

STALEY NEWS

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November 1, 1941

Third Quarter Earnings Up

Increased Volume And Inventory Gains Raise Earnings

In our story on first quarter operations (Staley News 5-1) we reported earnings of \$488,722.34, a very creditable showing, and said, "but usually we have one bad quarter. Usually that is the third one."

In our story on second quarter earnings (Staley News 8-1) we reported a net of \$549,431.24 and said, "Our third quarter earnings are usually the lowest of the year."

Both of those statements were based on our past experience and both were true but—they didn't hold good this year. During the third quarter of 1941 we earned \$560,397.35, which is more than we earned in either the first or second quarter and more than we have earned in any third quarter since 1936.

So what happened? How do we account for it?

There are two answers.

Volume Is At Record Peak

The most important of them is that our volume of business has been unusually large and that, quite naturally, when a profit margin exists, earnings will increase with volume.

Grain Prices Are Up

The other answer is to be found in the price situation in business as a whole. The prices of corn and soybeans and finished products, like the prices of all other commodities, have increased and we have made a paper profit just by owning them while the price went up. Which is a pleasant but somewhat dangerous situation.

If prices remain stationary or continue upward indefinitely then we have actually made a profit. But—the minute they start downward that paper profit starts to disappear and the further down they go the further down it goes.

With one important exception we are in the same position as the man who buys a share of stock at \$100 and finds, in a month's time, that it has gone to \$125. If he sells at that price he has made \$25. But—if he buys again at \$130 and the price goes

to \$105 his profit is gone. The difference between our transactions and his is that he can decide whether or not to buy back in at any given time or price and we can't. We are operating a manufacturing business and *must* continue to buy corn and soybeans, no matter what the price, or go out of business.

1936 Was a Good Year

As a beautiful example of what can happen to us in this sort of a situation let's look back to the third quarter of 1936 again. We earned a net of \$624,758.52 during the quarter because the price of corn and soybeans went swinging merrily upward and the price of products went with them. The year was closed out with a net of \$1,458,636.42 and everything looked rosy.

But 1937 Paid For It

During the first quarter of 1937 prices continued to rise slightly and we made a nice profit (\$311,822.12) for the quarter. But then prices slid a bit and our net for the second quarter was only \$99,500.07. And then they *broke* and instead of a profit we had a loss of \$848,336.37 in the third quarter.

Which shows you why we are not clapping our hands too hard because of our third quarter earnings this year. We remember 1936.

Still, our earnings for the nine months have been very satisfactory no matter where they came from. They have been kept in the business because added funds were badly needed to finance this year's purchase of corn and soybeans. We have bought and will buy the usual big lot of beans at harvest time (when ever the rains stop) and it will take a lot more money to pay for them this year because their price is higher. Even with our earnings added to our working capital we expect to have to borrow close to seven million dollars from our banks—and banks don't loan that amount of money unless the borrower has plenty of working capital of his own.

Sales Are Good

—Soybeans Are?

THE STORY ON INDUSTRIAL SALES is not new. Volume is greater than ever and we are pouring out corn and soybean products for all the varied uses to which American industry can put them.

SALES OF CORN SYRUP to the candy industry are not quite as large as they usually are at this time of the year because the unseasonably warm weather has made it unwise for candy manufacturers who lack cold storage space to make up candies for the winter season as yet.

A PICK UP IN PACKAGE BUSINESS is also expected soon. So far as we are able to tell, there is no large inventory overhanging this market because the prices of other commodities have advanced much more sharply than has the price of syrup and wholesalers have invested in them rather than in syrup.

EXPORT SALES, except for what we sell to Federal Surplus Commodities Corp. for shipment to England under Lend-Lease, are restricted now to India (where a quota of 40% of last year's sales was recently applied) and to a small amount for the Philippines, Australia, New Zealand, China and South America.

THE SOUTH AMERICAN PICTURE, due to our Good Neighbor policy and the necessities of hemisphere defense, is changing constantly. We are keeping a weather eye on that part of the world for sales opportunities but thus far nothing significant has appeared.

THIS YEAR'S SOYBEAN CROP still ranks as uncertainty No. 1 in our minds. We started crushing the new crop on September 29th and then, after running on a reduced grind for eleven days, had to shut down four days for lack of beans. That is something that never happened to us before. The answer, as you know, is to be found in our heavy rains. Soybeans are moving now, however, and its anybody's guess as to how much the weather will cut the crop. If we have no more rain, the damage prob-

(Continued on Page 2)

MORE ABOUT SOYBEANS

ably will not be extensive. If we do—the yield will be cut and prices will stiffen again. Even with no more rain we are going to suffer some loss because moisture content, instead of being around 10.5%, as it was in the last two crop years, is going to be very close to the allowable maximum of 14%, which means that a larger percentage of our money will go for water.

Another factor affecting soybean prices was the new trade treaty which our country recently signed with Argentina. Because it reduces the duty on flaxseed coming into this country it contributed to a heavy break in the price of soybeans at the time it was announced. Only experience will tell us exactly what to expect from this development.

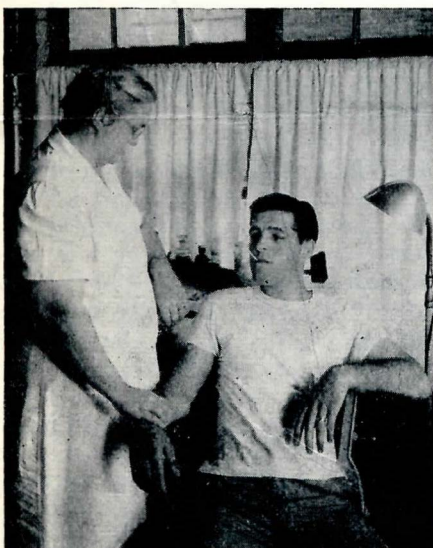


The Grant School, 2300 E. Geddes, announces a Jitney Supper and Entertainment to be held on November 7th. The purpose of this pay affair is to raise money for hot lunches for the children. It deserves your support.

Know Your

Staley Safety

CODE



3. IF YOU ARE ABSENT FROM WORK DUE TO INJURY OR ILLNESS YOU MUST OBTAIN A RELEASE FROM THE FIRST AID BEFORE RETURNING TO WORK.

New Tax on Fellowship Club Dues

Under the Revenue Act of 1941, a tax is levied equivalent to 11% of any amount paid as dues to any social, athletic or sporting club or organization if the dues or fees of an active resident annual member are in excess of \$10 per year. The tax is imposed upon the person paying such dues. This provision became effective on October 1, 1941.

According to an opinion by the Collector of Internal Revenue, the fact that the dues of male members of the Fellowship Club exceed \$10 per year automatically makes all dues and initiation fees paid to the Club subject to this tax. Therefore, beginning with the month of October, the Paymaster will deduct an addition amount each month equal to 11% of \$1.25 or 14c from male members, 11% of 65c or 7c from female members and 11% of \$1 or 11c on each initiation fee.

Mr. Jones

(Or, The Pride That Goeth)

Mr. Jones was plenty strong,
Always right; never wrong.

Safety and goggles and all that stuff,
To him was just a lot of guff.

High in the air on a narrow ledge,
He would walk and work on the very edge.

“Safety belts are for sissies and drones.”

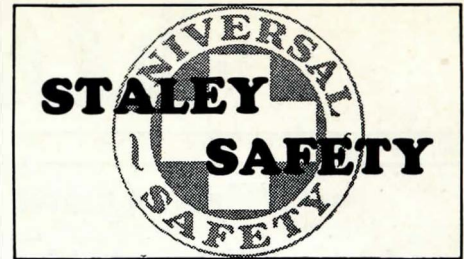
“That’s what he said,” sighed widow Jones.

(By the anonymous Safety Rhymor)

Scoutmasters Needed



The Scout Committee of the Fellowship Club is making an appeal for more Scoutmasters for our troops. If you think you’d be interested in helping in the excellent work that the Boy Scout movement is doing, here is an opportunity to combine education and fun with service. After you think it over go and see Harry Casley, Dr. Greenfield, Bill Reynolds or Ed Lahnier. All of them are on the committee and are old experienced Scouters.



The theme of this year’s National Safety Congress was “*Help Defense—Prevent Accidents.*” Secretary of the Navy Frank Knox gave us an idea of how much accident prevention could really do to help defense when he said that the number of man hours lost because of industrial injuries during 1940 would have been sufficient to build *forty-five* battleships or 15,000 bombing planes. For a better idea of how big a contribution that *would have been*, you’ll have to remember that at the beginning of this war we had only fourteen seaworthy battleships and that England today is carrying out her raids on Germany with some 700 bombers.

Accident prevention can help defense and if our margin of superiority in production is a slim one, as it seems likely to be, a good or a poor job of industrial safety in America may mean the difference between success and failure. Because we dare not fail on this job a patriotic reason is added to the old reasons for safety.

Don’t sabotage defense. Work safely.

* * *

The other reasons for safety, the old ones, ought to be reviewed from time to time so that we always keep our ideals in view. Briefly they are:

1. Safety is a humanitarian ideal. None of us want to feel that our ignorance or laziness caused suffering to some fellow man. Safety is the practical way of being our brother’s keeper.

2. Safety is an economic ideal. Personal injuries and broken machines are wasteful of skill, time and material. We are past the pioneering stage in this country and we must learn to use efficiently everything that we own.

3. Safety is intelligent self interest. Injuries cause pain for you and want for your family. Common sense and self interest dictates that you work safely and that, for your own good, you should teach safety to the man working with you.

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By The Personnel Department
For The Employees of
**THE A. E. STALEY
MANUFACTURING COMPANY**
DECATUR, ILLINOIS

W. G. Reynolds, Manager of Personnel
Roy Rollins, Editor

Notice To Employees In Military Service Or About to Enter Military Service

Last November 1st the "Staley News" published an article titled "Rules Pertaining to Employees Called to Governmental Service Under Either the Selective Service Act or the Laws Pertaining to Use of the National Guard in the Present National Emergency." This article with an accompanying letter from Mr. A. E. Staley, Jr., outlined our company policy towards employees who enlisted in the armed forces for a period of one year, were called to service under the Provisions of the Selective Service Act of 1940 or who were National Guardsmen called into Federal Service for a period of one year.

In review, this policy granted leaves of absence for a period of one year and forty days from the date of entering military service, permitted retention of departmental and company service rights during this service, and agreed to permit employees joining the armed forces to return to their former jobs or jobs of like seniority status and pay, if such jobs were available, when military service ended and if each employee affected by this policy had been in the service of the company not less than ninety calendar days on the date he was called or enlisted in the armed forces.

On August 18, 1941 the Congress passed an amendment to the Selective Service Act of 1940 extending the terms of service, of all men in military service under the Provisions of the original act, for an additional eighteen months.

After due consideration the A. E. Staley Manufacturing Company has decided to modify its former policy in order to extend the protection of an additional 18 months leave of absence to all employees now in mili-

tary service or who will enter military service under the provisions of the amended Act. The major change in the original policy is to replace the words "one year and not to exceed forty days thereafter" with the words "two and one-half years and not to exceed forty days thereafter," wherever these words appear in the original policy statement.

Another change in the previous policy statement (paragraph 7) now reads as follows:

"In order to secure reinstatement to the company's payroll, the employee who has been granted a leave of absence must make application to the company within forty days after the completion of his two and one-half years period of service, or within forty days from the date of his discharge from service, if, due to the amended Act he is released prior to completion of the two and one-half years period of service, and must pass the usual physical examination. However, the company may, at its option, waive (in writing) any physical disabilities."

Those employees having either non-contributory or contributory group insurance will be protected for an additional period of 18 months and the company will reimburse the Staley Fellowship Club for the amounts necessary to keep the non-contributory group life insurance in full force and effect during the period of peace time military service.

Our Insurance Company has agreed to permit this protection to be continued for the additional period of time but points out that such protection is limited by insurance company rules to *Peace Time Military Service only*. In case the United States should become involved in active warfare, either declared or undeclared, the Insurance Company will cancel all such insurance carried on the lives of Staley employees in military service. *These are insurance rules and the company can do nothing about them.*

We advise each Staley man in the armed forces of the United States to investigate the advantages and low cost of the National Service Life Insurance sold by the Veterans Administration to all men in Military Service. The cost is very reasonable and each soldier who signs up for it is protected for peace time service and for active war service.



By Tony Romano

Basketball practice has already started and we need more basketballers.

Leck Ruthrauff reports that he has fifteen men out for the team but that he wants every man in the company who has played basketball or wants to play this year to report to him. Practice is being held in different locations on different nights of the week so see Leck if you are interested. He'll tell you where and when.

If you are not a basketball player remember at least that our first game in the Industrial League will be on November 17th. Be on hand to start the boys off with a win. Last year's Staley team started slowly but came on with a rush to win the last half championship of the Industrial League. This year we want to beat that record just a bit and win both halves. So hang onto your hats. Leck's boys are about to be off with a rush.

* * *

With softball and baseball over and basketball not yet in full swing, it's time to take a look at our bowlers and see how they stand.

The Bag Jugglers, with Irv Smith, Charlie Koshinski, Larry Withrow and Joe Hilberling in the Big Ten, are easily out in front of the league by three games and the Pencil Pushers, with no one in the Big Ten, are in second place with an edge of two games over the Office and the Whirlaways who are tied for third place.

The Bag Jugglers, to no one's surprise, are also owners of the team high game mark (929) and the team high series (2619). In both classes they are closely followed by the Laboratory with 915 and 2517 respectively.

The five high bowlers are Irv Smith (183), Charlie Koshinski (178), Dwight Ball (176), Al Crabb (173) and Larry Withrow (169). Individual high games of 236 and 234 are owned by Dwight Ball and Joe Hilberling and high series winners are Irv Smith (584) and Joe Hilberling (553).

FELLOWSHIP CLUB NOTES

By Ed Smith—Secretary

Because of misunderstandings some members have failed to comply with the rules of the Club pertaining to the prompt reporting of illness and, as a result, the Board of Governors has had trouble in deciding whether or not some members were entitled to sick benefits. To clear up such misunderstandings we are quoting below Code No. 34 of the By-Laws of the Club.

"When a member shall become sick through no objectionable act of (his, her) own, and be thereby prevented from attending to (his, her) usual, or other occupation, he shall within forty-eight (48) hours thereafter have (his, her) condition reported to the Secretary. Failure to do this shall forfeit (his, her) right to sick benefits except from the date on which the Secretary shall subsequently be notified of the disability of the member. The Board of Governors may waive any such case at their discretion."

You may comply with this rule by calling the Secretary of the Club or by notifying your foreman. One or the other, however, *must* be notified. This is especially important for members who become ill or are injured while on vacation. Members are entitled to sick benefits for injuries or illness which occurs during the vacation period but the Secretary must be notified in the usual length of time. If you are out of town a phone call or telegram will do the trick.

* * *

Some Club members still do not have their 1941-42 membership cards. If you are in this group, arrange to pick up your card at the Time Office. You must have it in order to be admitted to dances and other social functions of the Club.

Safety Shoes For Sale in Town

Several local stores are now handling high quality safety shoes and we'd like to emphasize once more that it makes no difference to us where you buy them—so long as they are safety shoes. As a matter of fact we'd be delighted to have the local stores put us out of the shoe business by selling a better and cheaper shoe than we have. But, wherever you buy them, be sure they are safety shoes.

Up From What

As manufacturers of food we have a lively interest in food prices and in seeing that false statements about them do not go unchallenged. Because of that interest we are printing the following letter from the president of the Associated Grocery Manufacturers of America to member companies.

"You are undoubtedly concerned with food prices. You should be, for the steady supply of food to the people, together with their confidence in it, is an important phase of today's crisis.

"It is for that reason that I write. We have all, at one time or another, regretted the complexity of our life. It seems impossible to get all the information on one matter together at once, so that we can examine it logically. Too often startling statements, important because of their newness, outweigh important facts only half remembered or entirely missed.

"I suspect that this is true of all business. I'm sure it is true of the food industry. Happenings in our industry have long been public property. New developments and stories of progress appear every day. But seldom have I seen a round-up of these events weighed against each other to present a whole picture.

"So it is, we feel, that the matter of food costs is being misrepresented. We in the industry must protest strongly when responsible public officials state that food prices are up 'as much as 24%.' We must ask that such statements be weighed fairly.

"The Bureau of Labor Statistics has taken the period 1935-39 and decided that the average commodity prices for those years represent 100. On this basis, food prices for August 12, 1941, the latest available, are at 108; 8% above prices during the thirties. A claim of price rises of 24% repudiates these findings. It spreads rumors which may lead to hysteria. Such hysteria could lead to hoarding, price spirals and inflation.

"The facts are these: Three factors are gradually forcing the price of food up. They are, government spending, high cost of production and greatly increased farm prices. I advance them not in condemnation, but in explanation.

"Government spending for army, navy and lend-lease has created a great new demand. Under normal conditions this would have increased prices. However, at the same time, the weekly earnings of labor have increased 27% thus adding to the cost of processing and distribution. Finally, the prices of farm products have increased 51% since 1939.

"If these increases have not been passed on to the public it is because food manufacturers have been doing an efficient job. In 10 years they have reduced distribution cost 18%.

"When public officials warn that food prices are up tremendously, one must in fairness demand: 'Up from what?' Prices are 19% below 1929 so they can't mean 1929. In 1937 they went to 108.02. They can't mean 1937.

"There are other facts about the price of food that must, in all fairness, accompany any statements that are made. In 1929 the worker spent one-third of his income on food. This year, he has had to spend but one-fourth. His 'real' income is a third greater than it was a year ago. These are interesting and vital facts. It is just as important for the consumer to look at the whole picture as it is for the manufacturer.

"Those who utter scare-head complaints about food prices have these figures available. Not to refer to them indicates that the food industry is to be made the new whipping boy. We have no intention of submitting. Already we are in the middle of a squeeze play with farm prices being subsidized to new high levels on one side and retail price ceilings and new taxes being threatened on the other. We cannot stand both at once.

"With the per capita income of wage earners restored to 1929 levels and with food prices below those of 1937, it seems an excellent idea to demand when people speak of price rises in food: 'Up from what?'

"With best regards, I remain,

Sincerely yours,"

PAUL S. WILLIS,
President, A.G.M.A.