

**FOOD RESEARCH INSTITUTE**

**STANFORD UNIVERSITY, CALIFORNIA**

**MISCELLANEOUS PUBLICATION No. 3**

**JANUARY 1926**

**COMBINATION IN THE AMERICAN  
BREAD-BAKING INDUSTRY**

**WITH SOME OBSERVATIONS ON THE  
MERGERS OF 1924-25**

**By**

**CARL L. ALSBERG**

**Director, Food Research Institute**

**Sometime Chief, Bureau of Chemistry  
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**The Food Research Institute was established at Stanford University in 1921, jointly by the University Trustees and the Carnegie Corporation of New York, for research in the production, distribution, and consumption of food.**

***DIRECTORS***

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## PREFACE

Monopoly has always been hateful to men. Monopoly in foodstuffs above all things has aroused their bitterest opposition. Any movement presenting the appearance of a trend toward monopoly in food calls forth suspicion at once. In the last few years the commercial baking of bread in the United States has presented such appearances, and suspicion of the movement is now at its height. Since monopoly in bread would affect the public interest, it is of not a little importance to look behind appearances and to determine, if possible, what lies there and what it portends to the public welfare. To such an end this study is devoted.

Changes in the organization of the American baking industry during the last two years have been so rapid as to be bewildering. From week to week, almost from day to day, new combinations, new financing, new organizations have been announced. Hardly had the manuscript of this study gone to press when new combinations were reported. Not a little rewriting after the receipt of printer's proof was necessary. No doubt before the finished product can come from the presses, further developments, which may materially change the picture, will have taken place. The student of the situation yearns for a slow-motion camera so that he may be able to observe and record with more leisure and greater certainty the moves that pass before his mind's eye with so great an acceleration.

For months past, the baking industry has been "news" almost daily. In consequence, this essay exhibits necessarily a few journalistic traits that give it an air of lack of finish and finality. For example, for many a statement no citation can be given, for there is not yet much of a printed or documentary literature about American bakery combinations. Yet the writer knows these statements to be sound, because based either upon personal observation or upon statements to the writer by reliable persons in the industry. These and other deficien-

cies could have been avoided only by withholding publication until such time as the industry of baking bread had come to a condition of repose. Then this study would have been a history, more interesting possibly, more complete, more accurate, more mature doubtless, but doubtless, too, of but academic value. Because the writer hoped that, if made public now, this study may help to mould public opinion, he has had the temerity to deal with a situation still changing daily that, therefore, cannot now be understood in its entirety, and he has been willing to run the risk of being taken to task for defects resulting therefrom.

The writer has enjoyed the benefit of the suggestions and criticisms of Dr. J. S. Davis, Dr. A. E. Taylor, and Dr. H. Working, his colleagues at the Food Research Institute, and of Professors J. B. Canning, Eliot Jones, and E. G. Mears of the Stanford Department of Economics. He desires to record his grateful acknowledgment of their assistance. Without their encouragement this study would not have been completed. He also wishes to acknowledge the assistance of Miss R. D. T. Lee, especially in the preparation of the appendix, and his indebtedness to Dr. W. Eldred, whose material, gathered at the Food Research Institute in connection with an economic study of the baking industry, he has had the privilege of examining. The manuscript by C. B. Robbins, *A Study of the Problem of Par Value and of the State Laws Authorizing the Issue of Shares Without Par Value*, a thesis written under the direction of Professor J. B. Canning, has also been consulted with profit.

C. L. A.

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## APPENDIX

### HISTORICAL SKETCH

A brief historical sketch of the different organizations involved is necessary for a more thorough understanding of the factors underlying and contributing to the various mergers that have occurred in the baking industry.<sup>1</sup> Such a sketch, filling out and amplifying the histories of the various concerns mentioned in the main body of this study, is here presented.

#### I. BAKING CONCERNS WHICH GREW TO LARGE SIZE

Before the era of mergers, certain bakery enterprises grew to very considerable dimensions without absorption of other enterprises. The evolution of some of these is a necessary part of the study of bakery consolidation, for they formed the backbone of the consolidations which came later.

*Ward Companies.*—One of the most conspicuous of the companies of this type is the Ward Baking Company, which produces cake as well as bread. It had its small beginnings in Pittsburgh in 1878, and expanded by the establishment of plants successively in Boston, Providence, Cleveland, Chicago, New York, Baltimore, Youngstown, Columbus, Syracuse, South Bend, and elsewhere, until it operated nineteen bakeries in thirteen different cities. The founder of the company was R. B. Ward, who merely continued the business begun by his grandfather in 1849 and later carried on by his father. He remained in control of the company until 1915, when he was succeeded by his brother, George S. Ward, who had long been associated with him, and this brother's sons, Walter S. and Ralph B. This branch of the family remained in control until the close of 1923, when the control reverted to R. B. Ward's family. The election in 1923 of R. B. Ward's son, William B. Ward, as president of the Ward Baking Corporation marked the fourth generation of Wards in the business.

This company seems to have expanded by the organization of new subsidiary concerns as it spread into new territory. In 1912 these were consolidated. For this purpose the Ward Baking Company of New York was incorporated in New York State. It took over the following concerns: Ward Corby Company, of New Jersey, operating a Boston plant with thirty ovens, a Providence,

<sup>1</sup> Except where otherwise noted, the material for this Appendix has been gathered mainly from the *Commercial and Financial Chronicle* and *Moody's Manual* (issued variously as *Moody's Manual*, *The Moody Manual Service*, *Poor's and Moody's Manual*, *Poor's Manual*). For the sake of continuity, certain data from the main body of this study have been repeated in the Appendix.

R.I., plant with sixteen ovens, and two Chicago plants with twelve and twenty-four ovens, respectively; the Ward Baking Company, of Pittsburgh (formerly the Ward, Mackey Company), with thirty-two ovens; the Ohio Baking Company, operating a plant with sixteen ovens in Cleveland; the Ward Bread Company, of New York, operating a plant in the Bronx with thirty ovens and one in Brooklyn, also with thirty ovens. The daily consumption of the new company was 2,500 barrels of flour, and its weekly output four million loaves. Its gross business was nearly \$8,000,000. In the same year, it bought out Mangels & Schmidt, of Newark, N.J.

Its authorized capital stock was \$15,000,000 preferred and \$15,000,000 common, par of each \$100. Ten million dollars in 6 per cent gold bonds were authorized, but only four million were issued—dollar for dollar, it was understood, for the old company's stock. Since it was financed almost entirely by insiders, it was practically a family affair. R. B. Ward was president, George S. Ward, vice-president, and W. B. Ward, secretary. The directors of the Ward Bread Company were continued as directors of the new company.

By 1914 it had a new plant under construction at East Orange, N.J. Its gross sales had increased to over \$10,000,000; its bonds outstanding to \$4,744,000.

In 1915 its outstanding bonds amounted to \$5,050,400.

In 1916 it operated fourteen bakeries: one each in New York City, Brooklyn, Newark, N.J., Providence, and Cambridge, Mass.; two in Cleveland; and four in Chicago. Its gross sales were \$13,738,450. It is evident that, of the plants with which the company started, many must have been abandoned, other larger and more modern plants being operated in their stead. There were outstanding \$6,606,900 shares of common stock, \$7,132,200 of preferred, and \$5,695,000 of bonds. R. B. Ward had retired in 1915. George S. Ward became president, J. B. Arthur, vice-president. W. B. Ward, son of R. B. Ward, who moved to Buffalo to begin independent operations there, remained a director. In 1919 he was no longer a director. In 1918 R. B. Ward, son of George S., became second vice-president. Up to 1920 dividends were paid regularly on the preferred shares, but there is no mention of dividends on the common stock. By 1921 the company operated fifteen plants, including a new one at Columbus, Ohio, and in 1922 it acquired holdings in Milwaukee.<sup>1</sup> In 1920, 3 per cent in cash and 20 per cent in stock was paid upon the common stock. In 1921, 6½ per cent was paid.

By 1923 there were outstanding \$9,526,900 common shares and \$8,658,000 preferred. The funded debt was \$5,894,200. On January 2, 1923, the dividend on the common stock was raised to 8 per cent, and extra dividends were paid as follows: January 1, 1922,

<sup>1</sup> *Northwestern Miller*, August 23, 1922, p. 836.



3 per cent; January 2, 1923, 5 per cent. Additional stock dividends on common have been paid as follows: July 1, 1920, 20 per cent; July 1, 1922, 20 per cent; January 2, 1923, 20 per cent. The name of Charles A. Ward, brother of W. B. Ward, and president of the Ward Motor Vehicle Company, appears on the list of directors.

In December 1923, the company was reincorporated in Maryland as the Ward Baking Corporation. The new company had as president, W. B. Ward. Most of the old officials of the Ward Baking Company of New York remained, but George S. Ward and R. B. Ward, respectively president and second vice-president of the old company, have no connection with the new one. Charles A. Ward is a director of the new company. J. M. Barber became one of the two assistant-treasurers of the new company.

In assuming control of the old Ward Baking Company of New York, it is reported that stock was exchanged on the following basis: One share of Ward Baking Company of New York preferred for one share of Ward Baking Corporation preferred and one share "B" common; one share of Ward Baking Company of New York common for two shares of Ward Baking Corporation preferred and one share of "A" common. The "A" and "B" common have no par value, the preferred, a par value of \$100. By February 1924, the newly incorporated Ward Baking Corporation had acquired more than 95 per cent of the stock of the Ward Baking Company of New York, which at that time operated seventeen bakeries, having entered Youngstown, Ohio, Syracuse, N.Y., and South Bend, Ind. The company had an authorized capitalization of \$50,000,000 7 per cent cumulative preferred (with a par value of \$100) and 500,000 shares each of "A" and "B" common stock of no par value. In March 1924 there were outstanding 71,021 Class "A," 500,000 Class "B," and \$27,129,100 of preferred shares. The preferred and Class "A" shares have voting power. Class "B" acquires voting power only after the dividends become available for it, i.e., after payment of the preferred dividends and 8 per cent on Class "A" stock. In April 1924 payments of dividends upon the preferred were begun.

In April 1924, the Research Products Company, a subsidiary of the old company operating in Ohio territory, was sold to the Fleischmann Yeast Company. This concern marketed a flour improver or "yeast-food" under the trade-name of "Arkady," which was covered by patents.

As was noted above, W. B. Ward, son of R. B. Ward, was an officer of the Ward Baking Company of New York from 1905 to 1912. In 1912, however, he left the company, although he remained on the directorate until 1918 or 1919. In the interval between that time and his organization of the Ward Baking Corporation, he, with his brother, developed Ward & Ward, Inc., of Buffalo, and Ward Brothers Company, Inc., of Rochester, N.Y. The latter company operated plants in Rochester, N.Y., Dayton, Ohio, Cincinnati,

Ohio, Gary, Ind., and Chicago, Ill.<sup>1</sup> About February 1922 the United Bakeries Corporation, a holding company, acquired both these companies, W. B. Ward being in 1923 chairman of the board of directors of the holding corporation. He resigned just before organizing the Ward Baking Corporation above mentioned.

During May 1923—that is, after all its stock was held by the United Bakeries Corporation—the Ward Brothers Company, Inc., purchased all the outstanding stock of the Holland Baking Company, with bakeries in Toledo, Columbus, Dayton, and Youngstown, Ohio, and then purchased their properties outright.

*Schulze Baking Company.*—Another enterprise that, like those of the Ward family, grew to considerable size, is the Schulze Baking Company of Chicago, incorporated in Illinois in 1893, whose specialty was bread. Concerning its early history, little information is available. By 1914 it had plants in Kansas City, in Cincinnati, and in Chicago, where it operated four old plants and one new one. In 1916 it operated but five plants in Chicago, and had also plants in Kansas City and Cincinnati. In 1917 it had outstanding \$1,540,000 shares of common (par \$100) and \$1,210,000 7 per cent cumulative preferred (par \$100) with a bonded indebtedness of \$755,000. It had apparently been paying dividends regularly on the preferred, but not on the common. In 1918 it added a plant at Grand Rapids. By 1920 it had added plants in Peoria and Springfield, Ill., Omaha, Des Moines, and Detroit, and was paying dividends at the rate of 2 per cent on the common stock; this rate was continued until 1922. In 1923 the bonded indebtedness of the Schulze company was \$970,000. In September 1921 the Freihofer interests of Philadelphia had acquired a controlling interest in the company, thus bringing under a single management nearly twenty bakeries scattered between the Atlantic Coast and the Missouri River.<sup>2</sup> In 1925, however, the Freihofer company was reported to have sold its interests in the Schulze Baking Company to the Purity Bakeries Corporation. Later reports indicate the deal was not consummated.

*Freihofer Baking Company.*—The Freihofer Baking Company is an old concern. Its early history before incorporation in Pennsylvania in 1912 has not been recorded, nor were records made available till 1923, when it had more than four plants, and had acquired the Schulze Baking Company as stated above.

In 1923 it had outstanding \$1,000,000 common (par \$100) and \$732,500 in 7 per cent cumulative preferred (par \$100). It had no funded debt. In 1924 it seems to have issued \$1,000,000 7 per cent second preferred, perhaps in connection with the absorption of the Schulze Baking Company. It paid dividends on preferred regularly, but dividends on common have not been reported.

<sup>1</sup> *Northwestern Miller*, February 22, 1922, p. 707.

<sup>2</sup> *Ibid.*, September 28, 1921, p. 1453.

*Livingston Baking Company.*—Another concern that had small beginnings is the Livingston Baking Company, of Chicago. It was started by Louis Livingston in 1867, and continued by his sons. It was incorporated in 1923 with a capitalization of \$1,000,000, and by 1924 it operated three plants in Chicago with a daily capacity of 150,000 loaves, in addition to a full line of cakes. In 1923 it took over the Grant Baking Company. Toward the end of 1924 it was acquired by the Continental Baking Corporation. Julius M. Livingston, one of the owners, became a vice-president of the absorbing corporation.<sup>1</sup> The consideration is said to have been \$4,000,000—\$2,000,000 of this being cash.<sup>2</sup>

*Campbell Baking Company.*—The Campbell Baking Company is another concern that grew from small beginnings to considerable size. Just as the Ward Baking Company of New York was gradually built up through the abilities of the brothers R. B. Ward and George S. Ward, so the Campbell Company was built up through the abilities of the brothers Brayton Campbell and Win Campbell. Few details of its early history are available. It was incorporated in Delaware in 1920, and included nine bakeries, but the earliest financial information recorded is in 1924, when the company was controlled through stock ownership by the United Bakeries Corporation. By that time it operated plants in Des Moines, Sioux City, and Waterloo, Iowa; Wichita, Topeka, and Kansas City, Kans.; Kansas City and St. Joseph, Mo.; Tulsa and Oklahoma City, Okla.; Dallas, Tex.; and Shreveport, La. In 1924 its authorized capitalization was 200,000 shares of no-par common, \$5,000,000 of 8 per cent cumulative preferred "A" stock of \$50 par, and \$5,000,000 cumulative preferred "B" stock of \$50 par. More than 98 per cent of the common stock, which, apparently, alone had voting power, was owned by the United Bakeries Corporation. Apparently, in 1923, preparatory to the taking control by the United Bakeries Corporation, there had been thorough refinancing, including refunding of the debt. What the capitalization was, and the manner of its distribution before 1923, could not be ascertained. In 1925 announcement was made of intention to construct a \$300,000 extension to its Kansas City plant and also to the Dallas plant. The plans were being made by the engineers of the Continental Baking Corporation,<sup>3</sup> and a new plant to cost \$250,000 was also planned for Fort Worth, Tex.

*Nafziger Baking Company.*—Another concern that developed from small beginnings is the Nafziger Baking Company, which operates eight plants in Missouri, Kansas, Iowa, Illinois, Oklahoma, and Texas. About May 1925 the Purity Bakeries Corporation secured stock control of this company.<sup>4</sup>

<sup>1</sup> *Northwestern Miller*, November 19, 1924, p. 728.

<sup>2</sup> *Ibid.*, October 14, 1925, p. 141.

<sup>3</sup> *Ibid.*, May 20, 1925, p. 729.

<sup>4</sup> *Ibid.*, p. 732.

*Other Companies.*—Other concerns, each with a large sphere of operations, may be enumerated: The Corby Baking Company, of Washington, D.C., by 1920, had two plants in that city, two in Richmond and one in Alexandria, Va. These were ultimately acquired by the Continental Baking Corporation. In Ohio, the Holler Baking Company, a house-to-house retail distributor serving Pitsburg, Akron, and Toledo, grew to considerable proportions, as did the Holland Bread Company, with plants in Toledo, Dayton, Columbus, and Youngstown. The latter, as stated above, was ultimately absorbed by Ward Brothers, Inc. In West Virginia there was the Stroehmann Baking Company, with plants in Wheeling and Huntington, W.Va., and Ashland, Ky. This firm was ultimately bought by the United Bakeries Corporation.

It is significant of the competitive conditions in the industry that several concerns should have their headquarters in Kansas City.

The National Bread Company was an example of a consolidation formed to control a patent. By this patent, hand-kneading was done away with, and an improved yield of bread per barrel of flour obtained. Its plan was to license subsidiary bakeries to use the patented machines in return for cash or a percentage of the bakeries' stock as payment. The United States Bread Company, of New York, capitalized at \$3,000,000, of which \$1,000,000 was 8 per cent cumulative preferred, and the National Bread Company, of St. Louis, incorporated in 1902, with a capitalization of \$600,000, were the largest licensees. However, with the more general use of baking machinery, the company lost its advantage and two years after incorporation applied for a receiver.

## II. COMBINATIONS IN THE BREAD-BAKING INDUSTRY

Having described some of the most important concerns that grew to some size, we may now turn to concerns arising primarily as the result of combination. In Section II of the text it was pointed out that the first combinations occurred as the result of competition, and were often promoted by outsiders. Thus the New York banking house, Ochsner & Company, which had been interested in one of the earliest mergers, that of the American Bakery Company in St. Louis in 1907, became active in encouraging similar mergers. Indeed it went so far as to solicit this sort of business by advertisements in the baking-trade press.

Combinations forced by creditors, at first local, but subsequently expanding, were also taken up in Section II. There were several combinations of this type<sup>1</sup> on the Pacific Coast during the post-war depression when the coast mills were themselves in diffi-

<sup>1</sup> *Northwestern Miller*, August 23, 1922, p. 827; *ibid.*, February 22, 1922, p. 848; *Bakers Review*, August 1922, p. 77.

culties, largely because they had not been able to hedge their wheat.

We also discussed mergers, not necessarily local, where consolidation was occasioned by a desire for greater efficiency. We shall here have to consider examples of the varying types of combinations, calling attention again to the fact that the earliest mergers are characterized by the inclusion of firms of very different efficiencies, and the later by an attempt, at least, to exclude the less efficient plants.

*American Pastry and Manufacturing Company.*—One of the earliest mergers made under the pressure of competition—strangely, it was in the sweet-goods line—was that of the American Pastry and Manufacturing Company in 1899. It was incorporated in New Jersey with a capitalization of \$1,000,000 of 7 per cent cumulative preferred and \$2,000,000 common, to be controlled by owners of the common as long as dividends were paid in full on the preferred. The consolidation included the American Pie Baking Company, the New England Pie Baking Company, and the Manhattan Pie Baking Company. There was great hesitancy on the part of firms to merge, and the Albau Pie Company, of Brooklyn, and the New York Pie Bakery actually refused to enter the consolidation. The company seems to have continued, with little expansion up to the present time. However, in October 1925 it applied for a receiver, and the properties of the company were to be sold to the New York Pie Baking Company, the same concern that refused merger twenty-six years before.

*American Bakery Company.*—One of the earliest mergers of this type in the bread-baking line was the formation, in 1907 in St. Louis, of the American Bakery Company, already mentioned. It was the direct result of cut-throat competition and unfair trade practices. Seven concerns were merged, some of them co-partnerships. Of seven plants, two were at once shut down, and in recent years only three have been operated.<sup>1</sup> There is no record that this concern grew materially or much extended its business. It started with an authorized capitalization of \$1,000,000 of 7 per cent cumulative preferred without voting power except on default of dividends, and with \$2,000,000 of common—par value of both \$100. It paid its preferred dividends until July 1916. It resumed their payment in September 1917. By 1920 all deferred dividends as well as regular dividends had been paid, and these have continued regularly since that time.

In March 1911 the shareholders voted to reduce the authorized common stock from \$2,000,000 to \$1,000,000 and the amount outstanding from \$1,889,500 to \$944,750 (par value remaining \$100), in order, it was said, to pave the way for dividends on the common shares. In 1911 the first payments of dividends on the

<sup>1</sup> *Bakers Weekly*, November 8, 1924, p. 54.

common were begun at a rate of 6 per cent per annum. In 1913 dividends on common were reduced to 4 per cent, and in 1915 they were discontinued, to be resumed in 1921 at the rate of 4 per cent, at which they have since continued. The original bonded indebtedness was \$775,000; by 1924 this had been reduced to \$540,000.

In November 1924 the American Bakery Company was acquired by the United Bakeries Corporation. It is reported that the United Bakeries Corporation paid \$75 a share for the common and \$100 for the preferred, gave certain privileges of stock purchase, and assumed the bonded indebtedness.<sup>1</sup>

*Shults Bread Company.*—The Shults Bread Company seems to have had a genesis similar to that of the American Bakery Company. It was incorporated in New York State in 1910 and merged twelve wholesale bread bakeries in and around New York, only one of which had a capacity of over 1,000 barrels of flour per annum. Six were located in Brooklyn, three in New York City, two in Hoboken, and one in Mount Vernon. It authorized only one kind of stock (\$6,000,000, par \$100), \$3,000,000 of 6 per cent bonds subject to a prior lien of \$300,000 and some small real estate mortgages. Its real estate was given a value of \$3,150,000; its horses, equipment, good-will, etc., \$2,000,000 more.

In 1914 it completed two modern bakeries costing \$300,000 each. It had outstanding \$4,954,000 stock, \$290,000 bonds, and real estate mortgages amounting to \$345,000. Its real estate was still valued at the same figure, but equipment, horses, good-will, etc., were valued at \$5,749,362. Perhaps the most significant fact of the report of that year is that Mr. H. D. Tipton appears as a director.

Apparently payment of dividends began at the rate of 2 per cent per annum in December 1912. In June 1916 they were increased to 4 per cent. In December 1917 these were increased to 6 per cent, and in 1918 the dividend rate became 7 per cent. In 1919 the dividend rate was 8 per cent, which has continued. In 1919 a new bakery was built and put in operation on Staten Island.

When this company was formed it bought all the absorbed concerns outright, issuing in exchange its own bonds and common stock. Analysis of the statements of the company indicates that the owners of the concerns probably received bonds in full for their real estate, and stock for their horses, equipment, and good-will. If, as the figures suggest, they received two to three dollars in stock for each dollar's value in horses, equipment, and good-will, they did not fare as badly in the long run as might seem to be indicated from the fact that they received no dividends at all for two years and only 2 per cent for the next four years—

<sup>1</sup> *Northwestern Miller*, November 5, 1924, p. 545.

that is, only at the rate of 1½ per cent in the first six years.\* Even so, the company can hardly be said to have made more than a fair record for six years. It should be noted that only in 1917, with the war stabilization of flour prices, did its dividends become such as any manufacturing concern may reasonably expect. We shall encounter this state of affairs again and again as we study the history of individual concerns. Others did not pay dividends on their common stock until the decline of flour prices beginning in 1920. This, too, we shall meet with frequently.

In 1923 the United Bakeries Corporation acquired control of the Shults Bread Company by stock ownership, and H. D. Tipton became president. The purchase price is said to have been approximately \$5,500,000. It was reported that the holder of each share of Shults Bread Company stock was to receive one share of preferred stock and one-half share of common stock of the United besides \$15 in cash.<sup>1</sup> At that time the Shults Company operated twelve plants in the metropolitan district of New York. Just before the absorption in 1922 the real estate was valued at \$3,150,000; the equipment, good-will, etc., at \$6,200,000; and the bonded indebtedness was \$2,400,000. By 1924 H. D. Tipton had left the company.

*Other Combinations.*—Among other combinations fairly local in character about this time were the Consumers' Bread Company, of Kansas City, and the City Baking Company, of Baltimore. The former extended its operations into some of the thriving newer cities of Kansas and Oklahoma and was absorbed into the Smith-Empire or the Smith-Great Western Baking Company. The Banner Grocers' Baking Company, of Cincinnati, in 1921, consolidated with bakeries in Hamilton and Columbus, Ohio, and was itself absorbed by the Purity Bakeries Corporation.

The United Baking Company, of Toledo, was one of the early mergers organized by H. D. Fallis & Company.<sup>2</sup> It is not to be confused with the United Bakeries Corporation, the holding corporation repeatedly mentioned above and to be discussed in some detail below.

In 1916 there was incorporated in Minnesota the Flour State Baking Company to consolidate the St. Paul Bread Company, of St. Paul, and the Sanitary Bread Company, of Minneapolis. The former had been founded in 1897, the latter in 1903. In 1921 the Flour State Baking Company entered Duluth. In 1923 it changed its name to the Purity Baking Company, which must not be confused with the Purity Bakeries Corporation into which it was absorbed later. In this year, it operated five plants in the three above-named cities and produced other baked goods besides

<sup>1</sup> *Northwestern Miller*, October 25, 1922, p. 395.

<sup>2</sup> *Ibid.*, November 19, 1924, p. 728.

bread.<sup>1</sup> It had then outstanding \$1,312,500 of common stock (par \$25) and \$289,000 preferred stock (par \$100). The preferred did not vote except when dividends were in arrears. Its funded debt was \$1,000,000. It paid dividends regularly upon the preferred, but the only mention of dividends on the common is three dollars in 1924.

The Tri-State Baking Company, Inc., was incorporated in New York in 1919 and owns the Greissell Bread Company, of Flint, Mich., the Greissell-Gitzen Company, of Detroit, the Siek Baking Company, of Toledo, the Jackson Baking Company, of Jackson, Mich., the Gartner Baking Company, of Battle Creek, Mich., and the Summitt Baking Company, of Akron, Ohio. It had a funded debt of \$325,000 and outstanding \$630,000 common stock and \$830,000 of 7 per cent cumulative preferred, but paid no dividends whatever for nearly five years. Its sales in 1920 were \$2,121,489, but in 1921 only \$1,203,620. In the latter year it earned \$6.30 per share on preferred and *nil* on the common; and, in 1922, \$6.10 and *nil*, respectively. In 1923, \$18.76 had been earned per share of preferred stock and \$17.40 per share of common. In this year L. S. Cushman of New York became a member of the board of directors. The first dividend of 3½ per cent was declared in December 1924. This company was ultimately absorbed by the Purity Bakeries Corporation.

In August 1922 the California Baking Company was formed in San Francisco by consolidation of the California Baking Company, the Holsum Baking Company, the A.B.C. Baking Company, and the Golden State Baking Company, to manufacture bread and pastry. The authorized capitalization was \$400,000 of 7 per cent cumulative par \$100 preferred and \$750,000 common. Dividends of 7 per cent per annum on the preferred were begun in January 1923 and have been paid regularly, but no dividends have ever been paid on the common.<sup>2</sup>

In April 1922 the Golden Sheaf Bakery, of Berkeley, and the Remar Baking Company, of Oakland, merged as the Golden Sheaf-Remar Company with a capital of \$1,000,000;<sup>3</sup> and also in the spring the Washington Bakeries Corporation was formed in Seattle<sup>4</sup> by the merger of the Seattle Baking Company, Western Bakeries, Inc., and the National Baking Company, which was owned by the Skinner and Eddy Corporation shipbuilding interests. The old National Baking Company's plant was turned into a pastry and health-bread shop.<sup>5</sup> This company's authorized capitalization was \$3,000,000. The objects of this consolidation were

<sup>1</sup> *Bakers Weekly*, September 24, 1923, p. 41.

<sup>2</sup> *Walker's Manual*, 1923, 1924, 1925.

<sup>3</sup> *Bakers Review*, August 1922, p. 85.

<sup>4</sup> *Ibid.*, p. 77.

<sup>5</sup> *Northwestern Miller*, April 26, 1922, p. 382.



stated to be reduction of overhead, elimination of ruinous competition, and prevention of sales below cost. Production capacity was stated to be above consumption requirements. Mr. Thomsen, president of the Centennial Milling Company, was one of the incorporators. About May 1925 this concern was acquired by the Continental Baking Corporation. Its capacity was then given as 50,000 loaves per week.<sup>1</sup>

About the same time (February 1922) three bakeries were merged in Tacoma, Wash., two plants being shut down.<sup>2</sup>

*Cushman Sons, Inc.*—Local combinations were not wholly confined to wholesale bakeries. The incorporation in New York in 1914 of Cushman Sons, Inc., was a local combination of mostly retail businesses comprising forty stores in and around New York City, and its business was to a considerable extent wagon delivery direct to the consumer. It brought under one ownership the following concerns: S. Cushman Sons, Inc.; Cushman Globe Company; Cushman Bread Company; N. A. Cushman Company, of White Plains, N.Y.; Herschmann, Bleier, Edelstein Company, of Rockaway, L.I. There were authorized \$4,000,000 common stock (par \$100) and \$2,000,000 of 7 per cent cumulative preferred stock (par \$100). The bonded indebtedness was insignificant, and in later years there was none. There were outstanding \$3,158,000 common stock and \$1,044,400 preferred. L. J. Kolb, whose name appears in connection with the Kolb Bakeries, of Philadelphia, and the General Baking Company, was a director until 1918. It should be noted that the formation of this corporation, strictly speaking, represents, in the main, a reorganization of the Cushman interests, rather than a merger involving wholly independent concerns. It presents a case in some respects analogous to that of the formation of the Ward Baking Company of New York in 1912.

Cushman Sons, Inc., began payment of regular dividends on the preferred in June 1915 and has continued them. In December 1916, 1 per cent was paid on the common; in 1917 the dividend rate was 3 per cent, and from 1918 onward it became 4 per cent.

The company produces a full line of bakery goods, including cake and other sweet goods. By 1922 it owned six plants, one of which had been erected in Brooklyn in 1920.

Toward the end of 1922 a readjustment of the capitalization was decided upon. In January 1923 the following plan was approved: Issuance of 40,000 shares of \$8 cumulative no-par preferred and 200,000 shares no-par common, of which 22,560 preferred and 90,240 common were issued to replace the outstanding \$100-par common in the ratio of three-fourths of one new preferred and three new common shares for each \$100 common. The 7 per cent preferred stock was at the same time in-

<sup>1</sup> *Northwestern Miller*, May 13, 1925, p. 640.

<sup>2</sup> *Ibid.*, February 8, 1922, p. 394.

creased to \$3,000,000. Dividends continued on the 7 per cent preferred and were commenced on the 8 per cent preferred. Initial quarterly dividends of 75 cents a share on the no-par common stock were paid in December 1923, and March 1924, and thereafter quarterly.

In 1924 dividends were continued on both classes of preferred stock. The privilege of subscribing to 8,000 shares of 7 per cent cumulative preferred to be issued was also given.

For the first quarter of 1925 Cushman Sons, Inc., reported a net income of \$181,943 or after preferred dividends, \$1.10 on 95,240 no-par common shares as compared with \$1.70 a share for the corresponding period of 1924. Surplus was \$33,349.

*General Baking Company.*—Among the first of the combinations formed to achieve efficiency rather than to reduce competition was the General Baking Company, formed in 1911 and originally a consolidation of twenty bread companies with plants in Boston, Providence, New York, Rochester, Buffalo, Newark, Jersey City, Wheeling (W.Va.), Cleveland, Washington, Canton, Toledo, Detroit, St. Louis, and New Orleans. It subsequently extended its operations to New Haven, Philadelphia, Springfield (Mass.), Syracuse, Waterbury (Conn.), Baltimore, Norfolk, Steubenville (Ohio), Brooklyn, Richmond, and Atlanta. The constituent companies entering the original combination were not, for the most part, competitors, though in certain cities more than one plant was acquired. They were carefully selected so as to include some of the most modern and soundly managed concerns in their respective localities. The former owners acquired large interests in the new company as part payment for their properties; in almost every case they were retained as managers of the various plants or as officers of the new company. This company seems to have been the first to advertise extensively and even nationally a single brand of bread.

The authorized capital stock of the General Baking Company was \$10,000,000 common and \$10,000,000 of 7 per cent cumulative preferred shares, par of each \$100. There were outstanding the first year \$3,400,000 of common and \$5,925,000 of preferred. Bonds authorized were \$5,000,000, outstanding \$2,900,000. It had 2,369 employees in 1913.

Within a few months of its incorporation the General Baking Company acquired control of the Kolb Bakery Company, of Philadelphia. This was a company incorporated in New York only a few months after the incorporation of the General Baking Company. It acquired the three plants formerly owned by the Kolb Bakeries, a Pennsylvania corporation. The leading spirits in the formation of the Kolb Bakery Company seem to have been L. J. Kolb and W. H. Collins. The latter was at the time president of the General Baking Company, the former one of its directors. The object of organizing the Kolb Bakery Company, of which L. J.

Kolb became president, seems to have been to arrange the transfer of the Kolb Bakeries to the General Baking Company. The Kolb Bakery Company issued bonds, 7 per cent cumulative preferred and also common stock. Only the common stock apparently had voting power. This the General Baking Company acquired, but no statement has been found concerning the consideration. The General Baking Company guaranteed the interest on the Kolb Company bonds and the dividends on the Kolb Company preferred shares. Whoever held the Kolb Bakery Company preferred shares, was in a very advantageous position aside from any possibly incorporated water, for the General Baking Company could pay no dividends without first paying the dividends on the 7 per cent cumulative preferred Kolb shares. This condition remained unchanged until 1922, when the Kolb concern was merged by the issuance of \$1,758,000 of new General Baking Company preferred, which was exchanged share for share for the Kolb preferred shares.

As already stated, L. J. Kolb was on the directorate, W. H. Collins was president of the General Baking Company, and the directors consisted chiefly of the former owners of the merged companies. A member of the banking firm of Harvey Fisk & Company was also on the board.

The company began paying dividends on its own preferred at the rate of 7 per cent in 1912, but cut it to 4 per cent in 1913, because, it was stated, the money was needed for expansion. By 1918 the unpaid accrued dividends on the preferred amounted to 19½ per cent. In 1919, 7 per cent dividends were resumed on the preferred after the company had raised the prices on its goods. In 1920 a further price advance was planned, and payments on account of accrued dividends were begun, and by the end of that year all accrued dividends on the preferred were paid up by the distribution of 20 per cent of preferred stock. Early in 1921, ten years after incorporation, the first dividends were paid on the common stock at the rate of 7 per cent per annum.

In November 1921 the stockholders voted to increase capital stock from 200,000 shares, 100,000 of which were preferred and 100,000 common, each \$100 par, to 250,000 shares, 100,000 preferred 8 per cent and 150,000 common, both of no par value. Exchange of old stock for new was made on the following basis: One old preferred share for one new preferred share and one new common; one old common share for two new common shares. In the following April a quarterly dividend of two dollars a share was paid on both classes of new stock. At the end of that year the stock issue authorized was increased to 500,000 shares, and there were outstanding 415,734 shares of common and 88,158 of preferred. In December 1922 a 200 per cent stock dividend was declared, and in April 1923 a quarterly dividend of one dollar a share was begun on the increased common and continued till January 1924, when \$1.50 was paid.

The General Baking Company expanded its business as it developed. In 1915 it bought an additional bakery in Rochester, N.Y., to replace one whose lease had expired. In 1916 it began erection of a new bakery in Steubenville, Ohio, and in 1917 it began construction in Wheeling, W.Va. In 1920 it acquired through purchase the property and business of the Dillman Bakery, Inc., in Brooklyn, and in 1922 through exchange of stock the Syracuse Bread Company.<sup>1</sup> In 1923 it absorbed the Dexter Bakeries in Springfield and Waterbury, Connecticut, as well as the S. S. Thompson Baking Company, of New Haven, thus giving the company control of twenty-nine plants in twelve states. Construction was begun on a plant in the Bronx, and plans were made for one in Brooklyn. In April 1924 it acquired the Gardner Bakeries, Inc., which controlled plants in Baltimore, Norfolk, Philadelphia, Newark, Richmond, Washington, and Atlanta, and in the same year it announced plans for building a plant in Pittsburgh,<sup>2</sup> and in 1925 for constructing a plant in Baltimore to cost \$500,000.<sup>3</sup>

*Grennan Bakeries, Inc.*—Consolidations for greater efficiency were not confined to bread concerns. As we have already seen, the Ward Baking Company produces cake as well as breads, while Cushman Sons., Inc., produces a full line of bakery goods. In the Grennan Bakeries, Inc., we have an example of a merger of cake bakeries. The business was established in Detroit in 1914 by Philip H. Grennan as the Grennan Cake Bakeries of Detroit, and consolidated in 1919 as the Grennan Cake Corporation, with the Wilson Pound Cake, Inc., Chicago, Grennan Cake Bakeries, Cleveland, and Grennan Cake Bakeries, of Minneapolis and St. Paul. In 1924 the name was changed to the Grennan Bakeries, Inc., and it was reported to be the largest exclusive cake manufacturer in the world, having forty-three plants and branches and supplying cake, cookies, and fried cakes to 482 cities and towns. The capital stock authorized is 350,000 shares of no-par common, and \$2,000,000 cumulative 7 per cent preferred of \$100 par. There are outstanding 266,000 shares of common and \$394,100 of preferred. Both classes of stock were offered to the public in May 1924. The common was subscribed for at \$10 a share. Dividends have been paid on the preferred, and the first dividend of 25 cents a share was paid on the common. About May 1925 the Purity Bakeries Corporation purchased a substantial stock interest in the company. P. H. Grennan became a director of the Purity Bakeries Corporation. At that time its gross sales were said to amount to \$6,000,000 per annum.<sup>4</sup>

<sup>1</sup> *Bakers Review*, March 1922, p. 87.

<sup>2</sup> *Bakers Weekly*, November 15, 1924, p. 58.

<sup>3</sup> *Northwestern Miller*, April 29, 1925, p. 451.

<sup>4</sup> *Ibid.*, May 20, 1925, p. 732.

*Canada Bread Company, Ltd.*—Similar movements took place in Canada. The first of these began when in 1911 the Canada Bread Company, Ltd., was incorporated in Ontario, acquiring the following concerns: Bredin Bread Company, Ltd., Toronto; Geo. Weston (Model Bakery), Toronto; H. C. Tomlin (Toronto Bakery); Stuarts, Ltd., Montreal; W. J. Boyd, Winnipeg. Mark Bredin was made general manager. These companies had been in existence for from twenty to thirty years. Their combined capacity was 850,000 loaves per week. In 1912 six small concerns were bought, four in Winnipeg, and one each in Toronto and Montreal; and by 1913 two more were bought in Montreal and one in Winnipeg. Up to the middle of 1915 the company continued to grow in spite of the war. Though no new purchases were made through the war period, the company operated on a cash basis. In 1920 two additional branches were established, one in Toronto and one in Hamilton, and the Shinn Bread Company, of Ottawa, was acquired in 1923. There were outstanding \$1,064,400 in bonds, which were offered in 1911 at 98½, and which carried a bonus of 25 per cent of common stock. There were authorized \$2,500,000 common shares and \$1,250,000 of 7 per cent non-cumulative preferred shares. Dividends were begun on the preferred in 1912 and continued regularly. On January 1, 1918, 2 per cent was declared on the common stock but none thereafter till April 1924, when 4 per cent was paid. In June 1924 1 per cent was paid. More recent reports are not available. In May 1925 it was announced that the capitalization was to be increased<sup>1</sup> by the issue of 25,000 shares of no-par common stock and the conversion of existing common into "B" preference shares. For each share of old common there were to be given one new common plus one "B" preference. Dividends of 7 per cent were to be paid on the latter and further earnings were to go to the new common up to 7 per cent. Rumors early in 1925 that the Continental was negotiating for the purchase of the Canada Bread Company, Ltd., have not been confirmed.<sup>2</sup>

*New England Bakery Company.*—The New England Bakery Company was incorporated in Massachusetts in November 1915, and acquired the following concerns: Mansfield Baking Company, Springfield, Mass.; O.K. Baking Company, Hartford, Conn.; L. L. Gilbert Baking Corporation, New Haven, Conn.; and Louis E. Merry Company, Boston, H. P. Dion Bakery, New Bedford, and Morin Steam Bakery, Lawrence, Massachusetts.

The stockholders of the constituent companies received second preferred and common stock of the new company and cash in full payment for their properties. The former owners, therefore, owned a major part of the stock of the new company and remained with it. There were outstanding \$635,000 shares of

<sup>1</sup> *Northwestern Miller*, June 17, 1925, p. 1277.

<sup>2</sup> *Ibid.*, January 28, 1925, p. 351.

common, \$500,000 7 per cent cumulative first preferred and \$750,000 of 7 per cent cumulative second preferred. All classes had a par value of \$100 and the right to vote. The first preferred was offered at par with 20 per cent bonus in common stock. Dividends were paid regularly on both classes of preferred stock, but there is no record of any dividends on the common. In 1924 there were outstanding \$570,000 common, \$484,700 first preferred, and \$750,000 second preferred. There never had been any funded debt. Very recently this company has come under the control of the Continental, although as yet no details are available.<sup>1</sup>

*Massachusetts Baking Company.*—In November 1917 the Massachusetts Baking Company was incorporated in Massachusetts to unite under a single ownership the following concerns: Swanson Baking Company, of Fitchburg, and Dietz Baking Company, of Springfield and Holyoke, Massachusetts; Bridgeport Bread Company and Borck & Stevens, of Bridgeport, Chaney Bakery, of Hartford, G. Emmanuelson, of New Haven, and Raymond Brothers, of Waterbury, Connecticut.

There were outstanding \$100,000 common stock; \$500,000 7 per cent cumulative first preferred; \$850,000 of 7 per cent cumulative second preferred, each of \$100 par. All stock has voting privileges. There was no funded debt. J. Travis was president, C. O. Swanson, treasurer, and the names of N. A. Cushman and S. M. Ochsner of New York appear on the directorate. Cushman ceased to be a director before 1919. For 1917, sales were \$1,334,400; for 1923, \$2,641,586. Apparently in 1921 the Blanchard Baking Company, of New Haven, was acquired. Apparently also dividends were paid regularly upon the first preferred stock after a year or two, but there is no mention of dividends on the other classes of stock. About January 1, 1925, the company was acquired by the Continental Baking Corporation.

### III. HOLDING CORPORATIONS IN THE BREAD-BAKING INDUSTRY

We have seen thus far that some baking businesses grew to large size through the initiative of individuals. Other large ones were formed by combination under pressure of local competition or of creditors. Still others, not local in character, were formed to achieve the efficiencies which combination and merger are assumed to give. We now come to a further class, the holding corporation, the last type to be formed.

No sharp line can be drawn between the various types of concerns just enumerated. They shade into one another. Businesses built up locally by individuals lost their local character as they grew, and often absorbed other concerns either by purchase or by stock control, thus acquiring to that extent the character of

<sup>1</sup> *Moody's Manual*, 1925.

combinations. Some of these, originally local, not infrequently spread into new territory and absorbed other concerns in one way or another. Non-local combinations sometimes had a similar history. However, until after the war, concerns organized from the outset as purely holding corporations seem to have been the exception in the baking industry.

*United Bakeries Corporation.*—With the development of large corporations in the baking industry, as described in the preceding pages, the holding corporation appeared. The organization of one of the first of these, known as the United Bakeries Corporation, was announced in February 1922<sup>1</sup> to control Ward & Ward (Buffalo), operating seven plants, Ward Brothers, Inc. (Rochester), and the Campbell Baking Company (Kansas City). This brought nineteen plants under one control. It was announced that this was to be strictly a holding corporation, and that the Ward and the Campbell companies were to operate under the same names and in the same manner as before.<sup>2</sup> Soon other companies were acquired, sometimes directly, sometimes through either one of the Ward companies or through the Campbell Baking Company.

In February 1922 the Stroehmann Baking Company, with three plants, was controlled. This company was originally incorporated at Wheeling, W. Va., in 1906 with \$50,000 capital stock, and was reincorporated in 1914 with \$300,000 capital stock.<sup>3</sup> The absorption of the Holland Baking Company by the Ward Brothers, Inc., has already been mentioned. Other concerns absorbed were the Crescent Bread Company of Utica and New York;<sup>4</sup> the Memphis Bread Company with bakeries in Memphis, Tenn.; the Crescent Baking Company, of Clarksdale, Miss.;<sup>5</sup> the Shults Bread Company<sup>6</sup> in October 1922; the F. O. Stone Baking Company, of Cincinnati, a cake-baking concern, early in 1923;<sup>7</sup> and, in December 1923, the Atlas Bread Company, one of the largest concerns in Milwaukee.<sup>8</sup> Thus by the end of 1923 the United controlled over forty bakeries in thirty-five cities with total sales of almost \$32,000,000, and from the profits over a million and a half dollars were available for surplus and dividends after meeting fixed charges and depreciation.<sup>9</sup>

<sup>1</sup> *Northwestern Miller*, February 8, p. 606; February 15, 1922, p. 707; *Bakers' Weekly*, February 4, 1922, p. 57.

<sup>2</sup> *Northwestern Miller*, February 22, 1922, p. 707.

<sup>3</sup> *Ibid.*, March 22, 1922, p. 1279.

<sup>4</sup> *Bakers Weekly*, May 20, 1922, p. 39.

<sup>5</sup> *Baker's Review*, August 1922, p. 70.

<sup>6</sup> *Northwestern Miller*, October 18, 1922, p. 283.

<sup>7</sup> *Idem.*

<sup>8</sup> *Ibid.*, March 12, 1924, p. 1216.

<sup>9</sup> *Annual Report*, United Bakeries Corporation, 1923.

The company had been incorporated in Delaware,<sup>1</sup> September 14, 1921, with the following officers: Brayton Campbell, president; W. B. Ward, M. L. Marshall, H. D. Tipton, S. F. Macdonald, vice-presidents; G. G. Barber, secretary-treasurer; F. E. Holmes, assistant secretary; E. L. Sabin, assistant treasurer; W. L. Hahn, comptroller. The board of directors consisted of W. B. Ward, chairman; Brayton Campbell, H. B. Ward, M. L. Marshall, H. D. Tipton, S. F. Macdonald, G. G. Barber, G. B. Smith, L. S. Kafer, F. G. Stroehmann, J. L. Kirkland.

In 1923 there were outstanding 150,256 shares of no-par common stock, \$11,729,800 of \$100-par preferred stock. In addition, \$293,900 of the preferred stock had been subscribed but not issued. The debt was \$5,218,000 of bonds, \$500,000 of long-term notes, and a mortgage of \$1,106,067.

For 1923 the preferred earned \$10.99 a share, and the common \$2.17 after deducting 8 per cent on the amount of preferred outstanding at close of fiscal year. G. B. Smith had become chairman of the board of directors. Wade D. Holland and Paul J. Stern are new names as members of the board. At this time the authorized capital stock was increased from twenty million to fifty million.

In 1923 or 1924 it organized the United Bakeries Service Corporation, with laboratories in Chicago. This is really the laboratory, control, research, and service department of the United Bakeries Corporation. Through this department, it was intended to exercise scientific control over the technical operations of the various plants, over the purchase of raw materials and the like. Its technical director was C. J. Patterson, an able chemist who early in his career had become chemist for the Ismert-Hincke Milling Company of Kansas City. He was later the technical director for the Campbell Baking Company and a vice-president of that company. He is the inventor of the flour improver, "Panipus," and of other technical inventions applicable to milling and baking. In 1924 he severed his connections with the United

<sup>1</sup> It is of interest that in Delaware any corporation may issue shares of stock (other than stock preferred as to dividends or preferred as to its distributive share of the assets of the corporation or subject to redemption at a fixed price) without any nominal or par value.

Such stock may be issued from time to time for such consideration as may be fixed from time to time by the board of directors, pursuant to authority conferred in the certificate of incorporation, or if the certificate shall not so provide, then by consent of the holders of two-thirds of each class of stock outstanding and entitled to vote, given at a meeting called for that purpose.

The act contains no provision making directors liable for debts until a designated amount of capital has been paid in.

For tax purposes, no-par value shares are held to have a par value of \$100 each. (Section 4-A, General Corporation Law.)

The *Corporation Journal* says of Delaware: "Among the principal reasons for choice of this state are absence of any provision requiring a statement in the certificate of incorporation of an amount of capital with which the corporation would carry on business, which in other states is usually required."



Bakeries Service Corporation and was succeeded by G. C. Robinson.

In 1924 there were outstanding 204,912 shares of common and \$14,870,000 of preferred. Dividends were paid regularly on the preferred stock, but there is no report of dividends on the common. In 1924 the Continental Baking Corporation offered its stock in exchange for that of the United Bakeries Corporation. A large majority of the holders of United stock took advantage of the good terms of the offer and in a short time the control of the United passed to the Continental.

*Standard Bakeries Corporation.*—In January 1923 the Standard Bakeries Corporation was incorporated in Delaware to control a number of independent concerns, many of which were clients of the W. E. Long Company, of Chicago. The Long Company is a concern that specializes in rendering service to bakers in accounting, in chemical and technological matters, and in engineering and construction. Apparently W. E. Long was the leading spirit in bringing together a number of his clients, as well as concerns in which he himself was interested. These concerns were the Akron Baking Company, of Akron, Ohio; the Jay Burns Company, of Omaha, Neb.; the Denver Bread Company, the Sunville Baking Company and the Purity Bread Company, of Pueblo, Colo.; the Pacific Baking Company, of Los Angeles, Calif.; the Long Beach Baking Company, of Long Beach, Calif.; and the Calumet Baking Company, of Hammond, Ind. Soon after, the Western Bread Company, of Denver, and the Beverly Hills Baking Company, of Los Angeles, were acquired.<sup>1</sup> The combined output was seventy million pounds of bread per annum. It was planned to manage the various bakeries centrally from Chicago, where a laboratory was maintained for testing materials, conducting research work, and standardizing methods of manufacture.

In 1923 there were outstanding 116,607 shares of no-par common stock and \$1,751,000 of 7 per cent cumulative \$100-par preferred which has voting power only when dividends are in arrears. Bonds issued were \$750,000. Dividends have been regularly paid on the preferred. In the first half of 1923 two payments of 37½ cents a share were made upon the common. In October 1923 and January 1924, 25 cents was paid; in April 1924, 31½ cents.

Among the officers were: C. N. Power of Pueblo, president; W. H. Korn of Davenport, M. C. Carpenter of Milwaukee, vice-presidents; H. M. Freer, secretary-treasurer. Directors included those mentioned above and W. E. Long and E. J. Mosser.

It is rumored that there was discord among the directors, with the result that W. E. Long retired. In 1925, however, the Continental Baking Corporation acquired control of the Standard Bakeries, and W. E. Long again became connected with the man-

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agement. Of the directors who retired when the Continental Baking Corporation took control, at least one, it should be noted, remained in baking—C. N. Power of Pueblo, Colo., bought plants in Chicago and in Terre Haute and acquired the Marquette Baking Company, of St. Louis. He seems to have begun the accumulation of a string of bakeries.

*Continental Baking Corporation.*—On November 6, 1924, the Continental Baking Corporation was incorporated in Maryland with an authorized capitalization<sup>1</sup> of \$200,000,000 8 per cent cumulative preferred stock (\$100-par); 2,000,000 shares Class "A" no-par common stock and 2,000,000 shares Class "B" no-par common stock. The preferred stock is non-voting and callable at \$110. The "A" stock is non-cumulative and preferred as to dividends to the extent of \$8 a share over "B" stock and thereafter participates in further dividends equally with "B" stock.

By May 4, 1925, there had actually been issued \$49,276,200 of preferred, 288,554 shares of "A" stock, and 2,000,000 shares of "B" stock. The "A" stock was selling at about 116, the "B" stock at about 26.

Immediately on incorporation, the Continental began to carry out its program of covering the country with a chain of modern bakeries. It acquired the United and the American Bakery Company of St. Louis through the United; it absorbed the Sterns plants in Milwaukee; the Wade-Holland Company, of Ohio; the Livingston plants in Chicago; the Taggart interests of Indiana; Stritzinger at Norristown, Pa.; the Massachusetts Baking Company; the Consumers' Baking Company, of Paterson and Harrison, N.J. (not to be confused with the company of the same name in Kansas City);

<sup>1</sup> In Maryland, any corporation may create one or more classes of stock without any nominal or par value with such preferences, voting powers, restrictions or qualifications thereof not inconsistent with law, as shall be expressed in its charter. Stock without par value which is preferred as to dividends or as to its distributive share of the assets of the corporation upon dissolution may be made subject to redemption at such times and prices as may be determined in its charter. In the case of stock without par value which is preferred as to its distributive share of the assets of the corporation upon dissolution, the amount of such preference shall be stated in the charter.

The charter may provide that shares of stock of any class shall be convertible into shares of stock of any other class upon such terms and conditions as may be therein stated, except that shares of stock without par value shall not be convertible into shares of stock having a par value.

The charter may empower the board of directors to authorize the issuance from time to time of shares of its stocks without par value of any class or securities convertible into shares of its stock without par value of any class, for such consideration as such board of directors may deem advisable.

The statute makes no provision requiring an amount of capital to be stated in the certificate of incorporation.

The act contains no provision making directors liable for debts until a designated amount of capital has been paid in.

For tax purposes, shares without par value are held to have a par value of \$100 each.

(*Business Corporation Law, as amended by chapter 545, Laws of 1920.*)

and the Wagner interests in Detroit. Early in 1925 the acquisition of the Corby interests (Washington, D.C., Alexandria, Va., and Richmond, Va.) by cash purchase of much of the stock,<sup>1</sup> and of the Standard Bakeries Corporation was announced. In April 1925 it acquired the Occident Baking Corporation with plants in Minneapolis and Madison, Wisconsin. The former has the largest plant in Minneapolis with a capacity of 4,000 loaves per hour.<sup>2</sup> About the same time the Ward Company plant in Los Angeles was acquired. The bread brands of this company were discontinued and its output was limited to cake. It acquired the R. B. Ward Baking Company, Inc., of Santa Barbara, Calif., which in turn acquired the Fisher Baking Company, of Oakland, Calif.<sup>3</sup> In May 1925 it was reported as having acquired the Washington Bakeries Corporation, of Seattle, Wash., the Spokane Bakery Company, of Spokane, Wash., the Perfection Bread Company, of Sacramento, Calif.,<sup>4</sup> the Log Cabin Baking Company, of Portland, Ore., the Ogden (Utah) Baking Company, and the Butter Krust Baking Company, of Salt Lake City, Utah. Through the R. B. Ward Company, Inc., it had also acquired plants in San Diego and Berkeley.<sup>5</sup>

It is a matter of interest to note, at this point, the continuance of the Ward family in the bakery business. W. B. Ward was interested in the California plants just mentioned. Ralph D. Ward, who left the Ward Baking Company of New York in 1923, incorporated in 1924 the Drake Bakeries, Inc., with plants in Brooklyn and Boston. He had previously bought a controlling interest in the company.<sup>6</sup>

It is perhaps needless to follow the various steps by which the Continental perfected its organization. The conditions under which it acquired the United are, however, of special interest. United Bakeries Corporation stock was exchanged for Continental Baking Corporation stock on the following basis:

1 share U.B.C. pfd. = 1 share C.B.C. pfd. + 1 share "B"  
1 share U.B.C. com. = 1 share C.B.C. "A" + 2 shares "B"

The Guaranty Trust Company of New York, which has a branch in the same building as the general office of the Continental, was designated as the exchanging agent. The exchange was to be made before November 24, 1924. Practically all the stockholders of the United are said to have made the exchange.

It is interesting to note that, of the companies whose histories have been outlined in this discussion, the Continental is the only company in the United States that has acquired plants in Canada.

<sup>1</sup> *Northwestern Miller*, February 28, 1925, p. 454.

<sup>2</sup> *Ibid.*, April 22, 1925, p. 323.

<sup>3</sup> *Ibid.*, December 24, 1925, p. 845.

<sup>4</sup> *Ibid.*, May 13, 1925, p. 646.

<sup>5</sup> *Ibid.*, May 26, 1925, p. 732.

<sup>6</sup> *Bakers Review*, September 1924, p. 66.

In April 1925 the Northern Bakeries, Ltd., was acquired. It is a Canadian corporation operating ten plants in seven cities. Rumors of purchase of the Canada Bread Company, Ltd., have not been confirmed.

"The Continental Baking Corporation's net earnings for 1924 are estimated at \$4,000,000, including earnings only of the United Bakeries, since no other bakery was added to the system until late in November. The United in 1923 had net earnings of \$1,684,448. Some estimates place the Continental's prospective 1925 earnings at more than \$10,000,000, as the company's plan, it is said, is to add more than forty plants to the combination in this year."<sup>1</sup>

As of May 1925, the Continental had 104 plants in eighty-two cities in the United States and Canada, and its organization was said to be complete. It will be noted that, while it followed the plan of merging non-competing concerns, it could not always keep from acquiring several plants in the same territory. For example, in Chicago, it has the plants of the Livingston and the United (Ward Brothers, Inc.) interests as well as the plant of the Standard at Hammond, Ind. The acquiring of some competing plants was no doubt unavoidably incidental to the merging of so many companies. Whether this has resulted in giving the Continental more production capacity in certain localities than it needs, it is impossible except for those on the inside of the management to say.

According to George G. Barber, president, the Continental on January 1, 1925, expected to require per annum 3,000,000 barrels of flour, over 30,000,000 pounds of sugar, over 6,500,000 pounds of eggs, 600,000 pounds of butter, nearly 1,000,000 pounds of shortening, 14,000,000 pounds of milk, 1,250,000 pounds of raisins, paper worth over a million, and shipping containers worth over half a million dollars.<sup>2</sup>

*Purity Bakeries Corporation.*—On December 1, 1924, the Purity Bakeries Corporation was incorporated in Delaware. By February 1925 it had acquired 99 per cent of the common stock and 82 per cent of the preferred stock of the Purity Baking Company and 99 per cent of the common stock and 90 per cent of the preferred stock of the Tri-State Baking Company. It was also acquiring all of the common and preferred stocks of the Williams Baking Company. Through the Purity Baking Company, it held the entire capital stock of the Wernig Baking Company and controlling interests in the Banner Grocers' Baking Company, of Cincinnati, and the Grocers' Baking Company, of Indianapolis. It had arranged to purchase a majority of the capital stock of the Nafziger Baking Company. These companies have twenty-two plants, with a twenty-third under construction—three in Minne-

<sup>1</sup> *Northwestern Miller*, February 11, 1925, p. 550.

<sup>2</sup> *Bakers Weekly*, January 3, 1925, p. 55.

sota, four in Michigan, four in Missouri, five in Ohio, and one each in Indiana, Illinois, Iowa, Oklahoma, and Texas. Thomas O'Connor is the president.

After all these consolidations, there was outstanding \$2,123,458 of 7 per cent cumulative \$100-par preferred stock, \$1,968,875 Class "A" \$25-par stock, and 115,293 shares Class "B" no-par stock. Neither the preferred nor the Class "A" stock has a vote except in case of arrears of dividends.

In May 1925 the Purity Bakeries Corporation took over the Winkleman Baking Company, of Memphis, Tenn. About the same time it purchased a substantial stock interest in the Grennan Bakeries, Inc., the largest exclusive cake bakery in the United States.<sup>1</sup> At that time, it was said that the corporation had acquired about eighty constituent bakeries, and had sold no securities to finance the merger. Some bakeries were acquired for cash, others by an exchange of stock.<sup>2</sup> At the same time it was reported that the company offered \$900,000 of 7 per cent cumulative preferred stock at 97, and that it would issue 24,000 Class "A" shares at \$45 and 27,000 Class "B" shares at \$38 to pay for the Grennan, Winkleman, and Banner Grocers' interests.<sup>3</sup>

*Southern Baking Company.*—Another recent consolidation is the Southern Baking Company, with an authorized capitalization of \$10,000,000 divided into 100,000 shares of \$100-par preferred and 100,000 no-par common. By May 1925 it operated seventeen units mostly south of Baltimore. Among the plants it had acquired, was the bakery of John Cureton in Greenville, S.C., and the Stone Baking Company, whose plant at Atlanta it rebuilt and enlarged, increasing the output to 75,000 loaves per diem.<sup>4</sup>

*Pie Bakeries of America, Inc.*—New developments in the sweet-goods line appear with the Pie Bakeries of America, Inc., which was formed in Delaware in August 1925, with a capitalization of \$10,000,000 of 7 per cent cumulative preferred of \$100 par, 300,000 shares of "A" common of no par, and 500,000 shares of "B" common of no par. It includes the following: Wagner Pastry Company, Newark; Consumers' Pie and Baking Corporation, Brooklyn; Joehum Brothers, Inc., Long Island City; Littler Pie Company, Chicago; Case and Martin Co., Chicago; Harriss Brothers Pie Company, Inc., Chicago; and New England Pie Company, Detroit.

*Canadian Bakeries, Ltd.*—A new combination has also taken place in Canada. The Canadian Bakeries, Ltd., of Vancouver (in no way connected with the Canada Bread Company, Ltd.) was incorporated in September 1925, with the following firms: Shelly

<sup>1</sup> *Northwestern Miller*, May 20, 1925, p. 732.

<sup>2</sup> *Ibid.*, May 13, 1925, pp. 636, 637.

<sup>3</sup> *Ibid.*, May 20, 1925, p. 732.

<sup>4</sup> *Ibid.*, June 24, 1925, p. 1370.

Brothers, Ltd., with plants in Vancouver, Victoria, New Westminster, and Nanaimo; Shelly's Bakery, Ltd., with plants in Calgary and Lethbridge, Alberta; Jackson's Bakery, Ltd., of Calgary; Moose Jaw Bread Company, Ltd., of Moose Jaw; and the Sanitary Bakery, Ltd., of Regina. The capitalization is: First mortgage 6 per cent bonds, \$8,000; 7 per cent first cumulative sinking fund preferred stock, \$1,000,000; 7 per cent cumulative convertible preferred stock, \$1,000,000; "A" common no-par stock, 20,000 shares; "B" common no-par stock, 20,000 shares.

*General Baking Corporation.*—In September 1925 the General Baking Corporation was formed under the laws of Maryland by W. B. Ward, and authorized to issue 5 million Class "A" no-par shares and 5 million Class "B" no-par shares. Class "A" stock is to be entitled to a non-cumulative annual dividend of \$6 per share and to participation, share and share alike, with Class "B" stock in any further dividend to the extent of \$2 per share per annum and no more. Class "A" stock is non-voting, and in the event of any distribution of assets is entitled to receive \$100 per share before any sums are paid to the holders of Class "B" stock, all the remaining assets being distributable among holders of "B" stock. Subscriptions were invited on the basis of \$100 for "A" stock, subscribers being entitled to receive 2 shares of "B" stock for each share of "A" allotted.<sup>1</sup> The corporation proceeded to acquire the General Baking Company, the basis for exchange being as follows: For one share of the common of the General Baking Company were offered 2 shares of Class "A" and 6 shares of Class "B" of the General Baking Corporation.<sup>2</sup> Later it acquired the Smith-Great Western Baking Corporation.<sup>3</sup> The organization of this company is so recent that authoritative statements concerning details of its organization or its future plans are not yet available.

Frequent mention has been made in the main part of this study of the various biscuit and cracker concerns that were involved in mergers. However, reference to their histories has been omitted in the Appendix, because the study deals primarily with the companies making perishable bakery products.

<sup>1</sup> *Bakers Review*, November 1925; *Northwestern Miller*, October 28, 1925, p. 347.

<sup>2</sup> *Bakers Review*, November 1925.

<sup>3</sup> *Northwestern Miller*, November 25, 1925, p. 751.



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