

ANNUAL REPORT 1949

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T. G. BRIGHT
& COMPANY
LIMITED
and
SUBSIDIARY
COMPANIES

Annual Report
OF
T. G. BRIGHT & COMPANY, LIMITED
and Subsidiary Companies

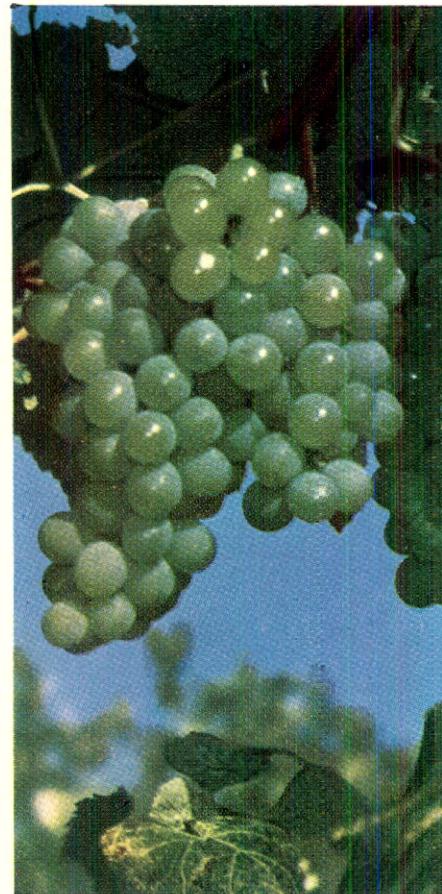
For the Year Ended March 31, 1949



SEVENTY-SIXTH YEAR OF OPERATION

Report of Directors

for the fiscal year ended March 31st, 1949



To the Shareholders of
T. G. BRIGHT & CO., LIMITED

Earnings for the year have been adversely affected by two factors—higher costs and a lower sales volume. Higher costs are bound to make an impression on earnings, but it was the decline in sales which had the more serious effect. Nevertheless the volume of business was such that the company was able to meet its obligations and to increase its working capital.

In accomplishing this, we have not neglected our plant or equipment. On this account gross expenditures for the year totalled \$142,272, of which \$81,654 was spent for plant machinery, \$25,129 for general equipment, and \$35,489 for vineyards and farm machinery. Disposals on account of obsolescence etc. amounted to \$27,734 so that the net addition to fixed asset account totalled \$114,538. No further large expenditures on plant account should be necessary for some time to come as our bottling plant in Niagara Falls is now completely modernized and a new building has been erected at Lachine to house a larger steam plant.

While the volume of wine on hand is slightly more than at March 31st, 1948 and at a higher average cost, our inventory position is

satisfactory, but because of the higher-cost factor we consider it prudent to retain the inventory reserve of \$320,000 and the contingency reserve of \$100,000. No further expansion on wine inventory account is contemplated, the present inventory being sufficient to meet any reasonable increase in demand and unless there is a very marked change in the present sales trend, it is our intention to adhere to a policy of sales replacement.

The sugar inventory has been reduced by approximately 45% from the previous year and since this commodity is now in easy supply, it is not necessary to carry large stocks. Next year we expect to further reduce our carry-over.

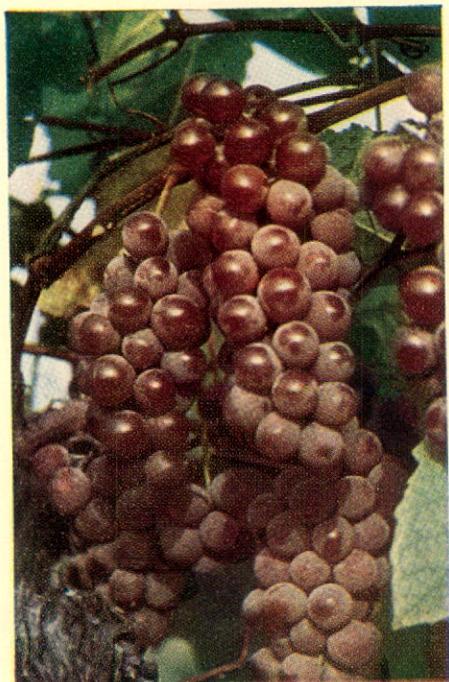
Other inventories are in balance with our requirements and no losses from obsolescence are anticipated.

Current bank loans are down and during the year under review we redeemed and cancelled the second group of serial debentures amounting to \$300,000. Debenture debt now stands at \$600,000 one-third of which is included with the current liabilities as maturing within one year. Future redemption is at the rate of \$200,000 per annum.

This year we present the assets and liabilities in easy comparative form and I think shareholders will be able to evaluate the improvement in our financial position without further comment from me.

Turning to the Profit and Loss statement you will notice that while dollar sales declined by approximately 6%, the cost of goods sold was approximately equal to the cost of goods sold in the twelve months ended March 31st, 1948.

Selling, general and administrative expenses also increased. To maintain and improve our relative position in the trade we expanded our appropriation for market development. We believe this to be a wise policy and one that we must continue if we are to derive the maximum benefits from the large investments we have made in vineyards and wine research during the past fifteen years. Without this appropriation we could



not inform the Canadian public of the new wines we have to offer. Nor could we meet the strong drive now being made for the Canadian market by Empire and foreign wine producers. The overall loss in sales of Canadian wines during the last twelve months was much greater than our own. Our relative position in the trade actually improved.

Our market development plan has been expanded to the United States and during the year we exported our first quantity shipment of table wines and champagne. At the reception held for their introduction to the trade in New York City, comment was entirely favourable, not only from members of the trade but also from officials of the Wine and Food Society and others interested in wines as an adjunct of good living. This phase of our operations is under the direction of Mr. W. Douglas Hatch, the youngest son of our late President.

During the year we examined more new wines from grapes grown in our experimental vineyards. Three of the samples selected were so favourable in promise that we propose to pull out approximately one hundred acres of older and less desirable varieties of grapes and have the land replanted as early as possible with the new selections. This branch of our company activities is all important. In it is the seed of our future success.

The adjustment to our retirement annuity plans, approved by the shareholders at our last general meeting, necessitated higher payments by the company. The sum provided this year was \$35,343 — last year the payment was \$28,984.

Your Directors wish me to express their appreciation to the employees of the company for the splendid co-operation accorded by all departments during the past twelve months.

On behalf of the Board of Directors,



Ed. Thomas
President.

T. G. BRIGHT & CO., LIMITED

AND SUBSIDIARY COMPANIES

DIRECTORS

EARL A. THOMAS	-	-	-	-	-	-	-	Niagara Falls, Canada
MEREDITH F. JONES	-	-	-	-	-	-	-	Niagara Falls, Canada
VICTOR MOLLISON	-	-	-	-	-	-	-	Niagara Falls, Canada
THOMAS H. GIBBONS	-	-	-	-	-	-	-	Walkerville, Ontario
LEIGH M. McCARTHY	-	-	-	-	-	-	-	Toronto, Ontario
HON. ELIE BEAUREGARD, K.C.	-	-	-	-	-	-	-	Montreal, P.Q.
H. CLIFFORD HATCH	-	-	-	-	-	-	-	Walkerville, Ontario

OFFICERS

<i>President</i>	-	-	-	-	-	-	-	EARL A. THOMAS
<i>Vice-President in Charge of Sales and Treasurer</i>	-	-	-	-	-	-	-	MEREDITH F. JONES
<i>Vice-President in Charge of Production and Secretary</i>	-	-	-	-	-	-	-	VICTOR MOLLISON

LEGAL COUNSEL

McMILLAN, BINCH, WILKINSON, STUART, BERRY & WRIGHT
Toronto, Ontario

AUDITORS

PRICE, WATERHOUSE & Co.
Toronto, Ontario

STOCK TRANSFER AGENTS

CHARTERED TRUST & EXECUTOR COMPANY,
Toronto, Ontario

AGENTS

CZARNIKOW (CANADA) LIMITED,
Montreal, P.Q.

OFFICES

HEAD OFFICE AND WINE CELLARS	-	-	-	-	-	-	-	Dorchester Road, Niagara Falls, Canada
BRANCH PLANT	-	-	-	-	-	-	-	Lachine, Quebec
Retail Branches	-	-	-	-	-	-	-	Toronto — 4 Stores Hamilton London Ottawa Windsor Sudbury

STOCK LISTED: TORONTO STOCK EXCHANGE AND MONTREAL CURB

T. G. BRIGHT

AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	March 31	
	1949	1948
Current Assets:		
Cash.....	\$ 16,356	\$ 17,510
Marketable securities (market value — 1949, \$66,040; 1948, \$217,770).....	41,971	141,117
Accounts receivable.....	357,820	343,623
Inventories of wine in storage, cased goods and raw materials, valued at cost or less, not in excess of market.....	2,657,188	2,708,565
Total Current Assets.....	\$3,073,335	\$3,210,815
<i>Less: Current Liabilities—</i>		
Bank loans.....	\$ 491,683	\$ 638,612
Accounts payable and accrued liabilities.....	119,388	164,520
Accrued federal, provincial and local taxes.....	265,252	326,357
Dividend payable.....	25,000	25,000
Serial debentures maturing within one year.....	200,000	300,000
Total Current Liabilities.....	\$1,101,323	\$1,454,489
Working Capital.....	\$1,972,012	\$1,756,326
Refundable portion of excess profits tax.....	56,786	58,006
Deferred charges.....	141,478	164,432
Fixed assets, less reserve for depreciation—		
1949, \$985,230; 1948, \$847,513 (Note I).....	1,336,501	1,359,679
Deduct: Five-year Serial Debentures (maturing up to 1952 and bearing interest at from 2$\frac{3}{4}$% to 3%).....	3,506,777	3,338,443
Excess of Assets over Liabilities.....	400,000	600,000
Shareholders' Interest, represented by:		
Common stock—Issued 100,000 shares without nominal or par value (Authorized 300,000 shares) (Note II).....	\$ 500,000	\$ 500,000
Reserve for future depreciation in inventory values and other contingencies.....	420,000	420,000
Surplus, representing earnings reinvested in the business — per statement attached.....	2,186,777	1,818,443
\$3,106,777	\$2,738,443	

NOTE I—The Fixed Assets are stated at depreciated values as reported by Canadian Appraisal Company Limited as of August 16, 1933, plus subsequent additions at cost.

NOTE II—In addition to the Common shares there are authorized 30,000 six per cent. cumulative redeemable Preference shares of a par value of \$100 each, of which 10,000 shares were issued and later redeemed and cancelled.

& CO., LIMITED

COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND SURPLUS

	Year ended March 31	
	1949	1948
Net Sales.....	\$3,124,539	\$3,309,538
<i>Deduct:</i>		
Cost of goods sold.....	\$1,510,339	1,538,013
Selling, general and administrative expenses.....	699,187	633,647
Salaries of executive officers and directors' fees.....	52,940	52,840
Interest on serial debentures.....	25,405	28,013
Other interest.....	21,579	16,263
Provision for depreciation.....	161,618	140,140
Provision for taxes on income.....	264,300	439,600
	\$2,735,368	\$2,848,516
<i>Net profit for the year.....</i>	\$ 389,171	\$ 461,022
Surplus as at April 1.....	1,818,443	1,399,415
	\$2,207,614	\$1,860,437
<i>Add—</i>		
Profit on sale of investments.....	79,163	
Refundable portion of excess profits tax transferred (previously shown separately).....		58,006
	\$2,286,777	\$1,918,443
<i>Deduct: Dividends declared (\$1.00 per share).....</i>	100,000	100,000
<i>Surplus as at March 31, representing earnings reinvested in the business.....</i>	\$2,186,777	\$1,818,443

PRICE, WATERHOUSE & CO.

ROYAL BANK BUILDING

TORONTO

May 17, 1949.

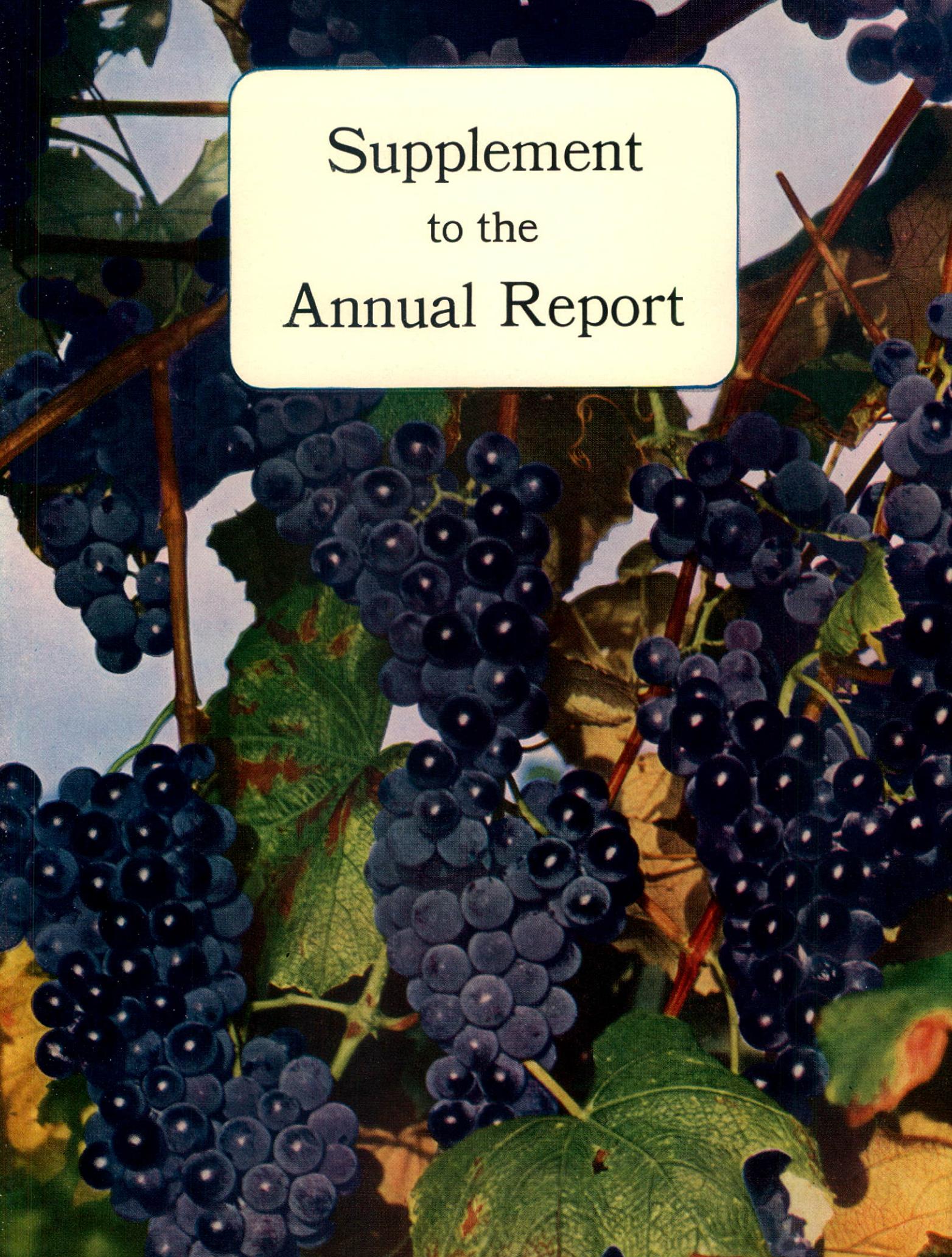
To the Shareholders of

T. G. BRIGHT & CO., LIMITED:

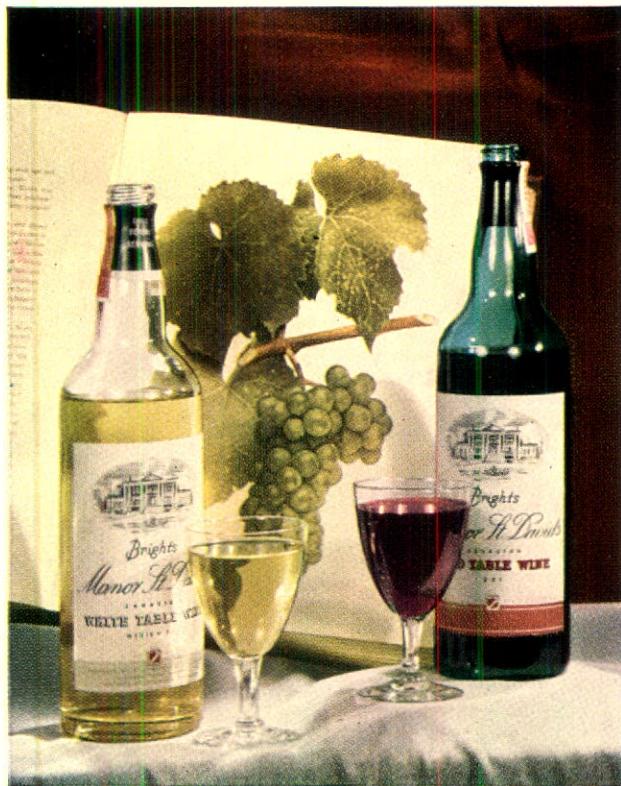
We have examined the consolidated statement of financial position of T. G. Bright & Co., Limited and subsidiary companies as at March 31, 1949 and the related consolidated statement of profit and loss and surplus for the year ended on that date, and all our requirements as auditors have been complied with. Our examination included such tests of the accounting records and other supporting evidence and such other procedures as we considered appropriate in the circumstances.

In our opinion, the accompanying consolidated statement of financial position and related consolidated statement of profit and loss and surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of T. G. Bright & Co., Limited and subsidiary companies as at March 31, 1949 and the results of operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

Price, Waterhouse & Co.
Auditors.



Supplement
to the
Annual Report



SALES

As closely as can be estimated, the overall sales of Canadian wines declined approximately 12.5%, or about 590,000 gallons, in the twelve months between April 1st, 1948 and March 31st, 1949. Bright's sales also declined — in volume about 7%, and in dollars about 6%.

However, a pleasing development in this year's operations was the growth in sales of our finer wines, particularly the Manor St. Davids and President brands. As a result our relative position in the market actually improved.

The major losses have occurred in the low-price field and it is the consensus that practically all Canadian sales losses have been in this market.

The Canadian Wine Market Situation

Sales Affected by Price

The decline may be due to more than one factor. But in the market showing the greatest loss we have every reason to believe that price was the big factor. Canadian vintners have made price reductions wherever gross-profit margins permit. But in the price-level which most seriously affects the grape grower, it has been impossible to do anything to alleviate this price situation because of present high costs and taxes.

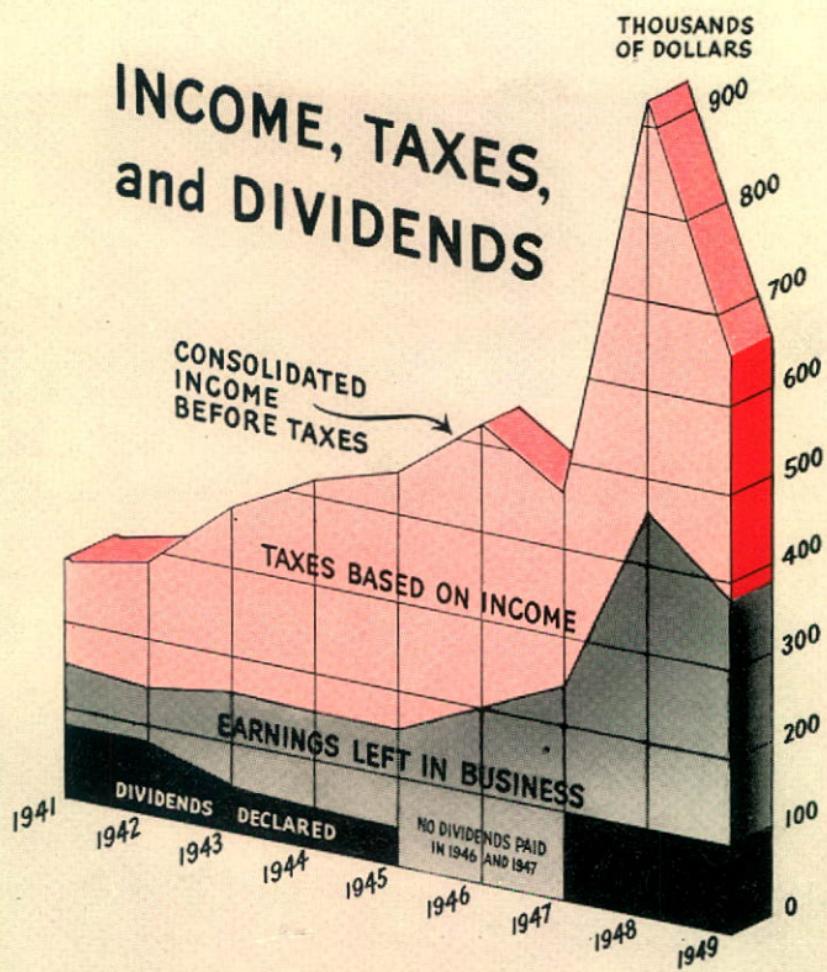
From our viewpoint, and considering our costs of vinting these low-price wines, a reduction of price equivalent to five cents a bottle F.O.B. our winery would wipe out almost all profit to us. It would appear, therefore, that it is a question of finding out how to lower present vinting costs.

Here, too, it is a matter of singling out the most important cost-factor among the several which have an influence on the matter. We believe that the price of grapes is that paramount factor.

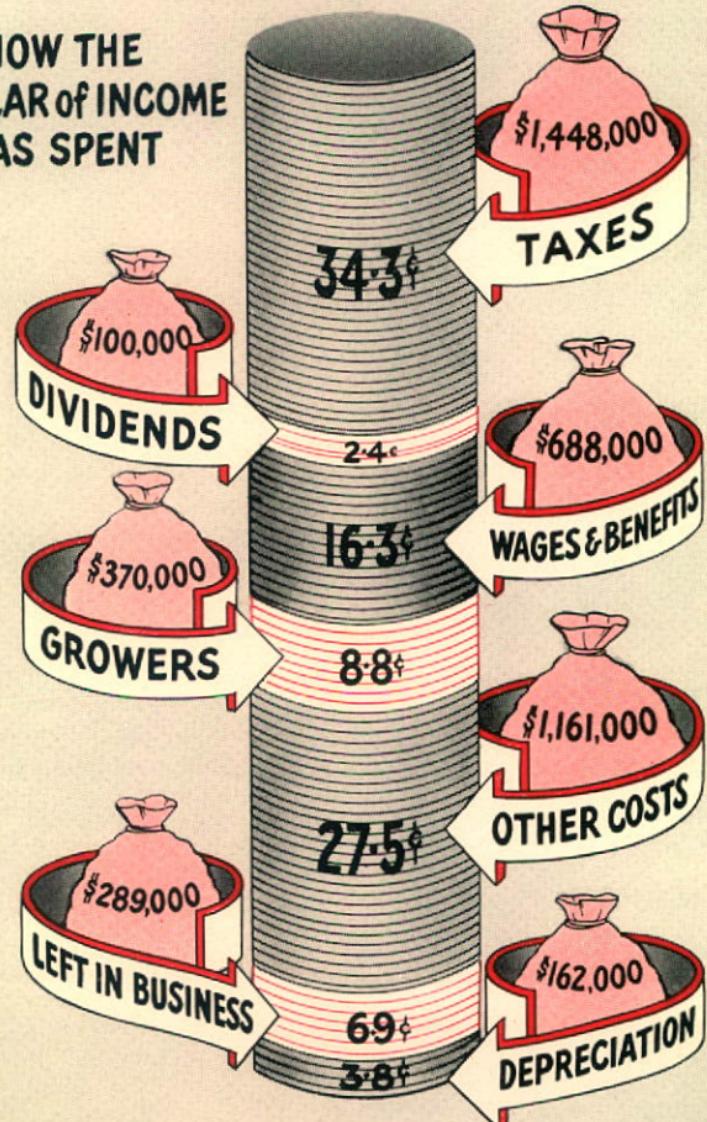
Competitors' Grape Costs Lower

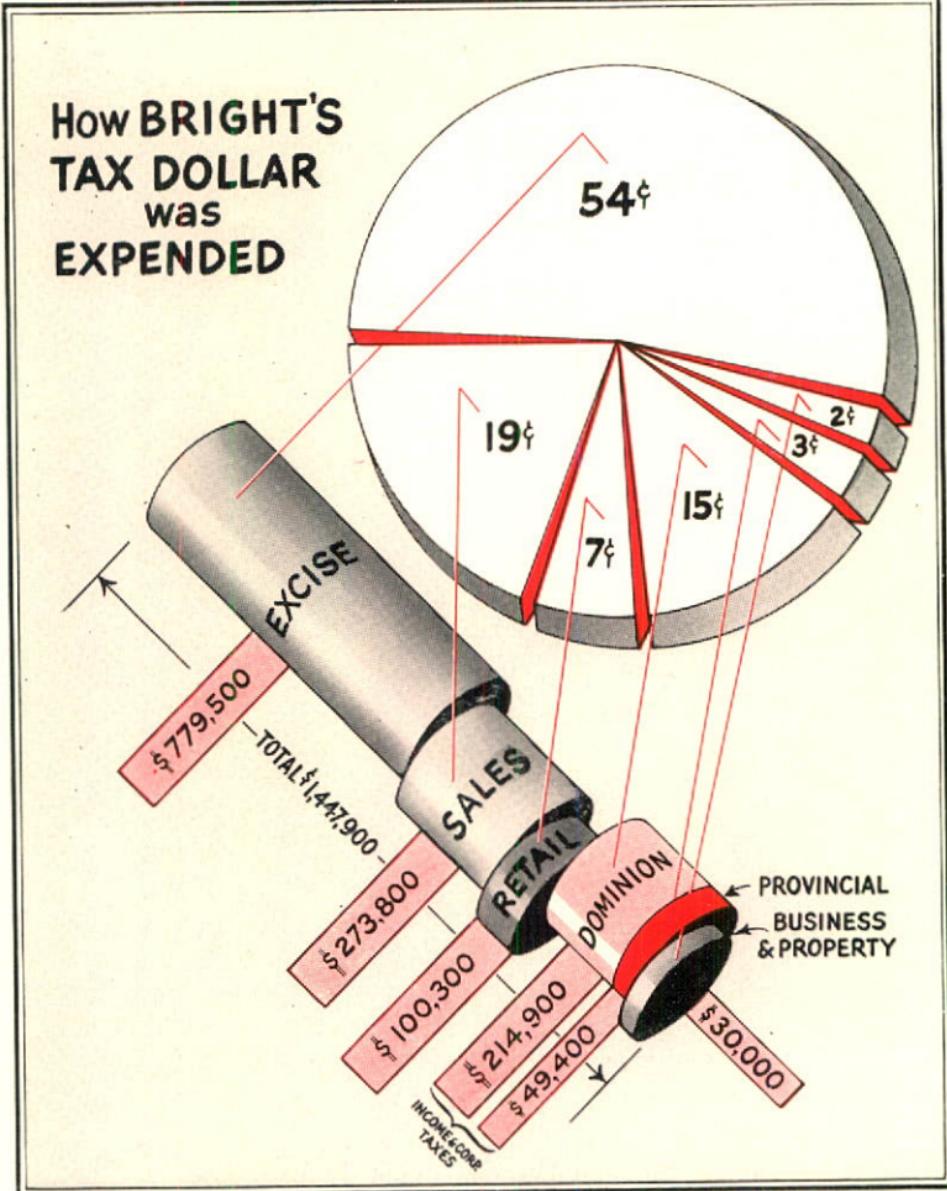
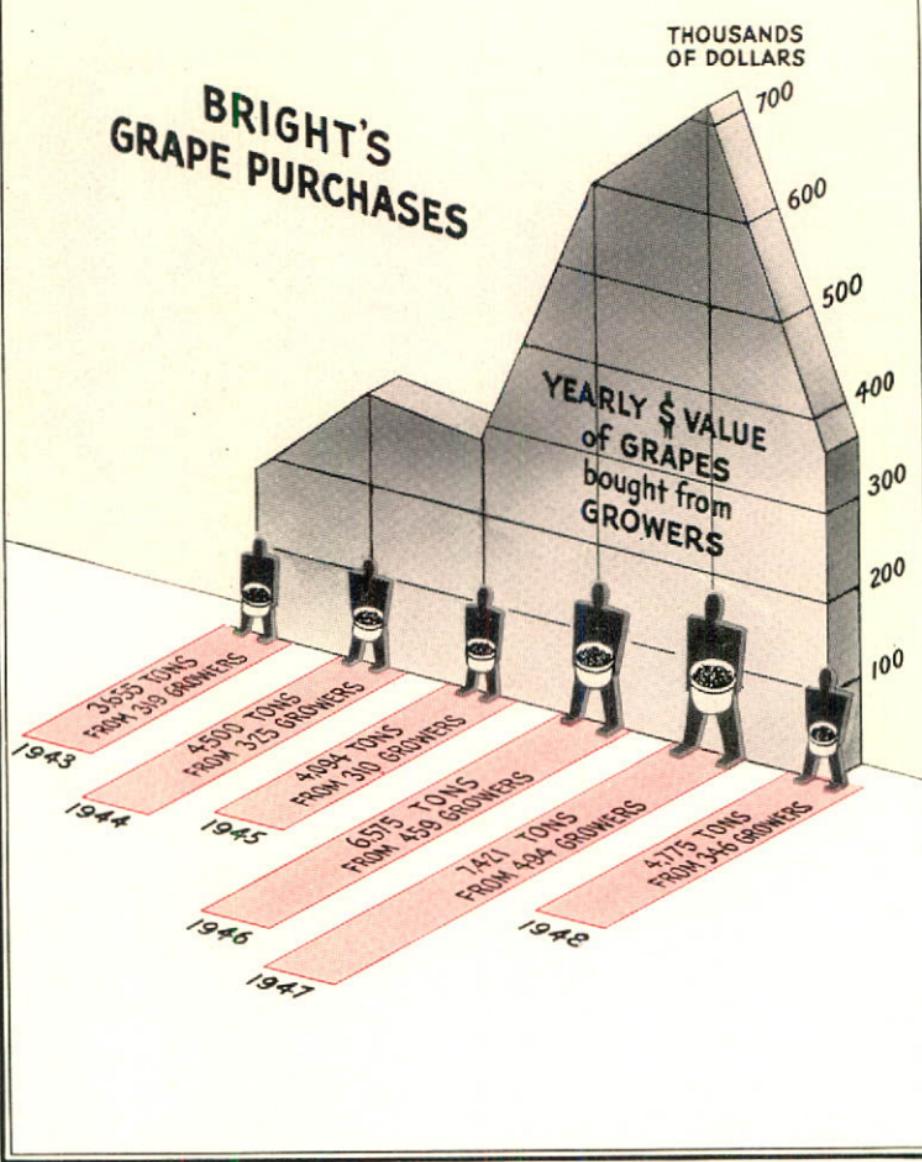
It must not be forgotten that ours is a highly competitive market. Foreign and Empire wine-makers could offer wines in Canada at a price just about equal to the present cost of the lowest priced wines we have to offer. In support of this statement it is only necessary to compare our grape costs with those paid to growers in other countries.

INCOME, TAXES, and DIVIDENDS



HOW THE DOLLAR OF INCOME WAS SPENT





In the last three years, the lowest price paid by the Canadian wine-maker for Canadian grapes was \$77.50 per ton — the average about \$85 per ton. Discounting the higher sugar content of foreign and Empire grapes (an important cost-factor in wine making) the comparison of basic grape costs for 1948 is as follows:

<u>Country</u>	<u>Price per Ton</u>
Canada.....	\$77.50
United States.....	30.00
Australia.....	35.00
South Africa.....	60.00

The relations between grape growers and wine makers are very close. Each is dependent upon the other for success and a profitable income. As benefits any business association, plain talk between partners is essential if the problems of re-establishing the Canadian market for Canadian grapes and Canadian wines are to be solved.

A Mutual Problem

When the sales of Canadian wines decreased this past year, it meant a direct loss to the grape growers. And it is not a loss that affects only one year's sale of grapes. It sets up a chain reaction that might continue into future years unless the situation is corrected.

The explanation is simple, though not always well understood.

The wine-maker does not crush grapes in the Fall and sell the wine within the next twelve months. That wine must be brought to maturity.

It is necessary, therefore, for the wine-maker to carry over large inventories of maturing wine. Sales must be estimated

for several years in advance and wine put down to cover the expected sales in those future years.

Last year there were some 590,000 gallons of wine that remained unsold, principally because of price. This means, in terms of tons of grapes, that Canadian wine-makers have in storage an extra amount of wine the equivalent to approximately 2,500 tons of grapes.

To the Canadian grape grower this sales loss means that the market for his 1949 grape crop has already declined by just that tonnage.

To put down, in 1949, the same tonnage of grapes as in 1948 would require an expansion of winery facilities. In the face of a declining market, no wine-maker could be reasonably expected to follow such a course.

The Grape Growers' Problem

About half of the wine still in the cellars of the Canadian wine-maker was made from grapes costing \$92.50 to \$95.00 per ton and, as we have previously stated, a reduction in our price equivalent to five cents a bottle would almost eliminate all profit at today's cost.

We believe that it is now up to the grape grower to decide whether he will sell a part of his crop at a high price, and face a further diminishing market, or whether he will sell more of his crop at a price that will put his partner, the wine-maker, in a competitive price position.

A high price per ton of grapes, and risking a diminishing market, will not solve the problem of either partner. For the less we sell — whether as grapes or as wine — the higher our unit costs will be.

Other Solutions Sought

Meanwhile, Bright's are doing everything possible to correct the sales situation. We have launched consumer studies in the markets where the sales decline has been the most noticeable. We are now directing merchandising and promotion efforts into those markets in an attempt to recover the sales losses.

Markets, like vineyards, require cultivating. Improved sales, like improved

grapes, are the result of careful research into the problems faced. So, in a further effort to improve sales, we are now researching the market potentials.

Just as we began our great vineyard research project fifteen years ago as a measure of product improvement, so today we are engaged in this new project of broadening and extending the markets for our wines.



The Program of Market Development

MARKET POTENTIALS

In other countries of the world, and over centuries of use, wine is considered to have a three-fold purpose. Wine is universally considered the beverage of moderation and is used widely for entertaining. Wine is also used extensively as a companion to food, to sip with the meal. Wine's third broad usage is in the preparation and cooking of food, to make good food taste better.

In 1947, preliminary research was conducted to find out how Canadians used wine. It was disclosed that those who drank wine with their meals, or used wine in the preparation of food, are in such a small minority as to be insignificant. Only one out of ten Canadians ever had wine with their meals; more than 80% of women said they had never tried wine in cooking.



The "pulpit"—the special racks where the champagne is held with the bottle inverted and made ready for the disgorging operation.

"President" is Canada's first true champagne, vinted in the time-honoured method of natural fermentation in the bottle from a cuvee of wines of special champagne grapes grown in Bright's own vineyards. "President" Champagne possesses individual characteristics as exclusively its own as are those of the champagnes of France and other lands. It is a true "wine of the country".

Disgorging—the process and technique of clearing the champagne of all sediment left in the bottle from the second fermentation.

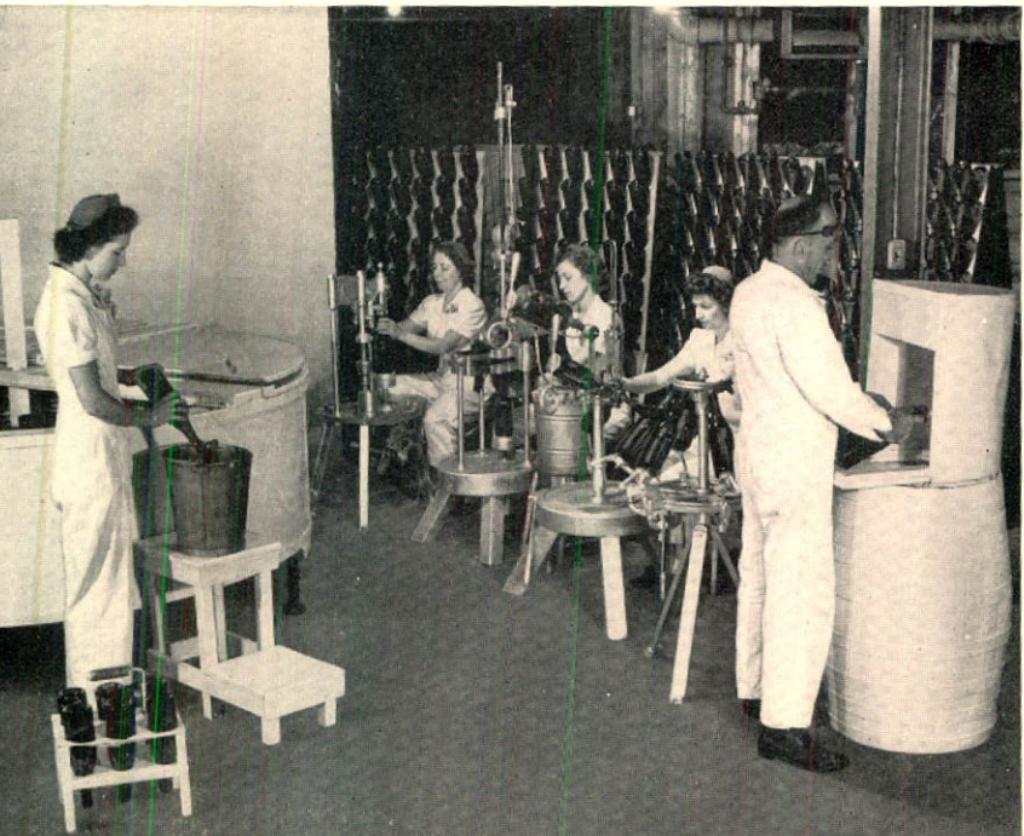




The "dosing"—this replaces any champagne lost in the disgorging and, at the same time, adds a small measured quantity of aged-brandy syrup.

Illustrated on the next three following pages are the three wines, specially labelled, which we are now exporting into the United States market. These three—the President Champagne and the red and the white Manor St. Davids Table Wines—have been well received by the U.S. trade wherever shown. Retail distribution is progressing satisfactorily.

Teamwork—utmost skill, great speed and dexterity are required in the disgorging, dosing and corking operations for "President" Champagne.



Consumer Education Required

As might be expected, the wine consumer's lack of knowledge concerning the broad uses of the product has had its effect on sales.

In 1941 there were some 4,300,000 gallons of Canadian wine sold in this country. During this past year, sales were just over 4,000,000 gallons — a decline of 7% from 1941. But in the interval between 1941 and the present time, here is what has happened to other factors of our national economy (the latest available estimates are for 1947 which are compared below with 1941):

- ... from 1941 through 1947:
 - national net income increased 67%.
 - value of retail sales increased 91%.
 - sales in food stores increased 88%.

These percentages of increase have been held and have risen again through 1948.



49. But sales of Canadian wines are 7% lower than they were in 1941. It may be that the public's lack of understanding of the varied uses of wine has been a contributing factor. But our recent research indicates that price has been the dominant reason in the failure of wine sales to keep step with other market developments.



If wine sales kept pace with the country's market and economic development and growth of population, the grape grower's annual problem of disposing of his surplus crop would never occur.

A Continuing Program

We intend to continue our program of consumer research and market analysis. We have set up an appropriation for market development which is being expended as efficiently and as effectively as possible since we use our market research for guidance in the promotional efforts. This technique of making a factual approach to problems has paid well in our vineyard project. We believe that eventually similar successful results will be noted in our market development project.

In the Fall of 1948, we began a consumer educational campaign telling the public of the many and the proper uses of

wine—of how wines are made—and about Bright's leadership in the vinting of new wines. Although any educational campaign must be a long-term effort, there are indications even now of the value of such promotion.



Wine experts gathered at a wine tasting in New York to welcome the first shipment of Bright's wines into the United States. Left to right: James Beard, Gourmet Magazine; Jeanne Owen, Wine & Food Society; Douglas Hatch, Director of Export Sales, Bright's Wines Ltd., Canada.

Imported Wines Tasted Canadian Beverages, of 3 Varieties

Three table wines from across the Canadian border were tasted with enthusiasm by New Yorkers at the Waldorf this week. They are Bright's Manor St. David's, in both red and white varieties, and the same winery's President champagne.

Manor St. David's white wine, grown in Canada's Valley of the Niagara, with a slight but subtle bouquet, and is a wine developed to blend with food without dominating the food flavors, and leaving a delicate, pleasant after-taste that lingers just a minute. The red wine of the same label is characterized as "lusty" and has more bouquet than the white, because it is usually used with red meats.

President "Champagne" in Canada, is made from grapes grown in cooler climates, is pleasingly dry, and is finished by a process of natural fermentation in the bottle.

These three wines are imported by the Century Liquor Co. and are available in shops such as Sherry Wines and Spirits Co., H. G. Burns and Bonnell's Liquors, priced at \$1.19 for the red and white wines, \$1.49 for the champagne.

Chicken and Fruit Meet in Exotic Dish

For a special bridge party, prepare creamed chicken lightly with a pile of fresh fruit that have been hollowed out. The pineapples are cut in finger-sized pieces and added to a chutney.

Prunes

Prunes, if they are not yet dried, are cut into eighths and added to the chutney.

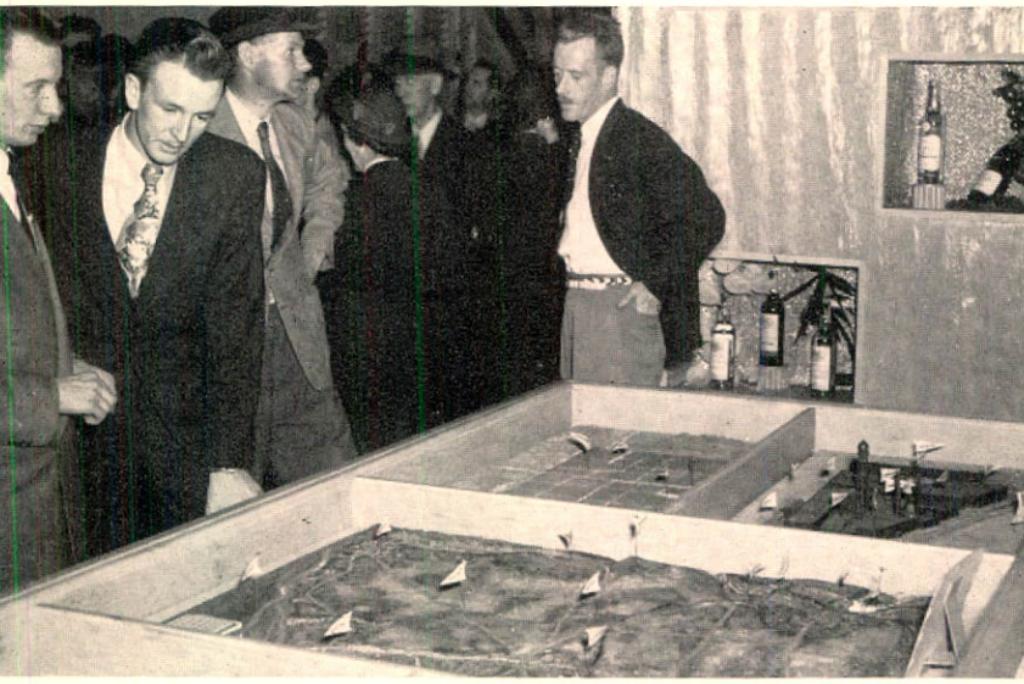
The press commented favorably on the wine tasting. Left: story from the New York Post.

Canadian Trade Commissioner M. T. Stewart discusses the wines with Jules Kanter of Century Liquor Corporation, New York importers, and Douglas Hatch of Bright's.





The Bright's Wines exhibit at the Canadian International Trade Fair just concluded in Toronto caused considerable comment among the 50,000 buyers who attended from around the world and all parts of Canada.



Bright's exhibit was educational in character, explaining how Bright's fine wines were the result of extensive grape and vineyard research. This was accomplished by means of slide films and a three-dimensional map (above) depicting the Niagara Valley with details of Bright's vineyards and winery.



To date we have distributed some 15,000 cook books containing wine recipes. The requests for these cook books range from far beyond the borders of Canada. The British Isles, the West Indies, the United States, Bermuda, and Mexico are some of the outside points from which we have had letters. Additional support for this "cooking with wine" theme has come from the editors of our national magazines and from the editors of women's pages in newspapers across Canada.

Table Wines Popular

More evidence is to be found in the sale of our table wines — Manor St. Davids. The Manor St. Davids wines were first released in 1941, but only a few thousand cases were available. We have put extensive promotion back of these wines in the past two years — an educational type of



promotion informing the public of how these wines are used at the table with meals and in the preparation of food.

Today, more than 40% of all table wines sold in Canada (including imported) are Manor St. Davids wines.



Extending the Market

There is still another extension of the market which we are undertaking for the first time—the introduction of our wines into the United States market.

It must not be assumed that any great volume demand for our wines can be developed there in a short period of time. It will take patience and continued effort to attain such results. But the first step has been taken and we believe that the potentials justify the continuance of our efforts in the export field.



This considerable discussion of costs and of market development is a departure from the usual presentation of an Annual Report. But if there is a tendency of the average person to "misunderstand" the operation of a business such as ours, it is because our problems are not similar to the ordinary problems of the average business.

And the best illustration of that difference is found in the close ties between ourselves, who make the wines, and the growers who supply the grapes. We know of no other business that is so closely associated with its supplier of raw materials.

Many of the growers delivering grapes to this company are the second generation of their families to do so. We believe that the friendliness that exists between us will not be diminished by plain talk.

We also believe that this explanation of our mutual problems and the difficulties we face together will be of fundamental interest to our shareholders.

“PRESIDENT” — the finest wines of Canada





BRIGHT'S WINES

President

Port

Dry White Table Wine

Champagne

(Fermented in Bottle)

Du Barry

Canadian Champagne

Canadian Sparkling Burgundy

Manor St. Davids

Canadian Red Table Wine

Canadian White Table Wines

Bright's

Angelica

French Type Vermouth

Italian Type Vermouth

Dry Sherry

Wine Cocktail

Hermit

Sherry

Port

"74"

Sherry

Port

Napoleon

Sherry

Port

Other Wines

Bright's Catawba Sherry

St. Regis Mass Wine

Bright's Sacramental Wine

Bright's Concord Port

St. Georges Vin Rouge

St. Georges Vin Blanc



BRIGHT'S WINES