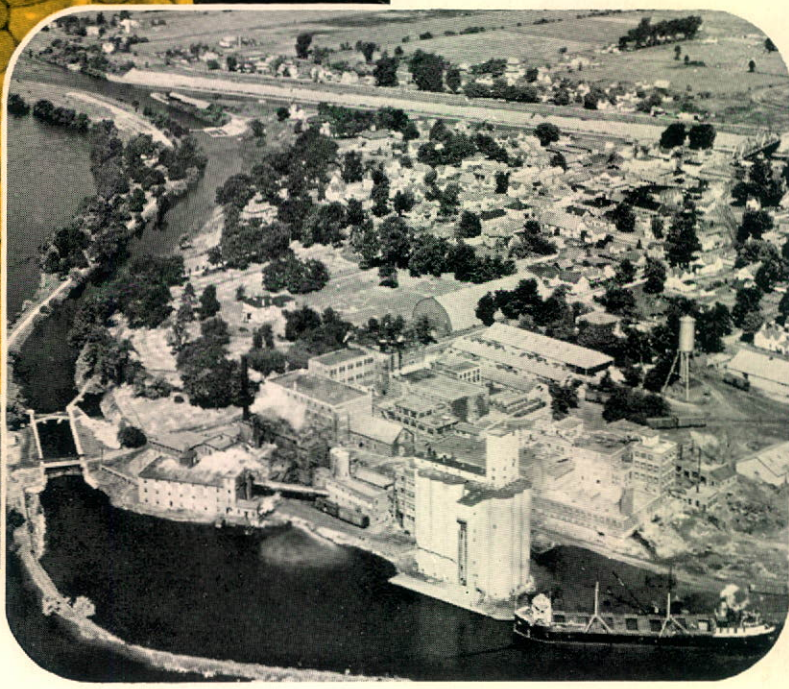


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Annual Report

THE CANADA STARCH COMPANY LIMITED

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
-------------------------	---------------

Plant

CARDINAL, ONTARIO

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

THE DIRECTORS' REPORT

TO THE SHAREHOLDERS OF THE CANADA STARCH COMPANY LIMITED:

Your Directors are pleased to present the Forty-seventh Annual Report of your Company for the year 1952, which is the Ninety-fourth year since the founding of The Edwardsburg Starch Company, the name of the original organization. This report includes the Consolidated Financial Statements for the year ended December 31st, 1952 and the Report of your Auditors.

The gross profit from operations for the year was very gratifying, and despite the incidence of Income Tax, the net profit amounted to \$673,609 in comparison with \$538,976 for the year 1951. These results were arrived at after providing for depreciation and after making full provision for Income Taxes estimated at \$831,000 as compared with \$607,000 for the year 1951.

It should be pointed out that the increased net profit is largely the result of the higher return received during the year from the sale of by-products. However the margin of profit on some of our bulk lines is still too low, due to competition from the United States as an outcome of the lowering of import duties under the Geneva Trade agreements.

The full dividend of \$7.00 on the Preferred Shares and a dividend of \$1.00 together with an extra distribution of \$2.50 per share on the Common Shares were paid during the year.

The buildings and equipment have been maintained in a good state of repair and operating efficiency, and \$374,804 was expended on new construction and additions to Fixed Assets during the year. As certain old buildings and equipment were replaced, and their value written off, the net amount shown as an increase to Fixed Assets is less than the above mentioned expenditure by \$69,976.

Fixed Assets were depreciated by \$227,834 as compared with \$195,008 in the year 1951.

Owing to the rising cost of replacements, present depreciation allowances for tax purposes are inadequate to meet the requirements of heavy capital expenditures for modernization and replacements and it is, therefore, expedient to carry forward increased amounts to Earned Surplus.

Our program for extensions and improvements to plant at Cardinal for the year 1953 will involve an expenditure of about \$700,000, including the completion of the new Steam Generating Unit estimated at \$515,000.

Our contribution to the Pension Fund, charged to the year's operations, amounted to \$98,821 as compared with \$88,453 for the year 1951. The calculation

is based on total wages and salaries paid, and the increase for the year 1952 amounting to \$10,368 is largely the result of the higher wages and salaries paid during the year. As mentioned in our last annual report, our formal pension plan went into effect as from January 1st, 1952.

The Working Capital at the close of the year showed a figure of \$3,298,965 as compared with \$3,164,198 at the end of the year 1951, an increase of \$134,767. As the reserve for Corn Inventory of \$300,000 was shown as a deduction from the Asset in 1951, while this year it has been included in the Equity Section of the Balance Sheet, the necessary adjustment has been effected in the Working Capital amount for 1951 to permit a proper comparison of the figures.

Corn, our basic raw material, was in good supply throughout the year at prices moderately lower than for the previous year. Most of our requirements were imported from the United States as Canadian corn was not forthcoming in anything like substantial quantities. We, however, purchased such quantity of domestic corn as was available to us.

Sales volume showed a modest increase in comparison with the year 1951. Selling prices were adjusted downwards during the year following the trend of the corn market.

The efforts of our Safety Committee and all those co-operating with it are to be commended as their work has resulted in a very low accident experience in recent years.

The very comprehensive recreation program in the Cardinal community continues to provide well planned social and recreational activities to its members. The Company affords its wholehearted support not only financially but also by encouraging its employees to participate in these activities.

It is gratifying to report that labour relations continue to be excellent and a new Union contract has been negotiated for the year 1953.

Your Directors wish, at this time, to record their appreciation of the loyal service and co-operation of the employees and staff throughout the Company's entire organization.

The outlook for the immediate future is satisfactory.

On Behalf of the Board,

A handwritten signature in cursive script, reading "G. F. Benson, Jr." with a long horizontal flourish extending to the left.

President.

Montreal, 11th March, 1953.

THE CANADA STARCH COMPANY LIMITED AND

CONSOLIDATED

ASSETS		AS AT 31ST DECEMBER	
		1952	1951
CURRENT ASSETS:			
Cash (Note 1)		\$ 91,084	\$ 113,794
Call loan—secured		75,000	75,000
Accounts receivable, less reserve for doubtful accounts of \$52,054 (Note 1)		1,199,018	995,362
Inventories—			
Valued at the lower of cost or market—			
Corn	\$2,011,024		
Goods in process	113,334		
Finished goods	941,986		
Manufacturing supplies	477,062		
Mechanical stores and replacement parts	340,022		
		3,883,428	4,556,535
Prepaid insurance and other expenses		40,117	53,149
		5,288,647	5,793,840
INVESTMENT IN WHOLLY OWNED SUBSIDIARY COMPANY:			
Shares—at cost (Note 3)		200,000	200,000
FIXED ASSETS:			
Land and water power rights—at cost	134,349		
Buildings, machinery and equipment—at cost	5,826,540		
		5,960,889	
Less: Reserve for depreciation		4,014,184	
		1,946,705	
Construction in progress—at cost (Note 4)		59,984	
		2,006,689	1,892,730
GOODWILL, TRADEMARKS, RIGHTS AND BRANDS		1	1
		\$7,495,337	\$7,886,571

APPROVED ON BEHALF OF THE BOARD:
G. F. BENSON, JR. }
NORMAN J. DAWES } *Directors.*

CANADA STARCH SALES COMPANY LIMITED

BALANCE SHEET

LIABILITIES

AS AT 31ST DECEMBER

	1952	1951
CURRENT LIABILITIES:		
Bank Loan		\$ 720,000
Affiliated Company—(Notes 1 and 2)		
3¼% demand notes with interest accrued to date	\$ 922,894	
Account Payable	32,601	
	<u>\$ 955,495</u>	1,058,550
Accounts payable and accrued expenses	292,206	367,566
Current portion of amount due to wholly owned subsidiary company	18,947	42,229
Pension fund contribution payable	98,821	88,453
Income taxes payable	609,619	323,953
Other taxes payable	9,594	23,891
Instalments payable in 1953 on balance of purchase price	5,000	5,000
	<u>1,989,682</u>	<u>2,629,642</u>
BALANCE OF PURCHASE PRICE OF REAL ESTATE WITH INTEREST AT 5½% PER ANNUM:		
Payable in semi-annual instalments	35,000	
Instalments paid to date	10,000	
	<u>25,000</u>	
Instalments payable in 1953	5,000	
	<u>20,000</u>	25,000
AMOUNT DUE TO WHOLLY OWNED SUBSIDIARY COMPANY		
	202,592	200,000
CAPITAL STOCK, RESERVES 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	
ISSUED AND FULLY PAID—		
30,691 preferred shares	3,069,100	3,069,100
59,325 common shares	296,625	296,625
	<u>3,365,725</u>	<u>3,365,725</u>
Reserve for future depreciation in inventory values	250,000	250,000
Reserve for corn	300,000	300,000
Capital surplus—		
credit arising from sale of fixed asset to the subsidiary company	17,500	17,500
Earned surplus—		
as per attached statement	1,349,838	1,098,704
	<u>5,283,063</u>	<u>5,031,929</u>
	<u>\$7,495,337</u>	<u>\$7,886,571</u>

THE CANADA STARCH COMPANY LIMITED
and
CANADA STARCH SALES COMPANY LIMITED

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	For the years ended 31st December	
	1952	1951
PROFIT FROM OPERATIONS		
after deducting all costs of manufacturing, selling and administration	\$1,448,035	\$1,116,785
OTHER INCOME:		
Dividend from wholly owned subsidiary company	\$ 38,000	23,000
Profit on sales of fixed assets	13,249	2,433
Revenue from investments	5,325	3,758
	56,574	29,191
	1,504,609	1,145,976
PROVISION FOR INCOME TAXES	831,000	607,000
NET PROFIT FOR THE YEAR	\$ 673,609	\$ 538,976
The following amounts have been charged before determining the profit from operations:		
Provision for depreciation of fixed assets	227,834	195,008
Salaries and directors' fees of executive officers and director	80,680	78,680
Fees of other directors	3,600	3,500
Legal fees and expenses	1,787	1,481
Interest on balance of purchase price	1,581	1,535
Contribution to Pension Fund Society	\$ 98,821	\$ 88,453

CONSOLIDATED STATEMENT OF EARNED SURPLUS

	For the years ended 31st December	
	1952	1951
OPENING BALANCE		
Net Profit for the year	\$1,098,704	\$ 922,877
	673,609	538,976
	1,772,313	1,461,853
Dividends paid during the year—		
Preferred—		
in respect of prior period	\$ 53,709	
in respect of current year	161,128	214,837
	214,837	214,837
Common—		
annual	59,325	
extra	148,313	148,312
	207,638	148,312
	422,475	363,149
CLOSING BALANCE	\$1,349,838	\$1,098,704

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. All or part of the assets and liabilities which are in U. S. funds are covered by this note and have been converted at the rate of exchange on 31st December 1952. The resulting net liability of \$906,254 in U. S. funds is included on the balance sheet at the Canadian equivalent of \$876,800.
2. The basis used in converting the U. S. liability in respect of demand notes has been changed from that used in 1951, but the change does not materially affect the profit for the year.
3. Value of shares as shown by the financial statements of the subsidiary company

Assets of subsidiary company consisting of amounts due from parent company	227,768
	221,539
Net assets of subsidiary company	\$ 6,229
4. An estimated amount of \$515,000 will be required to complete the construction of the new steam and power project.

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 MONCTON
HAMILTON CHARLOTTETOWN

TELEPHONE MARQUETTE 8311
CABLE ADDRESS "CURMAC"

507 PLACE D'ARMES
MONTREAL 1

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of The Canada Starch Company Limited and Canada Starch Sales Company Limited, a wholly owned subsidiary company, as at 31st December 1952 and the consolidated statements of profit and loss and surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In accordance with the provisions of section 114 of The Companies Act, we report that the dividend received from Lakes and St. Lawrence Navigation Company Limited, a wholly owned subsidiary company and included in income in the attached accounts exceeded the profits for the year of the subsidiary company by an amount of \$10,519. Such excess has been paid out of the accumulated profits of the subsidiary company.

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 accompanying consolidated balance sheet and consolidated statements of profit and loss and surplus, and the notes appended thereto, 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 1952 and the combined 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.

McDONALD, CURRIE & CO.,
Chartered Accountants.

20th February, 1953.

CORN

The American Indians' Gift to Civilization



Courtesy C.P.R.

Corn as it is known in Canada today is a native American plant. Ancient Scandinavian records tell of corn fields seen in America by the Norsemen, but it was not until Columbus visited the West Indies in 1492 and found corn growing on the Island of Hayti that this grain became generally known to the old world. Giving it the name of Indian-corn or Maize, the latter being a derivative of the Haytian word "Mahiz," meaning "that which sustains life," Columbus took samples back to Spain and spoke of vast corn fields in his report to Ferdinand and Isabella. Impressed by the size and appearance of this strange cereal, the Spaniards, nevertheless, failed to appreciate its full value.

The Indians made no such mistake. They never took corn for granted, nor accepted it as commonplace. Indeed, many of the tribes worshipped corn as a god and even went so far as to offer human sacrifices as a token of thanks for abundant crops. Wherever the early explorers went in the New World they found Indians raising corn: Cortez in Mexico; DeSoto in Florida; Cartier in the Indian village of Hochelaga (Montreal); LaSalle in Illinois.

Early pioneers learned from the Indians the importance of corn. Many settlements during their first severe winters owed their very existence to the fertility and rapid growth of this grain. Its ease of cultivation and certain production enabled the homesteader to follow closely on the trails opened by the woodsman,



trapper and explorer. With corn as his mainstay the settler sought group security through tilling the soil, and prospered.

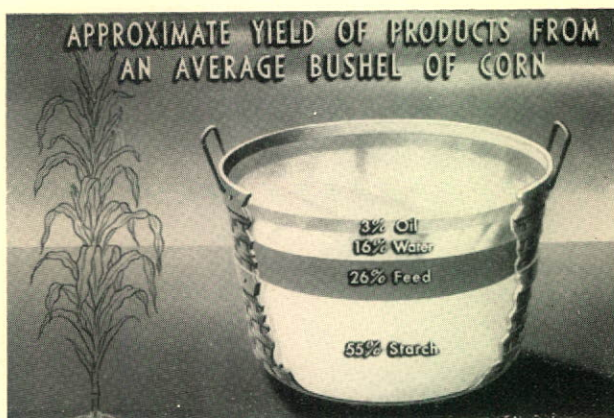
Although civilization of the North American Continent was to a large degree dependent on the cereal grains, so was corn dependent on civilization. Not since its very beginning as a wild grass has it been able to propagate itself unaided by man. It would not grow naturally without someone to take the kernels off the cob and plant them at the proper distance from each other. In nature, the ear would fall to the ground, only the kernels nearest the earth sprouting. The young plants, seeking both nourishment and room in which to expand, would eventually choke each other and die.

For many years scientists have vainly endeavoured to trace the evolution of corn back to its original grass. They estimate this evolution took place over a 20,000 year period of cultivation by the Indians. Carried on and refined by the white man, this cultivation has made corn one of our most fertile crops producing approximately twice the yield of wheat from one-eighth the amount of seed in but half the time.

Corn is now grown in many other countries. Among the foremost are Argentina, Hungary, Italy and South Africa. But the United States corn yield is by far the greatest, being more than half the total world crop. This tremendous harvest owes its being to the well drained, fertile, loamy soil, abundant moisture and moderately high temperatures which prevail in the North Central States. Twenty years ago, the average yield for this area was about thirty-one bushels per acre compared with eighteen bushels for the rest of the United States. In recent years, the yield has increased to about forty bushels per acre, in large part the result of the development and extensive use of hybrid varieties.

Ordinarily, the pollination of corn is uncontrolled, but hybrid seed—the first generation crossed (or hybrid) of two or more inbred or purified strains—is pollinated under controlled conditions. Use of hybrid seed can, under identical growing conditions, increase the yield by about twenty percent.

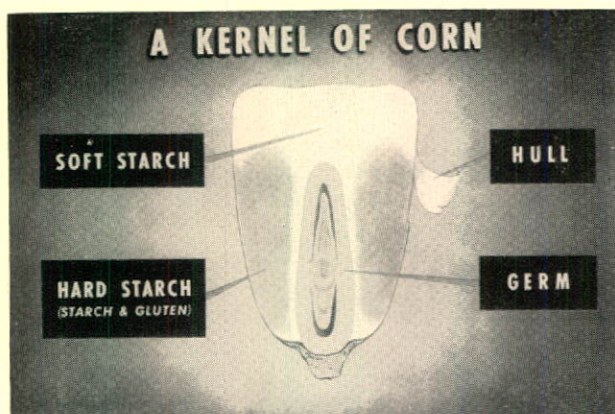
Of particular interest to Canadians are the special strains that have been developed for growth under climatic and soil conditions peculiar to various regions in Canada. From 1939 to 1944, the planting of hybrid corn in Canada increased from 4,000 to 264,000 acres as the Canadian farmer came to recognize its value and its place in his livestock feeding programme.



Corn has not won this advantage over other grains by chance. It has been attained by exhaustive research, selection of standard types, inbreeding, cross-breeding and a long period of testing by the Departments of Agriculture, Experimental Farms and Seed Companies, until today, planting of hybrid varieties has increased to more than ninety-five percent of the total corn acreage.

Today, many remarkable things are being manufactured with the help of corn. But its principal use is still as a food. At least eighty-five

percent of each year's crop is eventually used for human consumption in various forms such as pork, beef, poultry, eggs, milk, etc. The remaining fifteen percent is channeled to industries using corn as a raw material. These fall into four



classifications. 1) Mixed-feed manufacturers, 2) Millers and cereal producers, 3) Corn products industry and 4) Distillers. The Canada Starch Company Limited belongs in the third group, and is primarily interested in the manufacture of starch in its various forms.

STARCH FROM CORN

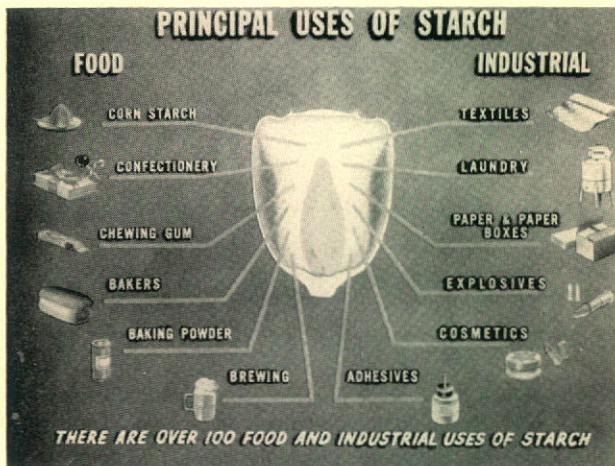
The story of the separation of starch from the other components in grain is shrouded in historical mystery. It is known that Egyptian paper from papyrus, which dates back to 3,500 B.C., was cemented together with a starchy adhesive. During the sixteenth century the French and English Royal Courts used starch for powdering their wigs and stiffening their laces and ruffles. In the latter part of the eighteenth century reference was made to the functions of starch in textile sizing, paper manufacturing, foundry molds and adhesives.

The first patents for corn starch manufacturing were issued in England and the United States in 1841, and plants were built for its manufacture in 1844 in New Jersey and Ohio. In succeeding years other plants were erected but it was not until 1873 that glucose (corn syrup) was manufactured in any quantity. Apparently, the manufacture of these two products, starch and glucose, was conducted by two separate groups of factories until about 1900 when many changes and consolidations took place that established the corn products industry as we know it today.

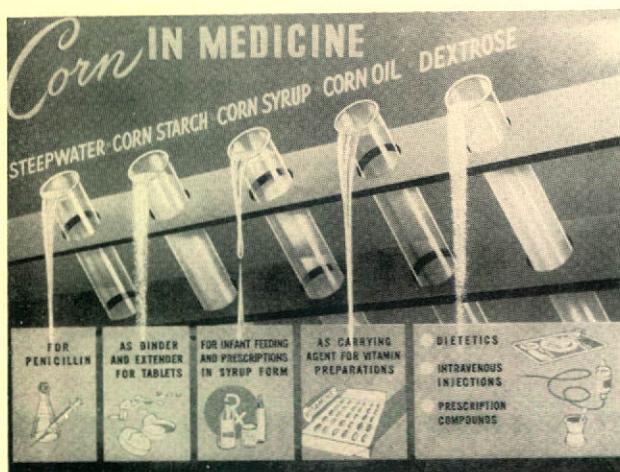
A similar development took place in Canada, and about 1858, nine years before Confederation, the late W. T. Benson established a factory for the manufacture of corn starch on the St. Lawrence River in a small village called Edwardsburg (now known as Cardinal). It was considered to be an ideal location. Water power was available, and it was on the main line of the Grand Trunk Railroad. Furthermore, this site was approximately midway between Upper and Lower Canada and convenient for shipping to the larger centres of population around Montreal, Toronto and the Maritime Provinces.

The plant was small at first, but it prospered, and in the latter part of the eighteenth century, in line with the progress made in the United States, it began the production of glucose. Later, in 1906, the Edwardsburg Starch Company merged with two smaller starch companies to form The Canada Starch Company Limited. Since that time, the plant at Cardinal has been enlarged and modernized from time to time to keep pace with the demands of an ever-growing economy.

Today, about thirty percent of the total corn starch production is used as a food, either in the home or by food manufacturers in such items as candy, bakery products, baking powder, powdered sugar, salad dressing, dessert puddings, canned soup, canned corn, etc. The remainder is used in the manufacture of paper, textiles, explosives, and in the laundry, foundry, mining, tanning and other industries. Such relatively modern products as redried, modified, oxidized, pregelatinized and roasted starches (dextrines) are sold to industry under various trade names.



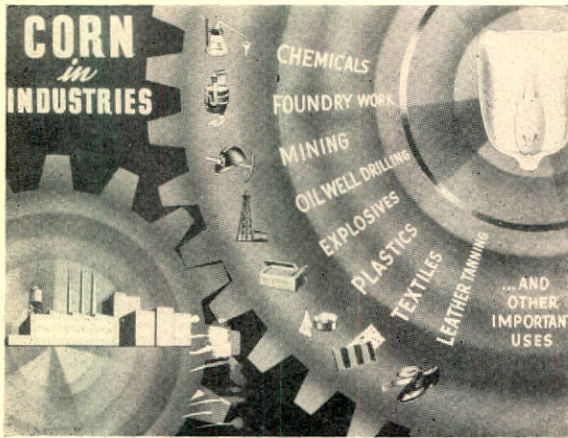
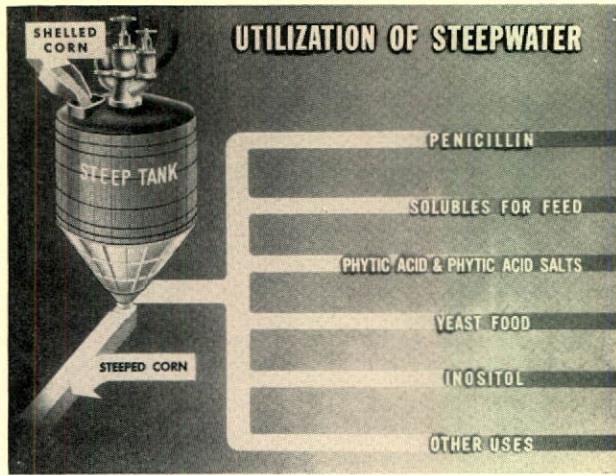
Approximately ninety percent of the glucose (corn syrup) manufactured is used as a food in ice cream, confectionery, blended syrup, frozen fruits, carbonated beverages, preserves, brewing and so forth. Non-food uses are in paper, textiles, tanning, dyes and pharmaceuticals.



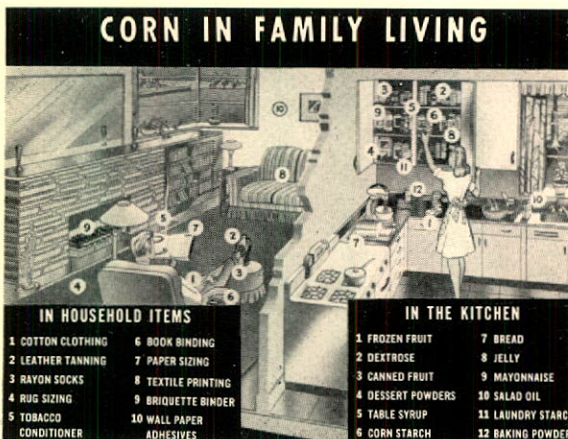
after surgical shock or severe injury, and for various alimentary disturbances, malnutrition and deficiency diseases.

A more recent refinement of glucose is dextrose or corn sugar. Particularly worthy of mention, it not only has many uses in the manufacture of food and non-food products, but, due to the fact that it is almost instantly absorbed into the bloodstream, it is of great value to the medical profession. It is used extensively for intravenous injections

Corn oil is the most important by-product of corn starch manufacture, and is widely used as a salad and cooking oil. It is also incorporated into such food products as mayonnaise, salad dressing and oleomargarine. Other by-products include steep-water, used in the manufacture of penicillin, and gluten feed and meal, a staple ingredient of dairy rations for many years.



In recent years vast progress has been made in the industrial utilization of farm products and the corn industry is continually striving to produce new products through research and practical application. Three of these are Vicara, a soft downy fiber, Inositol, a sugar-like substance belonging to the B Complex group of vitamins, and Glucuronolactone, used in the treatment of arthritis and rheumatoid diseases.



Illustrations Courtesy of Corn Industries Research Foundation.

Much progress has been made since the first discovery of starch and one thing is certain, the development of new products from corn will continue to make practical contributions to science, industry, agriculture and society at large. In the meantime, The Canada Starch Company Limited continues its policy of producing corn products to meet the specific needs of the modern era.

