CANADA PACKERS LIMITED

REPORT TO SHAREHOLDERS

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As stated above, the profit of Canada Packers in the period 1927 to 1944, has been ..... 1.4% of Sales

Probably for the whole Industry the percentage of profit was less.

But suppose it were more.

An outside estimate would certainly be 2%

What would the benefit have been to Producers if, over this period of seventeen years, the Packing Industry had made no profit whatever?

The answer to this question is arrived at by a simple calcuation.

In that seventeen years, total cash sales of live stock were (Dominion Bureau of Statistics) ..... $3,403,000,000.

Average per year ..... $200,000,000.

If a profit of 2% is assumed, it follows that the profit of the total Packing Industry has been 2% of 200 million dollars, i.e. ..... $4,000,000. per year

So that, if the Packing Industry had made no profit whatever, the maximum benefit to Producers would have been ..... $4,000,000. per year

The number of farms producing and selling live stock is approximately.. 500,000.

Therefore, if, in these seventeen years, the Packing Industry had made no profit whatever, and if all its profit had gone to Producers, the addition to Producers' income would have been ..... $8.00 per farm, per year

And if, as is more likely, the profit of the Industry did not exceed 1%, the advantage to Producers would have been ..... $4.00 per farm, per year

Many Farmers will be astonished by this statement.

Over a period of many years, charges have been made from time to time:—

(1) that the Packing Industry takes a heavy and unfair toll of profit on the Farmer's live stock.

(2) that this is made possible by monopolistic conditions and practices.

It is not surprising if the effect of these statements has been to create in the Farmer's mind, a feeling of uneasiness.

In regard to Item 1,—a semblance of support for the charge is found in the amount of the profits of the larger companies. Those of Canada Packers are generally the target. In the year now being reviewed, the profits of Canada Packers were ..... $1,687,000.

To the individual Farmer, who compares it with his own profit, this no doubt seems a stupendous sum.

In relation to the total sales, however, it is a very small sum. Those sales were .....$206,000,000.

If Sales had been **two** million instead of **two hundred** million dollars, the relative profit, at the same **percentage** would have been $16,870

That would certainly be considered a modest profit on a business of two million dollars.

Yet, in terms of percentage, the two results are exactly the same.

And, **percentage** is the only factor in which the Producer is interested.

As to Item 2,—the charge of monopoly also has its origin in the size of the larger companies. The trend in the Packing Industry has been continuously toward large units. It is not surprising if the Farmer is disposed to listen to this charge. He realizes that competition between those who buy his live stock is, for him, the most vital consideration of all. And he may fear that a small number of large companies would give less assurance of competition than a large number of small companies.

The fact is that each large company is not a unit, but a group of units. For instance Canada Packers operates seven different plants located in widely separated areas (from Montreal to Vancouver). Within each area its local unit competes with many other units.

And the further fact is, that in addition to the companies operating multiple plants, (there are three of them) a large number of other companies operate single plants. Many of these single plants do a large and increasing share of the business in their own field. It is entirely misleading to represent the Industry as dominated by the larger companies. The latest report of the Dominion Bureau of Statistics (1942) shows 148 plants as follows:—

Ontario	67
Quebec	29
Alberta	13
British Columbia	11
Manitoba	11
Saskatchewan	8
Nova Scotia	4
New Brunswick	4
P.E.I.	1
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Nothing in the history of the Industry gives ground for the fear that the development of large units results in lessened competition. From its bginning the Packing Industry has been the most fiercely competitive industry in Canada. And competition between large units is more (not less) keen than that between small units.

Two proposals to transform the Industry have been suggested by those who constitute themselves its critics. In principle they are diametrically opposed.

The proposals are:—

(a) that Canadian live stock should be processed in a large number of co-operative plants, as in Denmark;
(b) that the Packing Industry should be nationalized.

Every Packer would welcome the development of co-operative plants. Only one exists at present,—The First Co-operative Packers at Barrie, Ontario. It is unfortunate that there is not at least one in each of the chief livestock producing Provinces. Such plants would be sources of information regarding the facts of the Industry which Farmers would accept without question. The existence of a number of co-operative plants would lead to a greater measure of understanding between Producers and Packers than has ever existed in the past.

However, the establishment of co-operative plants would of necessity be a slow development. The reason lies in the highly competitive nature of the business, and the fact that the difference between profit and loss is a small fraction of a cent per pound. As Farmers became aware of the risks of loss on the one hand, and of the very low margin of profit on the other, the desire to launch co-operative plants would be less keen.

It is worth repeating, however, that no single development would do so much to promote a realization of the common interest of Producer and Packer, as the establishment of a number of co-operative plants.

As to the second proposal, it is hard to think of an Industry less suited for nationalization. The objection which comes to mind first is the danger of loss from spoilage if a Government organization were handling daily, tens of millions of pounds of perishable foods. The danger would arise because the chief safeguard would be removed, by reason of which such losses are avoided.

That safeguard is competition.

The reason such losses are avoided under a system of competition is that the penalty of **not** avoiding them is ruin. Under a state-owned system the National Treasury would foot the bill.

However, the chief penalty of eliminating competition would fall upon the Producer. To him the loss would come as the result of lowered efficiency.

The net profit of the Packing Industry as it exists, probably does not exceed 1 per cent. That is the total price which the Producer pays for the Packer's efficiency. Can anyone doubt that nationalization would result in a loss of efficiency equivalent to several times 1 per cent?

The Producer would be the only person to absorb this loss. It would come to him in the form of a lower pay-back out of the sales dollar.

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The foregoing has been an attempt to set down the facts of the Packing Industry. It has dealt chiefly with the obligations, and the mutuality of interest, which obtain as between Packer and Producer.

The argument has been that the Packer has played a large and constructive part in the development of the Canadian Live Stock Industry, and that he has done this at a very low percentage of profit on his sales.

But, in a report to Shareholders, it is fitting that some reference should be made to the position and interest of the Investor.

The Capital Investment in the Packing Industry in Canada is $96,000,000 (Dominion Bureau of Statistics, 1942). Those who supplied this Capital did so with the hope of getting a return on their investment. And for this no apology need be made.

The attraction of the Industry from the Investor's viewpoint is that turnover is rapid. Capital is turned over many times in a single year, so that a small percentage of profit on turnover produces a satisfactory yield on capital. In the case of the successful companies, the investment has been profitable.

These facts have been sufficient to attract adequate funds to the Industry, in spite of the further fact that large sums have also been lost. The hazard of the Industry lies in the fact that the difference between profit and loss is a minute fraction of a cent per pound on the product sold.

By reason of the great increase in live stock deliveries, the **plant** of the Industry has been under constant strain. This has involved a corresponding strain upon Employees of all ranks. The loss of experienced men, and their replacement by inexperienced men, has brought an inevitable decline in plant efficiency.

In contrast with **war** industries, demand for the products of the Packing Industry will be maintained,—perhaps increased,— following the close of the war. It will be a happy day for both Company and Employees when experienced men return, and the large volume can be maintained without the severe physical strains of the past year.

The Company has maintained its profit sharing policy begun in 1934. For the first time, Bonus distributed to Employees exceeded Dividends to Shareholders.

Dividends were $800,000
Bonus was $937,000

J. S. McLEAN, President.

Toronto, September 5th, 1944.

Extra copies of this Report are available, and so long as they last will be mailed to anyone requesting them. Address to Canada Packers Limited, Toronto.

HEIRESS CAN PUT ON THE DOG

It shouldn't happen to a woman, but Mrs. Ita McGuire, of Mineola, N. Y., inherited five Pekingese dogs from Mrs. May Marguerite Shaw, of Long Beach, N. Y. But the silver lining is that if Mrs. McGuire, pictured with some of the Pekes, keeps and cares for them, she'll receive $100,000 in monthly installments.

ON THE DOTTED LINE

Gen. Dietrich von Choltitz, commander of Nazi forces in Paris dejectedly signs terms for surrender of French capital at desk in Montparnasse Station. More than 10,000 German troops were captured when city fell. German general has completely lost arrogant air.

SIGN LANGUAGE

Unable to speak French an Allied soldier uses his ingenuity when foraging along French roads by displaying a sign printed in French which says: "Have you any eggs?" It's hard to tell from mademoiselles' gestures whether they're giving "V" for victory sign or telling Pvt. Sanders they have two eggs.

"IMPREGNABLE" DEFENSES NOW RUBBLE

The West Wall at Dieppe, before which so many Canadians lost their lives when they attacked from the sea two years ago, is shown above, shattered beyond recognition by Allied artillery fire as Canadian forces took the Nazi-held French town from the rear.

FRENCH BEAUTY GREETS LIBERATORS

When Canadian units rolled into the city of Rouen, this beautiful French girl, Mlle Gilberte Fore, greeted Lieut. J. M. Dussault, of Montreal, with flowers and a happy smile. The civilian population of Rouen, one of France's largest cities, went wild with joy when Allied troops entered They had been under Nazi rule more than four years.