

1948



# Annual Report

THE CANADA STARCH COMPANY LIMITED

FURVIS HALL  
LIBRARIES

MAR 16 1940

McGILL UNIVERSITY



# DIRECTORS AND OFFICERS

---

## THE CANADA STARCH COMPANY LIMITED

### *Directors*

GEORGE F. BENSON	W. B. BLACKADER	R. E. STAVERT
G. F. BENSON, JR.	NORMAN J. DAWES	F. A. WARREN
de GASPE BEAUBIEN	J. A. MOFFETT	H. G. WASCHER

### *Executive Offices*

SUN LIFE BUILDING, MONTREAL

### *Officers*

GEORGE F. BENSON . . . . .	CHAIRMAN OF THE BOARD
G. F. BENSON, JR. . . . .	PRESIDENT
de GASPE BEAUBIEN . . . . .	VICE-PRESIDENT
J. M. KEDDIE . . . . .	SECRETARY-TREASURER

### *Sales Offices*

SUN LIFE BUILDING, MONTREAL

E. C. MCKEOWN . . . . .	SALES MANAGER
-------------------------	---------------

### *Plant*

CARDINAL, ONTARIO

A. S. FRASER . . . . .	PLANT MANAGER
------------------------	---------------

# THE DIRECTORS' REPORT

---

## TO THE SHAREHOLDERS OF THE CANADA STARCH COMPANY LIMITED:

Your Directors take pleasure in presenting the Annual Report of your Company for the year 1948, being the ninetieth year since the founding of The Edwardsburg Starch Company, which was the name of the original organization, and the Forty-third Annual Report of The Canada Starch Company Limited. This also includes the Consolidated Financial Statements for the year ended 31st December 1948 and the Report of your Auditors.

Although the year as a whole was a satisfactory one, the first six months was a difficult period, due to a narrowing margin of profit and to a decrease in sales volume, brought about by a general falling off in demand, as was the case with a number of other industries that we serve. On account of the poor results for the first six months operations, your Directors decided to pass the Preferred Dividend for the first half of the year, but since the results for the year have become known, your Directors have declared the full year's dividend on the Preferred Shares.

The operations for the year 1948 resulted in a net profit of \$279,980 as compared with a net profit of \$279,328 for the year 1947.

Income Tax to be paid for the year is estimated at \$188,700.

The amount written off for depreciation of Fixed Assets was \$264,970 which was \$37,346 less than in the previous year. This is explained by the fact that the rate of depreciation on machinery was reduced as the plant was not operating at full capacity throughout the year. This follows the regulations as laid down by the Department of National Revenue.

The Plant and Equipment were maintained in a good state of repair and operating efficiency and \$140,524 was expended on new construction and additions.

The Working Capital at the close of the year was \$2,432,083 which is an increase of \$334,530 as compared with the position at the close of 1947.

The sum of \$61,117 was provided for the Pension Fund Society and charged to Current Earnings. This is \$8,851 less than in 1947. The decrease is due in large part to reduced wages resulting from curtailment in our plant operations. The Pension Fund calculation is based on actual wages and salaries earned for the year.

It will be noted from the Balance Sheet that the Reserve for Contingencies and Deferred Credits of \$234,070, also Capital Surplus of \$8,001 are no longer shown under those captions, and that the Reserve for Future Depreciation in Inventory Values has been increased from \$45,000 to \$250,000. These changes can be traced from the details shown in the Consolidated Statement of earned Surplus. It is our opinion that the Reserve for Contingencies, which was established in large part for possible adjustments in our Income Tax assessments,

is not now required as our Income Tax returns have been audited to 31st December 1947 by the local Income Tax authorities, subject to confirmation from Ottawa. Your Auditors concur in this opinion.

Availability of raw material has not been a problem during the past year, but it will be remembered that during the latter years of the war it was a serious matter. This condition has greatly improved owing to the large carry over of corn from the 1948 crop in the United States and we do not anticipate any shortage in the near future. The Canadian corn outlook is also much brighter, and for this reason we are including a short story of the development of hybrid corn in Ontario and the part played by the Company.

Our sales volume, although less than in 1947, was still far in excess of prewar years. The prices of our products have been reduced periodically during the year, which was made possible by the drop in the cost of corn. We have continued our efforts to modernize our packages and to maintain the highest quality in our products.

During the year, construction was started on a new public school at Cardinal which has been under consideration for some time as it was badly needed in the interests of both employees and the community in general. The Company has been supporting the project and is contributing to its financing through an increase in assessment for local taxes.

Our accident record continues to be very satisfactory due to the excellent work done by our Safety Committee. As evidence of this, it is worthy of note that our Cardinal Plant again won the Safety Award competed for annually by our plant and those of our associates in the United States.

Labour turnover, although high during the war years, is now negligible.

Relations existing between management and employees continue to be excellent, and your Directors desire to express their appreciation of the loyal service and co-operation rendered by the employees and staff throughout the organization.

Your Directors have to record, with deep regret, the loss to the Company of Mr. J. E. Merritt, Assistant Sales Manager, whose death occurred on 29th September, 1948. The Late Mr. Merritt joined the Company in 1918 as junior clerk and rose to the position of Assistant Sales Manager, which position he occupied for a number of years. His valued services will be greatly missed.

The outlook for the future is uncertain due to general conditions which indicate that supply is fast catching up with demand. However, as we have already experienced some readjustment in our business during the past year, we feel that we can look forward to a period of normal business for at least the first half of 1949.

On behalf of the Board,



President.

Montreal, 15th March, 1949.

# THE CANADA STARCH COMPANY LIMITED AND CONSOLIDATED

## ASSETS

	AS AT 31ST 1948	DECEMBER 1947
<b>CURRENT ASSETS:</b>		
Cash	\$ 39,716	\$ 76,850
Accounts receivable, less reserve for doubtful accounts	899,270	1,177,916
Inventories—valued at the lower of cost or market—		
Raw materials	\$ 735,990	
Goods in process	81,842	
Finished goods	722,440	
Manufacturing stores and supplies	582,017	
Mechanical supplies and replacement parts	328,062	
	2,450,351	3,406,345
Prepaid insurance	26,160	14,573
	3,415,497	4,675,684
<b>INVESTMENT IN WHOLLY OWNED SUBSIDIARY COMPANY:</b>		
Shares—at cost	\$ 200,000	
Less: Amount due to subsidiary company	172,635	
	27,365	54,540
<b>FIXED ASSETS:</b>		
Land and water power rights—at cost	\$ 23,915	
Buildings, machinery and equipment—at cost	4,913,769	
	4,937,684	
Less: Reserve for depreciation	3,284,939	
	1,652,745	
Construction in progress	35,921	
	1,688,666	1,814,093
<b>GOODWILL, TRADEMARKS, RIGHTS AND BRANDS</b>		
	1	1
	\$5,131,529	\$6,544,318
APPROVED ON BEHALF OF THE BOARD: G. F. BENSON, JR. } NORMAN J. DAWES } <i>Directors.</i>		

*This is the Balance Sheet referred*

# CANADA STARCH SALES COMPANY LIMITED

## BALANCE SHEET

### LIABILITIES

	AS AT 31ST DECEMBER 1948	1947
CURRENT LIABILITIES:		
Bank overdraft	\$ 523,157	\$1,035,090
Bank loan—secured		930,000
Bank loan—secured by employees' sub- scriptions to Canada savings bonds	23,181	36,336
Accounts payable and accrued expenses	240,145	372,695
Pension fund contribution payable	61,117	69,968
Account payable—affiliated company	1,867	3,927
Sundry taxes payable	21,064	41,308
Income taxes, less amounts paid on account	112,883	88,807
	<hr/>	
	983,414	2,578,131
RESERVE FOR FUTURE DEPRECIATION IN INVENTORY VALUES	250,000	45,000
RESERVE FOR CONTINGENCIES, AND DEFERRED CREDITS		234,070
CREDIT ARISING FROM SALE OF FIXED ASSETS TO A SUBSIDIARY COMPANY	17,500	
CAPITAL STOCK AND SURPLUS:		
Capital stock—		
AUTHORIZED—		
32,500 7% non-cumulative pre- ferred shares of \$100 par value	<u>\$3,250,000</u>	
62,500 common shares of \$5 par value	<u>\$ 312,500</u>	
ISSUED AND FULLY PAID—		
30,691 preferred shares	\$3,069,100	\$3,069,100
59,325 common shares	296,625	296,625
	<hr/>	
	3,365,725	
Capital surplus		8,001
Earned surplus—		
As per attached statement	514,890	313,391
	<hr/>	
	3,880,615	3,687,117
	<hr/>	
	<u>\$5,131,529</u>	<u>\$6,544,318</u>

to in our report of this date.

McDONALD, CURRIE & Co.,  
Chartered Accountants.

**THE CANADA STARCH COMPANY LIMITED**  
and  
**CANADA STARCH SALES COMPANY LIMITED**

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS**

	For the years ended 31st December	
	1948	1947
<b>OPERATING PROFIT</b>		
Before charging the following expenses:	\$793,937	\$852,218
Provision for depreciation of fixed assets	\$264,970	\$302,316
Salaries and directors' fees of executive officers and director	68,030	64,090
Fees of other directors	3,880	3,720
Legal fees and expenses	6,502	5,303
Loss on disposal of fixed assets	980	
	344,362	375,429
	449,575	476,789
<b>OTHER INCOME:</b>		
Profit on the sale of fixed assets		\$22,004
Dividend from wholly owned subsidiary company	\$ 19,000	2,500
Revenue from investments	105	35
	19,105	24,539
	468,680	501,328
<b>PROVISION FOR INCOME TAXES</b>	188,700	222,000
<b>NET PROFIT FOR THE YEAR</b>	\$279,980	\$279,328

**CONSOLIDATED STATEMENT OF EARNED SURPLUS**

	For the years ended 31st December	
	1948	1947
<b>BALANCE—31st December</b>		
Preferred dividend paid in respect of prior period	\$313,391	\$195,191
	107,418	53,709
	205,973	141,482
Net Profit for the year	279,980	279,328
	485,953	420,810
Reserve for contingencies, and deferred credits as at 31st December 1947	\$234,070	
Capital surplus as at 31st December 1947	8,001	
Adjustment of income and excess profits taxes in respect of prior years	44,800	
	286,871	
	772,824	420,810
Preferred dividend paid in respect of the first half of the year 1947		\$107,419
Further provision for future depreciation in inventory values	\$205,000	
Provision for claims by the Department of Transport of the Dominion of Canada for top wharfage in respect of prior years	35,434	
Portion of reserve for contingencies, and deferred credits now designated as credit arising from sale of fixed assets to a subsidiary company	17,500	
	257,934	107,419
<b>BALANCE—31st December</b>	\$514,890	\$313,391



**McDonald, Currie & Co.**  
Chartered Accountants

ASSOCIATED WITH  
**SCOVELL, WELLINGTON & CO**  
ACCOUNTANTS AND AUDITORS  
UNITED STATES OF AMERICA  
AND  
**COOPER BROTHERS & CO.**  
CHARTERED ACCOUNTANTS  
GREAT BRITAIN EUROPE  
SOUTH AND EAST AFRICA  
SOUTHERN RHODESIA  
AUSTRALIA NEW ZEALAND

MONTREAL QUEBEC OTTAWA TORONTO SAINT JOHN  
SHERBROOKE VANCOUVER KIRKLAND LAKE

TELEPHONE MARQUETTE 8311  
CABLE ADDRESS "CURMAC"

507 PLACE D'ARMES  
MONTREAL 1

1st March, 1949.

**AUDITORS' REPORT TO THE SHAREHOLDERS**

We have examined the books and accounts of The Canada Starch Company Limited and of Canada Starch Sales Company Limited, a wholly owned subsidiary company, for the year ended 31st December 1948, and we have obtained all the information and explanations which we have required. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Department of National Revenue of the Dominion of Canada has now reviewed the income tax returns of the companies up to and including the year ended 31st December 1947. Such review is still subject to final confirmation, but adjustment has been made on the basis of figures prepared by the District Income Tax Office.

In accordance with the provisions of section 114 of The Companies Act, we report that the profits for the year of Lakes and St. Lawrence Navigation Company Limited, a wholly owned subsidiary company, have been included in income in the attached accounts only to the extent of dividends received, the balance of profits being carried forward on the books of the subsidiary company.

We report that, in our opinion, according to the best of our information and the explanations given to us and as shown by the books of the companies, the attached consolidated balance sheet and accompanying consolidated statements of surplus and profit and loss are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at 31st December 1948 and of the results of their operations for the year ended on that date in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

**McDONALD, CURRIE & CO.,**  
*Chartered Accountants.*

---

## CORN GROWING IN CANADA



Corn growing in Canada today is, in a sense, the story of hybrid corn itself—a story of experiment and achievement.

Until a decade or so ago nearly all of the corn used by Canada's starch industry was imported. And then in the late 1930's came the development of hybrid seed corn.

Since its initial introduction to Canadian farming, the acceptance of hybrid seed corn has grown steadily and each year sees more and more hybrid corn planted. What is the reason for this? What are the advantages of hybrid seed corn?

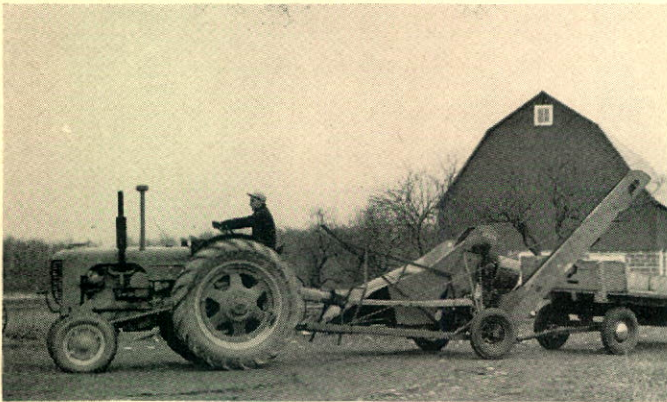
Hybrid corn is controlled corn. A product of hand pollination, it can be adapted to specific localities and soil conditions. It has been bred up through the years to yield more per acre and to resist damaging smut and corn borers. It is bred for strength and endurance, for resistance to inclement weather. It is bred to make picking easier and for either a low or high starch content. Above all, it is bred to make corn-growing more of a calculable science and less of a gamble.

In recent years the starch industry has obtained a large proportion of the corn used from Southwestern Ontario. This corn was grown from hybrid seed largely in Essex and Kent Counties.

New varieties of hybrid seed corn are being developed and in the last three years successful experiments have been conducted in the Ottawa Valley Region, in the hope of developing into large-scale growing of corn in this area. It is in this particular region that your Company has been working in close co-operation with representatives of the Department of Agriculture towards stimulating the interest of farmers in the growing of hybrid corn.

The advantages resulting from growing corn in Canada are fairly obvious: the elimination of long freight hauls; the security which comes from having corn immediately available in cribs within the local area; the saving of time and effort and the sense of contributing to the betterment of the communities in which the corn is raised. Above all this is the rewarding satisfaction of pioneering a new Canadian agricultural frontier.

A resume of the Company's activities in Ontario farming areas over the past three years shows that great strides have taken place in Canadian corn growing: until recently there had not been hybrid seed available that would mature in the Eastern Ontario area. However, during the last three years the Experimental Farm in Ottawa developed a seed suitable for this area and, after



*One of four company Corn Pickers lent to farmers for harvesting.*

being assured that this seed would mature, the Company decided to sponsor the Junior Farmers' Grain Club of Grenville County and each of the members planted this hybrid seed.

The results were gratifying. Ninety per cent of the corn matured and, where good farm practices were observed, test plots yielded as high as 85 to 90 bushels per acre.

To encourage this group the Company donated a perpetual trophy, to be awarded annually, and other prizes were donated by the Ontario Department of Agriculture. At the close of the 1946 season, the members of the Junior Farm Club were guests of the Company at a dinner in Cardinal, at which time the prizes were presented.

In 1947, although it was originally intended to enlarge the Club's corn-growing activities, the lateness of the spring season interfered with this plan. However, the Company again sponsored the Club and, in conjunction with the Department of Agriculture, four five-acre tests were run in four different localities near the Company's plant.

Thus, in a very poor corn year, when nearly all crops were washed out, the corn on all of these test areas matured favourably. In all cases where farmers sold this corn to the Company they realized over \$100.00 per acre and the average yield was about 55 bushels to the acre. The quality of the corn received at the plant was excellent.

In 1948 the Company entered into a much more energetic program of encouragement and at various meetings the farmers expressed keen enthusiasm to plant hybrid corn. Over and above the meetings attended, the Company has given free advice and information on the growing of corn to all who have desired it.

A bulletin issued by the Department of Agriculture on the growing of hybrid corn has been made available by the Company to all the farmers in the area who wish to plant hybrid corn and four modern pickers, purchased by the Company, have been put at the disposal of farmers wishing to harvest their crops. In the interest of this corn promotion program, it was essential that some mechanical equipment be made available, as the shortage of farm labour made it impossible for any sizable acreages to be planted unless mechanical equipment could help harvest the crop. The Company also purchased a portable corn sheller.

At every step of this corn-growing program, full co-operation has been had from the Experimental Farms and the local agricultural representatives, with the latter conducting meetings and arranging for considerable acreage to be planted.

On April 21st, with a view to fostering the growing of corn, the Eastern Ontario Board of Trade were guests of the Cardinal Board



*Company Corn Sheller, used by farmers to shell corn sold to the company.*

of Trade and the representatives of the thirty-two counties present at this function were impressed with the prospects for growing corn in the area.

Early in 1948, it was conservatively believed that about eight hundred to one thousand acres of corn would be planted locally. The acreage actually planted was between fifteen hundred and two thousand acres.

The four pickers owned by the Company were used in harvesting corn in the vicinity. These pickers were supplemented by others supplied by the Department of Agriculture and certain local farmers who purchased pickers for their own use. The combined effort harvested all of the corn grown in the area.

The Company's portable sheller was made available to all farmers wishing to sell corn to the Company. The sheller will again be made available in the spring for those farmers who have corn in cribs and wish to sell it at that time.

Lately the Experimental Farm has developed a number of new strains of hybrid seed, of which "Canbred 250" shows great promise. While this seed is not available commercially and will not be available in any large quantity for the next two years, tests have proven that this seed has been adapted for the Eastern Ontario area and will compare for yield favourably with most varieties grown in Southwestern Ontario. There is also no doubt that it will mature fully.

If the corn planting increases at the same rate as in the past few years, the Company can look forward to purchasing most of its raw material in Canada from the farms of Southwestern and Eastern Ontario.





