

CHARLES JOHN REAKES examined. (No. 17.)

*Mr. Reakes:* This question of a license for Armour and Co. (Australasia) must be looked upon as being to all intents and purposes an application for a license on behalf of Armour and Co. of Chicago. Messrs. Armour and Co. (Australasia) is a company registered in New Zealand, but, as we have ample evidence to prove, they are in fact a company subsidiary to Armour and Co. of Chicago. In the statement which follows I wish it to be understood that I am referring to the parent company, Messrs. Armour and Co. of Chicago. I have prepared most of it, which I will save time by reading. It is as follows: As regards the application of Messrs. Armour and Co. (Australasia), Limited, for a meat-exporter's license, this company has previously made application to the late and the present Hon. Ministers of Agriculture for a license. The license was refused in each case, the applicants being informed that the decision was arrived at after a perusal of the report of the Federal Trade Commission set up by the Government of the United States in 1917. I submit this report herewith, and would particularly call attention to the following extract from its summary:—

"The power of the 'Big Five' in the United States has been and is being unfairly and illegally used to—Manipulate live-stock markets; restrict inter-State and international supplies of foods; control the prices of dressed meats and other foods; defraud both the producers and consumers of food; crush effective competition; secure special privileges from railroads, stockyard companies, and municipalities; and profiteer. The packers' profits in 1917 were more than four times as great as in the average year before the European war, although their sales in dollars and cents at even the inflated prices of last year had barely doubled. In the war years, 1915–16–17, four of the five packers made net profits of 178,000,000 dollars."

The term "Big Five" is applied in the above-mentioned report to the following corporations: Armour and Co., Swift and Co., Morris and Co., Wilson and Co. (Inc.), and the Cudahy Packing Company. These five companies assert that they are not a trust. In this connection the following extract from the report of the Interdepartmental Committee on Meat-supplies appointed by the British Government (dated 1919) is worthy of particular notice:—

"We were also commissioned to consider the protection of British markets and of producing countries within the Empire from domination by foreign organizations. Popular opinion regards the American meat companies—Swift and Co., Armour and Co., Morris and Co., the T. Wilson Proprietary Co., and Cudahy and Co.—as forming a secret combination, although openly they operate separately, and considerable apprehension is expressed both in the United Kingdom and in the dominions lest they should obtain a domination over all the sources of supply and the distributive markets. With their operations in the United States we are not directly concerned. The Federal Trade Commission on the Meat-packing Industry (1918) has denounced them as a combination working through a live stock pool, and has accused them of sundry malpractices, resulting in their obtaining a command over most of the important towns of the United States. The meat companies, on the other hand, assert that they abandoned all pools and combinations a long time ago and now work in complete independence. This independence, however, cannot date farther back than 1912, when the National Packing Company, owned by Armour, Swift, and Morris, was dissolved for fear of the anti-trust laws. By that time the 'Big Five' had attained so dominant a share of the meat trade of the United States that a simple tacit understanding to respect their relative positions to one another was sufficient to secure them all the advantages of an active combination, and they are now reaping the benefits of their former co-operation and of their great business ability and money-power. The Swift and Morris families are related by marriage; the present head of the Wilson Company was previously with Morris, and Cudahy was a former employee of Armours. The Wilson Company is owned by banking-houses, in the chief of which Swift and Morris are closely interested. Besides these friendly relationships it is obvious that, working on the narrow margins of profit which they claim, they cannot afford to imperil their gigantic turnover by competition. There may be a rivalry in efficiency between branch houses; there is little doubt but that proportions of trade are respected. It is reported that the United States Government is now taking proceedings against the meat companies under the laws against combinations and 'unfair' competition in domestic trade."

The condemnation of the methods of these companies contained in the report of the Federal Trade Commission is so scathing that, in considering the question of a license under the Slaughtering and Inspection Amendment Act of 1918, no other conclusion is possible than that it would be detrimental to the welfare of the Dominion to grant a license to Armour and Co. (Australasia), seeing that it is a company subsidiary to Armour and Co. of the United States. In the United States Government report it is stated to have been identified as subsidiary to or affiliated with the "Big Five" above mentioned. It has been suggested that Armour and Co. should be granted a license for one year only. As a matter of fact, no license can be granted for a longer period than one year, so that suggestion goes for nothing. But there is this important point: the Minister has, in the judgment passed upon Armours through its own Government, a thoroughly sound reason for refusing a license; to abandon this and grant a license would be equivalent to condoning an offence, and the same reason could not reasonably be later adduced for refusing a renewal of the license. Moreover, if Armours were granted a license, no logical reason could be adduced for not granting licenses to Swift, Morris, Wilson, or Cudahy should any or all of these companies later make application, as might quite likely be the case. It seems clear, therefore, that if Armours are once allowed entry into New Zealand for internal trading purposes they will have to stay, and the other "Big Five" firms be allowed to come in also if they wish to. It is true that the Act gives power to cancel or refuse renewal of a license at any time, but once the existing sound cause for refusal is abandoned, only improper methods of trading could be adduced as a reason. These companies with their immense monetary power could quietly and gradually "squeeze" opposing British and New Zealand companies, and do a great deal of mischief before affording sufficiently plain reason for being refused a renewal of an existing license or licenses, or, if more than one trust firm became established, each could take risks in turn, the other or others meanwhile trading upon scrupulously proper lines. The course of action taken by these firms in recent years in the Argentine affords a very striking object-lesson in their methods of squeezing out opposition. The report of the British Meat Trade Commission issued in 1919 makes reference to this, as will be seen from the following quotation:—