

Paintings for FORTUNE by Emil Holzbauer
EACH CHURN PRODUCES 1,500 POUNDS OF BUTTERMILK AND 1,000 POUNDS OF BUTTER. TIME: EIGHTY MINUTES

Beatrice

Pronunciation: Be-AT-ricé. Derivation: a town in Nebraska. Position: third largest U. S. dairyman. Net sales: \$57,000,000. Net profit: \$855,000. Biggest business: butter. Best business: ice cream. With a note on Smoozie, which was sired by Popsicle, out of Good Humor.

LADIES who live on Beacon Hill in Boston may be interested to know that Mr. Matt Ambre, who lives in Chicago, will eat no flesh or other highly flavored food, will smoke no tobacco, will drink no liquor until after five o'clock in the afternoon. This is because of a curious preference the ladies of Beacon Hill have for very salty butter, in which respect they differ from ladies who live on Manhattan's East Sixty-first Street and like their butter with almost no salt at all. It is the duty of Mr. Matt Ambre to keep his palate clean and to taste between 50 and 300 samples of butter each day; not only butter churned at the Chicago plant of the Beatrice Creamery Co., but also butter coming through Chicago from Beatrice creameries in Lincoln, Nebraska, and half a dozen other places in the Middle West. Mr. Ambre's name is pronounced Ambray and Beatrice is pronounced with a great big AT.

Mr. Ambre's importance to his company and to housewives throughout the land is symbolic but nevertheless real. For in the U.S. dairy industry you must sell a great deal to make even a modest profit. Beatrice's total sales last year were \$57,000,000, its net profit only \$855,000. Volume means mechanization and mechanization means standardization, yet such a product as butter cannot become too standardized so long as housewives in different parts of the country manifest the same vagaries of taste in 1936 as they did in 1886, when the flavor and color of butter depended upon what was fed the cow. In Oklahoma and southern Kansas, for instance, cows on wheat pasture eat a lot of grass in the spring and fall, produce cream that becomes very yellow butter—so when Beatrice makes butter for this market it makes it just as yellow. Chemists in Beatrice's thirty-six plants measure out the exact amount of annatto-seed extract (the annatto is a tropical tree grown in Puerto Rico, Guadeloupe, etc.) that is to color each batch of butter, they determine the exact amount of salt needed to flavor it. But beyond the chemists stands Mr. Ambre with his mouth open, and Mr. Ambre is interested only in what he calls "character."

Mr. Ambre can roll his lips over a spoonful of butter, chew it, gargle it, and slosh it around in his mouth, and tell you immediately what the cow that gave the milk that produced the cream that made the butter had to eat for breakfast. If the cow has been eating too many sugar-beet and bean tops the butter will have what is called a "western feed flavor." Too many weeds make the butter taste "weedy" and too much dry feed makes "wintry" butter. If the butter is sticky it was churned too long. Here are Mr. Ambre's own rules:

"Fancy butter must be sweet and have a clean flavor; uniform in color, not mottled or streaked; uniform in salt, not gritty or with too much salt. The body, instead of being weak or brittle, must be solid and bore like a candle." The last sentence, translated, means that a scoopful of butter must pull out from the mass in a long, smooth candle shape and not break off. As a symbol of the personal element remaining in a highly mechanized industry, which has passed almost entirely out of the hands of the farmer, who started it, we may now leave Mr. Ambre standing beside his tubs.

BEATRICE CREAMERY CO. was named, not for a cow, but for a small town in the Big Blue valley of southeastern Nebraska, where during the 1890's the late George Everett Haskell began putting together the dairy business that has grown to be the

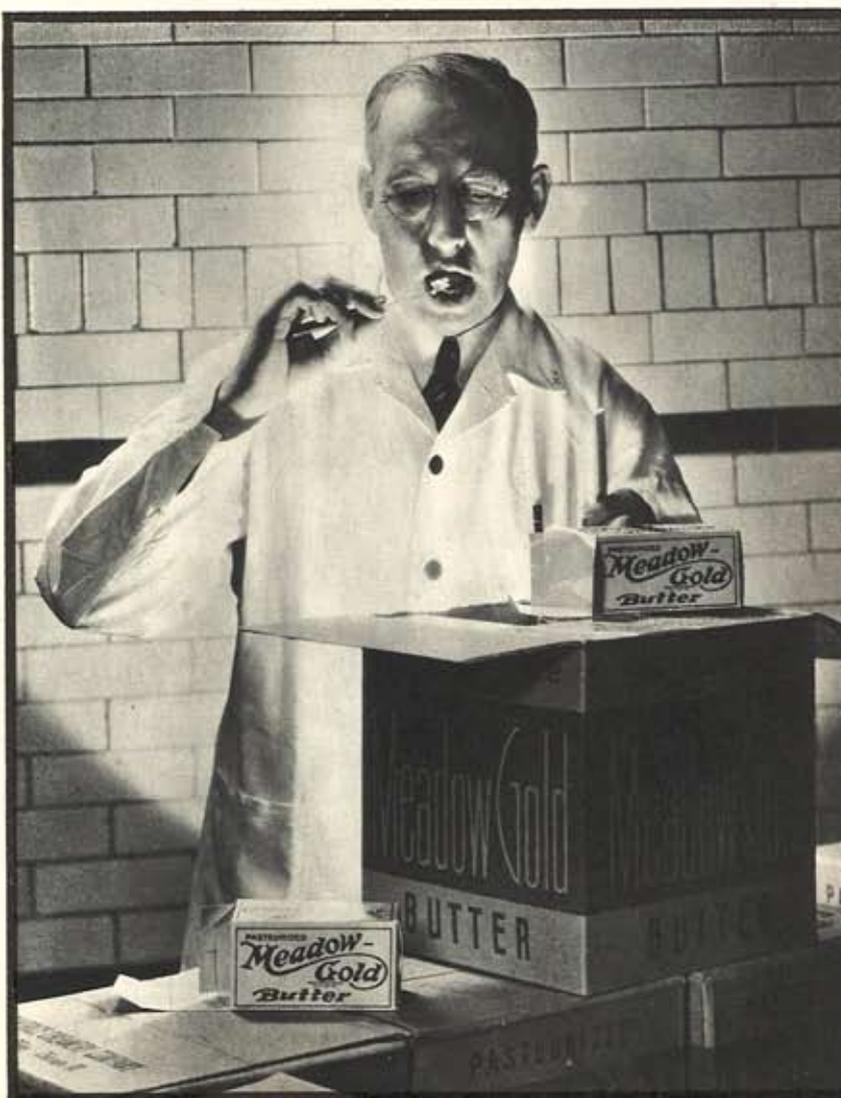
third largest in the land. Beatrice's total sales of \$57,000,000 cannot be compared to the \$300,000,000 of Thomas H. McInnerney's National Dairy Products Corp. or to the \$230,000,000 of the Borden Co., but in the production of butter Beatrice is well ahead of them. Its annual output of nearly 100,000,000 pounds puts it in the class of the great packing companies, Swift and Armour. One hundred million pounds is about 4 per cent of the butter the U.S. eats.

But while Beatrice's biggest business is butter, butter is currently not its best business. Far from it. Last year's* total sales were distributed as follows:

Butter	\$26,470,000
Milk	9,285,000
Eggs	8,912,000
Ice cream	6,525,000

with the balance of \$6,000,000 in poultry, ice and cold storage,

*March 1, 1935, to February 29, 1936. Hereafter in this article Beatrice's fiscal year will be designated by the numerals of the year it began.



Photographs for FORTUNE by Sara

MATT AMBRE, WHOSE LABORATORY IS HIS MOUTH



WHAT THE BUTTER AND EGG MAN REALLY LOOKS LIKE: FOURTEEN DIRECTORS OF BEATRICE

At the far end of the table is Clinton Howard Haskell, President of the company, talking across the four men on his right to his Vice President and General Manager, John T. McGreer, No. 2 man of the company. Mr. Haskell and Mr. McGreer worked together years ago in Denver, Mr. Haskell as office

manager and Mr. McGreer in charge of cream buying. Vice President Arthur T. McClintock (with the Lucky Strikes) was Mr. Haskell's boss in those days. The gentleman at the near end of the table is First Vice President John T. Dorgan. In spite of his title he has no hand in Beatrice's operations, draws no salary.

cheese, orangeade, ice-cream cones, oleo-margarine, fish and oysters.

A glance at the company's profit breakdown (and this is unofficial, since Beatrice breaks down its earnings by plants, not products) shows a rather startling rearrangement of order. Net profit before taxes was \$990,727, distributed approximately as follows:

Ice cream	\$490,000
Cold storage	155,000
Butter	140,000
Milk	36,000
Eggs	a deficit of 130,000

The remaining \$300,000 was contributed by the smaller items, the largest of which was orangeade with a profit of about \$80,000.

Comparison of these two tables suggests that last year was a bad year for the dairy business. It was. If Beatrice had stuck to the traditional butter and egg and milk business and had not gone into such compara-

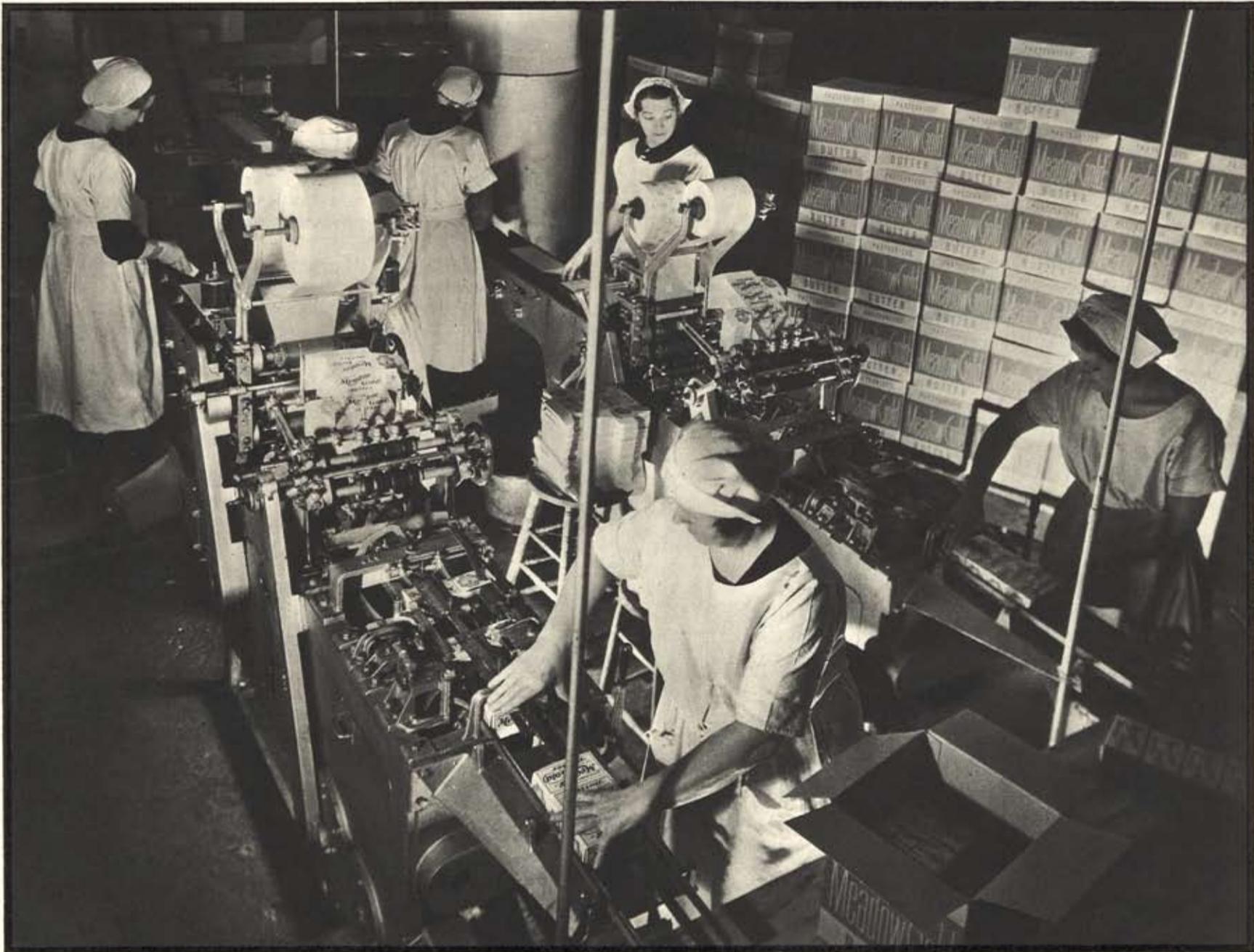
tively new lines as ice cream and orangeade it would have had a hard time paying its taxes last year. The last four years have been particularly bad ones for the dairyman, and the reasons for this will presently be given; but from the very beginning the dairy industry has been a hazardous one, as a glance at the history of Beatrice will show.

WHEN George Everett Haskell went to Fremont, Nebraska, in 1886, at the age of twenty-one, the industry in the plains country amounted to little more than modest speculation in farm butter and cold-storage eggs. A small creamery had been started at Fairmont two years before (the present Fairmont Creamery Co.), but production was still largely in the hands of the farmer. George Haskell got a job as bookkeeper for the Fremont Butter & Egg Co. at \$10 a week.

In 1892 Fremont Butter & Egg went broke, the result of some unwary specula-

tion. George Haskell and another Fremont employee named Kirshbraun organized a produce company of their own. They handled butter, eggs, and poultry. The butter was churned by farmers and picked up by the company at the farm or at grocery stores that took the butter in lieu of cash. Mr. Kirshbraun went off to start his own company, and by 1894 Haskell's company was called Haskell & Bosworth.

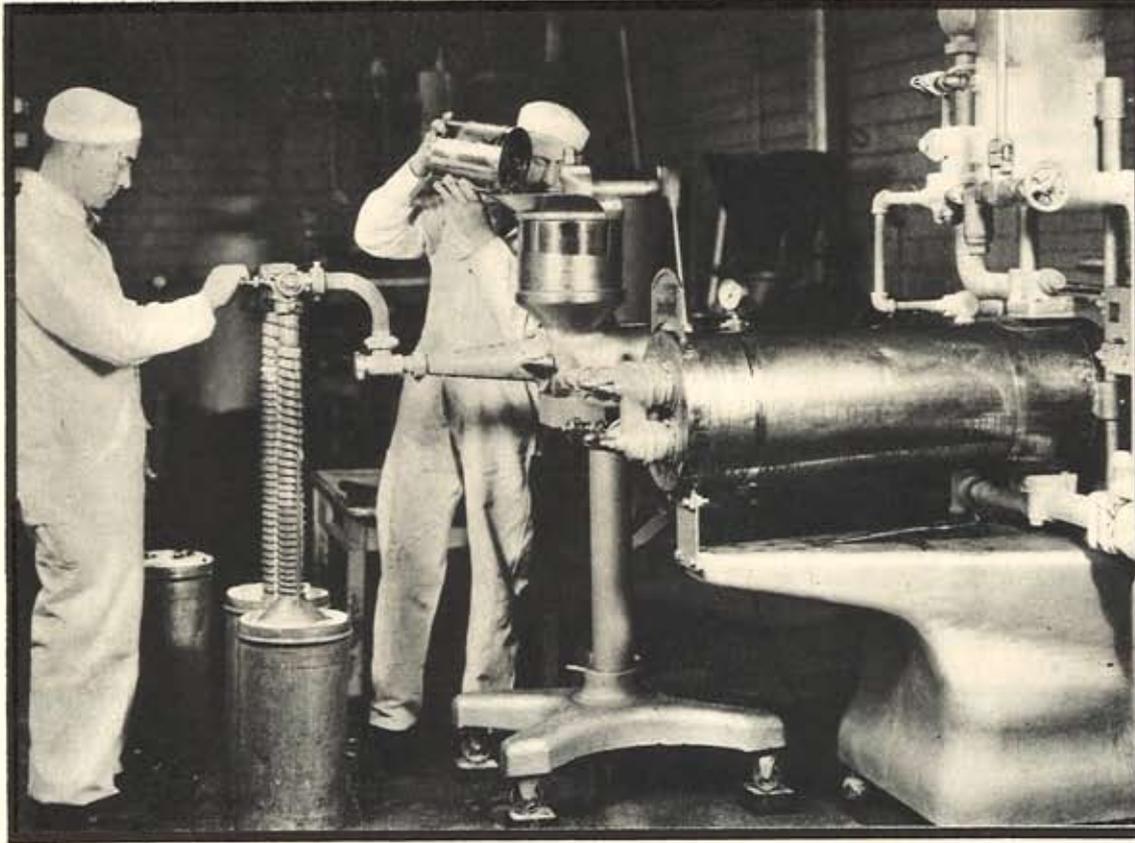
About this time George Haskell got the idea of churning his own butter and installed a churn at Beatrice. That marked the real beginning of Beatrice Creamery Co. Haskell established skimming stations in the country around Beatrice, persuaded farmers to bring their milk to them, and skimmed off the cream for shipment to his creamery, giving back the skim to the farmers for their livestock. The idea worked so well that the creamery department of Haskell & Bosworth was incorporated in 1895



85 PER CENT OF BEATRICE'S BUTTER GOES OUT IN PACKAGES

... but not all of it is wrapped by machinery, as illustrated here. Some hotels are so afraid that mechanical handling will blunt the sharp edges of their butter

that they order it wrapped by hand. The hotels have their own gadgets for reducing the one-pound blocks to the dainty slivers you spear out of the ice.



THIS IS HOW ICE CREAM BECOMES STRAWBERRY ICE CREAM

The old-fashioned way to make fruit ice cream is to mix the fruit with the cream before it is frozen. But Beatrice uses a method that it thinks is an improvement. After the cream is frozen men pour the fruit into a feeder attached to the freezer outlet, and pressure forces it through the ice cream. This, says Beatrice, leaves the fruit in bigger sections more pleasing to the palate of the consumer. Beatrice's ice cream, incidentally, is frozen "instantaneously," i.e., in about ten seconds while passing through a three-inch tube in which metal blades agitate it furiously. This gives a smooth texture to the ice cream, cuts down the size of ice crystals. Trade name: Meadow Gold Smooth-freeze.



SOMETIMES YOU MAKE ICE CREAM LIKE A SAUSAGE

With continuous freezing (which was invented a few years ago by Mr. Clarence W. Vogt of Vogt Processes, Inc.), the ice cream can be run out of the freezing tubes into long, narrow Cellophane bags, which are then frozen more until the ice cream is stiff. This is Pittsburgh's way of making the Meadow-Roll. A better way (entirely mechanical) is used in Brooklyn. On the opposite page you may see the rolls, already hardened, being transferred to the slicing machine. Advantage of the roll is that, when sliced, it gives an individual portion of ice cream that can be set down before a customer without further handling.

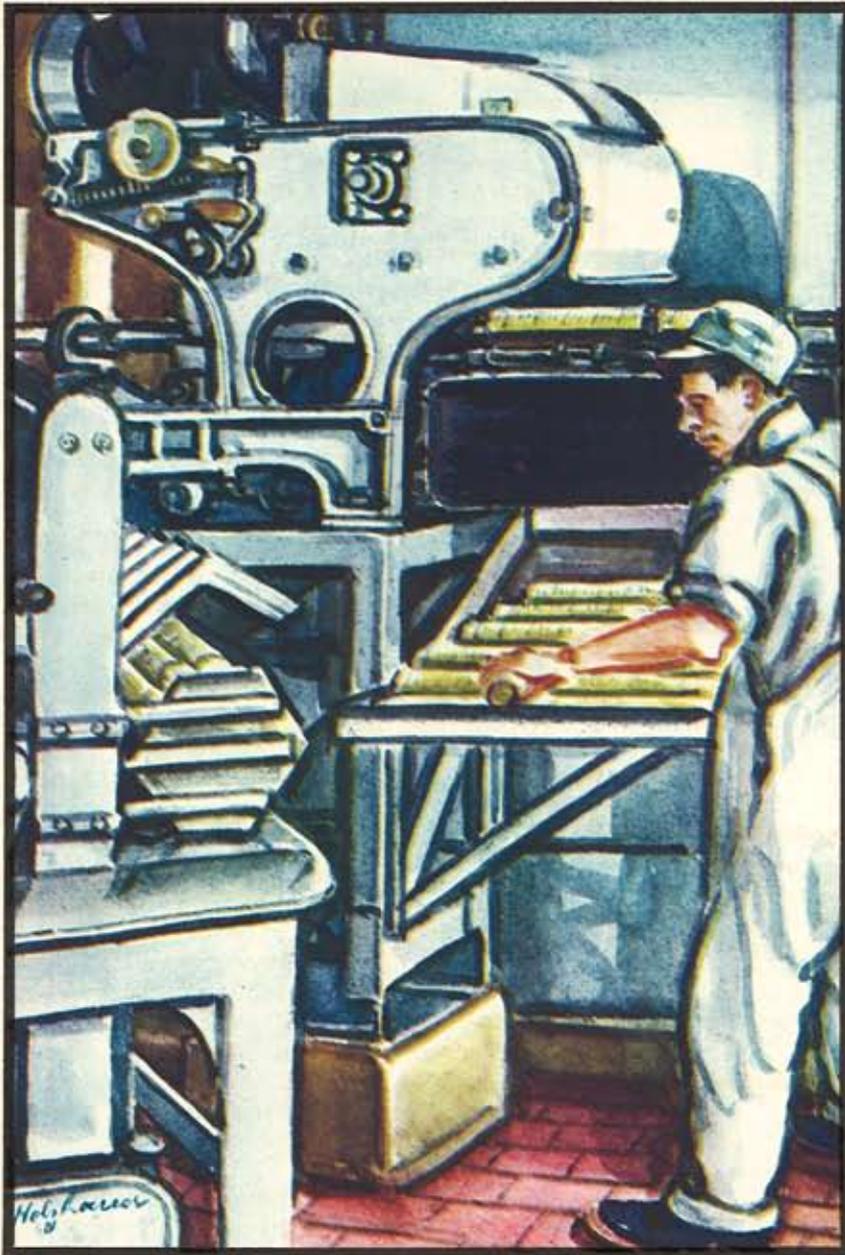
as Beatrice Creamery Co. with George Haskell as President. Haskell extended his skimming stations into western Nebraska and northern Kansas and built a new creamery at Lincoln.

Haskell had a hard time persuading farmers to haul milk to his skimming stations. It occurred to him that if he could get them to use hand separators they could feed the skim to their calves while it was warm and they wouldn't mind coming to town with a load of cream two or three times a week. George Haskell began dickering with the De Laval Separator Co. for a discount that would enable Beatrice to take the credit risk of selling separators to the farmers. De Laval thought it over a long time and then offered a 1 per cent discount.

But Haskell took the risk and began spreading separators over Beatrice's territory. By 1905 there were 30,000 of them in use in Nebraska. With no skimming to do Beatrice converted its skimming stations into cream-buying stations, extended them farther from its plant.

George Haskell was laid low with pneumonia in 1902, and then with tuberculosis. When he returned to Lincoln in 1905 he was full of ideas for expansion. His first move was to put through the biggest U.S. dairy merger up to that time. Beatrice acquired large creamery companies in Topeka, St. Louis, and Denver, most important of which was the Continental Creamery of Topeka. Continental owned the rights to the Meadow Gold brand of butter, one of the first trademarked brands of butter in the U.S., together with exclusive creamery rights to the In-er-seal package developed by Peters Machinery Co. for National Biscuit Co. a few years before. With a waxed-paper wrapper that fitted inside a cardboard carton, Meadow Gold could venture outside of the old-fashioned tub. Beatrice was now definitely in the big-business class, with eight butter plants in operation. In 1913 the company moved its headquarters to Chicago. In 1919 George Haskell died, leaving a legend of hard work to his successors in Beatrice.

In the 1920's the dairy industry was coming of age. Thomas McInnerney went to Wall Street and put together National Dairy, a great holding company for milk, butter, egg, and ice-cream distributors all over the land. Borden, backed by its condensed- and evaporated-milk profits, expanded into butter, eggs, ice cream. Armour and Swift had gone into butter in a big way and now passed Beatrice in production. Land O'Lakes Creameries, largest coöperative in the industry, was established in Minneapolis in 1921. And all this time Beatrice stood still, making a comfortable net profit that hardly varied from the \$1,000,000 mark from one year to the next. By 1927, having lost a succession of able managers, President William H. Ferguson thought the best thing to do was to sell out to National Dairy and insure stockholders a continuation of their profits. Other large stockholders agreed



MEADOW-ROLLS ARE ICE-CREAM STICKS

with him and a committee went to New York to sell the company. We shall leave it there in the offices of the late Prince & Whitely, brokers in National Dairy stock, long enough to introduce another Haskell, George's nephew, Clinton Howard.

CLINTON HASKELL'S father had been a steamboat hand on the Mississippi and a dealer in timber cleared from Wisconsin farmlands and later a dealer in wild game and eggs. After George Haskell got started in the dairy business in Nebraska he had given his brother a job running the Kansas end of his business, and young Clinton from the age of ten spent his vacations from school working in the creameries, packing butter, dumping cream, candling eggs, and making himself generally useful. At eighteen he moved into the Topeka bookkeeping office. At twenty-two he was sent to Denver to become office manager of the branch there. In 1922 he was made assistant general manager of Beatrice and in 1927, at the same meeting at which the Directors decided to sell out to National, he was elected General Manager. He was not quite forty.

Clinton Haskell was away from Chicago when that meeting was held. When he got back he learned of his promotion and of the negotiations which, if successful, would make it useless to him. Clinton stood around on pins and needles for a few days until the committee got back from New York. The negotiations had proceeded smoothly for a while, until the selling price for Beatrice was mentioned. The committee thought the company's stock was

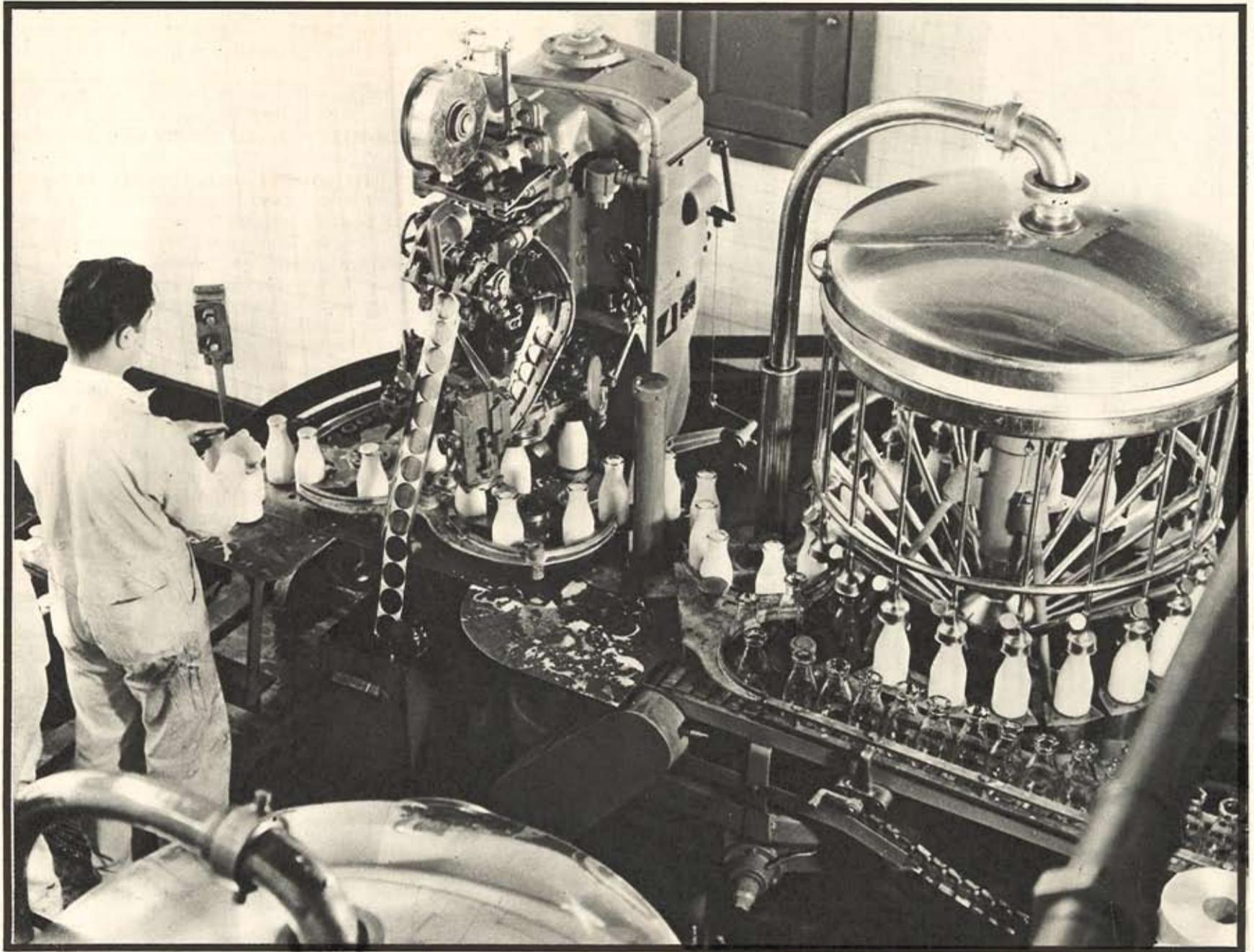
worth pretty nearly the \$60 it was selling for across the counter in Chicago. Prince & Whitely thought it was worth no more than \$45. So the committee went back to Chicago in a huff and Clinton Haskell got his chance.

He believed Beatrice might put through its own mergers. Mr. Haskell and Vice President John T. Dorgan were thereupon authorized to see what could be done. They dickered for several months with four other midwestern companies but in every case but one were outbid. The one exception was Pioneer Creamery of Galesburg, Illinois. Pioneer's President Louis Nielson wanted to go in with Beatrice and in 1928 Beatrice bought his company for \$1,500,000 worth of stock. With Pioneer, Beatrice got five new creameries and a new brand of butter, Holland, which because it was good and salty was very popular in New England. Mr. Nielson became a Vice President of Beatrice and promptly suggested that an operating man be made President. Clinton Haskell, who had grown up in the operating end of the business, got the job.

With Mr. Nielson to help him, Mr. Haskell went on with his acquisition program, next bought the Hutchinson Ice Cream Co. of Des Moines. Charles S. Hutchinson joined the Haskell-Nielson team and helped to put through more deals. By the beginning of 1929 Beatrice had acquired the assets of thirteen other companies engaged in the creamery, milk, ice-cream, and cold-storage businesses, as well as minority interests in a couple of others. By the fall of 1929 Beatrice was operating fifty subsidiary companies: thirty creameries, thirty-three milk plants, fifty-four ice-cream



BUT MORE IS SOLD IN PINTS, QUARTS, BRICKS



A BOTTLING MACHINE IS LIKE A MERRY-GO-ROUND

The belt forces the bottles upon the revolving machine, each bottle coming to rest upon a little platform of its own. The platform rises, pushes the bottle's neck into a filler, which then releases exactly one quart of milk (or one pint, or one half pint, depending upon how it has been set). The bottle gets a ride of

one revolution, passes on another belt to the capping machine, which cuts out the cap from a strip of aluminum foil and forces it over the mouth of the bottle. All the man does is inspect the bottles to make sure that nothing went wrong. Four pairs of machines in Pittsburgh fill and cap 200 bottles a minute.

plants, nine cold-storage warehouses, three ice plants, and sixteen distributing branches. It had manufacturing operations extending from Ohio to Montana and selling branches in almost every part of the country. It had achieved all this expansion by the issuance of stock, had never had a funded debt, never been underwritten by a banker. Net sales for the fiscal year 1929 were \$84,000,000, biggest in the company's history, and net profits were \$2,500,000.

Thus within two years Clinton Haskell had accomplished two of his three objectives: expansion of the creamery (butter) business and diversification into other lines. Beatrice would never catch up to National Dairy and Borden in milk, but it had a foothold in the business and a little more than a foothold in ice cream. His third objective was manufacturing facilities in the East. Beatrice had distributing branches beyond

the Alleghenies but it was still primarily a western company and it needed plants to increase its eastern sales. And so in the summer of 1930 Beatrice stockholders voted to increase the capital stock from \$33,000,000 to \$50,000,000, the \$17,000,000 to be used for an invasion of the East.

Within three months Beatrice had bought the Liberty Dairy Products Corp. of Pittsburgh (1929 sales, \$5,000,000), the Carry Ice Cream Co., Inc., of Washington, D. C. (1929 sales, \$1,000,000), the Maryland Creamery Co. of Baltimore (1929 sales, \$600,000—in ice cream only), the Ice Cream Service, Inc., of Brooklyn, New York (1929 sales, \$800,000). Beatrice got the second-largest milk company of Pittsburgh for \$2,500,000 worth of stock. Its three purchases of ice-cream companies gave it markets in three of the largest eastern cities, and, as we shall presently see, ice cream gets

the best markup of any product of the dairy industry. By the end of 1930 Beatrice's Mr. Haskell had got pretty much what he wanted: outlets in the East for his western butter and eggs, as well as a new eastern business in ice cream and, to a lesser extent, in milk. He now had 159 plants in operation, and in 1930 Beatrice sold 100,000,000 pounds of butter, 58,000,000 dozen eggs, 30,000,000 gallons of milk, and 10,000,000 gallons of ice cream. Net profits were \$3,389,000.

Since then Mr. Haskell has simply sat on what he had. The depression became really tough on the consumer in 1931 and that year Beatrice's net profit dropped to a little more than \$2,000,000. For the next two years it was down to \$500,000 and for 1934 had risen only a little above \$1,000,000. Because prices last year rose out of all

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Beatrice

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proportion to consumer purchasing power, Beatrice's net for fiscal 1935 was off again, to \$855,000, but its sales of \$57,000,000 were beyond their 1928 mark and Beatrice is in a good position to wait for the adjustment of prices and purchasing power to take place. Since Mr. Haskell took charge the ratio of current assets to current liabilities has become more than twice as favorable—he found it standing at 5½ to 1 and it is now 12 to 1. Net working capital has risen from \$4,000,000 to \$9,000,000. Unnecessary distributing branches (including the cream-separator business his uncle started) have been liquidated. But Clinton Haskell has had to write down the value of his company to \$30,000,000, reducing the par value of the common stock from \$50 to \$25. Since July, 1932, common dividends have been stopped. Single exception to this tight dividend policy was the payment of a special dividend of fifty cents per share as of April, 1935. But next October Beatrice is going to retire its \$10,000,000 of 7 per cent preferred and replace it with a lower interest bearing issue, thereby trying to clear the way for a better showing on the common.

BEATRICE owns about 750 cows, from which it gets certified milk for Denver and Pittsburgh, but that is as close as it gets to the production of its raw material. It buys its cream from farmers, either at the farm, at the creamery, or at cream-buying stations not very different from those George Haskell established in the nineties. The company churns butter at thirty-six plants, largest of which are in Chicago, Champaign, and Galesburg, Illinois, Lincoln, Nebraska, and Topeka, Kansas. Each of these has a capacity of 4,000,000 pounds a year. For its churning operations in Chicago, to pick a typical plant, it has access to between 100 and 150 cream-buying stations in Illinois, Indiana, and even Wisconsin. The farmers haul their cream to these stations, wait around while it is weighed, tested for butter-fat content, and sniffed at to make sure it is fresh. The farmer gets paid on the basis of butter-fat content, this in turn depending upon the Chicago butter market. Beatrice claims that butter cream gives the farmer one of the highest returns on his investment in cows and can prove that 80 per cent of the wholesale price of butter goes to the farmer (see table, column 3).

Beatrice trucks its cream to Chicago in ten-gallon cans, empties it into vats in the dump room. The Chicago plant receives an average of 30,000 pounds a day, with Sunday the biggest day because the farmers like to make their trips to town on Saturdays. By the time the cream is in the Chicago plant it may be as much as a week old, but if properly kept it will still be fresh.

From the dump room the cream is pumped up into holding vats. There it is warmed. Next it is flash-pasteurized—heated for a few seconds to 180° Fahrenheit—cooled, and pumped into other vats for ripening. There was a time when cream was left lying around on the farm until it had soured, but nowadays Beatrice buys its cream fresh, pasteurizes it while it is still fresh, and then sours, or ripens, it by adding pure cultures of lactic acid grown in milk. Butter from sour cream has a "high nose."

From the ripening vats the cream pours into 300-gallon, wood-lined churns, like those illustrated in the frontispiece on page 82. A pint or so of coloring matter is added, the amount depending upon the natural color of the cream and the market the butter is going to. The

churns go round, with paddles inside beating in all directions, and in a little less than an hour the butter is massed into small balls about the size of wheat kernels. The buttermilk, one and one-half pounds of it for every pound of butter, is strained off through a hole in the bottom of the churn and carted away to be made into buttermilk powder for chicken feed. The butter in the churn is washed and usually given a sprinkling of salt, from twenty pounds to almost none, the amount again depending upon where it is going to be sold. A set of rollers inside the churn work in the salt while the churn is revolved another fifty turns or so. Within about an hour and twenty minutes from the time the cream ran into the churns each 2,500 pounds of cream has become 1,000 pounds of butter containing roughly 80 per cent butter fat, 17 per cent water, 1 per cent curd, and the rest salt.

The butter is scooped out of the churns into boxes, which are crumpled into a cooling room, left there overnight until the butter has been chilled to 30° Fahrenheit, then taken to what is called the print room and packaged entirely by machinery (see page 85). The entire process of buttermaking, from the time the cream is received until the butter is packed and wrapped, is under the supervision of a lean, sandy Bohemian called "Doctor" Frank Bouska, head of Beatrice's laboratory. Laboratory workers test the salt, coloring matter, and other ingredients for purity, determine moisture and salt content from every churning. But the final word is given by Mr. Matt Ambre.

All of Chicago's butter is consumed in Chicago. Biggest customers of Beatrice are the hotels, with the Stevens taking sometimes as much as 800 pounds a day. But of Beatrice's entire output from its midwestern plants more than half is sold in the East. In a few large cities, such as New York, Boston, Syracuse, Norfolk, the company maintains its own selling branches, which sell to hotels, to local chain stores, and to jobbers. In most cities sales are handled exclusively by jobbers. About 40 per cent of the butter shipped east is sold in packages, 60 per cent in tubs. The tub butter may eventually find its way into packages bearing a new name and into the big chain stores. Butter that is shipped east may take four or five days in transit and several days getting from jobber to retailer, so that the butter spread on a piece of toast in Manhattan or Boston may have been as much as two weeks going from cow to consumer.

From its butter sales of more than \$25,000,000 last year Beatrice made not quite \$140,000. Butter accounted for 46 per cent of the company's sales but for only 14 per cent of its net profit. Profits in butter depend not only upon volume but also upon a delicate adjustment of price to consumer purchasing power: if the price goes too high people turn to oleomargarine; if it goes too low the manufacturer makes no money. Last year this adjustment went sadly awry and oleomargarine production jumped from 263,000,000 pounds in 1934 to 379,000,000. In the spring of 1935 butter prices were so high that consumption fell off. The market broke and between April and June the price dropped from thirty-six and one-half cents to twenty-three and three-fourths cents per pound. At this price Beatrice

could make no money. By February 29, 1936, when Beatrice closed its fiscal year, the price was alarmingly high once more—thirty-five and one-fourth cents—and during the next five days it fell off four and one-half cents. And so Beatrice wrote down its inventory accordingly and reduced its year's profit by nearly \$55,000.

If you want to know why the butter manufacturer must sell a lot of butter to make a decent profit, study the following table (the average of six Beatrice creameries in six states last year). It will also support Beatrice's contention that 80 per cent of the selling price of its butter goes to the farmer who sold the cream.

Price paid to farmer . . .	\$2.220 per pound
Buying cost including transportation0244
Labor in manufacture0054
Other manufacturing costs0103
Selling and administration0099
Depreciation0023
Total cost2743
Wholesale selling price2782
Profit before taxes0039

Last year, of course, was an abnormal year. Beatrice considers a profit, after taxes, of from half a cent to one cent per pound normal. In recent years the average has been half a cent.

THAT would appear to be a sad state of affairs if it were not for the much sadder state of affairs in the milk business. A few years ago Beatrice's breakdown of net profit used to run about like this: butter 30 per cent, milk 20 per cent, ice cream 30 per cent, everything else 20 per cent. Last year milk sales were only 16 per cent of Beatrice's total, and milk's contribution to the total net profit was down to less than 4 per cent, or \$36,000. Three evils beset the milk business. They are not universal evils but they can best be understood through a consideration of Beatrice's business in, say, Pittsburgh, which is the largest of its milk plants and one that suffers from them all.

Evil No. 1: price raising through government regulation. Meadow Gold Dairies, Inc., of Pittsburgh (the old Liberty Dairy Products Corp. that Beatrice bought in 1930) sold a little more than 4,000,000 gallons of milk last year, almost one-fifth of Beatrice's total. The milk was bought from some 1,200 producers with an average of eleven cows each, all members of the Dairymen's Co-operative Sales Association, which operates in Pennsylvania, Ohio, and West Virginia. Meadow Gold was getting along very nicely with the Dairymen's Co-operative until early in 1934, when Pennsylvania adopted a milk-control law and set up a board to enforce it. Criticisms of the milk-control board, some just and some undoubtedly biased, will not be gone into here. Simple facts are that the board tried to maintain a retail price of ten cents per quart in the Pittsburgh area, gradually increasing the price paid to the producer for Class I (fluid) milk from 4 to 4.8 cents. The price to producers on lower classes of milk was set correspondingly higher and dealers such as Meadow Gold turned to Ohio and other neighboring states for their supply. Pennsylvania producers suffered, joined the dealers in protesting. Eventually the retail price was raised to 11 cents and the price paid to farmers set at 5.1.

In some other states control boards and AAA

[Continued on page 130]

marketing agreements have raised the price to producers without enforcing the retail selling price, and where this has been done the distributors have had to pass the increase on to the consumer. And per capita consumption of milk in the U.S. dropped from 40.8 gallons in 1929 to 37.7 in 1934.

For Class I milk Meadow Gold still pays the producer in the Pittsburgh area 5.1 cents per quart and retails it for eleven cents. But Meadow Gold pays for its milk on a basis of 3.5 per cent butter-fat content and adds cream to bring the butter-fat content up to 3.8 per cent or pays the farmer a premium if his milk tests that high. That increases the cost of the milk to 5.4 cents per quart. Costs of pasteurizing, bottling, and selling total about five cents, which leaves about half a cent gross profit per quart. Which would seem to be enough, and would be if Meadow Gold sold all its 16,000,000 quarts at retail. But more than half its milk is sold at wholesale for about 9.5 cents per quart. Even with a somewhat cheaper selling cost Meadow Gold averaged only about two-tenths of a cent gross profit on its wholesale milk. After depreciation, overhead, taxes, and other charges, Beatrice lost an average of half a cent per quart on its Pittsburgh milk last year, or a total of \$80,000.

Evil No. 2: the bobtailer. One trouble with milk-control boards is that they have difficulty making up their minds. In Pennsylvania (and many other places) the board has changed its orders so many times that unscrupulous dealers have often been able to break the law with a pretty secure feeling that it would be changed before they could be prosecuted. In Pittsburgh Meadow Gold is the second-largest milk distributor, with eighty-six retail routes and thirty wholesale. Eight other distributors are of respectable size. Next come some hundred small dealers running anywhere from three to twenty routes, and they are the ones who are most likely to hedge on the law. At the bottom of the pyramid is the bobtailer. No crook, but simply a menace to the large dealers is he. The bobtailer is a man with a truck or maybe just an old Ford. He may or may not own his own bottles: they can be rented from agencies. He buys his milk wholesale from established dealers (but not from Beatrice) and peddles it from door to door in the not-too-particular neighborhoods. Eventually he may get to the point of owning his own pasteurizing plant and become a respectable dealer, but more likely he will go broke and another bobtailer will take his place. Since the bobtailer must get rid of his milk he is a price cutter, whereas Meadow Gold and other large dairies instruct their men to return every bottle not sold at the regular price. The returned milk is churned into butter.

Evil No. 3: maintenance. Unlike New York or Chicago, Pittsburgh lends itself to many small dealers. The dairy farms are close to the city and the city itself is spread out over a wide territory hard to reach by a single company. Meadow Gold covers a radius of some ten miles only and leaves the rest to its competitors, large and small. The city is hilly and the distances between delivery points are great, and so Meadow Gold uses no horses, as do dairies in New York and Chicago. Its 130 milk trucks are expensive to maintain, wear out quickly going up and down hills and through the narrow twisting streets. Last winter Meadow Gold spent \$1,000 per month for chains alone. But that was nothing to its loss on bottles. Housewives who buy their milk in delicatessen stores do not bother to return

Beatrice

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the bottles (there is no deposit on them in Pittsburgh), or if they do send them back the bottles may turn up at the dairy smelling sweetly of kerosene or embellished with a small struggling plant. The average Meadow Gold bottle in Pittsburgh makes twelve trips in its lifetime. Last year Meadow Gold's bottle maintenance bill was \$73,296, or nearly half a cent for every quart of milk the company sold.

ALL in all, considering the troubles of its largest unit, Beatrice was lucky to come through 1935 with a profit of \$36,000 on milk. Beatrice can do nothing about the first of these evils but sit and wait. It can never do anything about the second. But the third seems to be in the process of solution and for Beatrice is being converted into

Blessing No. 1 and only: the aluminum cap. Some six years ago Aluminum Co. of America came to Beatrice with the idea of replacing the old-fashioned cardboard cap with one of shiny aluminum foil. Aluminum Co.'s talking points were sanitation, individuality, and elimination of the milk spout that rises eyeward when a cardboard cap is punched in carelessly. Clinton Haskell was impressed and offered Beatrice a guinea pig for Aluminum Co.'s experiments. Since Beatrice's bottling and capping machines were geared to each other it was necessary for Aluminum Co. to develop a machine that would work with the old Mojonier and Milwaukee bottling machines (see page 88). By the spring of 1931 the new machine was working perfectly and Clinton Haskell and his advertising manager, K. L. Murray, took a swing around the milk circuit to tell all his men about it.

Silver Seal caps have reduced Beatrice's bottle losses by about \$150,000 a year. Reason: bottles made for Silver Seal will take no other cap and other dairies can't use them. Instead of a ridge inside the neck of the bottle to hold the cardboard cap, Beatrice's bottles are smooth inside the neck and have a ridge around the outside over which the cap fits. Beatrice likes its new bottle because it is easier to clean, because elimination of the cap seat removes a fine breeding ground for germs, and because aluminum not only looks better but can be kept more sterile than cardboard. The cap covers the mouth of the bottle, over

which the milk is poured and from which it is sometimes drunk.

Beatrice has exclusive sales rights to the aluminum cap in territories where it has plants and so can keep it away from competitors. Cost of aluminum caps is \$1.10 per 1,000, as against thirty-two cents per 1,000 for cardboard. Beatrice stripes its caps in different colors: blue for buttermilk, red for Grade A. It uses a solid green cap for Vitamin D milk. On St. Patrick's Day this year Manager V. L. Hubbard in Pittsburgh sent all his milk out in bottles with bright green caps.

IF WE added in the profit from orangeade, as Beatrice would like us to do, the company's profit from its milk division would come to the much more respectable figure of \$116,000. Beatrice counts orangeade profits in with milk because orangeade is bottled by the same machines that bottle the milk, sold the same way. Smartly, the company sells orangeade instead of orange juice because when the juice is mixed with water it keeps much longer than when it is sold straight. Beatrice uses no preservative. Last year it sold some 532,000 gallons through its milk channels, took in about \$250,000, made a net profit of \$80,000. With its half dozen minor lines, most of which make quite a decent profit, Beatrice manages to offset some of the losses on its major products in bad years. Last year was a bad one for butter, but it was a hell of a year for eggs.

Black rot, green rot, and blood rings are only three of the pleasant little diseases an egg candler looks for when he holds an egg up to the light. But the egg business in the past few years has suffered from the much more serious diseases of bad prices and underconsumption. Between 1932 and 1935 the U.S. per capita consumption dropped from twenty-two dozen eggs a year to eighteen dozen. And last year the prices of eggs gave produce men many headaches. In the spring, when they bought eggs for storage, they paid as high as twenty-six cents a dozen for "storage-packed firsts." Other foods were high in comparison with eggs, and they thought the price would go up. Poultry men thought the same thing and increased their output. By December the supply of fresh eggs had knocked the bottom out of the storage-egg market and by the first of the year storage eggs were down to sixteen cents per dozen. Furthermore, last winter was so cold that produce men had a hard time moving their eggs. In such a business Beatrice considered itself not only lucky but smart to come through 1935 with a loss of only \$130,000.

But a part of this loss was due to a book-keeping device, which also helped to lower the profits of butter. Last year Beatrice's butter, egg, and poultry divisions paid charges of over \$150,000 to its cold-storage division, helping to swell the profit of that division to \$155,000, which was more than Beatrice made from its vastly larger butter business. Beatrice owns six cold-storage plants in six states, largest of which is in Chicago. The cold-storage plants give Beatrice facilities for handling its own butter and eggs and also a neat little profit from rental of space to packers, canners, and poultrymen. Armour and Swift have offices in Beatrice's Chicago plant, as has the Benjamin Titman Corp., which during April and May handles four or five carloads of cracked eggs every day. Cracked eggs are candled, then pass on a moving belt past some forty or fifty young ladies who neatly break them into cups, five eggs to the cup. The eggs are mixed and then

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H. Armstrong Roberts

BEATRICE OWNS ONLY 750 OF THESE



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Beatrice

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stored in thirty-pound containers and kept in storage at 20° below zero. Bakers use this mixture. A mixture of whites alone is used for making angel food, the yolks alone for mayonnaise, macaroni, and noodles.

BUT the greatest blessing to Beatrice these days is its ice-cream business. Last year the company's ice-cream sales were \$6,500,000, about one-fourth of its butter sales. The profit from ice cream was \$490,000, more than three times the profit from butter and almost 50 per cent of the company's total net profit. The reasons for this showing are simple. Ice cream, being a luxury, is not subject to price regulation; being a fairly difficult product to market, it is not subject to bobtail competition (the hokeypokey man is almost extinct). Last year Beatrice sold nearly 7,000,000 gallons of ice cream at a price of about ninety-four cents per gallon. Its profit per gallon was seven cents, yet there is no more work involved in making ice cream than there is in preparing milk for the market, and on a gallon of milk the profit averaged less than two-tenths of a cent.

The first wholesale production of ice cream on record was that of a Mr. Jacob Fussel, Baltimore milk dealer, who in 1851 converted his surplus cream to ice cream and saw his new business swallow the old. For some years thereafter the ice-cream business remained a one-man, one-freezer, one-pushcart affair, but a few disciples of Mr. Fussel set up plants in St. Louis, Chicago, Cincinnati, and by 1900 commercial production had reached the respectable figure of 30,000,000 gallons a year. Last year the U.S. output was more than 180,000,000 gallons.

Beatrice got into ice cream in a smallish way just before the 1920's and by 1927 was producing about 1,000,000 gallons. In 1930, after Mr. Haskell had put over his expansion program, the company sold nearly 10,000,000 gallons, some 4 per cent of the ice cream sold in the U.S. Nothing daunted by the decline in sales that began the next year, Mr. Haskell proceeded to modernize all his ice-cream plants and convert them all to the Vogt continuous-freezing process (it is pictured on page 86). Then he dropped all the brand names that Beatrice had acquired, launched an advertising campaign to make Meadow Gold nationally known. A few years before, the cost of dealer display advertising had ranged from three to ten

cents per gallon of ice cream. With only one brand to push, Beatrice could assess each of its forty-three ice-cream plants one cent per gallon and do a much better job. Last year sales began to mount again, were 500,000 gallons above those of 1934. With people spending more money for luxuries than at any time during the past five years, Mr. Haskell is confident that this year business will be even better.

The practice he applied to ice cream Mr. Haskell also applied to other products of his company. Beatrice no longer pushes separate brands of butter and milk, but concentrates all its advertising on Meadow Gold. Acquired dairies and creameries have in many cases been renamed; the Meadow Gold stamp appears on all milk bottles, all packaged butter—with the single exception of Holland, which still has its New England market. In this respect Mr. Haskell has departed from the practice of the largest dairy company, National, which still uses the brand names of companies it has acquired. Swift, with its Brookfield brand, and Armour, with its Cloverbloom, concentrate on one name. In four years Mr. Haskell has seen his company's advertising appropriation drop from nearly \$1,000,000 to \$300,000. Most of the money goes for window displays and advertising in national magazines.

MR. HASKELL has good reason to be grateful to a Mr. Frank W. Epperson of California, who went to bed one night leaving a glass of hot lemonade on the sill of his open window. Next morning Mr. Epperson found the lemonade frozen solid around a spoon. Interested, Mr. Epperson poured some hot water into the glass, lifted out the lemonade still clamped around the spoon. Then he proceeded to eat it. Pretty soon (this was in 1924) Mr. Epperson found himself applying for a patent. Lemonade-on-a-spoon had become lemonade-on-a-stick or orangeade-on-a-stick or any-water-ice-on-a-stick and that was the beginning of the Popsicle. Beatrice buys the sticks and flavoring matter and the bags that are slipped over the eating portion from Joe Lowe Corp., which is the licensing agent for Mr. Epperson's patent. Joe Lowe makes his profit on the sticks and bags, Beatrice its profit on the water ice. From Joe Lowe it buys also the sticks and bags that go with ice-cream-on-a-stick. This was invented by the late Mr. Harry B. Burt of Youngstown and called the Good Humor. Beatrice's is called the Smoozie.