratio	1:0·977	1:0·984	1:0·996	1:0·966	
December	67·70	67·25	66·00	71·50	66·125
Ratio	1:0·976	1:0·983	1:1·019	1:0·924	
1948					
January	69·00	68·75	68·00	74·10	68·00
Ratio	1:0·984	1:0·989	1:1·000	1:0·914	
February	69·00	67·75	67·00	73·50	67·50
Ratio	1:0·979	1:0·996	1:1·007	1:0·918	

NOTE: The disparity between prairie butterfat prices and Ontario butterfat prices is due to freight allowances for the prairie butter to terminal markets such as Vancouver, Toronto and Montreal. Also, the higher Ontario prices are made possible by the fact that a greater proportion of the production is sold by the creamery in print form.

Butterfat prices not available for other provinces.

Supplied by Dairy Products Division, Department of Agriculture, as requested by the Committee from Mr. J. F. Singleton, page 1185 of the Evidence.

On the same date and in the same number of the Minutes of Proceedings and Evidence, page 1194, there was a request for a statement regarding high scoring cheese eligible for Dominion government premium during 1947. That will be exhibit No. 68.

EXHIBIT 68: High scoring cheese eligible for Dominion government premium during 1947.

HIGH SCORING CHEESE ELIGIBLE FOR DOMINION GOVERNMENT PREMIUM DURING 1947

20·04 per cent of the total Cheddar cheese graded in Canada during 1947 scored 94 or more points and were therefore eligible for the premium of 2 cents per pound.

41·94 per cent of the total Cheddar cheese graded scored 93 points and was therefore eligible for the premium of 1 cent per pound.

Supplied by Dairy Products Division, Department of Agriculture, as requested by the Committee from Mr. J. F. Singleton, page 1194 of the Evidence.

Then, in the same number of the Minutes of Proceedings and Evidence of Tuesday, March 16, at page 1219, the Saskatchewan Co-operative Creamery Association Limited, report on shipments to Montreal dealers. That will be exhibit 69.

EXHIBIT 69: Saskatchewan Co-operative Creamery Association Limited, Shipments to Montreal dealers.

SASKATCHEWAN CO-OPERATIVE CREAMERY ASSOCIATION LIMITED

Regina, Saskatchewan

Shipments to Montreal Dealers

Date 1947	Destination	Quantity Boxes	Price	
June 11	A. A. Ayer Company Limited	406	.49	f.o.b. Montreal
Aug. 28	Lovell & Christmas (Canada) Ltd. .	650*	.62	f.o.b. Montreal
Sept. 3	Lovell & Christmas (Canada) Ltd. .	652*	.62	f.o.b. Montreal
Sept. 19	Pollock Saunders Limited	718	.60½	f.o.b. Montreal
1948				
Jan. 20	Lovell & Christmas (Canada) Ltd. .	943	.67½	f.o.b. Montreal
Jan. 20	A. A. Ayer Company Limited	939	.67½	f.o.b. Montreal
Jan. 21	Lovell & Christmas (Canada) Ltd. .	895	.67½	f.o.b. Montreal

* (Unsalted).

Shipments to Swift Canadian Company

1947				
June 11	Toronto	638	.51	f.o.b. Toronto
June 13	Toronto	636	.51	f.o.b. Toronto
July 2	Moose Jaw.....	535	.50	f.o.b. Norquay
July 3	Moose Jaw.....	600	.50	f.o.b. Melville
July 5	Moose Jaw.....	484	.50	f.o.b. Moose Jaw
July 7	Moose Jaw.....	500	.50	f.o.b. Wadena
July 21	Winnipeg	653	.52½	f.o.b. Toronto
Aug. 22	Moose Jaw.....	433	.56	f.o.b. Moose Jaw
Aug. 23	Windsor, Ont.....	651	.59	f.o.b. Windsor
Sept. 20	Vancouver	525	.61	f.o.b. Vancouver
Sept. 26	Moose Jaw.....	508	.61	f.o.b. Vancouver
Oct. 1	Halifax	635	.61	f.o.b. Toronto
Oct. 16	Sydney	671	.56	f.o.b. Toornto
Oct. 25	Sydney	657	.59	f.o.b. Toronto
1948				
Jan. 21	Fort William.....	635	.67½	f.o.b. Ft. William
Jan. 22	Fort William.....	774	.67½	f.o.b. Ft. William
Jan. 27	Fort William.....	317	.67½	f.o.b. Ft. William
Jan. 29	Fort William.....	515	.67½	f.o.b. Ft. William

Shipments to Canada Packers Limited

1947	Destination	Quantity Boxes	Price	
June 11	Toronto	415	.51	f.o.b. Toronto
June 13	Toronto	706	.51	f.o.b. Toronto
June 13	Toronto	638	.51	f.o.b. Toronto
June 16	Toronto	500	.51	f.o.b. Toronto
July 14	Edmonton	478	.52½	f.o.b. Vancouver
July 16	Edmonton	548	.50½	f.o.b. Humboldt
July 28	Vancouver	562	.52¾	f.o.b. Vancouver
July 31	Vancouver	550	.52¾	f.o.b. Vancouver
Aug. 9	Winnipeg	650	.54½	f.o.b. Toronto
Aug. 12	Toronto	634	.55½	f.o.b. Toronto
Aug. 14	Toronto	644	.55½	f.o.b. Toronto
Aug. 28	Vancouver	501	.60	f.o.b. Vancouver
Sept. 3	Toronto	636	.61½	f.o.b. Toronto
Sept. 30	Toronto	636	.61	f.o.b. Toronto
Oct. 8	Toronto	635	.60	f.o.b. Toronto
Oct. 15	Toronto	706	.56	f.o.b. Toronto
Oct. 30	Vancouver	487	.57¾	f.o.b. Vancouver
Nov. 8	Toronto	652	.59	f.o.b. Toronto

Now, may I refer to Report No. 27 of the Minutes of Proceedings and evidence of Thursday, March 18, page 1270, (which is to be read in connection with exhibit 58, printed in No. 26 of the minutes at page 1260); this is a comparative statement of butter operations 1946, January to December inclusive by the Co-operative Fédérée de Quebec—Montreal. That was requested by Mr. Mayhew and it will be Exhibit No. 70.

EXHIBIT 70: Comparative statement of butter operations January to December 1946 and 1947— Co-operative Fédérée de Quebec

EXHIBIT 70

CO-OPERATIVE FÉDÉRÉE DE QUEBEC—MONTREAL

Comparative statement of butter operations
1946, January to December inc.

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
Month	Quantity in boxes	Quantity in pounds	Sales	Remittances to creameries	Average price paid to creameries	Gross profit	Gross profit per lb.	Direct exp.	Profits before administration or overhead expenses
			$ cts.	$ cts.		$ cts.		$ cts.	$ cts.
January	5,327	298,334	110,414 06	108,017 55	0·3620	2,396 51	0·80	922 49	1,474 02
February	4,072	227,989	85,679 83	83,671 26	0·3670	2,008 57	0·88	704 99	1,303 58
March	1,657	92,826	34,543 12	34,006 23	0·3663	536 89	0·57	286 95	249 94
April	5,997	335,859	136,948 13	134,244 70	0·3997	2,703 43	0·80	1,038 52	1,664 91
May	30,405	1,702,676	651,202 15	642,588 38	0·3773	8,613 77	0·50	5,265 34	3,348 43
June	70,340	3,939,067	1,521,558 85	1,503,839 79	0·3817	17,719 06	0·44	12,181 04	5,538 02
July	70,854	3,967,818	1,565,054 11	1,543,483 93	0·3890	21,570 18	0·54	12,270 05	9,300 13
August	57,535	3,221,980	1,291,962 96	1,274,022 50	0·3954	17,940 46	0·55	9,963 55	7,976 91
September	39,787	2,228,087	899,965 50	887,160 32	0·3981	12,805 18	0·57	6,890 06	5,915 12
October	27,386	1,533,640	621,716 81	614,141 32	0,4004	7,575 49	0·49	4,742 53	2,832 96
November	9,757	546,389	221,079 82	215,795 96	0·3949	5,283 86	0·96	1,689 65	3,594 21
December	4,949	277,065	111,601 92	110,231 32	0·3978	1,370 60	0·49	857 24	513 36
	328,066	18,371,730	7,251,727 26	7,151,203 26	0·3892	100,524 00	0·54	56,812 41	43,711 59

CO-OPERATIVE FÉDÉRÉE DE QUEBEC—MONTREAL

Comparative statement of butter operations
1947, January to December inc.

1.	2.	3.	4.	5.	6.	7.	8.	9.	10.
Month	Quantity in boxes	Quantity in pounds	Sales	Remittances to creameries	Average price paid to creameries	Gross profit	Gross profit per lb.	Direct exp.	Profits before administration or overhead expenses
			$ cts.	$ cts.		$ cts.		$ cts.	$ cts.
January	3,371	188,769	78,413 47	76,188 71	0·4027	2,224 76	1·17	747 92	1,476 84
February	3,496	195,818	80,600 21	77,727 90	0·3935	2,872 31	1·46	775 66	2,096 65
March	3,637	203,665	84,906 89	82,000 49	0·4026	2,906 40	1·42	806 93	2,099 47
April	16,835	942,745	383,422 64	378,326 20	0·4013	5,096 44	0·54	3,735 16	1,361 28
May	36,075	2,020,208	987,300 06	969,048 32	0·4796	18,251 74	0·90	8,003 93	10,247 81
June	74,762	4,186,668	2,068,292 71	2,041,158 34	0·4875	27,134 37	0·64	16,587 39	10,546 98
July	86,022	4,817,264	2,385,029 81	2,357,185 73	0,4893	27,844 08	0·57	19,085 63	8,758 45
August	47,072	2,636,030	1,391,364 60	1,367,665 10	0·5188	23,699 50	0·89	10,443 83	13,255 67
September	45,659	2,556 905	1,503,075 28	1,473,337 39	0·5762	29,738 39	1·16	10,130 33	19,608 06
October	39,628	2,219,176	1,293,582 43	1,268,592 14	0·5716	24,990 29	1·12	8,792 23	16,198 06
November	15,924	891,715	521,827 18	510,790 76	0·5728	11,036 42	1·23	3,553 06	7,503 36
December	4,433	248,230	159,707 47	145,581 95	0·5860	13,125 52	5·28	983 56	12,141 96
	376,914	21,107,193	10,936,523 25	10,747,603 03	0·509	188,920 22	0·89	83,625 63	105,294 59

Now, I have been requested to bring to the attention of members of the committee certain corrections that have to be made in No. 25 of the Minutes of Proceedings and Evidence of Tuesday, March 16, page 1189.

The tenth line should read, "35 per cent cream" instead of "3·5 per cent cream." Then one the 13th line after the words "per cent butterfat" the words: "in the milk" should be added.

On page 1191 a question asked by Mr. Winters: "If the utilization out of 100 lbs. of milk were 40 per cent of butter . . ." should read: "If the utilization out of 100 lbs. of milk were 4·25 lbs. of butter. . ."

On page 1195—7th line from the bottom of the page, it should read "Canada Packers do manufacture butter, you know" instead of "Canada packers do manufacture butter in Montreal, you know."

I have also been requested by the Dominion Bureau of Statistics to make certain corrections on Table V, page 4, of exhibit 52, as to the price of butterfat. The corrections are as follows: The butterfat in December, 1947, should read 68·8 in Ontario, instead of 64; and 64·8 in British Columbia, instead of 63·4.

Now, for the information of members of the committee the Dominion Bureau of Statistics figures on butterfat are provincial averages for butterfat, whereas those submitted by Mr. Singleton in exhibit 67, are for special grade butterfat only.

W. R. Aird, President, Dominion Dairies Limited, Montreal, Quebec, recalled:

By Mr. Monet:

Q. Mr. Aird, you were requested to give the dates of incorporation of the different companies which are subsidiaries of Dominion Dairies. I understand they are Farmers' Dairy Company Limited, the Acme Farmers' Dairy Limited, the Producers Dairy Company Limited of Ottawa, the Hull Dairy Company Limited and the Crescent Creamery Company Limited. Can you now give members of the committee the dates of incorporation of these subsidiary companies?—A. Yes, the Farmers' Dairy commenced business in October, 1909, and was incorporated in the spring of that year. The previous president of the company did not know the exact date but it was in the spring of 1909. The name was changed to Farmers' Dairy Company Limited and it was incorporated on July 17, 1925 under that name. The name was again changed to the Acme Farmers' Dairy Limited under supplementary letters patent in January of 1930. Elmhurst Dairy Limited started in a small way in 1873. The son of the founder of the business does not remember the exact date but it was sometime in 1873 and was incorporated on November 4, 1921. The Producers Dairy here in Ottawa started business on 11th of November, 1918, Armistice Day, and it was incorporated on April 3, 1922. The Hull Dairy commenced business on March 15, 1924 and was incorporated on June 24, 1927. The Crescent Creamery Limited started somewhere about 1905 and was incorporated on June 19, 1905.

Q. Now Mr. Aird you were requested at page 1483 of the evidence to give the members of the committee the ice cream figure for January, February, and March, of 1948?—A. 202,201 gallons is the figure.

Q. How much was that?—A. 202,201 gallons.

Q. That is the total for the three months?—A. Yes sir, January, February and March. I was able to get the March figure.

Q. Mr. Aird, when the adjournment took place you had just been questioned on the various prices at which you were selling butter to private homes and to retail stores. Can you tell the members of the committee if the difference between the selling price at the wholesale and retail levels is considered by the

trade to be a fair margin?—A. I do not know what the trade thinks but as far as I am personally concerned, and speaking for our company, it is not quite enough under present wage and cost conditions.

Q. What do you think the spread should be?—A. Well there should be more. Just what the amount should be I have not figured out but wages are changing continuously. At the present time we are negotiating with unions in two different cities, and wage costs are changing from time to time. However, as the price is fixed we have not bothered to figure out what the increase should be because we are not likely to be asked that question for some time.

By Mr. Irvine:

Q. To whom do you think the price should be higher? Are you speaking of the farmer or the consumer?—A. The price to the farmer is regulated and the price to the consumer is also regulated at the present time.

Q. Yes, but you say you think it should be higher.—A. Personally, I think the price to the stores and to the consumer should be slightly higher to cover present day costs.

The CHAIRMAN: You think the consumer should be asked to pay even more?

The WITNESS: There should be some price increase.

Mr. MACINNIS: As between the wholesale and the retail price?

By Mr. Monet:

Q. Has this difference between the selling price at wholesale and retail levels increased or decreased since pre-war days?—A. It has not increased, it has decreased. You see, where a company delivers a great deal to the homes the cost is greater than in the case where the buyer gets it at the store and carries it home from the store.

Q. I understand you deliver a great deal of butter to stores?—A. I think it was 33 per cent that we delivered to the homes.

By Mr. Homuth:

Q. Is that in connection with your milk delivery?—A. Yes, right off our regular milk routes and the stores delivery is also made on our regular milk routes.

Q. I just wanted to get that clear. As your milk goes out the wagon delivers butter along with the milk?—A. Right.

Q. It is the same system?—A. Yes, our vehicles deliver to both stores and homes. We have a different operation as compared to that of some of the other people who have preceded me in giving evidence. In some cases those people sell all their butter or most of it in car lots of 56 pound boxes. When you take the 56 pound box and split it up into 56 separate pounds—and you must see that your butter is not underweight—you have the labour involved in the wrapping, in some cases the cost of the cartons, and icing in the summer time so that the butter is in proper condition when it gets to the home. All those steps enter into the cost of distributing butter in the way which we distribute it.

By Mr. Monet:

Q. In answer to a question put by Mr. Pinard you said you were selling butter to the homes in Montreal at 73 cents?—A. Yes, 73 cents in cartons.

Q. You said also that you were selling butter to stores in Montreal at 69¼ cents?—A. Yes, and in the cartons 70¼ cents.

Q. And it is delivered by the same— —A. —by the same vehicle that delivers the milk and at the same time.

By Mr. Homuth:

Q. I think we should get that clear, Mr. Chairman. The price of 69 cents plus the carton amounts to what?—A. 70¼ cents. We are allowed 1 cent for the carton.

Q. Yes, and you retail to stores at 70¼ cents and retail to homes at 73 cents? —A. Yes.

Q. So there is a 2¾ cent profit to the retailer?—A. A spread, he has got his operating expenses too.

Q. A gross profit of 2¾ of a cent?—A. Yes.

The CHAIRMAN: At any rate it is sold more cheaply to the retailer and it is drawn by the same vehicle?

The WITNESS: At the same time the deliveries are made.

By Mr. Monet:

Q. Now, Mr. Aird, has your company at any time suggested a retail price to any of the retailers?—A. No, sir.

Q. You never did?—A. No, there are stores which sell butter at less than what we sell it for. We have stores which sell our butter at less than our price.

By the Chairman:

Q. What is the explanation for that? Is it an inducement?—A. We do not sell it under our own name.

Q. No, but you say there are people that sell your butter cheaper than you do?—A. Yes.

Q. Why do they do that? Is it an inducement for their sales?—A. I cannot answer why they do so but our wagon price, the delivered price, is higher than the store price.

Q. Yes, but you have said there are people who sell your butter cheaper than you do in some instances?—A. Yes.

Q. What is the explanation?—A. They are selling in competition with other store keepers. We put up that butter in a special wrapper for them. We do not sell our company's butter in this city at that lower price.

Mr. MACINNIS: They are satisfied with a smaller spread.

The WITNESS: Yes, and we have a higher cost of delivery to the home.

Mr. MONET: Do you mean to say they sell it cheaper than you would sell it to them?

The WITNESS: Yes—oh, no, no, no.

Mr. HOMUTH: That is it, he says—no, no, no.

The WITNESS: I was asked a question—

Mr. HOMUTH: Mr. Chairman, what he said was—

The CHAIRMAN: Well I repeated my question two or three times and I was wondering.

Mr. HOMUTH: I think I understood what he said and it was this. The stores are selling their butter cheaper than the price at which they deliver to the homes.

The WITNESS: Right. First of all I was asked whether we dictate to the storekeeper,—

Mr. MONET: I did not use the word "dictate". I used the word "suggest".

The WITNESS: My answer to that question was no. Then I was asked a question as to whether the stores sell our butter for less than we sell that same butter—for less than we sell to homes. None of those stores sell it at less than the figure they pay for it.

Mr. HOMUTH: I would think they would be crazy if they did.

The CHAIRMAN: I would have thought so too but the question was put three times.

Mr. MONET: That is why I asked the question and as far as I am concerned that is all I have to ask of this witness.

Mr. HOMUTH: Mr. Aird, before you are dismissed—and I do not know whether this committee ever gives anyone a clean sheet—they never do; you never get a clean sheet from this committee—

The CHAIRMAN: I am sure Mr. Homuth is saying that with a smile.

Mr. HOMUTH: I mean that in a jocular way. We are always going to be suspicious of everyone.

The CHAIRMAN: No, we are here to get facts and to be fair.

By Mr. Homuth:

Q. I wish to ask you this, Mr. Aird. You sold how much ice cream in 1946? Have you got that figure? If you have not got that figure it is all right. You did, however, give us the ice cream figures for the year 1947.—A. No, I gave the figure for the months of January, February and March. The figure was 202,000 gallons. In 1946 we sold somewhere about 800,000 or 850,000 gallons.

Q. Can you give this committee some idea what ice cream would mean in terms of butter?—A. Well, it is very simple to figure it out. A gallon of ice cream must weight 5 pounds. If you take the total gallonage for the dominion and multiply by 5, remembering that it must not be less than 9½ and not over 10½ per cent butterfat—then you have a simple problem in arithmetic. I have not got the figure but it is a small percentage.

Q. It is only a small percentage?—A. Yes, almost negligible.

Q. And the sale of ice cream in the country has no particular bearing on the supply or shortage of butter over the country as a whole?—A. It has very little bearing.

By the Chairman:

Q. Mr. Homuth used the word "dismissed" as applying to you, Mr. Aird, but before you leave the table I would ask you this. You heard the discussion about the situation in Montreal, and as you are a large butter dealer can you help us? A. Yes, it is not hard to get butter sometimes.

Q. Let me preface my next question with this statement. I was in my home city yesterday and the other members have been at their homes likewise. The people generally are complaining about the shortage of butter and their inability to get butter. Now these people have read in the papers about a Montreal jeweler who has been giving away butter and, without giving a figure, I understand that the jeweler concerned has quite a lot of butter on hand?—A. That is not in the information that I have. I took it upon myself, when I got back to Montreal, to find out what I could. I do not suppose there is anyone who is more concerned about the shortage of butter in Montreal than our firm with its 36,000 customers. They are people who are looking to us for butter and they are most impolite to us when we tell them we are sorry that we just have not got butter for them. This butter concerned in the three places mentioned is insignificant according to the information given to me by the members of my organization. One instance mentioned represented 200 or 300 pounds.

Q. I am told the amount is much greater than that.—A. Well I have not got that information.

Mr. PINARD: Between 4,000 and 5,000 pounds.

The WITNESS: I understand all three of these firms have stopped the practice now. It was of considerable concern to us when our customers would phone in and ask how a jeweler could get butter when we could not.

The CHAIRMAN: Supposing a person had 5,000 pounds of butter—I am not saying that they have but if they had—where would they have obtained it in this time of shortage?

The WITNESS: I do not know. I have been trying to find out and I do not think it would be possible to get 5,000 pounds of butter in or around Montreal today.

By Mr. Homuth:

Q. Instead of it being butter coming from the creameries might it not be dairy butter?—A. It was reported to me that some of it was dairy butter.

Q. Are there farmers who are big enough down there who might, because of the price, start to churn their own butter?—A. There is a certain amount of that going on all the time. There is some dairy butter. I do not know where there is any butter available.

Q. There are people who go out and buy cream, put it in a container, and place it in the washing machine to make their own butter once in a while. Now I was just wondering whether some larger farmers outside of Montreal might be producing their own butter because of the increased price?—A. I doubt if there are any Montreal inspected farms on which the milk which has been produced up to within the last three or four days has not been sold in the fluid market. It would pay a much higher price than churning it into butter at the ceiling price because when you pay $4.10 for a hundred pounds of milk, it is more than a dollar a pound for the fat. It would not pay to churn it and sell it at the ceiling price.

By Mr. MacInnis:

Q. You said a moment ago that wages were continually changing, that is, if I understood what you said correctly. How long has the present wage rate been in effect?—A. Well, it varies. In Toronto it changed within the past few months. In Montreal, it is changing now. It changed twice within the last year. We have not a plant in which there have not been changes on numerous occasions in the last few years.

Q. You said your employees were negotiating now?—A. In one plant in Montreal, now.

Q. When was the last change in wage rates in that plant?—A. Within the past six months.

Q. Do you make agreements for a period of time?—A. Where there is a definite union, yes.

By Mr. Winters:

Q. I wonder if the witness could tell us what he aims at as a normal operating relationship between the cost to him of a pound of butter fat and the selling price of a pound of butter?—A. Retail or wholesale?

Q. Wholesale?

Mr. HOMUTH: Is Mr. Winters talking about gross profit or net profit on a pound of butter?

Mr. WINTERS: I am talking about what he considers he has to get in order to realize an operating profit. I do not care whether he looks at it in terms of gross or net, I want to know at what price he has to sell a pound of butter to the trade to get an operating margin?

Mr. HOMUTH: The question always arises whether or not it is a gross profit on one part of his activities or whether it is a net profit on a particular product.

Mr. WINTERS: I think his answer would be in terms of a net profit.

Mr. HOMUTH: The net profit on butter and not related to other commodities which he handles?

Mr. WINTERS: He has to fix a selling price to realize a net profit.

The WITNESS: We do not fix a selling price based on cost, we follow the market. Irrespective of what the market is, we have to sell at that price.

By Mr. Winters:

Q. You said in evidence you did not think the spread was enough?—A. Yes.

Q. What do you think it should be? What do you aim at?—A. Well, I would have to figure that out under present wage and operating conditions. It might change six months from now. I cannot tell you unless I figure out exactly what it would be under present conditions. Butter is, more or less, a last resort for the product we buy, that is, milk. Most of our butter is made from collected milk during the summer season. We produce butter with the surplus fat we cannot dispose of in the way of table cream or ice cream. In the winter time, we have an outlet for all the cream we can get and more. Therefore, it is the over-supply of fat in the summer time which we turn into butter. It was for that reason we went into the market last year and bought a million and a quarter pounds to see through those customers who continually buy butter from us.

While it represents a lot of money, it is more or less a convenience to our customers and a convenience to us because it allows us to operate plants in which to get cream for our table cream use and for our ice cream.

Q. The reason I raised the question, Mr. Chairman, was that on page 1480 of the evidence Mr. Aird gave certain figures showing the increase in the cost to him of butter fat over a certain period and the increase in butter prices over the same period and indicated he was encountering a diminishing return. Mr. Monet was good enough to have Mr. Aird supply me with certain information showing the cost to him of butter fat from April, 1947 to March of this year and his selling price on butter over that period. I made a calculation just before I came in here, using the usual 20 per cent over-run, and it shows—this information has been supplied to me on the basis of butter fat costs in Quebec shown in one column, and Manitoba and Saskatchewan shown in another column. I think you can take either one as a reference, but let us take Manitoba and Saskatchewan. It shows that the difference between the cost of butter fat and the selling price of butter in April, 1947 was 8·4 cents?—A. That is taking the 20 per cent over-run into consideration?

Q. Yes, and progressively, that increased up to the end of November, 1947 to 17·3 cents. Then, it decreased and now it is running around a little more than 11 cents?—A. How did you get that 17·3 cents?

Q. Well, on November 30, your figures show the price of butter fat as 62½ cents?—A. Yes.

Q. Which reduced to butter is 48 cents?—A. No, 52 cents; 62½ divided by 120 gives you 52 cents. You have about 8·2 cents.

Q. Yes, you are right about that.—A. I think you will find in the evidence we said we had about 8¾ cents spread.

Q. Even allowing for that, it has increased over that period from April, 1947 to the end of February of this year from 8 cents to something more than 11 cents? You say you are still not realizing enough which would naturally lead one to ask you what you think enough should be?—A. It is 9 cents now.

Q. Is it 9 cents now?—A. Yes, the proper calculation is 9, from 8½ to 9. Our costs have gone up approximately 1 cent a pound on labour and selling expenses, not much more.

Q. You have not really experienced an over-all diminution of your spread? —A. No, we are getting a little less gross profit than a reasonable gross profit today, on our type of operation, for butter.

Q. You say it is a little less than a reasonable gross profit?—A. Yes.

Q. What would you think, another cent or 2 cents?—A. With costs as they are, I would say another cent. The wages go up, the cost of coal and other things go up, and next week it will take more again. You cannot fix a price, Mr. Winters, today and come back two weeks from today and say that is what it is going to be.

By the Chairman:

Q. I am just looking at the questions and answers on page 1492 in which you admit making a very abnormal profit of about 8 cents a pound on 2½ million pounds?—A. Did I say that.

Q. You did not agree with that. I will just read the questions and answers. I am reading from page 1492 of the evidence.

By Mr. Monet:

Q. I am coming to that. If you refer, then, to the butter sold during August, September and October, December, January and February, would it be fair to state that the company realized a very abnormal profit of about 8 cents a pound on 2½ million pounds?—A. No, it would not.

Q. Gross profit?—A. No, it would not be fair to say that. It would be fair to say there was an approximate gross profit of that, yes.

Q. That is what I am asking you.—A. Between 8 and 10 cents.

Mr. LESAGE: Between 8 and 10 cents.

Mr. MONET: On 2½ million pounds sold during that period?

The WITNESS: Yes.

By Mr. Monet:

Q. That would make close to $200,000 if any calculation is correct?—A. I would have to verify that.

Is it fair to suggest that when the profit is very high, as in this case it was apparently, the same consideration is not given to the consumer as is given when you find your cost situation tight as you say it is now?—A. I do not follow you.

Q. Well, right now you have a cost problem on your hands requiring a certain spread. You think you are not getting enough, 73 cents is not enough now. However, there was a time when you got an abnormal profit.—A. That is the gross profit you are talking about, that is not the net profit.

Q. What was the net at that time?—A. 1·3 cents a pound.

Q. As compared with?—A. A loss the year before of 2·19.

Q. And now?—A. And now, it would be less than that because the butter we are selling today—on December 31, we had 800,000 pounds of butter on hand if I remember correctly, 803,000 pounds. The butter we are selling today is butter that was made—it is all gone now.

By Mr. Lesage:

Q. How much did you have at the end of March?

By the Chairman:

Q. At the end of February you had 829,000?—A. At the end of December we had 829,000 and in February, 311,000.

By Mr. Lesage:

Q. What about March, now?—A. It would be somewhere around 100,000, with sales running between 400,000 and 500,000 pounds a month.

By Mr. Pinard:

Q. You have only 33,000 customers in Montreal?—A. We have 36,000 customers in Montreal, but this is a consolidation of the 100,000 customers in four cities.

By Mr. Homuth:

Q. You are very close to destitution so far as butter is concerned?—A. We are having a hard time.

By Mr. Lesage:

Q. You had 100,000 pounds on the 31st of March?—A. I am speaking from memory; it would be less than 100,000.

Q. How many pounds did you secure by buying or producing butter in March?—A. I should like to make a correction, if I may. On this form, in February, I showed we produced 14,950 pounds of butter, but that is wrong. You should take 14,000 from that. We transferred 14,000 from one plant to another and an error was made in that computation. It was shown as produced, but it was produced by one company and sold to another. It was an error. We got the large quantity of 950 pounds of butter in the month of February.

Q. And in March, did you get any?—A. I have not the figures for March as yet. I tried to get them but I have not been able to.

Q. Was it any more than 950?—A. Yes, we bought a little more in the month of March.

Q. Did you not produce any?—A. Our production—our largest production of butter is right in this area here, Shawville, Almonte, Campbell's Bay and so on. We produced 80,000 pounds last March and this year 40,000 pounds; that is why we are short of butter.

Q. How is it you did not get as much milk this year as you did last year? I think that is the fundamental problem?—A. We are about two weeks behind in the season, that is what they tell me.

Q. Has the price of veal anything to do with it?—A. I do not think so.

By the Chairman:

Q. Has the export of cattle anything to do with it?—A. I do not think so.

Mr. HOMUTH: We are not exporting cattle.

The CHAIRMAN: Live cattle, we are.

Mr. HOMUTH: Only pure bred cattle.

By Mr. Lesage:

Q. Would one of the reasons be the fact the farmer is receiving more money for veal than for fluid milk?—A. I am told by our field men the farmer can realize more money selling his milk to us than he can putting it into veal. That is what I am told.

Q. That is the answer I wanted. Cattle are not out much yet even in southern Ontario?—A. Not yet. They would have mud up to their udders if they were out now.

Q. Even in southern Ontario?

The CHAIRMAN: What is that?

Mr. LESAGE: Cattle.

Mr. HOMUTH: No cattle are out.

By Mr. Lesage:

Q. When the cattle are out you get more milk?—A. They had zero weather in Winnipeg and Manitoba yesterday and the day before, and they have not got them out there now.

Q. Do you think as soon as the cattle are out, which is a week or two weeks away, the situation will be taken care of?—A. We are beginning to see a slight improvement within the last five days. Cattle are freshening and the milk production is coming up some. It is slow. I do not think we are going to see production as fast this spring as we did last year because the cattle are not in as good shape this spring as they were last year.

Q. Can you supply your clients to a certain extent today? Let us say today?—A. All our clients with milk and cream, yes.

Q. Butter?—A. No, approximately 50 per cent.

Q. That is what you are doing now?—A. In this market here we are running about 25 to 30 per cent of their regular requirements. In Montreal we are running about 50 per cent.

Q. Fifty per cent of your regular requirements?—A. Yes, but not enough to supply the people who do not buy butter from us and who want it now. Our own customers are getting about 50 per cent of the regular supply.

By Mr. Monet:

Q. In Montreal?—A. In Montreal.

By Mr. MacInnis:

Q. Do you ration the supply available?—A. We do not ration it. We have all our routes on a quota.

By Mr. Lesage:

Q. You cannot supply people who were not your customers before?—A. If I were to telephone Montreal now I would be out of butter ten minutes from now, and I would be out of business.

Q. I am not blaming you.—A. We have got about 50 per cent. Our customers are getting about 50 per cent of their normal purchases.

Q. You say it is improving and that in a week or two from now as far as your customers are concerned the situation will be corrected?—A. I think so far as our own customers are concerned within the next ten days it will start to improve, and by May we will have ample.

Q. By May?—A. In our company. I do not know about anybody else.

Q. I am talking about our own company and your own customers.—A. We anticipate having ample for all our customers and a little more on or before the 1st of May.

By Mr. Pinard:

Q. In order to supply your customers have you tried to reduce the sale of cream?—A. No, because I have got to pay too high a price for cream. I cannot put that into butter.

Q. Have you tried to reduce ice cream production?—A. It would be silly for us to do that. It is a very small quantity, and that is high priced cream, too.

By Mr. Homuth:

Q. During the investigation of the price of butter we have had some evidence here of so-called unprecedented profits. Mr. Chairman, this question may be rather involved. I am going to give an explanation of it. In every industry producing certain commodities there are some commodities which they sell at cost, or sometimes even at a slight loss because it uses up certain products which they accumulate and they have got to get them out in the market. This unprecedented rise in the price of butter was certainly not looked for by the butter people, was it? It was an abnormal condition?—A. We tried to stop it.

Q. It was an abnormal condition?—A. Yes.

Q. Is butter one of those commodities which in ordinary industry is looked upon as something which is moved in and out or manufactured because of the fact that butter must go with some other commodities, and butter sells some commodities, or other commodities sell butter?—A. Not generally speaking. There are straight butter operators. You had one company—

Q. I am talking about your company.—A. We have only one plant in our organization that is strictly a butter operation. All of our others are feeders for our four distributing plants in the four cities, milk, cream, cream for ice cream, cream for table use, and we have got to have large surpluses, for want of a better word, in the heavy summer production period to insure us enough cream for our table trade in the winter months when production is low.

Q. Do you refrigerate that?—A. We freeze some of it and keep it for use later in the year when production drops. We churn some of it and keep it for use later in the year when production drops, but in order to dispose of the rest of it we sell it on our milk routes, and through our regular outlets for our milk and cream.

Q. Butter in itself is not considered one of your prime products of production?—A. I could not deliver butter to the home as butter alone. It has got to be with the milk and cream.

Q. It has got to be a part and parcel of your whole business?—A. Right.

The CHAIRMAN: Any other questions? All right, Mr Monet; call your next witness.

Mr. MONET: The next witnesses will be Mr. Silverwood, Mr. Duplan and Mr. Gillies.

Edward Gordon Silverwood, President, Silverwood Dairies Limited, called and sworn.

John Harold Duplan, Executive Vice-President, Silverwood Dairies Limited, called and sworn.

John Harold Gillies, Vice-President and Treasurer, Silverwood Dairies Limited, called and sworn.

Mr. MONET: Mr. Silverwood, would you please give your full name?

Mr. SILVERWOOD: Edward Gordon Silverwood.

Mr. MONET: Your address.

Mr. SILVERWOOD: 303 Huron Street, London.

Mr. MONET: Your occupation?

Mr. SILVERWOOD: President of Silverwood Dairies Limited.

Mr. MONET: Your head office is situated where?

Mr. SILVERWOOD: London, Ontario; 75 Bathurst Street, London.

Mr. MONET: Mr. Duplan, what is your full name?

Mr. DUPLAN: John Harold Duplan.

Mr. MONET: Your occupation?

Mr. DUPLAN: Executive Vice-President, Silverwood Dairies Limited.

Mr. MONET: And your address?

Mr. DUPLAN: 23 Belgrave Avenue, London, Canada.

Mr. MONET: Mr. Gillies, would you give your full name?

Mr. GILLIES: John Harold Gillies.

Mr. MONET: Your address?

Mr. GILLIES: 403 Huron Street. London.

Mr. MONET: Your occupation?

Mr. GILLIES: Vice President and Treasurer, Silverwood Dairies Limited.

The CHAIRMAN: I am sure that the members of the committee will note the absence of Mr. McCubbin, who has been a regular attendant, particularly having regard to the presence of this company which is in his own riding. Word has come to me that his father has died today and he has gone back home. I have sent a wire in the name of the committee.

Mr. MONET: Mr. Silverwood, I understand you were requested by counsel to give certain information for the benefit of the members of the committee, which information you have submitted. Would you now look at a brief which I understand has been prepared by you as president of the company?

Mr. SILVERWOOD: Yes.

Mr. MONET: You will be asked to read that to the members of the committee in a few minutes. Then I want to refer to the questionnaire submitted to you by the secretariat, which questionnaire fully answered will be filed as exhibit—

The CHAIRMAN: Exhibit 71.

Exhibit No. 71: Questionnaire as answered by Silverwood Dairies Limited.

Exhibit 71
Statement No. 1

SILVERWOOD DAIRIES, LIMITED

Quantities and Value of Butter—By Months

Head Office—London, Ontario

Month	Quantities of butter—Lbs.						Dollar value (omit cents)		Average per lb.		
	On hand at beginning of month	Purchases during month	Transferred from creamery during month (1)	Sub-Total	Sales during month (2)	On hand at end of month	Purchases and production during month	Sales during month	Cost of purchases and production	Selling price	Margin between purchase cost and selling price
									cts.	cts.	cts.
1939											
January	Not available.										
February											
March											
April	173,954	144,894	322,473	641,321	505,034	136,287	97,968	114,371	20·93	22·65	1·72
May	136,287	178,279	443,129	757,695	570,792	186,903	126,521	124,163	20·34	21·75	1·41
June	186,903	164,133	559,932	910,968	591,166	319,802	153,469	134,516	21·17	22·75	1·58
July	319,802	205,784	440,694	966,280	608,839	357,441	137,890	138,794	21·28	22·80	1·52
August	357,441	366,583	418,439	1,142,463	614,933	527,530	158,281	138,671	20·14	22·55	2·41
September	527,530	282,641	388,119	1,198,290	591,079	607,211	174,478	160,022	25·97	27·07	1·10
October	607,211	191,229	344,286	1,142,726	515,613	627,113	147,276	149,169	27·46	28·93	1·47
November	627,113	183,686	284,507	1,095,306	585,393	509,913	130,161	170,552	27·72	29·13	1·41
December	509,913	211,308	270,301	991,522	561,357	430,165	137,529	161,637	28·47	28·79	0·32
	.....	1,928,537	3,471,880	.....	5,144,206	.....	1,263,573	1,291,895			
1940											
January	430,165	224,439	286,004	940,608	574,894	365,714	138,459	163,607	27·12	28·46	1·34
February	365,714	230,435	247,107	843,256	622,493	220,763	125,358	171,087	26·25	27·48	1·23
March	220,763	193,948	279,661	694,372	549,681	144,691	129,227	157,622	27·28	28·68	1·40
April	144,691	160,898	351,839	657,428	516,327	141,101	131,975	142,375	25·74	27·57	1·83
May	141,101	139,281	468,635	749,017	493,156	255,861	135,573	119,187	22·30	24·16	1·86
June	255,861	164,121	590,941	1,010,923	506,702	504,221	161,503	118,035	21·38	23·29	1·91
July	504,221	195,642	522,659	1,222,522	538,298	684,224	153,295	123,450	21·34	22·93	1·59
August	684,224	185,409	469,521	1,339,154	611,802	727,352	140,491	140,953	21·45	23·04	1·59
September	727,352	186,923	401,124	1,315,399	602,129	713,270	133,901	143,684	22·77	23·86	1·09
October	713,270	264,430	374,923	1,352,623	760,209	592,414	169,630	207,934	26·53	27·35	0·82
November	592,414	258,628	240,775	1,091,817	683,918	407,899	147,021	207,558	29·44	30·34	0·90
December	407,899	389,844	227,843	1,025,586	688,832	336,754	211,163	240,560	34·18	34·92	0·74
	.....	2,593,998	4,461,032	.....	7,148,441	.....	1,777,596	1,936,052			

1943											
January	166,894	81,570	221,797	470,261	307,600	162,661	303,367	115,170	33·79	37·44	3·65
February	162,661	53,163	200,559	416,383	220,136	196,247	87,213	81,553	34·36	37·03	2·67
March	196,247	23,998	264,541	484,786	290,857	193,929	100,084	109,126	34·69	37·51	2·82
April	193,929	32,605	314,220	540,754	381,966	158,788	119,178	140,769	34·36	36·85	2·49
May	158,788	140,923	490,506	790,217	500,932	289,285	197,739	179,611	32·69	35·85	3·16
June	289,285	191,604	724,279	1,205,168	427,209	777,959	295,968	149,937	32·31	35·09	2·98
July	777,959	274,708	583,547	1,636,214	450,975	1,185,239	276,124	158,553	32·17	35·16	2·99
August	1,185,239	83,930	508,609	1,777,778	452,089	1,325,689	190,898	159,124	32·22	35·20	2·98
September	1,325,689	68,717	474,047	1,868,453	472,288	1,396,165	177,683	166,568	32·74	35·27	2·53
October	1,396,165	73,554	339,421	1,809,140	502,810	1,306,330	137,953	179,102	33·40	35·62	2·22
November	1,306,330	135,566	239,189	1,681,085	479,875	1,201,210	128,884	174,784	34·39	36·42	2·03
December	1,201,210	56,694	218,868	1,476,772	581,835	894,937	93,095	209,560	33·78	36·01	2·23
	.....	1,217,032	4,579,583	.....	5,068,572	.....	2,108,186	1,823,837			
1944											
January	894,937	199,364	221,050	1,315,351	606,192	709,159	145,041	219,770	34·52	36·25	1·73
February	709,159	59,992	227,768	996,919	562,318	434,601	101,099	210,519	35·13	37·44	2·31
March	434,601	63,687	276,231	774,519	500,214	274,305	109,808	174,846	32·30	34·95	2·65
April	274,305	63,835	267,959	606,099	493,915	112,184	114,238	180,638	34·43	36·57	2·14
May	112,184	81,492	514,313	707,989	465,922	242,067	195,116	167,233	32·75	35·89	3·14
June	242,067	88,453	647,355	977,875	442,553	535,322	238,114	156,792	31·55	35·43	3·88
July	535,322	279,687	522,765	1,337,774	484,080	853,694	261,534	170,271	32·59	35·17	2·58
August	853,694	200,637	469,738	1,524,069	491,298	1,032,771	223,191	175,203	33·29	35·66	2·37
September	1,032,771	132,103	422,767	1,587,641	516,955	1,070,686	191,037	188,415	34·43	36·45	2·02
October	1,070,686	75,039	350,220	1,495,945	500,999	994,946	145,518	183,915	34·25	36·71	2·46
November	994,946	33,627	261,439	1,290,012	546,008	744,004	95,663	198,908	32·39	36·43	4·04
December	744,004	73,312	244,148	1,061,464	572,093	489,371	109,247	209,525	34·41	36·62	2·21
	.....	1,351,228	4,425,753	.....	6,182,547	.....	1,929,606	2,236,035			

NOTE.—(1) Transfers on basis of market prices.
(2) 1939 and 1940 internal and interbranch sales are included.

SILVERWOOD DAIRIES, LIMITED

STATEMENT No. 3

QUANTITIES AND VALUE OF BUTTER—BY MONTHS

Head Office—London, Ontario

Month	Quantities of butter—Lbs.						Dollar value (omit cents)		Average per lb.		
	On hand at beginning of month	Purchases during month	Transferred from creamery during month (1)	Sub-Total	Sales during month (2)	On hand at end of month	Purchases and production during month	Sales during month	Cost of purchases and production	Selling price	Margin between purchase cost and selling price
									cts.	cts.	cts.
1946											
January	418,067	137,725	216,796	772,588	543,713	228,875	125,735	206,985	35·47	38·07	2·06
February	228,875	14,105	181,362	424,342	331,896	92,446	68,869	130,202	35·23	39·23	4·00
March	92,446	71,018	226,829	390,293	330,834	59,459	106,614	128,347	35·79	38·80	3·01
April	59,459	61,741	296,312	417,512	322,709	94,803	140,603	136,591	39·27	42·33	3·06
May	94,803	202,385	437,663	734,851	390,684	344,167	245,388	163,778	38·34	41·92	3·58
June	344,167	522,878	563,772	1,430,817	388,561	1,042,256	409,201	158,660	37·66	40·83	3·17
July	1,042,256	269,272	485,758	1,797,286	444,388	1,352,898	292,347	182,188	38·72	40·99	2·27
August	1,352,898	114,734	409,394	1,877,026	560,302	1,316,724	207,818	237,032	39·65	42·30	2·65
September	1,316,724	44,592	346,966	1,708,282	453,153	1,255,129	149,050	187,527	38·07	41·38	3·31
October	1,255,129	3,869	303,030	1,562,028	444,364	1,117,664	120,147	189,909	39·15	42·74	3·59
November	1,117,664	5,626	197,563	1,320,853	419,890	900,963	79,697	181,170	39·22	43·15	3·93
December	900,963	11,301	159,217	1,071,481	371,516	699,965	66,866	161,871	39·21	43·57	4·36
		1,459,246	3,824,662	.....	5,002,010	.....	2,012,335	2,064,260			
1947											
January	699,965	101,062	257,190	1,058,217	577,181	481,036	144,070	242,884	40·21	42·08	1·87
February	481,036	202,684	243,782	927,502	598,242	329,260	169,193	244,003	37·90	40·79	2·89
March	329,260	146,606	299,297	775,163	567,234	207,929	183,807	247,969	41·22	43·71	2·49
April	207,929	152,649	360,158	720,736	617,009	103,727	202,630	261,923	39·51	42·45	2·94
May	103,727	282,850	447,569	834,146	458,892	375,254	359,956	237,146	49·28	51·68	2·40
June	375,254	669,582	601,462	1,646,298	577,624	1,068,674	592,797	296,119	46·64	50·41	3·77
July	1,068,674	139,135	635,678	1,843,485	543,864	1,299,621	390,680	292,208	50·42	53·72	3·30
August	1,299,621	294,062	455,301	2,048,984	686,347	1,362,637	401,124	390,082	53·52	56·83	3·31
September	1,362,637	212,302	456,681	2,031,620	597,595	1,434,025	391,191	374,256	58·48	62·62	4·14
October	1,434,025	232,485	362,905	2,029,415	629,672	1,399,743	342,139	385,075	57·46	61·15	3·69
November	1,399,743	74,355	231,499	1,705,597	616,131	1,089,466	179,247	372,560	58·61	60·47	1·86
December	1,089,466	129,412	211,613	1,430,491	688,853	761,638	221,407	449,152	64·92	67·15	2·23
		2,637,182	4,563,135	.....	7,138,644	.....	3,578,241	3,793,377			
1948											
January	761,638	131,440	210,387	1,103,465	560,034	543,431	230,527	391,116	68·83	69·84	1·01
February	543,431	77,483	178,276	799,190	514,177	285,013	171,087	353,831	66·89	68·81	1·92

SILVERWOOD DAIRIES, LIMITED

BUTTER OPERATIONS

STATEMENT No. 4

A	B	C	D	E	F	G	H	I
Fiscal Year Ending March 31st	Sales		Average per lb.	Cost	Purchasing expense	Production expense	Total cost of sales	Average per lb.
	lbs.	Value						
		$	cts.	$	$	$	$	cts.
1939	4,735,900	1,327,354	28·02	1,120,312	34,673	134,735	1,289,720	27·22
1940	5,015,526	1,318,977	26·29	1,051,660	42,403	113,555	1,207,618	24·07
1941	4,986,325	1,434,199	28·76	1,118,258	47,929	122,202	1,288,389	25·84
1942	4,800,210	1,593,948	33·21	1,288,554	47,557	133,610	1,469,721	30·62
1943	4,158,696	1,532,423	36·84	1,259,642	47,942	117,478	1,425,062	34·26
1944	5,922,238	2,127,032	35·92	1,746,623	76,970	170,912	1,994,505	33·68
1945	5,847,912	2,128,095	36·39	1,765,160	71,000	163,557	1,999,717	34·20
1946	6,221,402	2,315,780	37·22	1,893,960	72,567	177,857	2,144,384	34·46
1947	5,922,309	2,614,180	44·14	2,236,526	68,737	161,455	2,466,718	41·65
	47,610,518	16,391,988	34·43	13,480,695	509,778	1,295,361	15,285,834	32·11
11 Months to February 28, 1948	6,470,198	3,803,473	58·78	3,122,847	74,134	211,579	3,408,562	52·68
	J	K	L	M	N	O	P	Q
	Selling expense	Average per lb.	Trading profit	Average per lb.	Indirect expense	Average per lb.	Net profit or loss	Average per lb.
	$	cts.	$	cts.	$	cts.	$	cts.
1939	40,279	0·85	−2,645	−0·05	195,849	4·14	*198,495	*4·19
1940	37,106	0·74	74,253	1·48	168,569	3·36	*94,315	*1·88
1941	35,556	0·71	110,254	2·21	164,534	3·30	*54,280	*1·09
1942	34,615	0·72	89,612	1·87	155,954	3·25	*66,343	*1·38
1943	30,445	0·73	76,916	1·85	133,660	3·21	*56,745	*1·36
1944	41,346	0·70	91,181	1·54	148,182	2·50	*57,002	*0·96
1945	42,157	0·72	86,221	1·47	134,098	2·29	*47,876	*0·82
1946	48,425	0·78	122,971	1·98	150,532	2·42	*27,560	*0·44
1947	49,726	0·84	97,736	1·65	135,811	2·29	*38,074	*0·64
	359,655	0·75	746,499	1·57	1,387,189	2·92	*640,690	*1·35
11 Months to February 28, 1948	60,417	0·93	334,494	5·17	170,992	2·64	163,502	2·53

* Loss.

STATEMENT No. 5

SILVERWOOD DAIRIES, LIMITED

BUTTER OPERATIONS

A	B	C	D	E	F	G	H	I
Period	Sales		Average per lb.	Cost	Purchasing expense	Production expense	Total cost of sales	Average per lb.
	Pounds	Value						
		$	cts.	$	$	$	$	cts.
1947—January	577,181	242,884	42·08	215,322	4,638	14,913	234,874	40·69
February	598,242	244,004	40·79	220,017	4,316	13,361	237,694	39·73
March	567,234	247,969	43·71	219,890	4,893	14,612	239,395	42·20
Total 3 months	1,742,657	734,857	42·17	655,229	13,847	42,886	711,963	40·86
1947—April	617,009	261,923	42·45	227,147	4,944	15,715	247,806	40·16
May	548,892	237,146	51·68	194,816	6,475	15,977	217,268	47·35
June	577,624	296,120	50·41	234,516	8,655	17,834	261,004	45·24
July	543,864	292,209	53·72	232,396	10,517	18,555	261,468	48·05
August	686,347	390,082	56·83	310,437	7,747	20,949	339,132	49·41
September	597,595	374,256	62·62	312,856	7,043	20,690	340,590	56·99
October	629,672	385,075	61·15	331,978	10,188	22,109	364,275	57·85
November	616,131	372,561	60·47	300,996	5,116	21,302	327,414	53·14
December	668,853	449,153	67,15	353,168	4,838	21,909	379,916	56·80
1948—January	560,034	391,117	69·84	326,075	4,607	19,496	350,178	62·53
February	514,177	353,831	68·81	298,462	4,004	17,043	319,510	62·14
11 Months	6,470,198	3,803,473	58·78	3,122,847	74,134	211,579	3,408,562	52·68

SILVERWOOD DAIRIES, LIMITED

BUTTER OPERATIONS

A	J	K	L	M	N	O	P	Q
Period	Selling expense	Average per lb.	Operating profit	Average per lb.	Indirect expense	Average per lb.	Net profit	Average per lb.
	$	cts.	$	cts.	$	cts.	$	cts.
1947—January	4,582	0·79	3,428	0·59	14,371	2·49	−10,943	−1·90
February	4,360	0·73	1,950	0·33	14,844	2·48	−12,894	−2·16
March	4,786	0·84	3,788	0·67	11,662	2·06	−7,874	−1·39
Total—3 months	13,728	0·79	9,166	0·53	40,877	2·34	−31,711	−1·82
1947—April	5,096	0·83	9,026	1·46	13,592	2·20	−4,566	−0·74
May	4,619	1·01	15,259	3·32	14,005	3·05	1,254	0·27
June	4,786	0·83	30,329	5·25	12,521	2·17	17,809	3·08
July	5,741	1·06	24,999	4·60	15,498	2·85	9,502	1·75
August	7,326	1·07	43,624	6·36	16,395	2·39	27,229	3·97
September	5,327	0·89	28,340	4·74	17,556	2·94	10,783	1·80
October	5,457	0·87	15,343	2·44	15,134	2·40	209	0·03
November	5,688	0·92	39,459	6·40	15,669	2·54	23,789	3·86
December	6,338	0·95	62,899	9·40	18,274	2·73	44,625	6·67
1948—January	5,413	0·97	35,526	6·34	15,496	2·76	20,030	3·58
February	4,631	0·90	29,690	5·77	16,852	3·27	12,838	2·50
	60,417	0·93	334,494	5·17	170,992	2·64	163,502	2·53

Indirect expenses 19 branches and Head Office (distributed over departments on a unit basis.)

This includes—Depreciation, management and administration salaries, past and future service pensions, stationery and office expense, telephone and telegraph, postage and excise, legal and audit fees, rent, insurance, taxes, group insurance, workmen's compensation, unemployment insurance, indirect advertising, donations, plant supervision, sales supervision, bond interest, special plant upkeep, etc.

STATEMANT No. 6

SILVERWOOD DAIRIES, LIMITED

BUTTER OPERATIONS

A	B	C	D	E	F	G	H	I	J
Fiscal Year ending March 31st.	Creamery Dept.			Current Butter			Storage Butter		
	Total production	Trading profit	Average per pound	Total sales	Trading profit	Average per pound	Total sales	Trading profit	Average per pound
	lbs.	$	cts.	lbs.	$	cts.	lbs.	$	cts.
1939	4,521,828	30,595	0·68	3,759,268	−12,695	−0·34	929,888	−40,868	−4·39
1940	4,282,497	36,012	−0·84	4,029,900	4,241	0·11	430,991	15,846	3·68
1941	4,372,495	45,196	1·06	4,055,299	7,778	0·19	563,174	41,547	7·38
1942	4,046,477	66,907	1·65	3,918,749	9,614	0·24	628,550	293	0·05
1943	3,627,113	48,747	1·34	3,332,322	11·193	0·34	359,942	4,377	1·22
1944	4,716,666	57,326	1·22	4,832,153	11,539	0·24	1,472,360	3,544	0·24
1945	4,620,106	46,325	1·003	4,598,358	18,173	0·40	956,378	2,115	0·22
1946	4,460,350	61,550	1·38	4,562,016	28,590	0·63	982,669	4,570	0·46
1947	4,060,434	58,268	1·43	4,150,692	26,630	0·64	1,150,699	−1,555	−0·14
Total	38,707,966	451,926	1·17	37,238,757	105,063	0·282	7,474,651	29,869	0·40
11 Months to Feb. 28, 1948	4,129,489	131,090	3·17	4,660,677	52,132	1·13	1,137,556	129,806	11·41

SILVERWOOD DAIRIES, LIMITED

BUTTER OPERATIONS

A	K	L	M	N	O	P	Q	R	S
Fiscal Year ending March 31st.	Milk Wagon Butter			Total Butter			Indirect expense	Net profit or loss	Average net profit or loss
	Total sales	Trading profit	Average per pound	Total sales	Trading profit	Average per pound			
	Lbs.	$	cts.	Lbs.	$	cts.	$	$	cts.
1939	976,632	20,323	2·08	4,735,900	−2,645	−0·05	195,849	*198,495	*4·19
1940	985,626	18,155	1·84	5,015,526	74,253	1·48	168,569	*94,315	*1·88
1941	931,026	14,732	1·58	4,986,325	110,254	2·21	164,534	*54,280	*1·09
1942	881,461	12,798	1·45	4,800,210	89,612	1·87	155,954	*66,343	*1·38
1943	826,374	12,598	1·52	4,158,696	76,916	1·85	133,660	*56,745	*1·36
1944	1,090,085	18,772	1·72	5,922,238	91,181	1·54	148,182	*57,002	*0·96
1945	1,249,554	19,608	1·57	5,847,912	86,221	1·47	134,098	*47,876	*0·82
1946	1,659,386	28,262	1·70	6,221,402	122,971	1·98	150,532	*27,560	*0·44
1947	1,771,617	14,393	0·81	5,922,309	97,736	1·65	135,811	*38,074	*0·64
Total	10,371,761	159,641	1·54	47,610,518	746,499	1·57	1,387,189	*640,690	*1·35
11 Months to Feb. 28, 1948	1,809,521	21,466	1·19	6,470,198	334,494	5·17	170,992	163,502	2·53

* Loss.

Mr. MONET: There are copies for all members of the committee which will be distributed immediately. You have also supplied the secretariat and counsel with your consolidated balance sheet?

Mr. SILVERWOOD: That is right.

Mr. MONET: I understand that is not to be printed. It will be filed as Exhibit No. 72.

EXHIBIT No. 72: Consolidated balance sheet of Silverwood Dairies Limited. (Filed).

Mr. MONET: There is a copy for each member of the committee.

Mr. HOMUTH: This is a public company?

Mr. MONET: Yes. Will you also distribute to the members of the committee the memorandum which is going to be read by Mr. Silverwood?

The CHAIRMAN: All right.

Mr. MONET: Before Mr. Silverwood is called on to read the memorandum which he has prepared and submitted to me I understand that Mr. Duplan, who is the president of the National Dairy Council of Canada, has prepared a statement which he has submitted to counsel, and which he wishes to present to the members of the committee on behalf of the National Dairy Council of Canada. I think it would give some useful information to the members of the committee. I think Mr. Duplan should be allowed to read the statement in his capacity as president of the National Dairy Council.

Mr. HOMUTH: Are copies available?

Mr. MONET: Copies are available.

The CHAIRMAN: Should we not take one thing at a time? Should we not deal with Mr. Silverwood first and then proceed with Mr. Duplan in his capacity as president of the National Dairy Council?

Mr. MONET: It is because Mr. Duplan's memorandum will be all by itself, and then Mr. Silverwood will be questioned on his memorandum.

Mr. HOMUTH: There will be no questioning of Mr. Duplan?

Mr. MONET: Probably one or two questions of Mr. Duplan on his general memorandum. That is why I think it might be better for Mr. Duplan to read his memorandum.

Mr. HOMUTH: There may be matters in that statement of Mr. Duplan on which members of the committee would like to question him. I think it might be well if his brief was delivered to the members of the committee so that we might have a chance to read it over before he submits it. Then we would have a chance to question him tomorrow on his submission.

Mr. MONET: That is perfectly all right with me.

Mr. HOMUTH: If we have it delivered to us now then we can read it over, and perhaps tomorrow when he reads it we will have had the opportunity of having some knowledge of it and can then question him on it.

Mr. MONET: That is perfectly all right.

The CHAIRMAN: Agreed.

Mr. MONET: You will also distribute this statement prepared by Mr. Duplan to the members of the committee.

Mr. IRVINE: Which one is this we have here?

Mr. MONET: This is Silverwood Dairies.

Mr. IRVINE: And who is this statement to be presented by?

Mr. MONET: It will be presented by Mr. Silverwood. He is going to read it now.

The CHAIRMAN: Mr. Duplan is the executive vice president. I thought these statements should not be mixed up; that we would deal with Silverwood Dairies first.

Mr. MONET: Now, Mr. Silverwood, will you please proceed with the brief which you have prepared.

Mr. SILVERWOOD:

The Honourable Paul Martin
and
Members of the Special Committee on Prices,
Ottawa, Canada.

Honourable Sir and Gentlemen: In the matter of your butter price inquiry we desire to submit the following information in response to your notice of our company representation.

Our Company—History

The origin or history of our company dates from 1903 with Mr. A. E. Silverwood as Manager for the Western Ontario Branch of Flavelle Bros., General Produce Dealers; in 1909 incorporated as Flavelle Silverwood Limited; in 1912 changed to Silverwood's Limited. On June 14, 1928, Silverwood's Dairies Limited was incorporated as a holding company to acquire the controlling interest of Silverwood's Limited and other Silverwood Companies, with Mr. A. E. Silverwood, President. In 1936 the company name was changed to Silverwood Dairies, Limited, in 1947 Mr. A. E. Silverwood was elected Chairman of the Board of Directors and Mr. E. G. Silverwood, President.

Our Company—Locations

Our company operations extend into fifteen cities and eleven towns and villages in the province of Ontario as detailed on the attached memorandum by locations. Fifteen of these plants manufacture butter and all plants except Sudbury either supply other unit plants or distribute through the retail trade, or by milk route delivery to the consumer direct.

The next paragraph has to do with the basis of churning cream purchases.

As to Butterfat Price.—Our company price for cream is based on No. 1 grade delivered the plant with a premium of one (1c) cent per pound butterfat for special cream and five (5c) cents per lb. butterfat below No. 1 grade for second grade. The market price for No. 1 solids creamery butter is the basic factor that determines the price of cream as well as the factor of competition.

The Storage of Butter

Butter is a commodity of special characteristics. Three-quarters of the annual production in Canada takes place in seven months of the year, namely, April to October inclusive and one-quarter is produced in five months—November to March inclusive. Our company adopted some twelve months ago a definite policy in the storage of butter to meet our sales or consumer requirements. As a general rule in months of April to October inclusive the production of butter in our plant is equal to or in excess of

the sales requirement and the surplus of No. 1 butter is placed in storage. A review is frequently made of our total storage holdings and if these holdings plus the estimated production are inadequate to meet our sales requirement for the period of October 15 to March 30 inclusive further purchases for storage of No. 1 grade butter are made from the general market. It is required about October 15 that withdrawals of storage butter be made to assist in meeting the sale requirement. These withdrawals from storage are made monthly, as required, to meet our sales requirement, in order that a service of guaranteed quality and quantity to our regular clientele of customers may be assured. Our company has not practised the storing or buying of butter for speculation or have our holdings and/or purchases been in excess of our actual sales requirement.

Butter Price to Retail Trade (We mean by that particular expression, groceries, butchers, restaurants and so on).

The selling price to the retail and store trade for No. 1 grade butter in one pound prints is two (2c.) cents per pound over No. 1 grade butter solids to cover the cost of printing, wrapping and delivery.

Butter Price to Consumer

The selling price to the customer by milk route delivery is three (3c.) cents per pound over the price to the retail and store trade. This margin cares for one (1c.) cent per pound commission to milk route men and one (1c.) cent per pound for the carton. The other one (1c.) cent to cover other costs of distribution.

Rise in Butter Prices

Subsequent to decontrol in early June, 1947 the market price was comparatively inactive for two months dating from June, 1947, due to:

(*a*) A lack of storage space,
(*b*) The uncertainty of production versus decontrolled and increased consumption.

In early August, 1947 and for certain months thereafter a marked increase in prices was evident due to basic factors beyond the control of the industry:

(*a*) A definite increase in consumption without a relative increase in production.
(*b*) The assurance of adequate storage space.
(*c*) The evidence of a shortage of feed grains.
(*d*) The anticipated withdrawal of government subsidy on feed to make for increased cost of production.
(*e*) The relative value of butter to cheese to fluid milk and concentrated milk prices.

The advance in butter prices was temporarily retarded in October, 1947 due to the uncertainty of government policy as to imports of butter or reimposition of ceiling prices.

The quantity in storage was not abnormal. Any stocks acquired were in accordance with an established practice to care for consumer requirement during the subsequent months of low production. Obviously it would not be logical to sell or market storage stocks of butter at a price in variance with the prevailing market values.

Mr. HOMUTH: I wonder if I might just at this point ask the witness, did he have abnormal stocks of butter?

Mr. SILVERWOOD: No.

Volumes and Results of Butter Operations

Our company butter operations volume represents only 12·66 per cent of the total dollar sales volume of our company business.

That is based on the fiscal year ending March 31, 1947.

Our company butter operations as from the year 1939 show, as per statements attached, a "Net Loss". This nine year period of 1939 to 1947 shows a loss of 1·35 cents per pound. The greater portion of this period was under a controlled price. The price control was removed in early June, 1947 and in line with the general advance in prices of dairy products and other conditions beyond the control of the industry butter prices advanced to make for an unusual and an abnormal profit. The eleven month period of March, 1947, that is April 1, 1947, to February, 1948 shows, as per our statement, 2·53 cents per pound net profit (before tax). In the final analysis, therefore, the overall review is that the period of fiscal years 1939 to 1947 and eleven months of April, 1947 to February, 1948 show a result of ·88 cents per pound net loss before tax.

We have supplied your committee with statements of information to comply with your questionnaire consistent with our accounting records. Should any additional information be required we will endeavour to supply same.

SILVERWOOD DAIRIES, LIMITED
E. G. SILVERWOOD,
President.

Mr. SILVERWOOD: I might say that we have had certain supplementary information to the brief which I will not attempt to read but I thought it might be useful. You may already have it, possibly.

SILVERWOOD DAIRIES, LIMITED

Branch plants in Ontario	Butter mfg.	Butter sale	Cold Storage or lockers	Produce eggs poultry sale	Cheese mfg. and sale	Milk mfg. and sale	Ice mfg. and sale	Retail milk processing and sale	Ice cream mfg.	Ice cream sale
Brantford	x	x						x		x
Chatham	x	x	x	x				x		x
Cayuga	x	x		x		x				
Cargill	x	x	x	x						
Elmira	x	x	x	x			x			
Guelph		x						x		x
Hamilton		x						x	x	x
Kitchener	x	x	x	x			x	x	x	x
London	x	x	x	x	x	x		x	x	x
Lucknow	x	x	x	x						x
North Bay		x						x	x	x
Peterboro	x	x		x	x	x	x	x	x	x
Stratford	x	x						x		x
Sarnia	x	x		x				x		x
St. Catharines	x	x		x			x	x		x
Sudbury									x	x
Toronto	x	x						x	x	x
Windsor	x	x		x				x		x
Woodstock		x				x		x		x
SUBSIDIARY COMPANY (Under Head Office Management)										
Lindsay and Pt. Perry	x	x	x	x	x	x		x		
	15	19	7	12	3	5	3	15	7	16

CREAM AND PRODUCE BUYING DEPOTS
In Ontario—Thamesville, Melbourne, Zurich, Neustadt and Uxbridge

SUBSIDIARY COMPANY (Under separate Management)
Silverwood Western Dairies Limited

SUPPLEMENTARY INFORMATION

FEDERAL GRADING OF BUTTER, DAIRY INDUSTRY ACT, JANUARY 26, 1942

In grading creamery butter, graders shall be governed by the following standards and definitions:—

STANDARDS FOR GRADES OF CREAMERY BUTTER

1. *Scale of Points for Scoring Butter*

Flavour	45 points
Texture	15 points
Incorporation of Moisture	10 points
Colour	10 points
Salting	10 points
Packing	10 points
Total	100 points

2. *Scores and Definitions for Grades of Butter*

(*a*) First grade butter

Total score, 92 and over—minimum score for flavour, 39.
Clean, or slight lack of flavour.
Slightly weak, or slightly open, or slightly sticky, or slightly brittle.
Some free clear moisture (not leaky).
Practically true and even, no objectionable defects.

Must be all dissolved and not over 2 per cent salt, unless the butter is destined for a purchaser who requests over 2 per cent salt. First grade certificates issued for butter containing more than 2 per cent salt shall bear the following notation: "As the butter for which this certificate is issued contains more than 2 per cent salt and is represented as being for a trade requiring more than 2 per cent salt, a first grade certificate has been issued. This certificate is not valid for sale of the butter for either export or domestic trade except to a purchaser requesting a salt content of more than 2 per cent."

Clean, new boxes, complying with specifications provided under these regulations; the insides of boxes and covers shall be well coated or treated with paraffin or some other preparation approved by the department; boxes shall be doubly lined with parchment paper of good quality not less than forty-nine (49) inches in length and twelve and three-quarters (12¾) inches in width, and of a minimum weight of forty (40) pounds per ream, or lined with some other material approved by the department; butter solidly packed; full weight and neatly finished.

Registered number, churning number, and date of manufacture to be neatly and legibly marked on boxes.

(*b*) Second grade butter

Total score, 87 and under 92—minimum score for flavour, 37.
Not clean, slightly weedy, excluding French weed or other pronounced weedy flavours, slightly stale, or stale, or sour, or pronounced woody or other objectionable flavours on the surface or in the butter.
Weak, or open, or salty, or greasy, or brittle, or sticky.
Leaky.

9148—4½

Slightly mottled or mottled, slightly streaky or streaky, or uneven, or objectionable shade.

Pronounced salty or bitter taste or undissolved salt, or over 2 per cent, excepting in cases as provided for under first grade standards.

Second-hand boxes or rough, poorly made or dirty boxes, only one ply of parchment paper or two ply of parchment paper of inferior quality, or parchment paper less than forty-nine (49) inches in length or twelve and three-quarters (12¾) inches in width, or of a weight less than forty pounds per ream, or lined with some other material not approved by the department; poor finish or uneven weights.

Registered number, churning number, or date of manufacture carelessly or illegibly marked on boxes.

(*c*) Third grade butter

Total score, under 87—score for flavour, under 37, unless "below third grade."

Very stale, or very sour, or fishy, or very unclean, or very metallic, or very yeasty, or very musty, or very cheesy, or very fruity or rancid, or pronounced weedy flavours, but excluding French weed or similar types of flavours, or other objectionable flavours on the surface or in the butter which are too pronounced for second grade butter.

Very weak, or anything inferior to second grade.

Milky moisture.

Very mottled, very streaky, or very uneven.

Exceedingly heavy.

Very dirty boxes or no parchment paper, or very poor finish, or dirty unclean surfaces.

(*d*) Below third grade butter

No score given.

Any very objectionable flavour such as very rancid, surface taint, or French weed, or other strong weedy flavours which are comparable with French weed, or garlic, or onions, or gasoline, or kerosene.

"Below third grade butter" shall also mean and include any butter where dirt of foreign matter of any kind is found in or on the butter; also any butter on which mold has appeared either on the butter itself or on the parchment paper lining of the package as well as any butter otherwise inferior to third grade.

Basis of Churning Cream Purchases (Dairy Products Act—Ont. 1938)

As to Grade:—Purchases of churning cream are made direct from producers and weighed, graded and tested at a plant licensed by The Provincial Department of Agriculture.

Samples are taken from each can within two hours and tested for butterfat within thirty-six hours after delivery to the plant.

Sufficient quantity of cream is taken for at least three tests and is kept in a cool place until 2 p.m. on the day following the testing, provided that samples tested on Saturday shall be kept until 2 p.m. on Monday following.

Cream purchased for butter making is graded at the plant where it is made into butter and the grades are as follows:

(*a*) Special grade cream shall mean any lot of cream which is clean and untainted in flavour and of uniform consistency and its acidity shall not exceed twenty-five one-hundredths of one per centum (·25%) at the time of being graded and the fat content shall not be less than twenty-eight per centum (28%).

(*b*) First grade cream shall mean any lot of cream, clean in flavour and uniform consistency with an acidity of not more than sixty-one hundredths of one per centum (·60%) at the time of being graded.

(*c*) Second grade cream shall mean any lot of cream that does not meet the requirement of first grade and its acidity shall not exceed eighty one-hundredths of one per centum (·80%) at time of being graded.

(*d*) Off grade cream shall mean any lot of cream that has an acidity of more than eighty one-hundredths of one per centum (·80%) or cream that has a very objectionable flavour or cream in which any unsanitary or foreign substance is found and such cream shall not be used in the manufacture of creamery butter.

(*e*) Off grade cream received at a plant shall be coloured distinctly with a harmless colouring and returned to the patron at his expense or disposed of in some manner other than into creamery butter.

As to government subsidy on butterfat:—Effective July 6, 1942 through to December 20, 1942, a subsidy of six (6c) cents per pound butterfat was paid to producers under W.P.T.B.

From December 21, 1942 through to April 30, 1943 the subsidy was ten (10c) cents per pound butterfat under W.P.T.B.

From May 1, 1943 through to December 31, 1943 the subsidy was eight (8c) cents per pound butterfat under A.F.B. P.C. 2709, dated April 2, 1943.

From January 1, 1944 through to April 30, 1944 the subsidy was ten (10c) cents per pound butterfat under A.F.B. P.C. 2709, dated April 2, 1943.

From May 1, 1944 to April 30, 1945 the subsidy was ten (10c) cents per pound butterfat under A.F.B. P.C. 1082, dated February 24, 1944.

From May 1, 1945 through to April 30, 1946 the subsidy was ten (10c) cents per pound butterfat under A.F.B. P.C. 6-1731, dated March 14, 1945.

From May 1, 1946 through to April 30, 1947 the subsidy continued at ten (10c) cents per pound butterfat and was annuled as of May 1, 1947 and butter was decontrolled and left to find its own level on the market.

Butter Production—In Canada

The 1943 production of creamery butter increased over 1942 by some twenty-seven million pounds. In 1944 to 1946 a decline was experienced. Under government policy milk to a marked degree was diverted to cheese and concentrated products for export and to fluid milk and sweet cream to care for increased domestic demand. In June, 1947 price control was removed and production increased temporarily. The domestic market will require all the butter produced in 1948. The adjustment in production following the removal of rationing subsidies and controls will take time and until accomplished the supply will be short of the demand.

Butter Consumption in Canada

The per capita consumption in Canada for the years 1940 to 1942 was 32 pounds and for some years prior thereto was 30 pounds. Were the consumption to reach the 1940-42 level we would require fifty million pounds in excess of 1947 production. The present day consumption is estimated to be 28 pounds or more.

Maximum Butter Prices

1. From December 21, 1942, W.P.T.B. order No. 221, first grade butter maximum prices per pound, in solids, were Maritime 36c; Ontario and Quebec 35; British Columbia 34½c; Alberta and Manitoba 33c; Saskatchewan 32½c.

2. From May 1, 1945, W.P.T.B. order No. 1563, an advance of one cent (1c) per pound.

3. From April 1, 1946, W.P.T.B. order No. 1930 an advance of four cents (4c) per pound.

4. From May 1, 1947, W.P.T.B. order No. 2345 an advance of ten cents (10c) per pound.

5. As of June 9, 1947, this price was annuled and butter rationing was annulled as from June 6, 1947.

Mr. HOMUTH: Mr. Chairman, might counsel ask him the ramifications of the business, parts of Canada it fits and so on?

The CHAIRMAN: Yes, that will be attended to. All right, Mr. Monet.

Mr. MONET: Now, Mr. Silverwood, I have a few questions to ask you which will deal with this memorandum just as well as with the other information which has been requested from you and which you have supplied. Would you first tell the members of the committee if there are any subsidiary companies?

Mr. SILVERWOOD: We have two subsidiary companies, one in Lindsay—I might say we have included the figures for our Lindsay operation in these figures that you have requested.

Mr. MONET: Yes, but before you answer that way just tell the members of the committee whether there are any subsidiaries?

Mr. SILVERWOOD: There are two subsidiary companies, the company at Lindsay and a company in Western Canada, Silverwood Western Dairies Limited.

Mr. IRVINE: What is that, and where is that located?

Mr. SILVERWOOD: The head office of the western company is at Winnipeg and we have four plants; one at Winnipeg, one at Regina, one at Saskatoon and one at Edmonton.

Mr. IRVINE: And you call them?

Mr. SILVERWOOD: That is Silverwood Western Dairies Limited.

Mr. MONET: I understand that the Lindsay company has been incorporated for the purposes of this investigation and the information requested from you is supplied in the document which has been filed as exhibit No. 72. What about the western company?

Mr. SILVERWOOD: The western company figures were not included for the reason that the western company is under a separate management whereas the Lindsay company is under the management of our head office in London; and when we were asked for this information we had as a matter of fact very little time to prepare it, it kept us working pretty nearly night and day to get this information pertaining to our own company in Ontario, and we have not the information regarding the western company with us.

Mr. MONET: However, the western company is owned by you?

Mr. SILVERWOOD: We own over 99 per cent of the common stock of the western company.

Mr. MONET: And the information which you are supplying members of the committee here does not contain any—

Mr. SILEVRWOOD: Any reference to the western company whatever.

Mr. MONET: Now, Mr. Silverwood, I see that in your memorandum you include a schedule of the branch plants in Ontario?

Mr. SILVERWOOD: That is right.

Mr. MONET: And all the places listed I understand are points at which the company operate plants?

Mr. SILVERWOOD: Yes.

Mr. MONET: Are they all manufacturing butter in these plants or not?

Mr. SILVERWOOD: No. The plants which are manufacturing butter are so indicated in the second column under butter manufacturing. All the plants which have an X opposite them under butter manufacturing are manufacturing butter.

Mr. MONET: So I take it that it would be right to say that there is only one subsidiary plant which does not manufacture butter?

Mr. SILVERWOOD: No, Guelph does not manufacture butter, either does Hamilton, North Bay, Sudbury, Woodstock—

Mr. IRVINE: Pretty near all of them sell butter?

Mr. SILVERWOOD: All expect Sudbury; and the reason for that is that we sell off milk wagons.

Mr. HOMUTH: Do you manufacture butter in Kitchener to sell?

Mr. SILVERWOOD: A very small amount.

The CHAIRMAN: That is in your constituency, is it not?

Mr. HOMUTH: No, it is not in my constituency. I was interested because I did not think they did.

Mr. SILVERWOOD: We included all points that have manufactured butter any time during the past year. One or two of these places have discontinued manufacturing butter since the beginning of our fiscal year.

Mr. MONET: In other words, they may not be actively—

Mr. SILVERWOOD: —may not be actively manufacturing at this moment.

Mr. MONET: Do I understand that your company is also interested in manufacturing products other than butter?

Mr. SILVERWOOD: Yes.

Mr. MONET: Would you please enumerate for us the other products you manufacture?

Mr. SILVERWOOD: We manufacture ice cream and we distribute milk, fluid milk; we are in the produce business, we handle poultry, eggs, melange; we operate a couple of breaking plants for eggs; we manufacture milk products such as condensed milk and milk powdered.

The CHAIRMAN: What is melange?

Mr. SILVERWOOD: Melange is broken eggs other than egg yolks.

The CHAIRMAN: Melange. M-E-L-A-N-G-E.

Mr. HOMUTH: Melange. Either talk English or French to us so we will understand.

The CHAIRMAN: That is the trouble, he was not French.

Mr. HOMUTH: If he had said it in French we might have understood it.

Mr. LESAGE: You produce cheese too, do you not?

Mr. SILVERWOOD: We make a very small amount of cheese but not enough to be of much account. We have two small cheese factories one of which we have not operated this year as a cheese plant.

Mr. LESAGE: Are they combined—butter and cheese?

Mr. SILVERWOOD: No, they are just cheese.

Mr. MONET: Now what is the proportion of your manufacture of butter to the general business of your company?

Mr. SILVERWOOD: As I stated in the brief our sales volume represents 12·66 per cent for the year ending March 31, 1947.

Mr. MONET: For the year 1947 the figure is 12·6 per cent?

Mr. SILVERWOOD: Yes, that is right, as compared to our sales volume.

Mr. MONET: Butter would be 12·6 per cent of your total sales volume?

Mr. SILVERWOOD: Yes.

Mr. MONET: Now, Mr. Silverwood, in your brief you speak of the shortage of butter. Would you tell the members of the committee whether you have your own plant for the storage of butter or whether you have to rent accommodation?

Mr. SILVERWOOD: We store most of our butter in our own place. In the past eleven months we have stored about 12 per cent of our total butter in outside plants.

Mr. MONET: Do you store any outside butter in your own plants, or do you use the plant for your company use only?

Mr. SILVERWOOD: May I correct my last statement. For the past eleven months outside storage amounted to 10½ per cent of our total holdings.

Mr. MONET: Outside?

Mr. SILVERWOOD: Yes.

Mr. MONET: The difference would be stored in your own plants?

Mr. SILVERWOOD: The balance, 89½ per cent, is stored in our own storage.

Mr. IRVINE: Do you mean you have had more butter to store in the last ten months and that you could not accommodate your own stock?

Mr. SILVERWOOD: Not necessarily, no. We operate a public cold storage as well as using the storage for our own purposes.

Mr. MONET: Did you store any butter not belonging to your company during the months you have just referred to?

Mr. SILVERWOOD: Yes, we did but we have not included those figures in our statement. We have stored butter acting as a public cold storage for other companies.

Mr. MONET: Can you tell the members of the committee the quantity of butter you have stored for other companies?

Mr. SILVERWOOD: No, I have not got that information.

Mr. MONET: How do you account for storing butter for other companies when you do not have enough accommodation for your own butter?

Mr. SILVERWOOD: We have regular customers with whom we have been doing business for many years and the actual quantities would be very small in relation to the total capacity of our storage.

Mr. MONET: Could you give us the quantities?

Mr. SILVERWOOD: Yes, we could get that.

Mr. MONET: You could get the quantities stored for other people?

Mr. SILVERWOOD: Surely, we could get that information. Would you like us to get it?

Mr. MONET: If you would?

Mr. SILVERWOOD: We can get it.

The CHAIRMAN: Order, there is too much noise in this committee room.

Mr. MONET: What determines the quantity of butter you store?

Mr. SILVERWOOD: We determine the amount we store by way of an estimate of our sales requirements for the winter months—for the off season of the year. As I stated in the brief we manufacture quite a lot of butter but in addition we have to buy butter and do buy butter practically every month.

Mr. MONET: What proportion of your butter distribution do you manufacture and what proportion do you have to buy?

Mr. SILVERWOOD: I can give you that, I think. For the past eleven months we made 63·8 per cent of our total sales of butter and we purchased 36·2 per

cent. For the nine years from 1939 to March 31, 1947, we made 81·3 per cent and we purchased 18·7 per cent.

Mr. MONET: Now the butter you buy—do you sell it to the wholesaler or do you sell it to your regular customers?

Mr. SILVERWOOD: No, we sell it all to our regular customers. We do not sell butter in carload lots if that is what you are referring to. In every city where we are operating we have regular deliveries to stores, restaurants, and butcher shops, and then in addition we sell a portion of our butter from our milk wagons.

Mr. MONET: So that in relation to your sales of butter your company has the same policy for the butter which you manufacture and the butter which you buy?

Mr. SILVERWOOD: Quite right. The butter we buy just supplements what we make. We cannot make enough to take care of our regular trade without buying.

Mr. MONET: What would you mean by your regular trade?

Mr. SILVERWOOD: Our regular trade would be in the main grocery stores, butcher shops, and restaurants in each of those cities in which we operate.

Mr. MONET: Do you sell any butter to wholesalers?

Mr. SILVERWOOD: I do not understand you?

Mr. MONET: Do you sell any to people who would store the butter and then sell it to retailers?

Mr. SILVERWOOD: No.

Mr. MONET: You sell it to retailers and direct to consumers?

Mr. SILVERWOOD: We sell practically all of it to our own trade. It would be very rare indeed—and the only occasion where we might sell butter to wholesalers would be where we had perhaps overestimated our requirements and found that we had more butter on hand than we required. In that case we might possibly sell butter but it is not a very usual procedure.

Mr. MONET: Has it happened in the last eleven months that you have overestimated your requirements?

Mr. SILVERWOOD: I think we sold one lot of butter from our Lindsay plant about last December because we felt that we had more butter than we needed.

Mr. MONET: When was that again?

Mr. SILVERWOOD: In December.

Mr. MONET: You sold some butter?

Mr. SILVERWOOD: We sold some butter, yes.

Mr. MONET: Would you know the quantity?

Mr. SILVERWOOD: No, I do not.

Mr. MONET: Could you get that figure for the members of the committee?

Mr. SILVERWOOD: Yes, we can get it.

Mr. MONET: Was that the only occasion?

Mr. SILVERWOOD: Yes, that is the only time.

Mr. MONET: Did you at any time sell butter to the commodity exchange?

Mr. SILVERWOOD: No.

Mr. MONET: Through the commodity exchange?

Mr. SILVERWOOD: No.

Mr. MONET: You never did?

Mr. SILVERWOOD: No.

Mr. MONET: Now, Mr. Silverwood, coming to the production of butter itself, would you tell the members of the committee the basis which you used in setting

your price for butterfat? You have referred to that phase in the memorandum and I would like you to give the members of the committee some information as to your method of fixing the price for butterfat?

Mr. SILVERWOOD: There is no definite uniform price set for butterfat in the butter business. The butterfat price is actually based on the solids market in Toronto and Montreal. In our case we usually refer to the Toronto market because we are operating only in Ontario. That is the basic factor but the matter of competition enters it and we find different prices paid for butterfat in different parts of the province.

Mr. IRVINE: How do you distinguish between competition and the market?

Mr. SILVERWOOD: The market has to do with butter—the selling price for butter—and there is no market price for fat. The basic factor in setting the fat price is the butter market. Actually the fat price may vary and it does vary considerably from one section of the province to another.

Mr. MONET: That is a feature I would like you to explain. What would make the price vary? Would you give the factors that make the price vary because I think it is very valuable information for the members of the committee.

Mr. SILVERWOOD: Well I think competitive factors can make it vary.

Mr. MONET: Competition between the creameries?

Mr. SILVERWOOD: Yes, competition between the creameries.

Mr. MONET: And would there be any other factors? Would the price fixed by the different control boards have any effect?

Mr. SILVERWOOD: Well there is no price fixed as far as butterfat is concerned.

Mr. MONET: No, but was there not a price fixed for milk?

Mr. SILVERWOOD: Yes.

Mr. MONET: Would that be an influence?

Mr. SILVERWOOD: I do not think so, no. If the producer is selling his cream to a creamery he cannot switch over to a fluid milk market just because the price is better. As a matter of fact the price is always better on the fluid milk.

Mr. MONET: You are a man who can tell us these things and I am trying to find out the factors which produce an influence on price variation.

Mr. SILVERWOOD: In certain parts of the province where cheese and butter are manufactured in the same factory, and where you have a combined operation of cheese and butter, the price of butterfat might influence the production of butter. I mean they might switch over from cheese to butter if the price of fat was better than the return on the milk itself.

Mr. MONET: You mean to say that cheese production might influence the price for butterfat?

Mr. SILVERWOOD: Well it would influence production but I do not know whether it would influence the price.

Mr. MONET: If it did influence production would it not influence price? From what has been said here the law of supply and demand would play a great part in the price.

Mr. SILVERWOOD: I do not think it would be of sufficient importance to actually influence the price of fat.

Mr. MONET: Well that is what we would like to know and you are the man who can tell us. Some witnesses have said here that the cheese and butter operation has a lot to do with determining the price for butterfat. I would like to know whether you agree with that statement or not?

Mr. SILVERWOOD: I agree to the point that if the farmer can make more money from his milk by selling it to a cheese factory than he can by selling it to a creamery—

Mr. MONET: —he will sell it to the cheese factory?

Mr. SILVERWOOD: If that price is maintained over a sufficiently long period, there being an advantage, he will sell his milk for cheese. Such action would influence the amount of butter made but I would not say that it would necessarily influence the price of butterfat.

Mr. LESAGE: It could?

Mr. MONET: In your experience as president of your company, when it comes to determining the price for butterfat do you think the cheese operation has anything to do with the increase you were called upon to pay for butterfat?

Mr. SILVERWOOD: No, I would not think so.

Mr. MONET: I see.

Mr. LESAGE: May I ask a question?

Mr. MONET: Yes.

Mr. LESAGE: Suppose you have two factories which are linked, one is a butter factory and the other is a cheese factory. If the price for cheese is more attractive to the farmer, and if that situation is general in a province or across Canada, is it not normal that the creamery will increase the price paid for butterfat in order to meet the competition with the cheese factory?

Mr. SILVERWOOD: Well that perhaps might be an influence to some extent.

Mr. LESAGE: Yes, and I do not say it is a main factor but it is one factor that has to be considered.

Mr. SILVERWOOD: I do not think that any factory would be likely to sit back and lose its milk supply or cream supply to a great extent, through local competition, without doing something to meet that competition. That factory would try to meet the competition.

Mr. LESAGE: And to meet that competition they would have to increase the return to the farmer for his butterfat?

Mr. SILVERWOOD: That is right.

Mr. LESAGE: And if that situation is general over a province or all over Canada it would be a factor that would have to be considered?

The CHAIRMAN: Well perhaps counsel could carry on his questioning?

Mr. MONET: It is satisfactory to me to have Mr. Lesage continue on this line of questioning.

Mr. LESAGE: It is exactly the same line of questioning but it is somewhat supplementary.

Mr. CLEAVER: Mr. Monet, would you care to ask the witness to what extent there is a fluctuation, or what makes the fluctuation, between the relative selling price of butterfat and the relative selling price of butter?

Mr. MONET: Yes, I will ask him a little later the prices of butter and butterfat. Mr. Lesage, did you want to continue?

Mr. LESAGE: No, it is all right. You continue with your questioning. I think the witness has said it was a factor.

Mr. MONET: So, you agree it is a factor?

Mr. SILVERWOOD: Yes, I think it could be a factor. It might not be the important one, but it is a factor.

Mr. MONET: Previous witnesses have said it was a very important factor and we want to know if you agree with that. What about manufacturing costs, Mr. Silverwood, would they enter into your consideration?

Mr. SILVERWOOD: No, manufacturing costs have nothing to do with the setting of the butterfat price.

Mr. MONET: In your company it has never been a consideration?

Mr. SILVERWOOD: No, it does not enter into it.

Mr. MONET: Will you tell the members of the committee what you paid for butterfat for each month from the 1st of June, 1947 to the present date?

Mr. CLEAVER: Could we also have the selling price of butter?

Mr. MONET: Yes.

Mr. SILVERWOOD: I have not the information on butterfat for all our plants. You can understand that might be confusing, but I have the prices paid on butterfat and these prices are the London prices. Do you want to start with the 1st of June?

Mr. MONET: Would that be delivered at the plant?

Mr. SILVERWOOD: This is delivered at the plant, No. 1 Grade delivered at the plant.

Mr. MONET: The prices you are going to give the members of the committee are the prices paid by you delivered at the plants?

Mr. SILVERWOOD: Yes.

Mr. MONET: Have you got June 1?

Mr. SILVERWOOD: Do you want the price of butter to start with?

Mr. MONET: Have you the butter prices?

Mr. SILVERWOOD: The Toronto solids price, June 1, 48½ cents. The butter price to the producer, delivered—

Mr. MONET: You mean butterfat?

Mr. SILVERWOOD: Butterfat, delivered, 53 cents.

Mr. MONET: That is the same date, June 1?

Mr. SILVERWOOD: Yes.

The CHAIRMAN: This is London?

Mr. SILVERWOOD: That is right. Do you want each month?

Mr. MONET: Yes, please.

Mr. SILVERWOOD: July 1; butter price 50½ cents, butterfat price 57 cents; August 1; butter price 52 cents, butterfat price 56 cents; September 1; butter price 60, butterfat price 65; October 1; butter price 60, butterfat price 67; November 1; butter price 58, butterfat price 63; December 1; butter price 64, butterfat 69; January 1; butter price 69½, fat price 76; February 1; butter price 67¼, fat price 76; March 1; 67¼ for butter and 76 for fat.

Mr. MONET: There was no change in the price of butterfat in the last three months?

Mr. SILVERWOOD: That is right.

Mr. IRVINE: May I butt in at this point? For one month the price of butter was 67 cents and butterfat was 76. What would the actual spread be per pound between those two?

Mr. SILVERWOOD: I don't know whether I understand the question.

Mr. IRVINE: I am having regard to the fact that you get more butter than butterfat. What would be the spread, supposing it was a pound and one-eighth?

Mr. LESAGE: If you take about 80 per cent, it would be about 60·8 cents.

Mr. SILVERWOOD: That is about it.

Mr. LESAGE: It is the difference between 60·8 and 67¼.

Mr. IRVINE: What would the actual fat bring in terms of butter if it were 76 cents, that is what I want to get?

Mr. LESAGE: Do you want to convert the pound of butter back into butterfat?

Mr. MONET: It has been given in evidence that there is 1·23 pounds of butter in a pound of butterfat.

Mr. LESAGE: That makes a spread of 6·4 cents.

Mr. IRVINE: That is a reasonable spread.

Mr. LESAGE: It includes manufacturing costs.

Mr. MONET: Would you give the answer to that question, Mr. Silverwood? Have any of the gentlemen with you figured out the answer to Mr. Irvine's question.

Mr. SILVERWOOD: I think Mr. Lesage had it figured out correctly.

Mr. MONET: Then you take Mr. Lesage's figure as being correct?

Mr. SILVERWOOD: I think so.

Mr. MONET: I understand there was a subsidy paid on butterfat until May 1, 1947?

Mr. SILVERWOOD: That is right.

Mr. MONET: The subsidy was removed on May 1, was it not?

Mr. SILVERWOOD: That is right.

Mr. MONET: Would you tell the members of the committee if the removal of the subsidy had any effect on the price of butterfat so far as the producer was concerned?

Mr. SILVERWOOD: No, because the government formerly paid the subsidy and when the subsidy was removed the producer still got that in an increased price paid by the butter manufacturer. There was no effect so far as the producer was concerned.

Mr. MONET: Your answer is that the producer did not lose anything by the removal of this subsidy?

Mr. SILVERWOOD: That is right.

Mr. MONET: Did he gain anything by the removal of the subsidy?

Mr. SILVERWOOD: No, I would say not.

Mr. MONET: Did anybody gain from the removal of the subsidy?

Mr. SILVERWOOD: Well, the taxpayer did, I guess.

Mr. MONET: I want to know if your company gained or lost through the removal of the subsidy; did your company lose?

Mr. SILVERWOOD: No, we did not lose and we did not gain, either.

Mr. MONET: You did not benefit from the removal of the subsidy?

Mr. SILVERWOOD: No.

Mr. MONET: What about the butter you had on hand at the time the subsidy was removed?

Mr. SILVERWOOD: We had to pay the 8½ cents a pound to the government for the butter we had on hand at the time the subsidy was removed, so we did not gain by that.

Mr. MONET: You mean to say on every pound of butter you had on hand at the time of the removal of the subsidy your company had to pay 8½ cents?

Mr. SILVERWOOD: Yes.

Mr. MONET: You reimbursed the government?

Mr. SILVERWOOD: Yes.

Mr. MONET: The amount equivalent to the increase?

Mr. SILVERWOOD: Yes.

The CHAIRMAN: It is now six o'clock, so we will adjourn. We will have a steering committee meeting tomorrow night about a quarter to six. It appears as if we will be able to go on with the matter of premium butter on Thursday afternoon.

The committee adjourned.

SESSION 1947-48

HOUSE OF COMMONS

SPECIAL COMMITTEE

ON

PRICES

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 32

WEDNESDAY, APRIL 7, 1948

WITNESSES:

Mr. E. G. Silverwood, President, Silverwood Dairies, Limited, London, Ont.

Mr. J. H. Duplan, Executive Vice-President, Silverwood Dairies, Limited, London, Ont.

Mr. J. H. Gillies, Vice-President and Treasurer, Silverwood Dairies, Limited, London, Ont.

OTTAWA
EDMOND CLOUTIER, C.M.G., B.A., L.Ph.,
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
CONTROLLER OF STATIONERY
1948

MINUTES OF PROCEEDINGS

WEDNESDAY, April 7, 1948.

The Special Committee on Prices met at 4.00 p.m., the Chairman, Hon. Mr. Martin, presiding.

Members present: Messrs. Cleaver, Harkness, Homuth, Irvine, Johnston, Lesage, MacInnis, Martin, Mayhew, Merritt, Pinard, Winters.

Mr. Fabio Monet, K.C., Counsel to the Committee, in attendance.

Mr. E. G. Silverwood, President, Mr. J. H. Duplan, Executive Vice-President and Mr. J. H. Gillies, Vice-President and Treasurer, Silverwood Dairies, Limited, London, Ontario, were recalled and Mr. Silverwood was further examined.

In the temporary absence of the Chairman, Mr. Mayhew took the Chair.

At 5.30 p.m. witnesses retired and the Committee went into Executive Session, and adjourned its public sitting until Thursday, April 8, at 11.00 a.m.

R. ARSENAULT,
Clerk of the Committee.

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MINUTES OF EVIDENCE

HOUSE OF COMMONS,
April 7, 1948.

The Special Committee on Prices met this day at 4.00 p.m. The Chairman, Hon. Paul Martin, presided.

The CHAIRMAN: The meeting will come to order.

I know the difficulty that members are under, a difficulty which is no less my own; but it would be appreciated if we could always be here about two minutes to four. We have lost twenty minutes today. It was not the fault of anyone because the orders of the day kept us in the House. But I am going to ask members of the committee who have up to now been extremely regular in their attendance and punctuality to try and retain that position.

Mr. MONET: I will recall Mr. Silverwood, Mr. Duplan and Mr. Gillies.

Edward Gordon Silverwood, President Silverwood Dairies Limited, recalled:

John Harold Duplan, Executive Vice-President, Silverwood Dairies Limited, recalled:

John Harold Gillies, Vice-President and Treasurer, Silverwood Dairies Limited, recalled:

Mr. MONET: Mr. Silverwood, at adjournment yesterday you had just given the prices for butter and butterfat for June 1 and the first of each month up to the present time.

Mr. SILVERWOOD: Yes.

Mr. MONET: I notice that from the 1st of August to the 1st of September in the price of butter as given by you yesterday there was an increase of 8 cents a pound?

Mr. SILVERWOOD: Yes.

Mr. MONET: And between the 1st of November and the 1st of December there was an increase of 6 cents per pound?

Mr. SILVERWOOD: Yes.

Mr. MONET: And between the 1st of December and the 1st of January there was an increase of 4½ cents a pound?

Mr. SILVERWOOD: Yes.

Mr. MONET: Would you tell members of the committee what were the main factors for the price going up so sharply at these three different periods?

Mr. SILVERWOOD: I think the chief answer to the question is found in the figures of butter statistics on production and disappearance of butter as published by the Dominion Bureau of Statistics. For instance, at the 1st of July the stocks of butter at the beginning of the month as compared with a year ago were up about 2,700,000 pounds. At the end of July they were only up 631,000 pounds. In other words, in the month of July there was a decrease as compared

with a year ago of over 2,000,000 pounds. Production in July was up 3·5 per cent over last year, but consumption was up 14·5 per cent that month. Then in August we started out with stock on hand of 631,000 pounds better than the previous year but at the end of the month the stocks were 1,405,000 pounds less than the previous year. In other words, in that month stocks decreased as compared to the previous year by over 2,000,000 pounds. Again in the month of August production was at 6·1 per cent over the previous year but consumption was up 18·7 per cent; and I think that that is the chief answer to the question of the rises in price.

Mr. MONET: And that would apply for the other two periods I just mentioned; November to December, and December to January; the same thing would apply?

Mr. SILVERWOOD: Yes, I think so; because in the month of November there was a decline of 1,500,000 pounds between the first of the month and the end of the month in stock as compared to the previous year and in the month of December there was a decline of more than 2·5 million pounds. Production in November was a little better; 7·6 per cent ahead of the same month in '46; but consumption was up 11·7 per cent. In December the production was still lower, it was only ·2 per cent higher than 1946; but consumption was 11·6 per cent higher. Then the same situation carried through in January and February; the stocks declined by 313,000 pounds in January and by 2,000,000 pounds in February.

Mr. MONET: And you would think the reasons you have just given would have been one of the main factors for such substantial increases in these special periods?

Mr. SILVERWOOD: Yes, I think those are the main reasons.

Mr. MONET: And your brief submitted yesterday, at page 3, under the heading "rise in butter prices"—subparagraph (*b*), the second section—you also stated that the assurance of adequate storage space would have been a factor in the increase in the price. That is on page 3, of your brief.

Mr. SILVERWOOD: Yes. Well, at the beginning of the season, that is early in June, we said that one of the reasons that the market was comparatively active was lack of storage space. I do not think that was probably the main reason by any means. I think the main reason probably was the one which I gave as the second reason; that is the uncertainty of production together with decontrol and increased consumption. However, at that time of the year there was a notable lack of storage space.

Mr. MONET: That was in June?

Mr. SILVERWOOD: Yes, in June. A little later on the situation improved.

Mr. MONET: But how do you explain that there was such a lack of storage space in June? Is that not a time when a considerable amount of butter is stored?

Mr. SILVERWOOD: It was caused by the taking up of storage space for meat for Britain, and so on.

Mr. MONET: And then would you tell members of the committee how it would affect the price of butter because there was an assurance of more storage space later on?

Mr. SILVERWOOD: Of course, I think the amount of storage space available is a factor, because you cannot store butter if you have no place in which to put it.

Mr. MONET: I agree with that, but I understand that at that time there was an apparent shortage in sight?

Mr. SILVERWOOD: That is right.

Mr. MONET: And the price was going up?

Mr. SILVERWOOD: That is so.

Mr. MONET: In the month of August?

Mr. SILVERWOOD: Yes, that is right; at that time there was more storage space available than there had been earlier.

Mr. MONET: Would you also say that there was more butter stored at that time?

Mr. SILVERWOOD: Well, I think so; yes.

Mr. MONET: Would the storage of butter be a cause of increasing the price?

Mr. SILVERWOOD: No, I would not say it is a very important cause, because butter has to be stored; otherwise there would not be enough for the wintertime. It is a common practice to store it, to have it stored every year.

Mr. MONET: Well, the butter that you stored would not be on the market, would not be sold.

Mr. SILVERWOOD: That is right; of course, there is more production in the summer months, much more than can be consumed, and someone has to store it.

Mr. MONET: So actually the fact that it was stored would not affect the price at that time?

Mr. SILVERWOOD: No, not the butter stored at that time; not to the extent that it might later on if it had not been stored.

Mr. LESAGE: I cannot understand how a lack of storage space would have the effect of increasing the price at the time. I would think it would be to the contrary. If there is no storage space there is more butter for immediate sale and that would normally have the effect of decreasing the price.

Mr. SILVERWOOD: We said, Mr. Lesage, that lack of storage space in general was one of the factors that went toward an inactive market at that time.

Mr. LESAGE: Oh!

(Mr. Mayhew assumes the chair)

Mr. SILVERWOOD: The market was comparatively inactive for a couple of months after the 9th of June and we stated that one of the reasons was that lack of storage space at that period. Later on the storage space situation improved.

Mr. LESAGE: So that the large buyers of butter could not find any place to store it?

Mr. SILVERWOOD: That is so.

Mr. MONET: Now, Mr. Silverwood, are you familiar with the operation of the Commodity Exchange?

Mr. SILVERWOOD: No, I do not know anything about it.

Mr. MONET: You do not know anything about it?

Mr. SILVERWOOD: No.

Mr. MONET: You have already stated that you do not do any buying on the Commodity Exchange at all?

Mr. SILVERWOOD: No, we do not.

Mr. MONET: Now, Mr. Silverwood, we have just spoken about the rise in prices. Can you tell members of the committee who in your opinion would benefit most from the rise in price in these different periods we have mentioned; would it be the producer, the manufacturer or the wholesaler; and to complete the question because somebody mentioned it, the consumer also benefited by it and I would include the consumer and the producer?

Mr. SILVERWOOD: Well, to start with the producer; he benefited as the market rose practically immediately because butterfat prices follow the market so swiftly that there is no drag there between the butter price and the fat price,

so I would say the producer did benefit as the market went up and naturally he would get more for his fat. Naturally anybody who was holding butter benefited by the increase in market price; all the people in the trade who are in the butter business, the business of making butter or holding butter, they all benefited by having more butter because of a better price. I guess perhaps to a minor extent that might be a true statement too.

Mr. MONET: Well, I understood you said it allowed the consumer to have more butter?

Mr. SILVERWOOD: To have more butter—I did not understand you correctly.

Mr. MONET: Do you agree with that?

Mr. SILVERWOOD: I think to some extent that is true.

Mr. JOHNSTON: Which of the three would benefit more?

Mr. IRVINE: The cows would milk more because the price was up.

Mr. SILVERWOOD: No, just because of a small amount of conversion between butter and cheese, something like that.

Mr. JOHNSTON: Which one of the three benefited most because of that? I can quite well see where they all benefited to a certain degree, but which of the three benefited most?

Mr. MONET: If you will allow me I will also ask him to what extent each of them benefited out of the whole.

Mr. SILVERWOOD: I think that may be a rather difficult question for me to answer. The butterfat price increases, as I said, with the butter market. Naturally, the higher the price of butter the bigger the spread between fat and butter. In other words, you have we will say an overrun of 20 per cent or 25 per cent, whatever it is. That overrun on a 40-cent market might be the equivalent of say 10 cents to the producer, but on a 67-cent market it might be the equivalent of 15 cents to the producer.

Mr. JOHNSTON: Yes, but would it not be important then that the producer was not producing the quantity he was producing before, because that increase in price came on toward the latter part of the production season?

Mr. SILVERWOOD: That is true, of course.

Mr. JOHNSTON: So the person who had it in storage, who could buy it during the period of heavy production and low price and then sell it at the increased price later on would benefit more than the producer?

Mr. SILVERWOOD: To the extent that they were holding let us say June butter bought at somewhere around 50 cents, probably that is right.

Mr. JOHNSTON: No "probably" about it; it would be definitely right, would it not?

Mr. SILVERWOOD: Yes, but I do not know you could compare the two. It is a difficult question to answer, who benefited the most. There is no common denominator there.

Mr. LESAGE: The business is not the same.

Mr. SILVERWOOD: Not at all.

Mr. IRVINE: I suppose all the answers to that question which he can really give is, how much he benefited himself.

Mr. SILVERWOOD: We can tell that of course. I have given figures which show to what extent we, as holders of butter, benefited.

Mr. MONET: We will come to that feature a little later in the questioning. Is that the only information you can give at the moment?

Mr. SILVERWOOD: I think that is my answer on that question.

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.

I think that is one of the reasons why some of those little creameries can compete with some of the bigger creameries and pretty nearly run them ragged. Have I made myself clear?

Mr. LESAGE: Yes, they do not need to take such a margin on butterfat? Their operating costs are less?

Mr. SILVERWOOD: Yes, their operating costs are much lower.

Mr. IRVINE: I think some of the larger concerns have shown here that while they have temporary losses now and then the over-all picture indicates a fairly profitable business.

Mr. SILVERWOOD: Unfortunately that is not our situation. I wish it was.

Mr. HOMUTH: Well now, Mr. Chairman, do the statements given to us here show what Mr. Irvine alleges? I think you will find it is just the opposite, and that while there was that unprecedented rise where certain sellers of butter made a huge profit, the general picture is just the opposite to that which Mr. Irvine has indicated?

Mr. IRVINE: I do not think we should open up that discussion because we will have to inquire into it later.

Mr. HOMUTH: Well, just for the record I think you should check that.

Mr. IRVINE: I think my view will be sustained by the facts.

The ACTING CHAIRMAN: The answers to those questions will come out in the schedule and the facts will be quite obvious to everyone. At the moment, however, I think you would have to do some guessing on the question before us.

Mr. MONET: Has there been any increase in the cost of production since decontrol?

Mr. SILVERWOOD: Yes, Mr. Monet. I would say there has been an almost continuous increase in the cost of production in the past year.

Mr. MONET: Would you tell the members of the committee what you are including in cost of production? I think you have referred to cost of production in the information given in exhibit No. 71.

Mr. SILVERWOOD: Yes, it is contained in several of our statements here.

Mr. MONET: Well, would you tell the members of the committee to what statement you are referring at the moment?

Mr. SILVERWOOD: Statement No. 4, page 1.

Mr. MONET: Of exhibit No. 71?

Mr. SILVERWOOD: Exhibit 71, column E, is the cost.

Mr. IRVINE: Where is column E?

Mr. MONET: On statement No. 4.

Mr. SILVERWOOD: You are looking at page 3.

Mr. MONET: Turn to page 4.

Mr. IRVINE: Oh, page 4, I see.

Mr. MONET: Yes?

Mr. SILVERWOOD: We have numbered the pages on each of our statements.

Mr. MONET: You are referring to statement 4, page 1—the statement has two pages.

Mr. SILVERWOOD: On statement No. 4, page 1, column E, the figure given there as cost is the cost of butterfat at the farm or delivered by the patrons to the creameries, plus purchases of butter at cost. Is that clear? Column E is the cost of butter at the farm, or delivered to the dairy by the farmer, plus the purchase of butter at cost. The next column, column F, purchasing expense, includes wages and commissions. For instance, in many of our creameries we operate our own trucks which go out and collect cream at the farm.

Mr. MONET: Excuse me if I interrupt at this stage, but when you talk of wages does the figure for wages apply only to the butter operation?

Mr. SILVERWOOD: The wages I am speaking of here are the wages of truck drivers who go out and purchase cream. It is part of the purchasing expense in connection with cream.

Mr. MONET: It applies only to the butter operations and not to any other operation of your company?

Mr. SILVERWOOD: Well, Mr. Monet, if the driver collects eggs as well as cream—and he probably would do so—a portion of his wage would be applied to the cost of the eggs, and so the figure here which I point out applies only to butter.

Mr. HOMUTH: If he collects cream for ice cream would that situation apply?

Mr. SILVERWOOD: No, we get our cream for ice cream from an entirely different source.

Mr. MONET: The wages you have just referred to with regard to the purchase of cream are applied entirely to butter?

Mr. SILVERWOOD: Entirely to butter. Transportation includes the cost of the trucks, the cost of bringing the cream from the country station to a city creamery, and that cost is included in purchasing expense. Now production expenses, column G on the same page, refers to plant wages, plant uniforms, and supplies of all kinds including light, heat, power, storage and refrigeration, upkeep and so on. Does that answer the question?

Mr. MONET: Yes. Now, can you tell the members of the committee, Mr. Silverwood, how you manage to calculate the actual wages which you apply on butter when you are handling other products? What is the process for breaking down the figures?

Mr. SILVERWOOD: Well, they are broken down on the basis of time. They are broken down actually in the first place in the weekly time card of the employee concerned according to the amount of time that he works. You are speaking now of course of an operation where a man such as a truck driver works part time on butter and part time on eggs?

Mr. MONET: Yes.

Mr. SILVERWOOD: That is broken down according to the original time card for that particular week.

Mr. HOMUTH: On a dollar basis?

Mr. SILVERWOOD: No, on an hourly basis. The time break-up actually amounts to dollars when it is converted to wages if that is what you mean?

Mr. HOMUTH: I think we ought to clear that up. Mr. Monet's question is "how do you break the figure down as between the cost of poultry and cream?"

Mr. SILVERWOOD: I was trying to explain it. The truck driver shows his pick-up of eggs and cream and poultry at the farm and a split is made on the basis of the time. In that particular case it would be based on volume to some extent but the actual day's work is figured on the time element rather than on volume.

Mr. MONET: I understand, Mr. Silverwood, that some firms base their calculations on a point basis?

Mr. SILVERWOOD: You mean a unit basis?

Mr. MONET: Yes, a unit basis, but that is not your process?

Mr. SILVERWOOD: We have allocated our indirect expenses on a unit basis which we can discuss when we get to that column. It is column N on page 2 of statement 4. As a matter of fact our accounting system does not spread the indirect expenses over our various products and we thought, to give this commit-

tee the type of information which it needed, that it might be helpful if we attempted to break up our indirect expenses on a product basis so that we could assess a certain proportion of the cost against our butter operations. To reflect that information we did use a unit basis. There are a number of ways that it can be done. It could be done on a dollar, or sales value basis, and in different ways but we did elect to do it on a unit basis. I will explain the process if you wish?

Mr. MONET: Please give us the information because I think it is important.

Mr. SILVERWOOD: Well, in the case of the indirect expense, one of our problems was to keep the proportion chargeable to the butter operation from looking too large because if we had taken it on a dollar sales value it would have been quite a bit higher than on a unit basis. This basis we worked out is quite arbitrary and it may be right or it may be wrong. We took as units, a pound of butter, a dozen eggs, a pound of melange, a pound of cheese, a pound of cottage cheese, and a pound of poultry.

On our milk products, we took 50 cents worth of sales as a unit. On our ice cream, we took half a gallon as a unit and for our milk department we took two quarts as a unit. We worked it out in that manner.

Mr. WINTERS: Do you allocate your overhead on the same basis?

Mr. SILVERWOOD: I am speaking now of indirect expenses.

Mr. WINTERS: Including overhead?

Mr. SILVERWOOD: Yes, but as I say, normally we are accustomed to dealing with gross profit on our various products; then, we look at the overhead at the bottom of our statement which is one amount. We do not spread it over all these products. This is simply an attempt to spread it in order to try to arrive at a net on butter so you would have a little better picture of the whole situation.

Mr. WINTERS: On that basis of allocation, Mr. Silverwood, what part of the plant overhead do you assign to each pound of butter?

Mr. SILVERWOOD: It worked out this way, that the units of butter compared to the total units were 9·58 per cent in the case of our Silverwood operation and 29·22 per cent in the case of our Lindsay operation. The reason it is much higher in the Lindsay operation, of course, is because Lindsay has not got the variety of dairy products we handle in our Silverwood operation. We took the 9·58 per cent of our total indirect expenses on our Silverwood Dairies Limited, plus 29·22 per cent of our Lindsay indirect expenses and added the two together. It is that figure we show, for instance, on statement 4, page 2 at the bottom, column N, for the eleven months, $170,992, as the share of indirect expenses charged to our butter operations.

Mr. WINTERS: That includes plant overheads, too, does it?

Mr. SILVERWOOD: That is correct.

Mr. MONET: For those indirect expenses as listed in this exhibit commencing with the year 1939 up to the present, did you proceed in the same way?

Mr. SILVERWOOD: Yes.

Mr. MONET: It is the same process?

Mr. SILVERWOOD: The same process for all the years, but each year, of course, is on its own basis as to the number of units of butter as compared with the total units for that year.

The ACTING CHAIRMAN: That would mean that in 1940 when your indirect expense was $195,849, you handled 4,735,000 pounds of butter?

Mr. SILVERWOOD: Pardon me, 1940, you say?

The ACTING CHAIRMAN: 1939 is the first figure shown?

Mr. SILVERWOOD: Yes.

The ACTING CHAIRMAN: You gave it as $195,000?

Mr. SILVERWOOD: Yes.

The ACTING CHAIRMAN: On a 4,700,000 turn-over?

Mr. SILVERWOOD: That is right.

The ACTING CHAIRMAN: Then, the next year, you had a 5,000,000 turn-over and your indirect expense is shown to be $168,000.

Mr. SILVERWOOD: That is correct.

The ACTING CHAIRMAN: How do you account for that?

Mr. SILVERWOOD: It is the difference in relationship between the total units of butter as compared with the total of other units we handled. It may vary considerably from one year to the other.

Mr. HOMUTH: Your butter operations may have been much less that year and the other operations greater proportionately?

Mr. SILVERWOOD: It is more likely the other operations were greater and butter was much the same, you see.

The ACTING CHAIRMAN: It is rather difficult for this committee to attach any great value to these columns?

Mr. SILVERWOOD: Yes, I think it is. It is more or less arbitrary. We think it is as close as we can reasonably get to it. We just included it to try and arrive at a net figure which would give you a better picture.

The ACTING CHAIRMAN: It is difficult to understand how you handled practically 6,000,000 pounds of butter in 1947 for $135,000 whereas, in 1939, when expenses were supposed to be much less, it cost $195,000?

Mr. SILVERWOOD: It is largely, as I say, because of the relationship between butter and other products. You have not got the complete picture there. I was wondering whether Mr. Gillies might like to comment on that.

Mr. HOMUTH: I think it would clear up the matter for us if you would give us your total sales for 1939 or 1937, whatever year Mr. Mayhew mentioned. Could you give us your total sales of all products?

Mr. SILVERWOOD: I could give you that, Mr. Homuth, I think.

Mr. HOMUTH: Perhaps that would clear the matter up.

The ACTING CHAIRMAN: I do not think it is important except that, as I say, I do not think it is very much help to us.

Mr. SILVERWOOD: Our sales for 1939 were $6,710,000, and in 1940, our sales were $6,778,000. The figures are very close.

Mr. MONET: Now, Mr. Silverwood, I should like you to turn to your statement 6, page 1, exhibit 71.

Mr. WINTERS: Before you do that, I wonder if you could give us your total expenses for 1947, if you have not done so?

Mr. SILVERWOOD: No, I have not.

Mr. WINTERS: The total indirect expenses corresponding with this figure of $135,811?

Mr. SILVERWOOD: Our total indirect expenses—I could give you that for the eleven months ending February 28, 1948.

Mr. WINTERS: You give a figure which would correspond to the $135,811?

Mr. SILVERWOOD: If I understand your question correctly, I think that is on statement 4. You mean a comparison between $170,000?

Mr. WINTERS: No, as I understand it, that figure implies your total indirect expense in the handling of butter?

Mr. SILVERWOOD: Yes.

Mr. WINTERS: What is the total indirect expense on the entire operation?

Mr. SILVERWOOD: I have it for the eleven months ending February 28.

Mr. WINTERS: Is it for the same period as this other figure?

Mr. SILVERWOOD: It is for the same period as the $170,992.

Mr. WINTERS: I see, that would be all right.

Mr. SILVERWOOD: The total figure is $1,252,983, in the case of Silverwood Dairies Limited and $52,091 in the case of Silverwood Lindsay Creamery.

Mr. WINTERS: So, the two would have to be totalled?

Mr. SILVERWOOD: We have to take 9·58 per cent of the first figure and 29·22 per cent of the second figure to get the total of $170,992.

Mr. WINTERS: May I make a correction there? You asked me if I could give it for the period ending March 31, 1947. As a matter of fact, those figures I have just given are for the twelve month period ending March 31, 1947. For the comparable amount for butter, the figure is $135,811.

Mr. MONET: So, the figures you have just given to Mr. Winters were for the twelve months ending March 31, 1947?

Mr. SILVERWOOD: And relate to the $135,811 of indirect expenses in 1947.

Mr. MONET: You would not have the figures for the current fiscal year?

Mr. SILVERWOOD: No, I do not think so.

Mr. MONET: That information would complete the question asked by Mr. Winters.

Mr. SILVERWOOD: I have the figures here for Silverwood Dairy Limited for that period, but not for Lindsay. The figure for Silverwood Dairy for the eleven months is $1,372,377. I am sorry I have not got the figure for Lindsay.

Mr. MONET: The Lindsay figure would be a very small one?

Mr. SILVERWOOD: Yes, Lindsay is quite small compared to that. The figure for Lindsay is $68,454.

Mr. WINTERS: I wonder if you could say, in terms of total plant space, whether your butter operation occupies somewhere around 10 per cent of the total plant set-up?

Mr. SILVERWOOD: I would only be guessing at that. I imagine it does, but it would only be a guess. I could not really say.

Mr. WINTERS: In terms of physical plant, this overhead would be roughly in the same ratio ?

Mr. SILVERWOOD: I think, roughly, it would be, yes.

Mr. MONET: Now, Mr. Silverwood, I should like you to deal with statement No. 6 of exhibit 71, pages 1 and 2.

Mr. SILVERWOOD: I might say—

Mr. MONET: Pardon me?

Mr. SILVERWOOD: I was going to say we prepared this statement No. 6 on our own initiative because we thought it would give the committee the type of information they were attempting to get. It probably requires a little explanation.

Mr. MONET: I am going to question you about it, and I believe we will arrive at the same conclusion. I was going to point out to the members of the committee that in order to see the entire picture of your company's butter dealings we would have to deal with this statement No. 6 which has been prepared, as Mr. Silverwood says, without a request being made. For this, I thank you.

Under the headings B, C, D, you are dealing with the creamery department?

Mr. SILVERWOOD: Yes, all production.

Mr. MONET: And E, F and G, you are dealing with current butter?

Mr. SILVERWOOD: Yes.

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

current account to storage on the same basis. Likewise when storage butter comes out of storage it is transferred back into current account on that same basis once more, on the Toronto solids price less ¾ of a cent at the date it comes out. We show in column J on page 1 a profit of 11·41 cents for the eleven months, which is the average profit for that period on the butter in storage.

Mr. MONET: If you do not mind, we will come to that later.

Mr. HOMUTH: I think it would be well if Mr. Silverwood would clear up one point which is not clear in my mind. He says that when they buy butter and put it in storage they deduct ¾ of a cent under the solids market?

Mr. SILVERWOOD: No.

Mr. HOMUTH: You do not do that on purchased butter?

Mr. SILVERWOOD: No, that is right.

Mr. HOMUTH: I understood you did.

Mr. MONET: Not on purchased butter?

Mr. SILVERWOOD: No.

Mr. MONET: On stored butter?

Mr. SILVERWOOD: On our own butter.

Mr. MONET: Would you explain the term "milk wagon butter" which we see on page 2 of statement 6.

Mr. SILVERWOOD: Milk wagon butter is transferred from current account to milk wagons, likewise at a price based on the Toronto solids market. Of course, in the case of the milk wagon butter it is in the form of prints, and prints are worth 2 cents more than solids, so it is transferred at a price based on the Toronto solids market. Actually it is 1¼ cents above the Toronto solids price, the transfer price to milk wagon butter account.

Mr. HOMUTH: Do you sell any butter in other than pound prints?

Mr. SILVERWOOD: Not off the milk wagons.

Mr. HOMUTH: Do you to the general trade?

Mr. SILVERWOOD: The butter sold to the general trade is in 56-pound boxes, to stores and restaurants.

Mr. HOMUTH: They cut their own?

Mr. SILVERWOOD: No, it is not in solids. Most of our butter is sold in prints in 56-pound boxes. We do sell some solids but a very very small amount.

Mr. MONET: In column N you have your total sales. Will that include all sales under storage butter and milk wagon butter?

Mr. SILVERWOOD: Yes, that is the total of all our sales. You will find that the total in column N is the total of column E plus column K. In other words, it is the total of current butter sales plus milk wagon butter sales, and that is the toal of our sales of butter. In other words, storage butter is eliminated.

Mr. MONET: Goes back into current?

Mr. SILVERWOOD: Goes back into current.

Mr. MONET: And the creamery department goes into the—

Mr. SILVERWOOD: Inter-department transfers are wiped out that way.

Mr. MONET: I understand your butter from the creameries is transferred under your current butter account, and the storage butter is also transferred?

Mr. SILVERWOOD: That is quite right.

Mr. MONET: So that the total sales as listed under column N are made up from the current butter sales under column E—

Mr. SILVERWOOD: Plus K.

Mr. MONET: Plus K, which is milk wagon butter?

Mr. SILVERWOOD: That is right.

Mr. MONET: What do you mean by "trading profit"?

Mr. SILVERWOOD: What column?

Mr. MONET: Column O, "total butter trading profit."

Mr. SILVERWOOD: Column O refers to what we would call gross profit, in other words, profit before indirect expenses.

Mr. MONET: You have already given answers to questions on indirect expenses.

Mr. SILVERWOOD: It is the gross profit after deducting the expense of purchasing and production and selling as shown on statements 5 and 4. You will find, as a matter of fact, in column P on statement 6, that the 5·17 cents gross profit for the eleven months—at the bottom of column P—is broken up by months on page 2 of statement 5 in column M.

Mr. MONET: For the moment we will remain on page 2 of statement 6, if you do not mind. I should like to point out that in column O the total of the trading profit for the years 1939 to 1947, both inclusive, was $746,499?

Mr. SILVERWOOD: Right.

Mr. MONET: That was for total sales for the same period of years of 47,610,518 pounds.

Mr. SILVERWOOD: That is correct.

Mr. MONET: And that would be an average, as shown under table P, of 1·57?

Mr. SILVERWOOD: Just over 1½ cents per pound.

Mr. MONET: If you look at the eleven months for your current fiscal year ended February 28, 1948, your trading profit amounted to $334,494?

Mr. SILVERWOOD: Right.

Mr. MONET: Under column O.

Mr. SILVERWOOD: Yes.

Mr. MONET: That would be on 6,470,198 pounds, or an average of 5·17?

Mr. SILVERWOOD: That is correct.

Mr. MONET: So your net profit for the current fiscal year on the amount just mentioned would be 2·53 per pound?

Mr. SILVERWOOD: That is correct.

Mr. MONET: If you compare that with all the previous years from 1939 to 1947 I am right in saying that in all previous years you had a loss?

Mr. SILVERWOOD: Yes, each year was a loss.

Mr. MONET: So that for this present year on your total operations you made a substantial profit, would you call it?

Mr. SILVERWOOD: It was certainly substantial for us, wasn't it?

Mr. MONET: Would you call it an abnormal profit?

Mr. SILVERWOOD: Yes, it was an abnormal profit.

Mr. MONET: From 1939 up to this present fiscal year you had losses every year?

Mr. SILVERWOOD: That is right; it was an abnormal profit.

Mr. MONET: I should like the members of the committee to consider with you and myself the profit operation on each department as shown in columns B, C and D on page 1 of statement No. 6. Your creamery department shows a profit of 3·17 for the present year?

Mr. SILVERWOOD: That is correct.

Mr. MONET: And the current butter a profit of 1·13?

Mr. SILVERWOOD: Yes.

Mr. LESAGE: I do not know if the witness has explained what the creamery department does. Is it the manufacture of butter?

Mr. SILVERWOOD: It is the manufacture of butter.

Mr. LESAGE: On manufacturing butter you made 3·17 cents?

Mr. SILVERWOOD: That is right, on the basis of the transfer prices we mentioned a few minutes ago.

Mr. MONET: Of ¾ of a cent?

Mr. SILVERWOOD: Yes.

Mr. MONET: But even without the ¾ of a cent there would still be quite a substantial profit on your creameries?

Mr. SILVERWOOD: That is right.

Mr. MONET: I see on your creamery department for all the previous years you also made a profit?

Mr. SILVERWOOD: That is right. Of course, you realize we are talking now of gross profits.

Mr. MONET: Absolutely.

Mr. SILVERWOOD: Not net.

Mr. MONET: Because on page 2 of statement 6 you show the expenses against these profits?

Mr. SILVERWOOD: Yes.

Mr. MONET: We are talking of gross profits as you have listed them there?

Mr. SILVERWOOD: Yes. I might explain again—possibly it may not be clear to members of the committee—that column O shows the profit on the total sales. In other words, the $334,494 on page 2, column O, is the total of column D, the profit on the creamery, column G, the profit on the current, plus column J, the profit on the storage, plus column M, the profit on the milk wagon butter. In other words, it is the total of all those four columns.

Mr. MONET: That 5·17 that is under column P?

Mr. SILVERWOOD: That is right. We have left the profit in those four departments to show it by departments.

Mr. LESAGE: For instance, you have total production of four million odd pounds in the first column, column B?

Mr. SILVERWOOD: Yes.

Mr. LESAGE: Is a part of that four million odd pounds included under column H?

Mr. SILVERWOOD: In column H—yes, part of the make would be.

Mr. LESAGE: So it is possible on a certain number of pounds out of those four million pounds you made a profit of 3 cents?

Mr. SILVERWOOD: Quite right.

Mr. LESAGE: Out of the creamery, and over that a profit of 11 cents?

Mr. SILVERWOOD: That is quite right.

Mr. LESAGE: So there would be on a part of this four million odd pounds a profit of over 14 cents. If you do not want me to call it a profit I will say a gross margin.

Mr. SILVERWOOD: That is quite right.

Mr. MONET: I was just coming to that in the very next question.

Mr. LESAGE: I wanted to understand that it was the same butter.

Mr. SILVERWOOD: Some of it is the same.

Mr. PINARD: Would you tell us what happens to the ¾ of a cent? Is it taken care of?

Mr. SILVERWOOD: It is just internal.

Mr. PINARD: Is it taken care of in the profit mentioned in the last column?

Mr. SILVERWOOD: I do not know whether or not I can make that clear. If we take the ¾ of a cent off our transfer price from creamery to current, or say from current to storage it simply means that there is that much more profit in current and that much less in creamery. It is entirely an internal matter.

Mr. PINARD: It is applied to one or to the other?

Mr. SILVERWOOD: That is right, but it is internal. It washes itself up.

The ACTING CHAIRMAN: I should like to know if the witness can tell us what is the average mark-up or spread you try to obtain from the time you get your milk until you get it into butter and the butter distributed?

Mr. SILVERWOOD: Well, the mark-up we will say on print butter is—you sell your butter, Mr. Mayhew, on the basis of market price, whatever it happens to be, the private market. The only difference is that you get 2 cents more for prints because of the cost of printing.

The ACTING CHAIRMAN: I want to ask you now about your profits, what you make—

Mr. SILVERWOOD: You mean, the spread between the price of fat and the price we get for butter; is that what you are referring to?

The ACTING CHAIRMAN: Take milk as the raw material and let us know what your cost is for producing butter.

Mr. SILVERWOOD: I think I can answer that question. As a matter of fact, that question is answered in statement No. 4, on page 1. If you would like to make one or two little notations on the page I think it will help to explain it. Just take now these last eleven months, just to avoid confusion. Column E, gives you—you will see the figure of $3,122,847. If you divide that $3,122,847, by the number of prints sold it gives you 48·26 cents per pound. I would like you just to make a little notation of that on your sheet. The cost of that fat is 48·26 cents for the eleven months.

Mr. LESAGE: That is per pound of butter?

Mr. SILVERWOOD: 48·26 cents per pound of butter.

Mr. LESAGE: Per pound of butter?

Mr. SILVERWOOD: That is right. The purchasing expense, column F, is 1·15 cents per pound of butter. The production expense is 3·27 cents. On the next page, the selling expense, column J, is ·93. Now, you want to get the complete picture. By adding purchasing expense, production expense, selling expense and indirect expense of 2·64 cents, it means that we would have to have a mark-up of 7·99 cents, practically 8 cents, between the cost of the fat and the selling price of the butter to break even.

Mr. JOHNSTON: What would you consider a good profit? What mark-up would there have to be in order for you to make a reasonable profit?

Mr. SILVERWOOD: It all depends on what you consider a reasonable profit. If you consider a reasonable profit we will say 1 cent a pound you would have to have a mark-up there of 9 cents between the cost of fat and the selling price of butter.

Mr. JOHNSTON: Would you consider 1 cent to be sufficient?

Mr. SILVERWOOD: Well, of course, 1 cent profit would be considerably better than what we have been accustomed to in the past 9 years.

The ACTING CHAIRMAN: Do you not set an objective on the cost?

Mr. SILVERWOOD: In the butter business you cannot actually do that, Mr. Mayhew, because you are working entirely on a market which is beyond your control. I mean, you are working on the butter market as you find it and you cannot set your price to meet your cost. You don't attempt to.

The ACTING CHAIRMAN: What about all these people who are in the butter business; they seem to have large holdings; are they all taking a loss? What sets the price?

Mr. SILVERWOOD: I think the answer to that is that the demand for butter is what actually sets that market. Supposing you wanted to go out and buy butter, and supposing you wanted to buy some butter and you got in touch with a broker and he had some butter for sale at a certain price, let us say 50 cents. You might think, using your own judgment on conditions generally, that that was too much, that the butter was not worth 50 cents; you would not buy it then, do you see. On the other hand, if you thought there was a strong market and you would have to pay more for it later on then, of course, you would buy the butter at 50 cents. The point I am trying to make is this, that it is the demand for butter which sets the price, and the stronger the demand the higher the price is going to be.

The ACTING CHAIRMAN: Is there some speculator in there?

Mr. SILVERWOOD: No, I do not think so, necessarily. As a matter of fact I think the trade absorbs such a large percentage that a butter speculator has no particular effect on the market. That would be my own personal opinion.

Mr. MACINNIS: Well, with the exception of 1947 I think all the butter people that have come before us have shown a loss. Now who is making the profit in the butter business or is everyone showing a loss.

Mr. SILVERWOOD: I would not say that everyone is showing a loss.

Mr. MACINNIS: Everyone who has been here so far has said so. Now if those people are showing a loss who is it that is making a profit?

Mr. SILVERWOOD: Well, of course, the storekeeper that buys the butter at a certain price and sells it on a certain margin of profit may be making money.

Mr. WINTERS: You say the price is set by supply and demand?

Mr. SILVERWOOD: I think so.

Mr. WINTERS: Now you are experiencing those conditions yourself. You are in the butter business, but you say that you do not set the price and that you follow the market. At what point is the price set?

Mr. MERRITT: Surely, Mr. Silverwood, it is the cumulative effect of all the purchasers in a market and all the sellers in a market that fixes the price at any one time?

Mr. SILVERWOOD: I think that is exactly right, Colonel Merritt. It is not any one firm dealing with a fraction of a per cent of the total butter in Canada that has an influence sufficient to effect the market one way or another.

Mr. WINTERS: Well who assembles the market to a point where there is an effect? Is it the broker?

Mr. SILVERWOOD: The broker simply is the medium of bringing buyer and seller together. The broker performs a useful function.

Mr. WINTERS: Is that not the central point where the price would tend to be set—the commodity exchange or the brokerage level?

Mr. SILVERWOOD: Well, I do not know. Do you not think the man who has the butter to sell is the primary one who sets the price? The broker gets in touch with the producer and asks "have you got some butter for sale?" The answer is usually "yes, we have a car, or two cars". "Well what is the price?" The pro-

ducer names a price and if he names a price that is higher than the market he will probably be told by the broker "all right, we will see what we can do". The chances are, however, that the producer will not sell the butter.

Mr. WINTERS: You used the expression "higher than the market". Who sets the market?

Mr. SILVERWOOD: If you set a price on your butter that is higher than the price which the majority of those in the industry think is the correct price for butter, you are setting a price higher than the market.

Mr. LESAGE: The market is the figure at which the majority are ready to sell their butter.

Mr. SILVERWOOD: What is that?

Mr. LESAGE: The market price is the price at which the majority are ready to sell their butter?

Mr. SILVERWOOD: That is right.

Mr. JOHNSTON: Would the market price not be affected by certain concerns withholding their butter for sale? We had one concern, the Saskatchewan Co-operative Association who told us they withheld their butter awaiting a rise in price. Canada Packers also did the same thing. Now would not those concerns exert an influence on the market by reducing the available supply and increasing the demand? They would be increasing the price?

The chairman, Hon. Paul Martin, resumed the chair.

Mr. SILVERWOOD: I do not think I would like to comment on that remark other than to say that when I read the evidence of Mr. Turnbull it seemed to me it was a very small amount of butter that they were holding back as compared to the total amount available at the time.

Mr. LESAGE: Everyone says that his firm is withholding only a small amount, but when everyone says it, and when everyone withholds to get a better price, it has an effect?

Mr. SILVERWOOD: Well, if they did it together—

Mr. JOHNSTON: They are doing fairly well.

Mr. SILVERWOOD: I do not agree with that.

Mr. LESAGE: I do not say there was a combine but it just happened?

Mr. SILVERWOOD: I would not agree with that.

Mr. MONET: Is it not a fact that last fall everybody made a substantial and abnormal profit on stored butter?

Mr. SILVERWOOD: I do not think that anyone would deny that.

Mr. JOHNSTON: They held the butter for that very purpose.

Mr. SILVERWOOD: No, they did not necessarily hold it for that purpose. They held it to take care of their trade. In the case of firms such as ours, there are customers in every city in which we operate who are looking to us for the supply of butter the year round. If we want to have butter in the wintertime we must store it in the summertime and there is no argument there.

Mr. MONET: Did they not take care of their trade in the previous years?

Mr. SILVERWOOD: Yes, for stored butter. We store butter every year.

Mr. MONET: Apparently they all lost money in the previous years.

Mr. SILVERWOOD: That may be so.

Mr. MONET: How does it happen they made such a substantial profit last year?

Mr. SILVERWOOD: On a rising market they could not very well lose money.

Mr. MONET: Why did it rise more than the previous years?

Mr. SILVERWOOD: It was uncontrolled last year.

Mr. MERRITT: Is it not a fact that last year there were 5,000,000 pounds imported and this year none was imported; last year, butter was under rationing and this year butter is not under rationing, is that not correct?

Mr. SILVERWOOD: That is all true.

Mr. MERRITT: Does that not mean that, without rationing, there would be a greater demand for a fixed supply?

Mr. SILVERWOOD: Well, without rationing there is undoubtedly a greater demand. The figures show that. Even at the present time, of course, it is not as great as it was prior to rationing.

Mr. MACINNIS: If you take 1939, which was a normal year before rationing, you will find it is the year of the company's greatest loss.

Mr. IRVINE: I think this is a losing business.

Mr. MONET: Would it be correct to say this is a losing business except on stored butter?

Mr. SILVERWOOD: Well, I do not know that I would go that far.

The CHAIRMAN: It is difficult to follow when so many people are talking.

Mr. MONET: Mr. Silverwood, would you answer that question? Is the butter business a losing business? From what you and other witnesses have said, it would appear the butter business is a losing business except for stored butter in the year 1947?

Mr. SILVERWOOD: I can only say it has been a losing business for us. I am speaking for our company.

Mr. MONET: It has been an abnormally profitable business for stored butter during this last fall?

Mr. SILVERWOOD: Very unusual.

Mr. MONET: For you.

Mr. SILVERWOOD: I am just talking for myself.

Mr. LESAGE: Before we leave that statement 4, column F, what is included in that purchasing expense? Is it the cost of hauling the milk?

Mr. SILVERWOOD: The purchasing expense is the cost of picking up the fat at the farm and delivering it to the creamery.

Mr. LESAGE: And the average for that is 1·15?

Mr. SILVERWOOD: Practically 1 cent. 1·15 cents.

Mr. LESAGE: I am making a comparison with the statement of the Saskatchewan Co-operative and I find their cost is 1·2. It is about the same.

Mr. SILVERWOOD: We are pretty close there.

Mr. LESAGE: Yes. Your production expense is 3·27?

Mr. SILVERWOOD: Yes.

Mr. LESAGE: That is the cost of manufacture?

Mr. SILVERWOOD: That is the cost of manufacturing, plant, wages, uniforms, light, heat, power and so on.

Mr. LESAGE: Does it include the cost of supply?

Mr. SILVERWOOD: Yes.

Mr. LESAGE: The Saskatchewan Co-operative was 4·5. However, you have a selling expense they do not have. It is about the same.

Mr. SILVERWOOD: They might include factors in there which we included in indirect expenses. For instance, depreciation is one such item. Our depreciation is included in our indirect expenses and I do not know how they compiled their figures.

Mr. LESAGE: Their margin was 5·7 cents between the cost of the fat at the farmers and their total cost. You said you needed a 9 cent margin, 8 or 9 cents?

Mr. SILVERWOOD: I said 8 cents including our indirect expenses, Mr. Lesage, including everything. To break even, we would require 7·99 cents for that eleven months period.

The CHAIRMAN: Could you reach a convenient point in your questioning in order that we might adjourn until tomorrow as we wish to call an executive session tonight?

Mr. LESAGE: I have reached it when I say there is a difference of 2 cents between your cost and the Co-operative's cost.

Mr. MERRITT: I should like to refer to page 2 of statement 4, column P. Am I to understand from that column that over the last ten years, including the large profit of this recent year, your company has lost about $500,000 on its sales of butter?

Mr. SILVERWOOD: That is right.

Mr. WINTERS: Just before we go into executive session I should like to ask one question relative to the point I raised yesterday about the alleged misuse of butter in Halifax. My question is has an investigation been conducted?

The CHAIRMAN: Yes. We are going to deal with that in a few moments.

Mr. WINTERS: An investigation has been conducted?

The CHAIRMAN: Yes.

Mr. WINTERS: Can you say before you go into executive session whether the findings bear out the allegations?

The CHAIRMAN: Counsel will advise that an investigation has been made, but in order to be effective you do not want to disclose your hand, do you?

Mr. WINTERS: I do not think that would disclose anybody's hand. What statement can counsel make now?

Mr. MONET: An investigation has been carried on, and we have results. We have some very valuable information which I have here, and which is ready to be given to the members of the committee. I am at the disposal of the members of the committee as to whether you want it to be given now or in a few minutes. I am entirely in your hands. I think what I have is very valuable information.

Mr. JOHNSTON: I think it should be given to the committee first and then it should be decided whether or not it should be made public.

The CHAIRMAN: It will be clearly understood it will be made public, but the committee will have to decide the appropriate time in order not to defeat its purpose.

Mr. MONET: I am able to state I believe it is very valuable information.

Mr. LESAGE: Could it not be made public? Would there be any objection to the information being made public?

Mr. MONET: That is entirely up to the members of the committee.

Mr. LESAGE: We do not know what the information is.

The CHAIRMAN: We are in your hands Mr. Monet. It is desirable to give as much information to the public as possible, and as quickly as possible—

Mr. MONET: Well, Mr. Chairman—

The CHAIRMAN: Just a minute—sometimes you achieve your purpose better and give the public more by doing it at the right time. We are in your hands, Mr. Monet.

Mr. MACINNIS: I think the point is that if the investigation has been completed and there is nothing further to be brought out it appears to me there is no

object in holding back the result, but if the investigation is not complete then there may be a reason for holding back. If it is not complete we had better not divulge the information we have until we complete it.

The CHAIRMAN: Counsel says he would prefer to wait at this stage. We will now have an executive session of the committee.

Mr. WINTERS: When will we have a statement?

The CHAIRMAN: We will have an executive session right now.

The committee adjourned to meet again on Thursday, April 8, 1948, at 11 o'clock a.m.

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