



Annual Report

1950

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DIRECTORS AND OFFICERS

THE CANADA STARCH COMPANY LIMITED

Directors

GEORGE F. BENSON	NORMAN J. DAWES	R. E. STAVERT
G. F. BENSON, JR.	J. A. MOFFETT	F. A. WARREN
de GASPE BEAUBIEN	J. R. RHAMSTINE	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
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Plant

CARDINAL, ONTARIO

A. S. FRASER	PLANT MANAGER
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THE DIRECTORS' REPORT

TO THE SHAREHOLDERS OF THE CANADA STARCH COMPANY LIMITED:

Your Directors are pleased to present the Annual Report of your Company for the year 1950, being the Ninety-second year since the founding of The Edwardsburg Starch Company, which was the name of the original Organization, and the Forty-fifth Annual Report of The Canada Starch Company Limited. This also includes the Consolidated Financial Statements for the year ended December 31st, 1950 and the Report of your Auditors.

The year was a satisfactory one and our overall profit was well maintained despite the rise in the cost of corn which continued throughout the year, and notwithstanding the narrow margin of profit on some of our bulk lines. Operations for the year resulted in a net profit of \$561,958 as compared with \$541,558 for the year 1949. These results are after charging depreciation and making full provision for Income Tax, which is estimated at \$548,700 for the year 1950. The amount written off for depreciation of Fixed Assets was \$196,966, being \$48,772 less than provided in the previous year. This reduction is explained by the fact that under the new Income Tax regulations, depreciation is calculated on the diminishing balance, which in our case resulted in a lesser amount for the year than under the straight line method as previously used.

The buildings and equipment were maintained in a good state of repair and operating efficiency, and \$355,355 was expended on new construction and additions to the Plant during the year. As certain old buildings and equipment have been replaced, their value has been written off the books; consequently the net amount shown as an increase to Fixed Assets is less than the above expenditure to the extent of these write-offs, \$83,644.

Our construction programme included the installation of the latest type of equipment in certain departments to keep up with modern developments: an extension to our office building, and the erection of a new warehouse to maintain the best service to our customers. Some of this work is still in progress.

At the close of the year the Working Capital amounted to \$2,884,816 which is an increase of \$85,687 as compared with the position at the close of 1949.

Our contribution to the Pension Fund Society charged to Current Earnings amounted to \$79,618. This compared with a contribution of \$70,757 made last year or an increase of \$8,861. The calculation is based on the total wages and salaries paid for the year and the increase is due to the higher scale of wages and salaries in force during the year and a greater number of days worked. A formal pension plan is still under study and review.

Our Group Life Insurance, which was inaugurated some twenty years ago, was revised during the year to afford a liberal increase in benefits to all employees.

As you no doubt are aware, our associates, the Corn Products Refining Company, made an offer through The Royal Trust Company on December 4th, 1950, to purchase the minority interests in our Preferred Shares at \$140. per share, and at this date all but about one hundred shares have been acquired by them. In view of this situation, our Preferred Shares have recently been removed from trading on the unlisted section of the Montreal Curb Market.

On March 31st, 1950, a dividend of $3\frac{1}{2}\%$ was paid on our Preferred Shares in respect of the second half of the year 1949, and since that date, regular quarterly dividends have been paid. On our Common Stock, a dividend of fifty cents per share was paid on March 31st, 1950 out of the earnings for the year 1949. A further dividend of fifty cents per share, and an extra distribution of one dollar and fifty cents per share were disbursed on the Common Shares at the close of the year.

Availability of raw material was not a problem during the past year. Corn from the United States was in good supply but deliveries of Canadian corn were only fair during the early part of the year and were negligible for the last half, as there appeared to be reluctance on the part of the farmer to sell even at prevailing high prices.

In view of the very high market price of corn at the present time, it was felt that our Reserve for future depreciation in corn value should be increased. Therefore an amount of \$151,500 has been transferred to this Reserve out of Current Earnings.

Our sales volume for the year was very satisfactory and showed an increase over the year 1949. It was necessary to make several price increases to compensate for the steady rise in the cost of corn and also for higher wages and salaries.

Accident Prevention work continues to have our close attention and the efforts of our Safety Committee have been commendable, although our record during the past year has not been as good as in the two preceding years.

Community recreation activities at Cardinal continued to receive the wholehearted support of your Company, and the relationship between the management and the community leaves little to be desired. The recreation programme not only contributes to the health of the community at Cardinal but continues to provide useful opportunities for maintaining good relations between the Company, employees and people of the community. The annual picnic has become an outstanding community event, as has the Father and Son banquet which was attended last year by more than 400 people. An added attraction during the year was the revival of harness racing, which was a very popular sport at Cardinal some years ago. Assistance was given by the Company in the reconditioning and re-equipping of the race-track which is located near the townsite.

During the year your Company continued to enjoy the same excellent relations between management and employees as have existed for so many years, and your Directors wish at this time to express their appreciation of the loyal service and co-operation of the employees and staff throughout the Organization.

The outlook for the year 1951 is somewhat obscure owing to the unsettled conditions that exist throughout the world but the results up to date are satisfactory.

On behalf of the Board,



President.

Montreal, March 14, 1951.

THE CANADA STARCH COMPANY LIMITED AND CONSOLIDATED

ASSETS

	AS AT 31ST DECEMBER	
	1950	1949
CURRENT ASSETS:		
Cash	\$ 110,145	\$ 525,143
Call loan—secured	75,000	
Accounts receivable, less reserve for doubtful accounts	1,194,053	801,524
Inventories—valued at the lower of cost or market—		
Corn (note A) less reserve of \$300,000	\$1,881,454	
Goods in process	155,350	
Finished goods	741,400	
Manufacturing supplies	478,932	
Mechanical stores and replacement parts	281,723	
	3,538,859	2,231,513
Prepaid insurance and other expenses	31,095	29,447
	4,949,152	3,587,627
 INVESTMENT IN WHOLLY OWNED SUBSIDIARY COMPANY:		
Shares—at cost	200,000	
<i>Less:</i> Amount due to subsidiary	179,238	
	20,762	51,667
 FIXED ASSETS:		
Land and water power rights—at cost	20,999	
Buildings, machinery and equipment—at cost	5,195,354	
	5,216,353	
<i>Less:</i> Reserve for depreciation	3,651,587	
	1,564,766	
Construction in progress	85,757	
	1,650,523	1,531,712
 GOODWILL, TRADEMARKS, RIGHTS AND BRANDS		
	1	1
	\$6,620,438	\$5,171,007

APPROVED ON BEHALF OF THE BOARD:
G. F. BENSON, JR. }
F. A. WARREN } *Directors.*

Montreal, 19th February, 1951.

This is the balance sheet referred

CANADA STARCH SALES COMPANY LIMITED

BALANCE SHEET

LIABILITIES

	AS AT 31ST DECEMBER	
	1950	1949
CURRENT LIABILITIES:		
Bank loans—		
Secured by warehouse receipts for corn	\$ 300,000	
Secured by employees' subscriptions to Canada savings bonds	26,516	
	<hr/>	
	\$ 326,516	\$ 24,603
Affiliated company—		
2% demand notes	749,098	
Account payable	22,784	
	<hr/>	
	771,882	5,440
Accounts payable and accrued expenses	478,028	347,946
Pension fund contribution payable	79,618	70,757
Income taxes payable	377,222	320,804
Other taxes payable	31,070	18,948
	<hr/>	<hr/>
	2,064,336	788,498
RESERVE FOR FUTURE DEPRECIATION IN INVENTORY VALUES	250,000	250,000
CREDIT ARISING FROM SALE OF FIXED ASSETS TO A SUBSIDIARY COMPANY	17,500	17,500
CAPITAL STOCK AND SURPLUS:		
Capital stock—		
AUTHORIZED—		
32,500 7% non-cumulative preferred shares of \$100 par value	\$3,250,000	
62,500 common shares of \$5 par value	\$ 312,500	
	<hr/>	
ISSUED AND FULLY PAID—		
30,691 preferred shares	3,069,100	3,069,100
59,325 common shares	296,625	296,625
	<hr/>	<hr/>
	3,365,725	3,365,725
Earned surplus—		
as per attached statement	922,877	749,284
	<hr/>	<hr/>
	4,288,602	4,115,009
	<hr/>	<hr/>
	\$6,620,438	\$5,171,007
	<hr/>	<hr/>

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	
	1950	1949
OPERATING PROFIT		
Before deducting the following items—	\$1,609,127	\$1,639,880
Write-down in value of—		
Inventory of corn (note A)	\$ 151,500	148,500
Inventory of mechanical stores and replacement parts		43,604
Provision for depreciation of fixed assets (note B)	196,966	245,738
Salaries and directors' fees of executive officers and director	76,160	73,980
Fees of other directors	3,615	3,520
Legal fees and expenses	2,957	941
Contribution to Pension Fund Society	79,618	70,757
	510,816	587,040
	1,098,311	1,052,840
OTHER INCOME:		
Profit on sale of fixed assets	\$ 4,774	5,093
Profit on sale of investments	3,333	
Dividend from wholly owned subsidiary company	1,400	28,400
Revenue from investments	2,840	225
	12,347	33,718
PROVISION FOR INCOME TAXES	1,110,658	1,086,558
	548,700	545,000
NET PROFIT FOR THE YEAR	\$ 561,958	\$ 541,558

CONSOLIDATED STATEMENT OF EARNED SURPLUS

	For the years ended 31st December	
	1950	1949
OPENING BALANCE	\$ 749,284	\$ 514,890
Dividends paid in respect of prior period—		
Preferred	107,418	214,837
Common	29,663	
	137,081	214,837
Net profit for the year	612,203	300,053
Adjustment resulting from settlement of claim for top wharfage	561,958	541,558
Final adjustment of corn subsidy	22,594	
Amount transferred from reserve for doubtful accounts	5,900	15,091
	1,202,655	856,702
Dividends paid during the year—		
Preferred—in respect of current year	161,128	107,418
Common	29,663	
Extra common	88,987	
	279,778	107,418
CLOSING BALANCE	\$ 922,877	\$ 749,284

NOTES TO FINANCIAL STATEMENTS:

- A. The total inventory of corn as at 31st December 1950 has been valued at the lower of cost or market. The write-down of \$151,500 in 1950 has been credited to a reserve for this inventory to which the write down of \$148,500 in 1949 has now been transferred.
- B. The amount provided for depreciation in 1950 has been calculated in accordance with the new regulations of The Income Tax Act.

McDonald, Currie & Co.

Chartered Accountants

MONTREAL QUEBEC OTTAWA TORONTO SAINT JOHN
SHERBROOKE VANCOUVER KIRKLAND LAKE MONCTON
HAMILTON CHARLOTTETOWN

TELEPHONE MARQUETTE 8311
CABLE ADDRESS "CURMAC"

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

507 PLACE D'ARMES
MONTREAL 1

AUDITORS' REPORT TO THE SHAREHOLDERS

We have made an examination of the books and accounts of The Canada Starch Company Limited and of those of Canada Starch Sales Company Limited, a wholly owned subsidiary company, for the year ended 31st December 1950, 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.

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 the 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 1950 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, except as noted.

19th February, 1951.

McDONALD, CURRIE & CO.,
Chartered Accountants.



A good beginning

PACKAGING

Our Silent Sales Force

•

A brief story of the
Company's development
in consumer products

EVERY day thousands of hands throughout the length and breadth of this country reach for one or more of the distinctive packages containing the consumer products of this Company. How many, do you think, of those thousands of users have ever given any thought to the colour or design of the packages they so willingly purchase? Yes, very few indeed. Yet these two factors play an important role in encouraging the selection of Canada Starch products from among a variety of competing brands. In conjunction with other aspects of packaging, they are vital to our continued success in selling our consumer goods to the public.

The visual appeal of Company packages has become tremendously important, particularly in view of the rising popularity of self-service. Clean, well-designed containers which instantaneously catch the eye of the shopper without offending her sense of good taste are essential today. Good packaging is the window-dressing that first arrests the shopper's attention, then entices her to try the brand so attractively displayed.

Although the greater part of the Company's production is devoted to bulk lines, package products carry the Company name to millions of Canadians. This story is concerned with the development of consumer goods packaging. The attractive packages reviewed herein are illustrated in full colour on the front cover of this Annual Report and are an excellent example of the progress in packaging trends.

To turn the casual buyer into a regular consumer, the contents naturally must live up to the bright promise of the container. But in that all-important instant when she is making her choice, it is often the influence of superior packaging that wins a new customer for our package products.

The job of packaging goes, of course, far beyond the mere eye-appeal of displayed products. That is only the initial selling step. Packaging is equally concerned with the problem of keeping the customer sold. Having induced her to try our brand, we must do all we can to ensure that she will get the maximum satisfaction.

This means that our package design must be **functional**. The container must be convenient to handle, efficient, easily kept clean. Any necessary instructions as to use should be printed on it in terms that cannot be misinterpreted. Some commodities have special difficulties. Syrup, for instance, is delectable on the table but, as a packaging problem, its inherent disposition to "stickiness" is a formidable barrier to general acceptance. It is the responsibility of packaging to overcome the natural

These are the consumer packaged goods of The Canada Starch Company Limited, as they are now packaged.





From standard metal can to latest bottle container for corn syrup.

From a printed cardboard box to a scientifically wrapped and moisture-proof container.

public reaction to this unfortunate trait by designing a package which minimizes or eliminates this objectionable "stickiness." How this thorny problem was solved with excellent success by the Company will be described later in this summary.

Packaging then must be anything but static. It is in the front line of sales endeavour. It must move with the times. More than that, in this competitive age, it must anticipate the times by initiating refinements and new techniques. Let us see how the Company's packaging has evolved in the ninety years it has been silently pleading the merits of Canada Starch products on the shelves of grocers throughout the country.

In the illustration at the beginning of this review, you will see early samples of the Company's packages. The general art treatment of these exhibits is indicative of the packaging techniques which were in vogue in those early days. It is axiomatic that art and packaging of this nature, while very effective in its time, would stand little chance in the competitive markets of today.

Across the top of this page is a series of graphic presentations showing the package development of four of the Company's leading products. From the viewpoint of visual appeal, all have undergone radical changes. New standards of design have successively changed the appearance of the packages without losing their identification.

Various types of advertising material.



Note that, in all modern labels, the brand name is prominently displayed. This, of course, is to take advantage of the widespread consumer-acceptance which the Company has built up for its brands by maintaining highest standards of excellence throughout its long history.



Two well known brands are merged without loss of identification.

Excellent brand name visibility with modern package design.

The second basic principle of packaging is functional. This will best be shown by taking a look at what has happened, in a packaging sense, to one of our leading brands, namely, Crown Brand Corn Syrup.

The earliest stage shown was the basic pry-open can; simple, sanitary, but unembellished. In the second, intermediate stage a more modern tin with a special pouring spout was used. The third package illustrated is the modern, exclusive cone-top design which permits easy opening, good pouring and quick cut-off, radically reducing overflow. The pouring lip is protected against dust by a cap especially designed for this purpose. The label is lithographed directly onto the metal and eliminates the use of paper labels. This can is exclusive to our Company and was specially developed for this purpose.

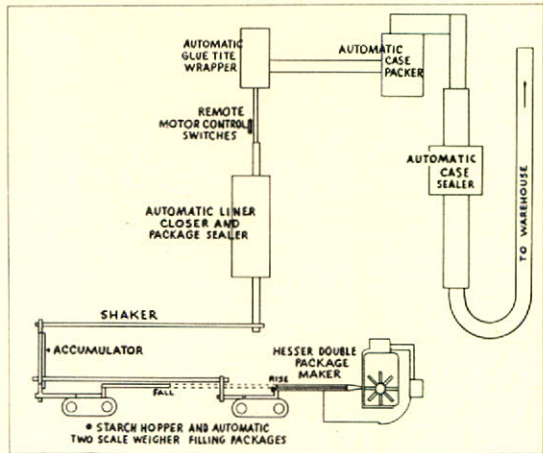
Lily White and Karo Corn Syrups are also packed in lithographed 2-lb. cone-top tins of suitable designs. As yet there has been no functional change in the larger 5 and 10-lb. sizes, which are still packed in conventional metal cans, using lithographed paper labels for identification.

The final example is the Company's newest package—the 1½-lb. bottle of syrup. The bottle allows the potential consumer to see the rich golden colour of the syrup, thus whetting her appetite to sample it. Although more expensive to package, this item has won wide popularity because it has all the advantages of the modern tin and, in addition, a sufficiently attractive appearance to warrant its use at the table. This new package has been responsible for introducing Crown Brand Corn Syrup to many new consumers.

Bag designs for some bulk products.



Diagram of automatic double-package line at Canada Starch plant, Cardinal, Ont. Photographs of six of these operations are shown on the opposite page.



It has been pointed out earlier that one of the chief functions of packaging is to make sure that the customer uses the product in such a

way as to obtain maximum satisfaction. Canada Starch packages have pioneered in furnishing comprehensive directions right on the container wherever they were needed. Examples of this are the detailed directions for use printed on the boxes of Silver Gloss and Linit starches and the basic recipes on the corn starch packages.

Mazola, packaged in a modern lithographed, sealed tin with convenient pouring spout, is presently under revision for improved instructions covering both old and new uses.

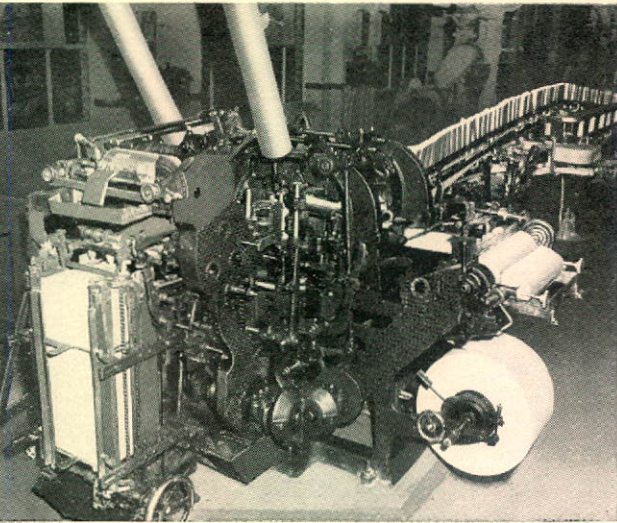
Improved appearance, better functional design, greater visibility and instructions which are helpful and explicit are the main objectives for which the Company is constantly striving in its packaging in order that the Company's products may be enjoyed by a constantly widening circle of Canadians. Possibly somewhere, sometime, we will design the ultimate in packages. However, it is only by constantly striving

to do better, that we can be sure of doing well enough to keep our leadership in the field.

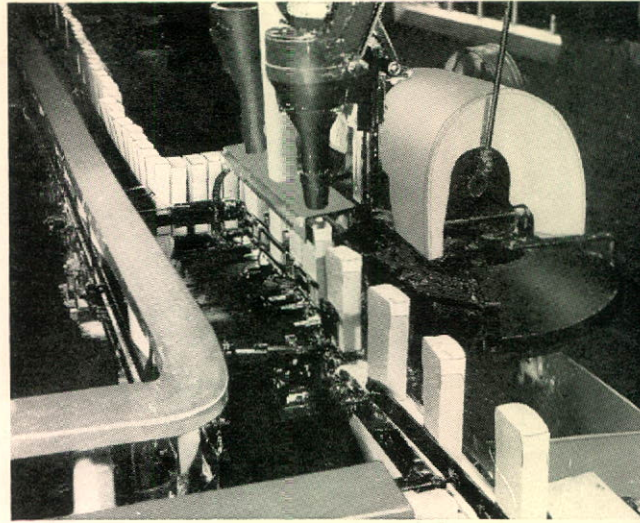


Fork lift truck and pallets make the handling of finished packaged goods easy and rapid in the Cardinal warehouse.

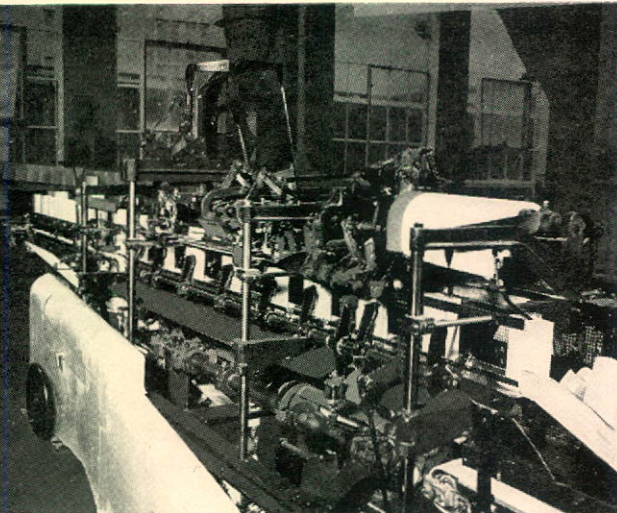
Automatic Packaging Line Used for Benson's and Canada Corn Starch



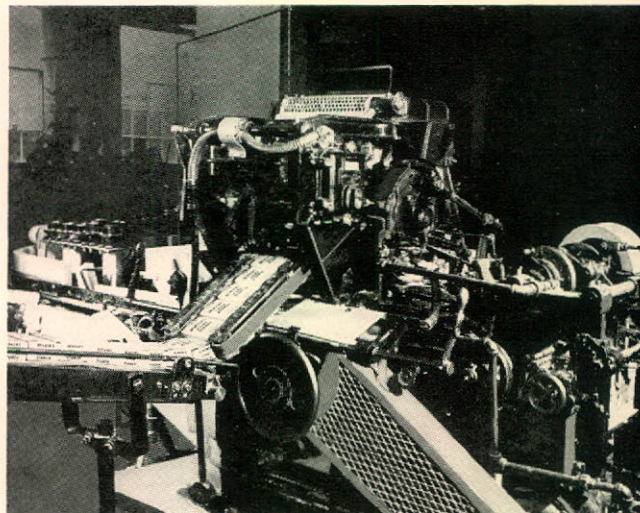
Corn starch cartons are formed around white kraft bag liners as the first step in the package line.



Feature of double-package line is a set of two filling and weighing stations with provision for automatic check weigh.



Accumulator re-forms packages into a single line; this station folds filled bag liners, then forms and seals outside carton.



The cartons then proceed to next station where they are tight-wrapped in litho labels at the rate of 64 packages per minute.



The cartons then move to the completely automatic case filler where they are packed 40 units to the container.



The completed shipping cases proceed to Finished Goods warehouse after being sealed on an automatic case sealer.

