

STALEY NEWS

Vol. 5—Page 1

December 1, 1941

Lower Fixed Charges Have Improved Our Financial Structure

There is no need to discuss in detail the kind of financial struggle that Mr. Staley and the Staley Company went through during the company's early years because all of us know the story.

It is worth remembering, however, that a fundamental question was presented to holders of the company's common stock in each of those years when a profit was made. They had to decide whether they would take the profit or leave it. If they paid themselves a dividend they would merely be realizing the goal they had in mind when they invested their money but—money would not be available to expand the business. If they reinvested the profits the business could be expanded but—there was a chance that they would never make a profit.

They Took the Risk

They decided to take the risk involved in reinvestment and all of us know the result. Instead of a 3,000 bushel corn plant making starch and feed we now have a 50,000 bushel corn plant making dozens of products and a better than 20,000 bushel soybean plant which pioneered a new industry.

Hindsight being better than foresight (and easier) we can now look back and be reasonably sure that if profits had been taken out of the business as they were earned the company would not only have failed to grow but would probably have failed entirely.

But there must come a time when the owner of common stock, who after all has invested his money in the hope of some return on it, feels that some consideration is due him.

And Waited 24 Years

For us that time came in 1930, eighteen years after the company started operations, and twenty-four years after the original investment of funds in the business, and the re-

(Continued on page 3)

Hunting License Obtained

We Have OPM'S Permission to Start Looking

Mr. E. K. Scheiter, Vice-President in charge of Sales, was the speaker at the Staley Foremen's Club's Thanksgiving Banquet in the Club House on November 17th. His speech might very well have been entitled "Priority Odyssey" because it was a description of his wanderings, and the wanderings of other Staley people, through the wilds of Washington in search of an A-10 Project Priority for our Oil Refinery Addition.



Everyone Said, "It Looks O.K. but . . ."

What they did to get that priority was, very briefly, this.

They prepared a minutely detailed brief covering the project and its relationship to defense (soybean oil is taking the place of more and more drying oils used in paints and formerly imported but now inaccessible because of lack of shipping space). This brief was submitted to the Office of Production Management. They said, "It looks O. K. but . . . you'll have to have the approval of the Department of Agriculture first".

So the brief went to Agriculture for its approval. Agriculture asked for more information regarding the possibility of using the equipment for edible soybean oil and then approved it.

After Agriculture had approved it, OPM, which was growing and reorganizing every day, requested a detailed list and tabulations in pounds of every item of critical material required to complete the project. That meant hurrying back to Decatur and working our engineering department and our suppliers overtime in order to get the information. Some machines even had to be taken apart and weighed.

(Continued on page 2)

Staley People Are Going to School

Jim Richey recently compiled some figures which indicate that more Staley people are now doing off-the-job studying than ever before in the company's history. A large part of the reason, of course, is that the company has provided money and facilities for such study.

Study at Home or at Millikin

For example, some time ago the company told office employees that, if they wished to take home study courses or evening courses at Millikin, it would pay 50% of the cost of such courses—or 75% in cases where grades were C or better. Since that time, fifty-one office people have taken some sixty-three courses (and the company has had to pay the promised 75% for all but ten of them).

Study On the Job

The horizontal transfer training plan has twenty-four people currently in training on new jobs. This, of course, does not represent the total number of persons who have been given job training but only those who are receiving it now.

Study After Work

In the plant the Mechanical Trades Training program, which began on October 7th, has twenty-seven persons enrolled. The Electricians, Tanners, Machinists, Millwrights and Pipe Fitters are all represented in this course which is being instructed by Mr. Richard Cole, head of the Manual Arts department at Millikin.



New Mechanical Trades Classes Start January 7th

At the completion of the first three months of instruction in the trades class program a new class will be started to accommodate those who could not be included in the first group. If you are interested the date will be January 7th and notices will

(Continued on page 2)

MORE ABOUT SCHOOL

be posted all over the plant two weeks ahead of time so watch for them.

Listeners and Discussers

Thirty-one people are attending the weekly seminars in economic problems which are being held on Monday and Friday afternoons in the Office building and fifty are attending, more or less regularly, the orientation seminars held on Wednesday afternoons. The orientation seminars are addressed each week by department heads who explain the how and why of their jobs and their departments.

And Read Some More

The office reference library, which contains some 600 volumes by now, has also provided Staley people with a chance for "book larnin". Eighty-nine office employees, including our salesmen all over the country, have borrowed 327 books on business problems. Also through the medium of the library the 166 magazines to which the company regularly subscribes are routed to forty people throughout the organization. Because some people are on the list for several magazines and because some of the lists are rather lengthy, the effect is that they receive a collective total of 287 magazines regularly.

It goes without saying that no organization can be more effective than its members and that their skill and information will increase with study and, therefore, it seems clear that our organized programs of study should provide us, in time to come, with an even better and harder hitting personnel than we have today.



MORE ABOUT A-10

Then back to Washington where they found that they now had to obtain the approval of the Protective Coatings Section of OPM. They finally said, "It looks O. K. but . . . you'll have to have the approval of each of the sections dealing with critical materials which you require".

So—they went to the section in charge of structural steel, the one in charge of vacuum pumps and engines, for motors and starters, for copper and copper wire, for refrigerating units and for bronze. They all said, "It looks O. K. but . . . you'll have to have the approval of the rating section". The Project Rating Division, after a good deal of conversation, finally approved the project and rated it A-10. Then, after it was approved and countersigned in the office of Donald Nelson, we had it—at long last.

We had it and found, in Mr. Scheiter's phrase, that we "had obtained a license to hunt". All we have to do now is to find suppliers whose output of the materials and machines we want are not entirely taken up by people with a higher rating than ours.

As an interesting sidelight on this job of hunting for hunting licenses, Mr. Scheiter is definitely of the opinion that a good job is being done in Washington by men who are working as hard and as well and as honestly as they can to convert our peacetime economy to a war economy *and quickly*. Naturally there has been a terrific amount of confusion attendant upon setting up the gigantic machinery for the government's war effort and, at the same time, running that machinery for all it is worth to produce results quickly but everyone there seems to be doing his level best. Its your job and mine to make that best good enough.

"Keep Your Buildings Clean"

Jim Galloway never closes a foreman's meeting without saying, "Now boys, be sure and keep your buildings clean. We have to look out for fires and to keep dirt out of our products and keeping your building clean is the first step. And remember to preach Safety First to your men all of the time and to look out for those Extra Board men."

Which is good advice for every one of us. Keep your building clean. Pick up papers and trash and old lumber or nuts and bolts. Take a pride in this plant. You live here your whole working day.



This is a plea for shoes big enough to fit your feet. The army discovered during the last war (and is repeating the discovery this time) that most men were wearing shoes about one size too short. This common mistake, probably due to misplaced vanity, is possible because feet are more or less pliable and adaptable and *can* be crowded into too small a space. A wide shoe allows the foot to spread enough to partially compensate for the lack of length and you *can* be fooled into thinking that the shoe is comfortable. But eventually, because the bones of the feet are cramped into too small a space, all sorts of bad things can happen to them. Hammer toes, bunions and broken down metatarsal and longitudinal arches are some of the possibilities.

Be sure that the shoe you buy fits snugly under the arch but not too tight elsewhere. Be sure, above all, that the ball joint (where your big toe joins on) is directly opposite the wide part of the shoe at the point where the sole flares out. If you *must* make a mistake, buy a shoe that is too long and too narrow rather than one that is too short and too wide. It will do less damage to your foot.

And too, if you are a fellow that runs his heels over, don't let them get too bad. See your cobbler as often as necessary and keep those heels built up because if you don't you are not only throwing the bones in your feet out of their normal alignment but you are doing the same thing to bones and muscles in your legs.

And too, while we're talking about protecting your feet, here comes the commercial. **USE YOUR HEAD AND SAVE YOUR FEET. WEAR SAFETY SHOES.**

* * *

The number of late reports have been increasing in the last two months so, in case you haven't heard this line before, *be sure that you report every injury, NO MATTER HOW SLIGHT, to First Aid the same day that it occurs.*

Published Monthly
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

OPM Says, "Ideas Are Weapons"

A recent press release from OPM says, "American workers know their business. They have ideas about how production can be speeded and improved. Because they're interested in their work, they figure out new invention, tools, devices.

"Industrialists and shop managers have discovered this in recent months. An idea for improvement in the mechanism of a huge drop forge was recently offered to a foreman in a Philadelphia shipbuilding plant by a negro worker. The idea was successfully incorporated into the machine. Now plans are being considered to apply the same idea to machines in scores of other plants.

"Twenty-three new ideas, offered by employees of Bell Aircraft Corporation, early this year, have been accepted and applied.

"At the Curtiss-Wright plant, a worker invented a rivet maker that swallows heavy wire from big spools and spouts like a machine gun. Another worker's invention revolutionized the making of wing beams, reducing production time from 100 hours to 45 minutes, and cost from \$175 to \$8.

"In Detroit, a worker who dabbles in chemistry as a hobby, came out with a formula for a new type of plastic that may soon be used in autos, planes and high-powered radio transmitters.

"Workers under Fascism, practically chained to their jobs at wages set by the government, find no incentive to improve the machines that enslave men. American workers find in their freedom and opportunities a stimulus to imagination and invention."

Turn your ideas into weapons. Every one is needed and it may be your idea that will make the difference between doing the defense job and not quite doing it.

MORE ABOUT FINANCE

sult was a dividend payment of \$4.50 per share, an amount equal to about 2.9% of the stock's value. In 1931 a dividend of \$1.50 (approximately .9%) was paid.

No dividend was paid on the common in 1932 or 1933 but in 1934 a stock dividend of 100%, involving no outlay of cash, was declared. From 1935 to 1940, inclusive, common stock dividends of from .5% to 3.5% per share (on the basis of book values) were paid each year.

In order to understand how it has been possible to pay dividends on the common stock during ten of the last twelve years and, at the same time, pay on our debts and continue the expansion of our plant and facilities, let's take a look at the company's financial structure in 1931 and the changes that have been made since.

Ten Years Ago

In 1931 the company owed bonds and had outstanding stock as follows:

\$4,800,000.00 in 6% First
Mortgage Bonds

\$5,000,000.00 in 7% Preferred
Stock

\$4,909,620.42 in Common Stock
and fixed charges on that debt and
preferred stock amounted to:

\$316,101.87 interest to bondhold-
ers and expenses con-
nected with bonds.

\$350,000.00 dividend on 7% Pre-
ferred Stock.

\$666,101.87 total fixed charges.

Since that time we have paid off \$2,500,000.00 of the bond issue and refinanced the balance for a lower interest rate. It is worth noting that this debt retirement was made possible by the fact that common stockholders did not withdraw all the profits earned each year.

We have also exchanged a very sizeable portion of our 7% preferred stock for 5% preferred and thereby effected a saving of about \$50,000.00 per year in preferred dividends.

And Today

As of the end of 1941 (using our first ten months experience as a basis for prediction) our financial picture will be:

\$ 1,700,000.00 in 2¾% Debenture
Bonds (redeemable
in 5 to 15 years)

\$ 600,000.00 in 2.1% Serial
Notes (redeemable
in 1 to 4 years)

\$ 686,000.00 in 7% Preferred
Stock

\$ 4,697,700.00 in 5% Preferred
Stock

\$10,272,100.54 in Common Stock
and fixed charges on that debt
amount to:

\$ 63,831.72 interest to bondhold-
ers and expenses con-
nected with bonds.

\$282,905.00 dividend on 5% and
7% Preferred Stock

\$346,736.72 total fixed charges

Paying and Refinancing Have Lightened the Load

So, by paying off a large portion of our bonded indebtedness and by refunding operations which reduced bond interest rates and preferred dividend rates, we have reduced the amount of money that we must pay every year for the use of funds necessary to operate our business by \$319,365.15 or 48%.

To our common stockholders (some 988 people), who bore the burden of a non-paying investment from 1906 to 1930 and in two of the years since then, this saving will mean a chance to participate a little more fully in the earnings of the business.

It is worth noting, incidentally, that common dividends for 1941 will only represent about one-fourth of earnings on the common. The other three-fourths are being added to working capital to finance the purchase of high priced beans and corn.

To our management it will mean an opportunity to plan for the future without the shadow of an enormous fixed charge which must be met each year hanging over their heads.

To our employees it means that the company is in better financial condition than ever before and that its chances of surviving any ill wind which the war may blow are infinitely greater than they would have been had we met the war ten years ago.

A sound financial structure is only one of the factors that make up a healthy business but it is so important that health will not long be maintained without it.



If you need two new storm windows measuring 2' 10" by 3' 11" (and who doesn't) call Staley phone 418 and arrange to buy them for a really sensational price.

Our Switching Problem

By Mr. T. C. Burwell, Vice-President in charge of Traffic

Editor's Note: Being a fellow who knows only as much about our switching controversy as he has read in the papers (and is not too sure what the papers said) and guessing that other Staleyites might be in the same plight, we asked Mr. Burwell to start at the beginning and tell us the story. Here it is.

The Interstate Commerce Commission, by an order entered July 6th, 1931, started an inquiry into "certain practices of carriers subject to the Act which affects revenues or expenses," for the purpose of determining whether such practices "are lawful and consistent with economical and efficient management," and with a view toward making "such orders or findings of fact as may be appropriate under the Interstate Commerce Act."

A communication (dated May 16, 1932) was addressed to this company indicating that evidence so far brought forward gave rise to two questions concerning terminal switching services performed on the tracks connecting our plant with the railroads:

1. Whether such services, consisting of placing cars on our tracks in positions for loading and unloading, were services which the connecting railroads, by law, were duty-bound to perform and;

2. Whether in circumstances where such services were performed by the Staley Company any allowance made to the company by connecting railroads, as compensation for that work, was lawful.

We were requested to send a representative to a hearing in Chicago on June 14, 1932 to testify as to the basis and justification for any allowance or compensation which might be received for such services, and to advise concerning such other facts as might have bearing on the questions.

After the hearing a proposed report was issued by the Director of the Bureau of Service and, since the scope of the investigation was national, the report, issued May 14, 1935, stated that supplemental orders would be issued involving the various industries.

On May 22, 1936, the Commission issued a Supplemental Order involving this company and ordering the Decatur railroads to cease and desist on or before July 6, 1936 from the payment of any allowance to the Staley Company for switching because the payment was alleged to be in violation of the Interstate Commerce Act. The effective date of the Order was postponed from time to time until June 15, 1937 when it became effective but was considered to be a moot order because the Wabash Railway, as Agent for the five Decatur lines, had been doing the switching in the plant for approximately one year. Therefore, no charge was made for the placement of cars for several months subsequent to June 15, 1937 and no complaint was made by the Commission. However, the attorneys for some of the railroads became concerned and decided that they should read into the order what the Commission had in its mind. They interpreted the order to say that, if it was unlawful to pay the allowance, then, by the same token, it must be unlawful to do the work without compensation. Our position has been that the order was a moot order, one which applied to a situation no longer in existence, and that the Commission or-

dered the allowance discontinued because in their opinion it permitted the Staley Company to secure, by the use of its own engines, services of a superior and unduly preferential nature.

In May 1936 we retained Walter, Burchmore & Belnap, probably the outstanding practitioners before the Commission, to assist in our defense. Two petitions for a rehearing were filed and both were denied. Next a proceeding was filed in Federal Court asking for a writ of mandamus, requiring the railroads to perform for us the same services at the same charges for which they performed such services for the public generally. The Commission intervened in that proceeding and the matter was set down for hearing to determine whether their intervention should be permitted.

During the course of the argument an attorney for the Commission told the Court that the Commission intended to place a similar charge on all large industries and that the company had proper recourse with the Commission, following which the company filed a third petition to reopen the case. We were then advised informally that the Commission did not intend to act on our petition pending some disposition of the court case, whereupon the court case was dismissed. The Commission then reopened the case and a hearing was held before its Acting Director, Mr. Homer King. He issued a proposed report indicating that a charge of \$2.50 per car, which had been established by the carriers effective November 15, 1937, should be eliminated; that freight rates applying to and from Decatur on interstate traffic included their placement at points of loading and unloading.

This report was neither confirmed nor denied by the Commission which, of its own motion, reopened the case in July 1939 and set it for hearing at Decatur during March 1940. Following the hearing at Decatur the Commission decided, on May 6, 1941, that rates to and from Decatur did not include placement of cars for loading and unloading and that the cancellation of the \$2.50 charge was unwarranted.

Since then there has been a great deal of negotiation as to what further action might be taken. Our avenues of relief are limited. The company has the right to appeal to the Federal Court requesting that the Commission's order be set aside but the outcome of this procedure is somewhat doubtful. We have the right to proceed before the Commission with a formal complaint alleging violation of Section 3 of the Transportation Act of 1940 which deals with discrimination but the outcome of such a procedure would probably result only in similar charges being placed on our whole industry instead of the suspension of charges against us. There seems to be no reason for such charges being paid by our industry when they are not paid by others.

There have been several conferences lately with the carriers in which we have advised them that there is nothing now pending before the Commission or in the courts and that we would appreciate their making a survey of our plant so that cars moving in and out might be handled in the most efficient manner. When that survey is completed some future course of action will probably be decided upon.