



MEADOW GOLD — LA CHOY

Annual Report

FISCAL YEAR ENDED FEBRUARY 28, 1946



DAIRY PRODUCTS — SPECIALTY FOODS — CHINESE FOODS — FROZEN FOODS

EXECUTIVE OFFICES: 120 SOUTH LA SALLE STREET • CHICAGO

**BEATRICE
CREAMERY
COMPANY**

Annual Report * Beatrice Creamery Company

FOR FISCAL YEAR ENDED FEBRUARY 28, 1946

DIRECTORS

H. BROWN CANNON
Denver, Colorado

PAUL W. CLEVELAND
Chicago, Illinois

EARL CLINE
Lincoln, Nebraska

WALTER L. DILGER
Chicago, Illinois

GEORGE A. GARDELLA
Detroit, Michigan

CLINTON H. HASKELL
Chicago, Illinois

JOSEPH R. HUTCHINSON
Des Moines, Iowa

JOHN H. LAMBRECHT
Milwaukee, Wisconsin

WALLACE THOMPSON
Galesburg, Illinois

JOHN T. MCGREER
San Francisco, California

LOUIS NIELSON
Galesburg, Illinois

HERBERT W. POST
Chicago, Illinois

HAROLD E. STOTZER
Archbold, Ohio

EXECUTIVE COMMITTEE

CLINTON H. HASKELL

LOUIS NIELSON

GEORGE A. GARDELLA

JOHN H. LAMBRECHT

WALTER L. DILGER

OFFICERS

CLINTON H. HASKELL..... *President*

JOHN T. MCGREER..... *Vice President*

LOUIS NIELSON..... *Vice President*

ALVIE J. CLAXTON..... *Vice President*

WILLIAM G. KARNES..... *Vice President*

GEORGE A. GARDELLA..... *Vice President*

VERNON L. HUBBARD..... *Vice President*

JOSEPH R. HUTCHINSON..... *Vice President*

WALTER L. DILGER..... *Secretary*

HERBERT W. POST..... *Treasurer*

REGISTRARS OF STOCK

The Chase National Bank of the City of New York

City National Bank and Trust Company of Chicago

STOCK TRANSFER AGENTS

Guaranty Trust Company of New York

Continental Illinois National Bank and Trust Company of Chicago

DIVIDEND DISBURSEMENT AGENT

Continental Illinois National Bank and Trust Company of Chicago



The Annual Stockholders' Meeting of Beatrice Creamery Company

SATURDAY, JUNE 1, 1946, 9:30 A. M.

will be held at

1526 SOUTH STATE STREET, CHICAGO, ILLINOIS

To the Stockholders of Beatrice Creamery Company:

THE NET PROFIT from operations of your company for the fiscal year ended February 28, 1946, after deducting depreciation and estimated Federal income and excess profits taxes, amounted to \$2,427,428.31 as compared with the net profit for the previous year of \$1,816,379.43, an increase of \$611,048.88 or 33.64%. This net profit is equivalent, after preferred stock dividend requirements, to \$4.24 a share on 511,792 shares of common stock outstanding, as compared with \$2.96 a share for the previous year on 502,162 shares of outstanding common stock. In addition to the profit of \$2,427,428.31 from operations for the current year, an amount of \$527,764.70 was realized from the sale of mechanical ice cream cabinets, fountains and similar equipment, which transaction is further commented upon later in this report.

SALES

SALES for the fiscal year ended February 28, 1946 were \$125,110,336, representing an increase of \$14,785,305 over the previous year, equivalent to 13.40%. All major departments contributed to this increase, except butter, in which department sales have decreased for the third consecutive year. Sales in all other major departments increased over the previous year.

The company's policy of diversification was continued during the year, and sales of products other than dairy and poultry products reached a total of \$17,027,845 which is an increase of 27.28% over corresponding sales of these products for the previous year.

Sales to war agencies accounted for 9.96% of the total sales for the year, representing 25.54% of the total butter sales, 6.80% of the total ice cream sales, and 3.46% of the total milk and cream sales.

On page 14, you will find a chart showing an analysis of our sales by commodities. This has not been previously included in our reports and we think stockholders will find it of interest.

BALANCE SHEET

THE RATIO of current assets to current liabilities at the end of the fiscal year was 5.88 to 1, compared with a ratio of 6.50 to 1 at the end of the preceding year.

Working capital was \$12,281,418.23 as compared with \$11,363,045.39 at the end of the preceding year, an increase of \$918,372.84. This increase is after setting aside \$1,502,400.20 for extraordinary capital expenditures.

Dividends paid on the common stock during the year totaled \$2.05 a share and consisted of four regular quarterly dividends of \$0.35 each and an extra dividend of \$0.65 a share.

Total taxes, including Federal income taxes and State and Federal excise taxes for the year were \$4,915,463.25, equivalent to \$9.60 a share of common stock outstanding.

PROFIT ON SALE OF CAPITAL ASSETS

AS WE ADVISED the stockholders in our report for the quarter ended May 31, 1945, we have sold all the mechanical ice cream cabinets, compressors, fountains and similar equipment owned by the company to the Anchor Equipment Rental, Inc., Chicago, Illinois for \$1,326,579.04 in cash. The selling price was determined by an

appraisal made by the American Appraisal Company and was in excess of the net book value. The profit on the sale of these cabinets less the Federal income tax thereon amounted to \$527,764.70, which is included as non-recurring income in the profit and loss statement included herein.

Simultaneously, your company entered into an arrangement with the Purchaser whereunder it will lease on a favorable rental basis not only all the cabinets sold, but also all new cabinets as and when the same may be required in the future. The lessor has entered into an agreement with the City National Bank and Trust Company of Chicago relating to financing the purchase by lessor of the post-war cabinet requirements of your company.

In the past, the company has purchased ice cream cabinets to meet the requirements of dealers handling the company's products. The purchase of these cabinets has required the investment of substantial amounts in a type of capital asset which is not directly remunerative. While your company is unable to determine its complete post-war requirements of cabinets, it is estimated that the amount needed will range between \$1,000,000 and \$2,000,000, and it is the opinion of your directors that we should use the cash we have available for the rehabilitation of plants and machinery.

REHABILITATION PROGRAM

DURING the past year, the company has spent \$1,516,804 for replacements and rebuilding, modernizing and improving plants and equipment. In addition, it is planned to spend \$2,500,000 this year for replacements and for the rehabilitation, modernization and expansion of the capacity of some of the company's plants. \$1,500,000 has been taken out of working capital and earmarked for that purpose, and the balance of the money will be produced from current funds in the future. Because of the shortages of equipment and materials and delays in delivery, we may not be able to complete our program during this present fiscal year. There is more about this program on page 20 of this report.

CHANGE IN NAME

THE STOCKHOLDERS will note from the accompanying Proxy Statement that the Board has recommended a change in the name of the company to "Beatrice Foods Co." The company has long ceased to be just a creamery. The word "creamery" denotes butter manufacturing, whereas, the company for eighteen years has been engaged in a diversification program. In last year's sales, butter represented 25.64% of our sales. Fluid milk and cream sales were more than butter and if we add poultry and eggs, 23.15% of our sales were other than dairy products. While dairy products will probably continue to represent the major portion of the company's business, we intend to continue our diversification program. We hope the stockholders will approve of this change as we feel the word "creamery" in the name of the company is a handicap at a time when the butter business is still on a declining basis. The company's operations have been extended into the general food field and we feel that it is simply good business judgment to change the corporate name so as to indicate more accurately the scope and nature of the business.

REFUNDING OF \$4.25 PREFERRED STOCK

INCLUDED in the Proxy Statement is a recommendation for a change in the company's charter to provide a means of retiring the present \$4.25 cumulative pre-

ferred stock and the issuance of a new cumulative convertible $3\frac{3}{8}\%$ preferred stock. In addition to reducing materially the preferred annual dividend charge ahead of the common stock the new preferred stock, being convertible, may result in the ultimate retirement of the preferred stock through conversion into common stock at a conversion price that will be fixed somewhat higher than the common stock market price at the approximate time of the offering. Conversion of the preferred stock on this basis, it is believed, will be decidedly in the interests of the common stockholders as it eliminates a senior security without any cash outlay by the company.

STOCKHOLDERS

AS OF APRIL 1, 1946, the company had 7,659 stockholders, consisting of 2,218 preferred and 5,441 common holders. It has been our practice to include several pages in the annual report giving facts and descriptions pertaining to the company's activities. We will continue this, but we would like to make them as informative and interesting as possible to stockholders. We would welcome any criticisms of material included in past reports, and ideas or suggestions of subjects to include in future reports.

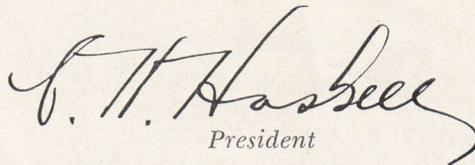
THOMAS S. ALLEN

ON OCTOBER 29, 1945, your company suffered the loss of one of its respected and honored directors. On that date, Mr. Thomas S. Allen, passed away at his home in Lincoln, Nebraska. Mr. Allen had been identified with this company as a stockholder from its beginning. He drafted the original Articles of Incorporation, and served as the company attorney in Nebraska since 1898. Mr. Allen's activities were not confined to this company. He was an able lawyer, was U. S. Attorney for the District of Nebraska from 1915 to 1922, managed the three campaigns of his brother-in-law, the Honorable William Jennings Bryan, for President of the United States and, except in 1928, he attended every National Convention of the Democratic Party from 1900 to 1940. We pay tribute to him as a man of unusual character and we miss his advice and counsel.

EMPLOYEES

WHEN THE WAR ENDED, we had nearly 1,800 men and women serving in the armed forces. A large percentage of our permanent personnel has now returned to their peacetime jobs with the company, and we welcome them back. We also express our appreciation to those employees who have cooperated so splendidly during the difficult war period. The employees and management, together, will try to build a better company for all of us.

Respectfully submitted,


President

Chicago, Illinois, May 1, 1946

Beatrice Creamery Company

And Subsidiary Companies

ASSETS

CURRENT ASSETS:	<i>Feb. 28, 1946</i>	<i>Feb. 28, 1945</i>
Cash	\$ 4,133,194.55	\$ 4,675,212.48
Accounts receivable	\$ 4,109,382.88	\$ 3,888,138.40
Notes Receivable.....	354,204.80	183,775.18
Equipment notes and contracts receivable.....	169,273.10	119,230.04
	<u>\$ 4,632,860.78</u>	<u>\$ 4,191,143.62</u>
Less provision for doubtful.....	421,777.42	483,932.59
	<u>\$ 4,211,083.36</u>	<u>\$ 3,707,211.03</u>
Post-war refund of Federal excess profits taxes.....	\$ 129,825.93	\$ 0.
Inventories—at lower of average cost or market:		
Dairy products and other merchandise.....	\$ 4,150,358.08	\$ 2,961,430.35
Materials and supplies	2,171,621.53	2,085,531.43
	<u>\$ 6,321,979.61</u>	<u>\$ 5,046,961.78</u>
TOTAL CURRENT ASSETS.....	<u>\$14,796,083.45</u>	<u>\$13,429,385.29</u>
UNITED STATES GOVERNMENT SECURITIES—		
At cost plus accrued interest (See Note 3)	\$ 1,502,400.20	\$ 0.
OTHER ASSETS:		
Investments and advances—Affiliated Companies—		
Less reserve	\$ 108,307.32	\$ 105,126.13
Notes and accounts receivable—Employees—		
Less reserve	23,325.89	18,380.59
Deferred notes and accounts receivable—Less reserve...	177,081.56	95,227.60
Miscellaneous investments (at lower of cost or appraised values)	11,489.15	15,364.41
	<u>\$ 320,203.92</u>	<u>\$ 234,098.73</u>
POST-WAR REFUND OF FEDERAL EXCESS PROFITS TAXES	<u>\$ 0.</u>	<u>\$ 551,777.46</u>
LAND, BUILDINGS AND EQUIPMENT:		
At cost, or less as inventoried by the Company's engineers as at March 1, 1933, plus additions at cost:		
Land	\$ 2,209,254.65	\$ 2,256,607.85
Buildings	11,339,879.41	10,979,486.28
Machinery and equipment (including cans and milk bottles)	17,479,792.32	19,406,023.34
	<u>\$31,028,926.38</u>	<u>\$32,642,117.47</u>
Less—Reserve for depreciation.....	18,692,384.91	20,353,795.15
	<u>\$12,336,541.47</u>	<u>\$12,288,322.32</u>
REAL ESTATE FOR SALE (At cost or less)	<u>\$ 113,278.41</u>	<u>\$ 112,030.47</u>
DEFERRED CHARGES TO OPERATIONS:		
Insurance unexpired, stationery, prepaid taxes, licenses, etc.	\$ 199,501.72	\$ 324,335.84
TOTAL	<u>\$29,268,009.17</u>	<u>\$26,939,950.11</u>

See notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEET AS AT FEBRUARY 28, 1946 AND FEBRUARY 28, 1945

LIABILITIES

	<i>Feb. 28, 1946</i>	<i>Feb. 28, 1945</i>		
CURRENT LIABILITIES:				
Accounts payable	\$ 1,458,382.95	\$ 1,128,248.77		
Plant purchase contracts—Current maturities.....	41,570.00	41,570.00		
Accrued wages	222,488.78	207,991.45		
Provision for State and local taxes.....	325,278.10	291,408.81		
Provision for social security taxes.....	70,685.26	60,896.22		
Provision for Federal capital stock tax.....	0.	50,677.45		
Provision for Federal income tax—less \$4,425,253.02 United States Treasury tax notes as at February 28, 1946 including accrued interest and \$4,475,500.00 at February 28, 1945.....	396,260.13	285,547.20		
TOTAL CURRENT LIABILITIES.....	<u>\$ 2,514,665.22</u>	<u>\$ 2,066,339.90</u>		
DEFERRED LIABILITIES:				
Plant purchase contracts—Deferred maturities.....	\$ 29,070.00	\$ 58,140.00		
DEFERRED INCOME:				
Storage and handling charges.....	\$ 71,193.08	\$ 61,575.66		
NET WORTH:				
Capital stock authorized:				
	<u><i>Feb. 28, 1946</i></u>	<u><i>Feb. 28, 1945</i></u>		
\$4.25 Cumulative Preferred—Without par value.....	59,862 shares	59,862 shares		
Common—\$25.00 par value.....	<u>750,000 shares</u>	<u>750,000 shares</u>		
Capital stock outstanding:				
Preferred	<u>59,862 shares</u>	<u>59,862 shares</u>	\$ 5,986,200.00	\$ 5,986,200.00
Common—Issued ..	512,829 shares	503,199 shares		
Less—In Treasury	1,037 shares	1,037 shares		
	<u>511,792 shares</u>	<u>502,162 shares</u>	12,794,800.00	12,554,050.00
			<u>\$18,781,000.00</u>	<u>\$18,540,250.00</u>
Surplus:				
Earned	\$ 7,475,379.69	\$ 5,816,943.37		
Capital	396,701.18	396,701.18		
			<u>\$ 7,872,080.87</u>	<u>\$ 6,213,644.55</u>
TOTAL NET WORTH.....	<u>\$26,653,080.87</u>	<u>\$24,753,894.55</u>		
TOTAL	<u>\$29,268,009.17</u>	<u>\$26,939,950.11</u>		

Consolidated Statement of Profit and Loss

FOR THE YEARS ENDED FEBRUARY 28, 1946 AND FEBRUARY 28, 1945

	1946	1945
NET SALES (including storage earnings—excluding inter-company sales)	\$125,110,336.55	\$110,325,030.65
Deduct:		
Cost of sales (excluding portions of expenses following)	\$ 97,062,937.63	\$ 85,778,249.32
Repairs and maintenance (including milk bottle replacements and case and can maintenance) ...	3,966,045.97	2,887,135.14
Advertising	933,635.60	770,310.05
Insurance	498,590.55	437,938.11
Rent	404,102.14	365,268.67
Taxes	981,456.74	930,912.50
Interest	7,083.78	45,192.89
Retirement annuity premiums.....	93,610.18	90,881.48
Other selling and delivery expense.....	9,643,925.57	8,832,152.40
Other administrative expense.....	4,605,830.64	3,826,393.59
	<u>\$118,197,218.80</u>	<u>\$103,964,434.15</u>
	\$ 6,913,117.75	\$ 6,360,596.50
PROVISION FOR DEPRECIATION.....	1,094,684.19	1,327,587.42
	\$ 5,818,433.56	\$ 5,033,009.08
OTHER INCOME (Dividends, rents, discounts, interest, etc.)	298,994.75	268,370.35
	<u>\$ 6,117,428.31</u>	<u>\$ 5,301,379.43</u>
PROVISION FOR FEDERAL INCOME TAXES:		
Normal income and surtax.....	\$ 1,549,000.00	\$ 1,111,520.00
Excess profits tax.....	2,141,000.00	2,373,480.00
	<u>\$ 3,690,000.00</u>	<u>\$ 3,485,000.00</u>
	\$ 2,427,428.31	\$ 1,816,379.43
NON-RECURRING INCOME:		
Profit on sale of mechanical refrigeration ice cream cabinets, fountains, etc.....	583,464.70	o.
Less—Federal income tax on capital gains (taxable profit \$222,557.33)	55,700.00	o.
	<u>\$ 527,764.70</u>	<u>\$ o.</u>
CONSOLIDATED NET PROFIT FOR YEAR	<u>\$ 2,955,193.01</u>	<u>\$ 1,816,379.43</u>

See notes to consolidated financial statements.

Consolidated Statement of Surplus

FOR THE YEAR ENDED FEBRUARY 28, 1946

EARNED SURPLUS—February 28, 1945.....		\$ 5,816,943.37
ADD:		
Net profit for the year ended February 28, 1946... \$	2,955,193.01	
Reduction of reserve for doubtful accounts		
February 28, 1945.....	121,435.90	
		3,076,628.91
		\$ 8,893,572.28
DEDUCT:		
Dividends paid on \$4.25 cumulative preferred		
stock	\$ 254,449.69	
Dividends paid on common stock—\$2.05 per share.	1,042,432.60	
	\$ 1,296,882.29	
Goodwill purchased during the year and		
charged off	121,310.30	
		1,418,192.59
EARNED SURPLUS—FEBRUARY 28, 1946		\$ 7,475,379.69
CAPITAL SURPLUS—February 28, 1945 and		
February 28, 1946.....		\$ 396,701.18

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Notes receivable include notes representing advances to customers by the Companies' public cold storage warehouses totalling \$336,276.68, secured by negotiable warehouse receipts.

(2) As of June 1, 1945, the Company and its subsidiaries sold all of their ice cream mechanical cabinets, compressors and other similar property and equipment to Anchor Equipment Rental, Inc. for \$1,326,579.04 and concurrently therewith entered into an agreement to lease the equipment for a term of Fifteen (15) years, expiring May 31, 1960. The Anchor Equipment Rental, Inc. agreed to buy and lease all replacements of the leased equipment and such additional similar equipment to the Company and its subsidiaries as the Companies may from time to time require, until June 1, 1949. The Beatrice Creamery Company and its subsidiaries have the right, upon thirty days notice to terminate said leases at any time, by the purchase of all the equipment then under lease, but the Lessor may not terminate said leases until May 31, 1960, unless the Lessees shall default in any of the terms and provisions of the leases.

(3) United States Treasury Certificates of Indebtedness, in the principal amount of \$1,500,000.00 have been set aside, by order of the Board of Directors, to provide a fund to be used, subject to the further order of the Board, for the future purchase of modern equipment to replace existing machinery, for the future purchase of additional equipment and for the rehabilitation and modernization of existing buildings, all in excess of the estimated normal amount of expenditures for additions and replacements. The amount therefore has been segregated from current working capital in the financial statements.

J. H. GREENHALGH & COMPANY

ACCOUNTANTS AND AUDITORS

One North LaSalle Street, Chicago

April 11, 1946

TO THE BOARD OF DIRECTORS, BEATRICE CREAMERY COMPANY:

We have examined the balance sheet of the Beatrice Creamery Company and Subsidiary Companies consolidated as at February 28, 1946, and the consolidated statements of profit and loss and surplus, for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the companies, and without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of profit and loss and surplus present fairly the position of the Beatrice Creamery Company and Subsidiary Companies consolidated as at February 28, 1946, and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J. H. GREENHALGH & COMPANY

Certified Public Accountants

Operating Organization and Management

THE DAIRY INDUSTRY, strictly speaking, is concerned with the distribution, rather than the production, of milk and other dairy products. Milk, which in addition to being the most important single dairy product, also forms the raw materials for the others, is wholly produced on farms. Processing and distribution of dairy products, on the other hand, are respectively, industrial and commercial activities.

The character of the dairy industry's operations, however, is determined by the physical characteristics of milk and dairy products and by the decentralized nature of milk production.

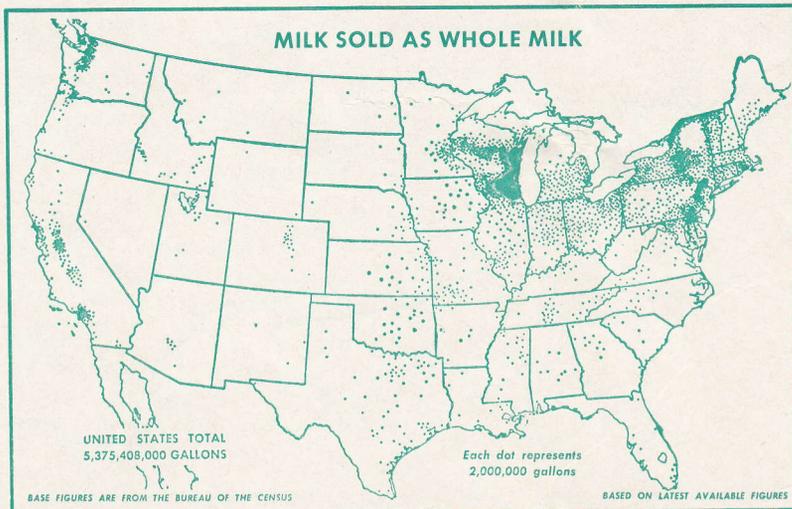
The production of milk and cream is probably the most widely dispersed of all agricultural activities. Some 4,500,000 farms produce what is called "market" milk and sell it to the dairy industry. This milk, moreover, is so highly perishable that it cannot be transported long distances to processing plants. Consequently, the dairy industry must maintain many small plants widely dispersed throughout the producing areas rather than a few large plants located with respect to markets as many industries are able to do.

This means that milk must be marketed or converted into other dairy products within relatively short distances from the point where it is produced. In addition, milk's perishability requires it to be handled under the most exacting conditions of sanitation. This makes it necessary to employ facilities and processes designed and built especially for the handling of dairy products.

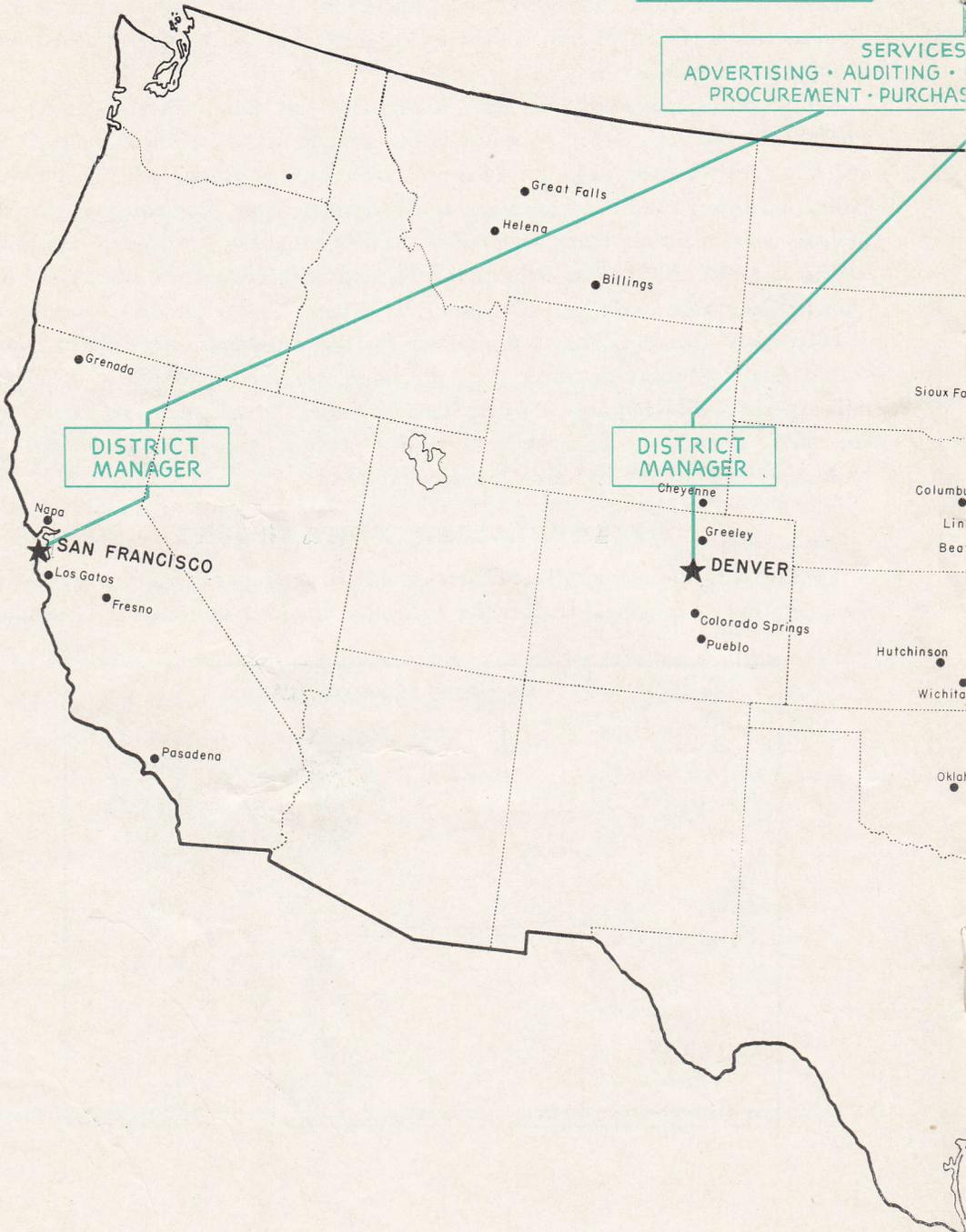
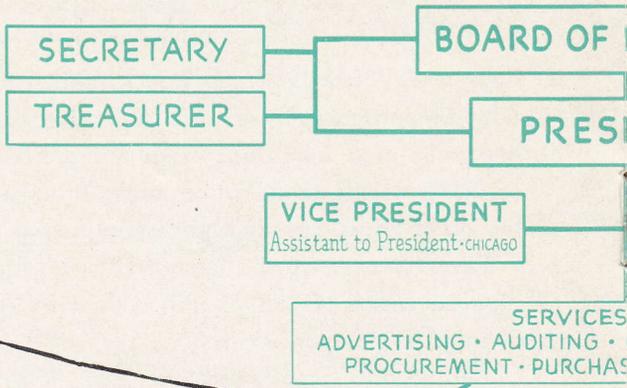
DECENTRALIZED MANAGEMENT

In keeping with the decentralized character of milk and other agricultural production, the operating management of Beatrice Creamery is also decentralized. The manager

continued on page 12



Operating Organization of



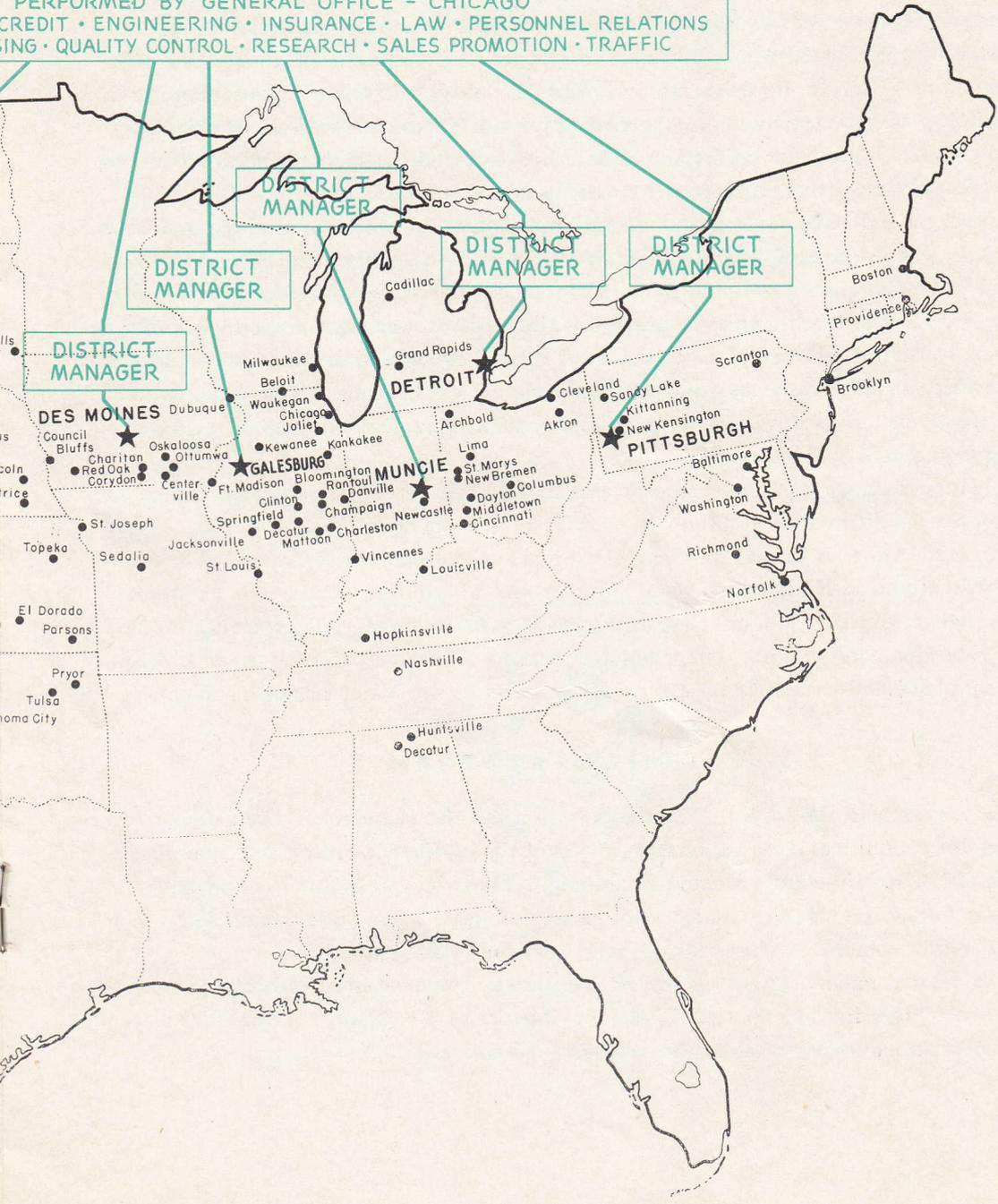
Beatrice Creamery Company

DIRECTORS — EXECUTIVE COMMITTEE

PRESIDENT — OPERATING COMMITTEE

VICE PRESIDENTS
DISTRICT MANAGERS

PERFORMED BY GENERAL OFFICE - CHICAGO
CREDIT • ENGINEERING • INSURANCE • LAW • PERSONNEL RELATIONS
PLANNING • QUALITY CONTROL • RESEARCH • SALES PROMOTION • TRAFFIC



of each local plant is given full authority and responsibility with respect to operating details. Each processing plant is a complete operating unit in itself, combining under its control all activities and operations necessary for the discharge of its particular function which includes processing as well as sales distribution of products in the local territory served. Each plant is an integral part of the community it serves.

The result is that the Company's plants possess a distinctly local character reflecting the peculiarities of the local territories they serve as well as the individualities of the men managing them.

The officers in the general office in Chicago are the President, Vice President, who is Assistant to the President, the Treasurer and the Secretary. The general office maintains an organization that handles financial and legal matters, research activities, supervision of quality control and formulation of general policies. In all, the general office maintains 13 service departments, including, in addition to those already mentioned, auditing, advertising, credit, engineering, insurance, personnel relations, procurement, purchasing, traffic and sales promotion. All of these departments render service, as needed by the plants, on specialized and technical subjects.

The general office maintains close and constant contact with operating conditions in the field through district managers, who represent the general office in supervision of all the Company's business at the plants in the specific geographic sections under the jurisdiction of each district manager. These district managers, seven in number, keep constantly abreast of changing local conditions by maintaining their offices in the field. In most cases they also manage plants in the cities in which they maintain headquarters. District managers, by virtue of their office, are members of the Operating Committee of the Company.

Plant managers are responsible to the district managers in the carrying out of all Company policies and all Company matters at the operating level.

Local characteristics and differences, however, do not necessarily extend to the Company's products. High standards of product and of product quality are maintained through centralized laboratory control and by efficient modern equipment throughout the Company's plants. The Company's control laboratory, maintained in Chicago, is supplemented by individual control laboratories in the major processing plants.

COMMITTEE PROGRAM

Three years ago the Board of Directors authorized the President of the Company to appoint committees covering certain aspects of the business. Eighteen such committees have been appointed and are now functioning. These include committees on research, milk, butter, ice cream manufacturing, a general milk, a general ice cream, and a general butter committee, office management, personnel relations, and so on.

While a company cannot be run by committees, committees nevertheless provide a means of coordinating the efforts and intelligence of a company's specialists and can be of invaluable assistance to the managing executives.

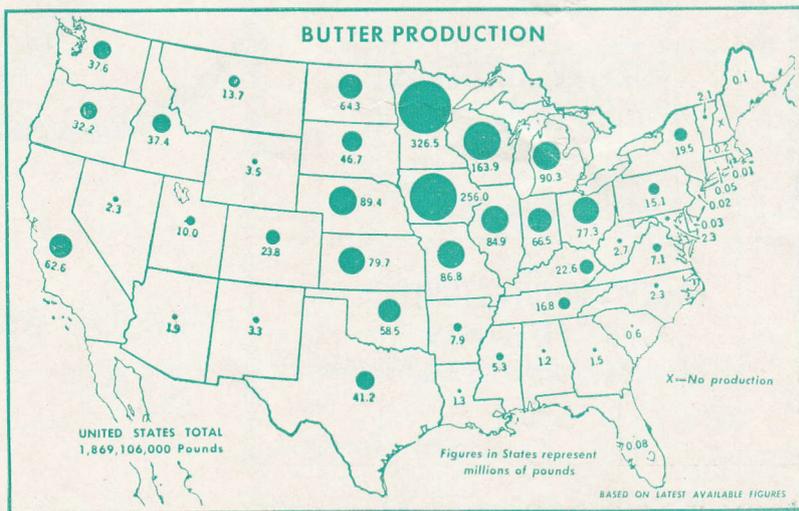
Committees that accept as their responsibility all the phases of a business within their field of activity can provide practical and vital thinking born of direct daily contact with their problems. Committee participation provides an element of cohesion in the Company's organization that would not otherwise be present. It enables men facing similar problems in widely separated parts of the country to meet on a common ground, become better acquainted and exchange experiences to their mutual advantage. An idea born in Sedalia, Missouri, may be adopted profitably in Brooklyn, New York, and men from Pittsburgh may compare notes with men from Denver. It enables men who are accustomed to being heard with respect to local problems to also speak and be heard in regard to overall company operating problems.

Committees meet at regular intervals at the call of the chairman. Representatives of the general office serve only in an advisory capacity. Committee recommendations are put into effect when approved by the President of the Company.

The various committees include as members 76 managers, 36 plant superintendents and technicians, 11 plant engineers, and 13 office managers.

Some of the tangible committee accomplishments have been a revised uniform accounting system by the Office Management Committee; preparation of manufacturing manuals by the Butter, Milk and Ice Cream Manufacturing Committees; Employee Suggestion System by the Personnel Relations Committee. Other committees have devised numerous post-war plans and the Research Committee has made valuable recommendations to the Research Department.

The management committee, shown in the organization chart as the Operating Committee, is made up of officers and district managers. This committee, in collaboration with the President, passes on policies which affect the Company as a whole, devises company-wide sales promotion programs, and studies problems affecting all phases of plant operations.



RECEIVED FOR PRODUCTS
SOLD TO CUSTOMERS

FLUID MILK AND CREAM
26%

BUTTER
25%

ICE CREAM
(incl. Ice Cream Mix)
19%

SPECIALTY FOODS AND SERVICES
(incl. frozen foods and cold storage)
14%

POULTRY AND EGGS
10%

OTHER MANUFACTURED
DAIRY PRODUCTS
(incl. cheese and dried milk)
6%

100%

WHERE THE MONEY
COMES FROM



THE
BEATRICE
COMPANY



PAID OUT

RAW MATERIALS
(Ingredients and Finished Products)

67.13¢

WAGES AND SALARIES
14.03¢

DEPRECIATION, REPAIRS AND POWER
4.40¢

SUPPLIES
4.00¢

TAXES
3.88¢

DELIVERY AND SELLING EXPENSE
2.67¢

DIRECT AND INDIRECT EXPENSE
1.92¢

OFFICERS' SALARIES
.27¢

Dividend paid to Stockholders 1.03
Reinvested in business .67

PROFIT
1.70¢

100%



**CREAMERY
DOLLAR**

**WHERE THE MONEY
GOES**



Consumer Survey Department

IN THE PAST YEAR, the General Office has created a Consumers' Survey Department to provide a guide for the company's advertising and sales programs. While many outside agencies conduct market research studies, your management feels that the confidential nature of this work makes it, properly, a company activity.

Consumer survey data are necessary tools for the creation of efficient advertising and selling programs. The day is past when future plans can be based upon intuition or hopes. Modern survey methods make it possible to accurately determine consumer attitudes toward products and brands to provide business with guide posts for product development and sales promotion.

Throughout the past year this department has conducted surveys in various markets in relation to consumer preferences and buying habits of milk and ice cream.

These surveys were made with due regard to securing an accurate cross-section of opinion in each area studied. This involves the selection of an adequate sample, as well as consideration of income and the nature of community. Special care must also be given to the development of questionnaires which will produce correct, unbiased replies. Investigators, then, must be trained to conduct interviews so that accurate results can be obtained. Finally, the results must be analyzed and interpreted.

Enlightening data has been secured about milk concerning relative competitive strength in various markets; consumer attitudes toward homogenized milk; buying habits of store buyers as compared to home delivery buyers; the length of time families have traded with their dairies; the importance of the milkman as a factor in customer relations.

Among the interesting facts disclosed by consumer surveys are these:

- (a) *Approximately 50% of the housewives, who have milk delivered to their homes, do not know how much they pay for a quart of milk.*
- (b) *Families having home delivery of milk often find it necessary to supplement home delivery with store purchases. This varies considerably in various localities.*
- (c) *The percentage of total families having home delivery varies as to locality, ranging from 52% to 78%.*
- (d) *A definite correlation was indicated between preference for homogenized milk in home delivery and a similar preference when purchasing additional milk at the store.*
- (e) *Consumer reasons for preferring homogenized milk, provided the basis for the company's homogenized milk advertising program.*
- (f) *Percentage of families who change dairies each year and the reasons for making the change.*

In a similar way, Ice Cream Surveys disclosed the relative consumer preference for the various brands in a community; the flavor preference; the size of package purchased; various factors which influence or determine brand preference.

From data such as this, our Sales, Advertising and Product Research Departments receive valuable guides to direct their efforts.

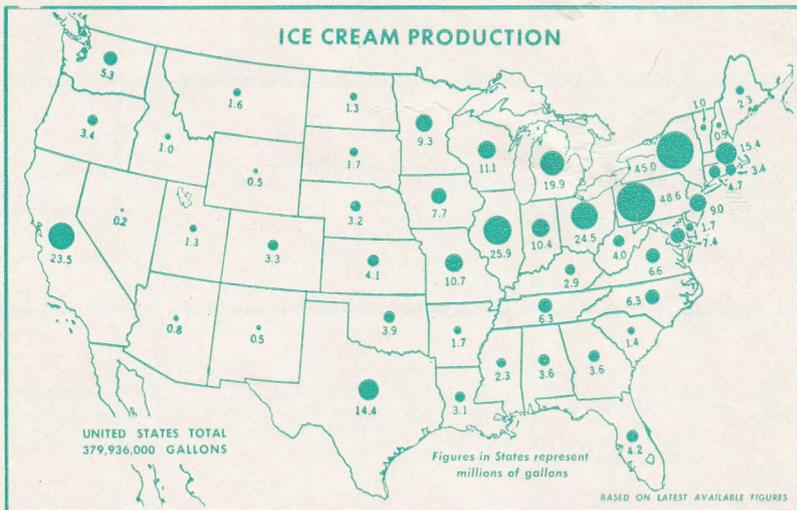
We believe this is in keeping with our policy of building an organization that can furnish every possible aid to company progress.

Employee Suggestion System

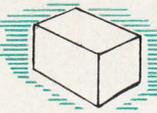
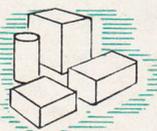
THE BEATRICE Employee Suggestion System was introduced toward the end of 1944 in a few plants and gradually spread throughout the Company. In the last fiscal year, the first full year of operation, the Company received 4,957 suggestions from employees, of which 2,025 were given cash awards in the total sum of \$20,231.44. These figures show that about 41% of the suggestions received were deemed worthy of receiving awards.

While most of the suggestions are for improvements limited to some phase of local operations, some have general application throughout the entire Company. Two employees, for example, presented a suggestion that makes possible the quick and efficient removal of ice and frost from coils in cold storage rooms. Another employee was responsible for a device making possible the automatic stamping of the names of flavors on the tops of ice cream cups. One employee submitted 32 winning suggestions; another 24.

The Company is expanding the suggestion system to include additional prizes for certain phases of activity we wish to emphasize, such as sanitation, housekeeping, fire control, safety, etc.



The Company's Products —

PRODUCT	Source Of Supplies 	Preparing Products For Markets 
 <p>MILK AND CREAM</p>	<p>Specialized dairy farms produce most of the milk and cream sold by Company in liquid form. Independent contract haulers pick it up daily at farms and deliver to Company's processing plants.</p>	<p>Processing plants preserve freshness and quality of milk and cream in their progress from farm to consumer. Processes include pasteurizing, homogenizing, cooling and bottling under scrupulously sanitary conditions.</p>
 <p>BUTTER</p>	<p>Major part of cream for buttermaking comes from farms that do not sell milk but separate it, selling cream to cream buyers or shipping direct to plants, and feeding skim milk to stock.</p>	<p>Cream at Company's plants is pasteurized and churned into butter — cooled and packaged for distribution. Some additional butter is purchased in bulk form and packaged.</p>
 <p>ICE CREAM AND ICE CREAM MIX</p>	<p>Being a highly perishable product, ice cream must be produced in the areas where it is consumed. Most of the necessary supplies of fresh milk and cream are procured by producing plants in their local areas.</p>	<p>The ice cream mix having been prepared, the ice cream is made by a continuous process, packaged and hardened by below zero temperature.</p>
 <p>POULTRY AND EGGS</p>	<p>Most of the poultry and eggs handled are procured direct from producing areas.</p>	<p>Some poultry is dressed in Company's plants. Eggs are candled, graded and packaged. Additional supplies already prepared for market are purchased from producers.</p>
 <p>FROZEN FOODS</p>	<p>Frozen foods already processed and packaged for distribution are purchased direct from processors.</p>	<p>NONE</p>
 <p>SPECIALTY FOODS</p>	<p>Specialty foods are handled by the Company. Some are manufactured in Company plants. The majority are procured from other producers.</p>	<p>Specialty foods produced in Company's plants include, among others, LaChoy Foods, Vegamato, Chox and Magic Freeze—a powdered ice cream mix.</p>

Their Origin and Disposition

Refrigeration 	RECOGNIZED CHANNELS OF FOOD DISTRIBUTION		
	WHOLESALE		RETAIL
	Jobbers, Brokers Wholesale Grocers 	Retail Stores 	Home Delivery 
<p>Cooling acts to inhibit harmful bacterial growth in milk and cream. Kept below 50° in journey to plants, there cooled and held just above freezing.</p>	NONE	Wholesale sales of milk and cream are delivered direct to retail stores for resale to consumers and to hotels, hospitals, restaurants, etc.	Retail milk and cream are delivered by milk wagons and trucks direct to homes.
<p>Butter is chilled for packaging—then held under low temperature refrigeration to preserve quality and freshness.</p>	When supplies are available in normal quantities, jobbers are used to distribute butter in large quantities.	Butter supplies are first wholesaled in local territories served by plants, to retail outlets for resale and to hotels, hospitals, restaurants, etc. Surpluses are shipped to distribution points to be wholesaled on a national basis.	Although not now available in sufficient quantities, butter in normal times is also distributed through Company's retail milk routes.
<p>In ice cream manufacture, low-temperature refrigeration is the essential element of the process. Requires zero temperatures throughout distribution.</p>	NONE	Ice cream is transported and delivered in specially refrigerated trucks to retail outlets where it is kept under low temperature refrigeration until sold.	NONE
<p>To preserve the freshness of eggs, refrigeration is required in transit and distribution. Poultry is held at below freezing temperatures. *</p>	NONE	Poultry and eggs are wholesaled to retail outlets for resale and to hotels, hospitals, restaurants, etc., and shipped in carload lots to wholesale distributors.	NONE
<p>Frozen foods must be held until consumed at below zero temperatures. Special refrigerating facilities are required in retail outlets.</p>	NONE	Frozen foods in home package size are delivered by specially refrigerated trucks to retail outlets for resale, and in larger sizes to hotels, hospitals, restaurants, etc.	NONE
<p>Only the highly perishable specialty foods are kept under refrigeration. Others are kept in dry storage.</p>	Specialty foods produced by the Company, such as LaChoy foods, Vegamato, Magic Freeze are distributed in large quantities through food jobbers, brokers and wholesale grocers.	Specialty foods packaged in home size are delivered direct to retail outlets for resale, or reach such outlets through the other channels. Some specialty foods are also packaged in large size and wholesaled to hotels, hospitals, restaurants, etc.	NONE

Suggestions are submitted anonymously. The suggestor is identified by a numbered coupon which he retains when he submits his suggestion. The suggestions are first processed by a plant committee. The plant manager is the chairman. The plant committee is authorized to pass upon each suggestion and make an award for suggestions of merit. These awards are paid by the local office immediately upon the suggestor being identified. Suggestions are then submitted to the General Suggestion Committee located in the general office. The General Committee reviews all suggestions, particularly with a view of selecting ideas that may have general application. Any suggestions so selected are circulated to all operating plants and the suggestor further awarded.

The Suggestion System has proven to be a valuable company asset.

Preparing for the Future

IT WAS STATED in the President's letter of this Report that \$2,500,000 had been set aside for rehabilitation, modernization and increasing the capacity of some of the Company's plants, of which \$1,500,000 has already been earmarked and the balance of the money would be produced from depreciation funds in 1946-47.

Because of the shortage of materials and machinery, it will be impossible to complete this program in the next fiscal year. The Company was unable to buy much new machinery in the last three years. Therefore, some of our machinery has already been used longer than it should have been, making the maintenance and repair cost excessive.

In addition, there have been many improvements in the machines we use and there are more in prospect. Pasteurizers, milk coolers, vats, etc., made of stainless steel instead of tinned copper, will be one of the big replacement costs. Another cost is that of repairing and reconstructing some of our plants to improve the sanitary conditions and make them more efficient, improve safety factors and make employes' working surroundings more healthful and pleasant.

Beatrice Creamery Company is steadily raising its standards of sanitation and housekeeping, and is making all employees of the Company conscious of these higher standards by a drive, in which all employees receive prizes if their plant meets the housekeeping and sanitation standards.

The scoring is done largely by representatives of dairy schools and, in all cases, by experts not employed by the Company. A program of this type will be continued in the current fiscal year with prizes for improvement in plant sanitation, based on a summer and winter inspection by outside experts.

