

BREWERY COMPANIES: PART I

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BREWERY COMPANIES.

A Reprint from "THE STATIST"

OF A

SERIES OF ARTICLES

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FULL PARTICULARS AND AUTHENTIC DATA

CONCERNING ALL

BREWERY COMPANIES

Registered up to November 30th, 1894.

REVISED AND CORRECTED TO DATE.

By H. S.

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Preface

During the past few years the number of investors in Breweries has enormously increased, because in many cases they have proved to be a reliable and paying investment.

No attempt has hitherto been made to furnish complete details of all the brewing businesses carried on under Limited Liability. Hence there is opportunity for a work giving such information. No pains have been spared to notice every brewery that has been registered, and to give the fullest information available regarded those still at work.

From the criticisms offered on certain typical firms and the great diversity of tables given, every shareholder now has the power to estimate the soundness and stability of any, or all, the Breweries in which he may be interested. These tables furnish many data, in such a form that they can practically serve as a series of tests on many points, and enable comparisons to be made in a manner hitherto unattempted, even by experts.

Originally published as a series of articles in *The Statist*, the information has been carefully revised up to date, and it is hoped that in the present book form it will prove of real utility to all investors in Breweries.

H.S.

London, Dec. 13, 1894

Chapter I

Introduction - Objects of Limiting Liability - Dangers of the Brewing Trade - A. Guinness, Son & Co., Ltd.

The commercial development of the joint-stock system is to be attributed not only to the desire of protecting creditors, but to the necessity of shielding responsible persons or corporations from the misdeeds of others, or the interference of zealots.

Many of the greatest traders, and of those corporate bodies that could not trade as individuals, have naturally availed themselves of the immunity from individual responsibility or risk which limited liability affords.

Of those that naturally have dropped into this modern arrangement are Canals, Railways, Docks, Steamship, Electrical Companies, and numerous other similar undertakings that have, more or less, sprung from our rapidly improving methods of communication that mark the greatest factor of change and progress of this century. As also many of these undertakings involve more capital than single individuals or wealthy firms could possibly provide, it was right to secure the necessary funds from the whole community upon the comparatively safe lines that the joint-stock system has secured.

Banking, also a modern development of commercial and social necessity, has likewise been found a form of trading that could be more safely and profitably conducted on purely business lines where the element of personality is made subservient to the needs of sound trading.

With the recent rapid development of conversion of our breweries, it is necessary to ask which of the two chief motives defined is the more active?

To answer this question it is necessary to look carefully at a mass of figures, and to bear in mind considerations that are not often advanced. The answer to this question concerns not only brewers and shareholders in breweries, but also the producers of the materials used in brewing, and that large section of the community, the consumers or beer-drinkers. It will also be found that one chief factor is the legislation that for several centuries has influenced the production and distribution of beer, and which threatens in the near future to interfere largely with the capital values of many brewery estates.

In order to throw light upon the varied matters that will arise from this interesting inquiry, the prospectuses and reports of a number of typical concerns will be dissected, contrasting them not only with each other, but with those who trade on widely different lines; and, in conjunction with the official Blue Books, to reduce particulars to one uniform system of percentages that will enable the investor to gauge with some accuracy the values of existing stocks, and to afford true bases for the determination of values of future issues.

For many generations brewing has ranked equal to, or second only to, banking as a profitable and lucrative business. Of late years it has increased in prosperity,

almost in direct ratio to what many people consider its falling away from respectability. The chief outcome of the zealous efforts of a great body of temperance reformers has hitherto been to fill the minds of a rapidly diminishing body of brewers with nervous dread of the possible effects of Licensing Reform. Should the efforts of the attacking party prove more successful than

they have yet been, it is safe to predict that the effects will be partial and local. It is well to bear in mind at the outset that Licensing Reform has occupied the attention of the best men of many generations. The Assize Laws of the Edwards and Elizabeth were as well intentioned as the later Acts of Charles and the Williams, or of the many tinkering Bills of the reign of Victoria.

	Barrels of beer or poorter brewed	Net profits (Total)	Net Profit per barrel	Increases in number of barrels	Percentage increase	Decrease or increase of profits per barrel	Percentage of decreased or increased profits
	No.	£	s. d.	No.	%	s. d.	%
Average for 5 yrs. endg. 1866	294,188	122,199	8 4	-	-	--	
Ditto 1871	395,343	130,340	6 7	101,155	34.3	- 1 9	- 21.0
Ditto 1876	655,037	178,571	5 6	259,694	65.7	- 1 1	- 16.4
Ditto 1881	884,250	308,033	6 11	239,213	36.5	+ 1 5	+25.7
Ditto 1886	1,132,853	452,294	8 0	248,603	28.1	+ 1 5	+ 15.6
One year only, 1894	1,627,320	634,163	7 10	484,467	42.7	- 0 2	- 2.0

Table No. 1. Number of barrels brewed by Guinness 1866-1894, net profits made, and percentages per barrel, &c.

It is perhaps curious that the two greatest breweries may be the least affected by any move in the direction of Local Option. Both Guinness and Bass have grown to their present colossal proportions independently of "tied trade," secured by either loans or the direct ownership of licensed houses. Both firms are alike in catering to the public needs with the best possible article, produced from the purest materials. They are unlike in the fact that, whilst one firm does not brew ale or beer, the other is celebrated almost solely for ales.

From varied sources of information it is possible to arrive at the following points, which permit comparison of these two breweries with each other and their relation to the whole industry.

Arthur Guinness, Son & Company (Limited) was not until recently a great business. The rapidity of its growth

since 1864 until registration was almost phenomenal. This is indicated by the preceding table (No. 1.).

These figures show that the growth of this business has proceeded since registration at the same rapid pace that distinguished it when in private hands. As a fact, the volume of increased trade of last year over 1881-6 exceeds the whole trading of only fifteen years before it was handed over to the public. The full significance of these figures will be more manifest when treating of the true values of breweries later on. Before dealing with this it is necessary to note some other details of this stupendous business, as a variety of deductions will be from the returns. This happens to be one of the very few firms that can be identified in the *Reports of the Commissioners of Inland Revenue*, and in the *Parliamentary Returns relating to Brewers' Licences*.

Table II. gives the amounts of excise duty paid upon porter brewed from 1881 to March 31st, 1888, and to June 30th in subsequent years. The apparent increase in 1889 is attributable to the reduction of gravity of worts charged from 1.057 to 1.050, or very nearly equivalent to 3d. per barrel. The amount for 1894 covers a short period during which the extra 6d. per barrel is charged under the provisions of this year's Budget.

To what extent (if any) the gravity of Guinness' stout is reduced by the extra Excise charge of 6d. per barrel is not known. In the majority of smaller breweries it is adjusted to equal or to slightly exceed the charge, so that it has little or no influence upon brewers' profits.

Year	Duty paid	Year	Duty paid	Year	Duty paid
1881	£321,176	1886	£424,461	1891	£524,170
1882	374,483	1887	453,615	1892	522,246
1883	340,238	1888	463,436	1893	544,709
1884	391,843	1889	481,066	1894	535,301
1885	424,247	1890	499,408		

Table No. II. Amount of beer-duty paid by Guinness each year, 1881-1894.

The materials used are shown clearly in the prospectus issued in 1886, and they can be determined exactly from the excise returns up to 1889. Since that date the two largest brewers have been put in the same category, and the amount of malt and sugar used by each is liable to

slight confusion. It is commonly reported that no sugar whatever is used by Guinness. A separate return, giving the quantities of sugar used by all the Dublin brewers, shows that the latter unitedly use less than 12 cwt.; consequently it is certain Guinness cam-lot, use much.

Chapter II

Standards of Comparison and Excise Regulations - Materials used and Duty Paid - .Decrease in Numbers of Brewers - Displacement of Malt and Increase of Profits on Brewing.

Year	Porter brewed per quarter of malt	Duty paid per quarter	Gross profit per quarter	Net trade profit per quarter	Ratio of net to gross profit
	Gallons	£ s. d.	£ s. d.	£ s. d.	%
1888-9	145.5	1 5 3	3 6 6	1 17 11	57
1887-8	149.3	1 5 11	3 12 3	2 4 11	62

Table No. III. Analysis of trade done by Guinness, showing porter brewed per quarter of malt, duty paid, gross and net profits, &c.

It is well to bear in mind that in all the comparisons made throughout this book the Government standard in quarters of malt or their equivalent is used. The assumed number of barrels brewed is adhered to for convenience. The ratio established and hereafter used will be correct, although the number of barrels brewed and sold may vary very widely from the quantity assumed to be brewed.

The standard quarter is 336lb. of malt or corn, regardless of bulk. It may be 7 bushels, or 10 bushels, or any other number. The standard barrel is 36 Imperial gallons at the specific gravity of 1.055. The quarter has to be reckoned as yielding four standard barrels, or 144 gallons wort of s.g. 1.055. In reality a brewer may make three or six barrels, ruled by the strength or the quality of the beer brewed, and the character of the malt mashed. Obviously, wide differences exist in practice. By applying a standard that is uniform the result will be comparatively accurate. Shareholders can correct any differences by making the figures deduced bear the same ratio to the truth as the assumed barrelage does to the actual, which they can (or should be able to) ascertain. As this is a very important matter, and should be carefully inquired into by investors, an instance of its working is shown in Table IV. In this table the actual

For the purposes of more accurate comparison the net profits in the following table (No. III.) are taken on the true profit derived from brewing independently of profit rentals and transfer fees, &c.

figures of the two largest breweries are given with those of all the breweries unitedly and the smallest, together with hypothetical instances that can and do occur in practice.

Investors ought to take particular notice that nearly all brewery balance-sheets are artfully compiled to conceal facts and not to furnish them. Shareholders in any brewery should be able to get absolute data concerning the actual quantities of materials used and barrels of beer brewed and sold. The ordinary balance-sheets (so called) should give them the gross and net profits. With these figures they can work out for themselves how their own breweries compare with each other, and with the tables now given.

It should never be lost sight of that the actual value of any brewery property is not merely what it will fetch or what it may be nominally worth reckoned by the quotations of the day, but it is regulated by the ratio of its net profit to its gross, and the stability of its trade. Stability is determined by the conditions that hold or 'tie its trade. The rate of profit is determined by locality and management.

	No. of gallons brewed per qr.	Duty paid per qr.	Ratio of sugar used to malt	Amount of malt used	Amount of sugar used	Total amount of duty paid
	Gallons	s. d.	%	Quarters	Cwts.	£
A. Guinness, Son & Co., 1880-1	146.6	25 2	Nil	254,648	Nil	321,176
Common brewers, No. 17,110 (All)	141.6	24 1	8.8	6,487,655	1,149,223	8,498,044
Brewers over 1,000 barrels, No. 2,162	141.1	24 3	9.6	5,834,241	1,121,169	7,705,326
Small brewers under 1,000 barrels, No. 14,948	138.2	23 9	2.1	653,414	28,054	792,718
A strong-ale brewer	100.8	25 0	Nil	1,000	Nil	1,250
A light-bitter ditto	218.1	30 8	42.8	700	600	1,537

Table No. IV. -1880-1. Comparisons between Guinness in 1880-1 and 17,110 common brewers, 2,162 large brewers, &c., showing brewing values of malt and sugar, duty paid, ratios of use, &c.

	No. of gallons brewed per qr.	Duty paid per qr.	Ratio of sugar used to malt	Amount of malt used	Amount of sugar used	Total amount of duty paid
	Gallons	s. d.	%	Quarters	Cwts.	£
A. Guinness, Son & Co. (Ltd.)	145.4	25 3	Nil	366,455	Nil	463,436
Common brewers (all in Great Britain and Ireland) No. 13,598	139.6	24 3	11.7	6,487,042	1,523,870	8,782,725
Brewers over 1,000 barrels, No. 2,012	140.1	24 4	12.5	5,951,168	1,490,115	8,136,707
Brewers (small) under 1,000 barrels, No. 11,586	132.0	22 11	3.1	536,874	33,755	646,018

Table No. V. -1888-9. Comparisons between Guinness in 1888-9 and 13,598 common brewers, 2,012 large brewers, &c., showing brewing values of malt and sugar, duty paid, ratios of use, &c.

	No. of gallons brewed per qr.	Duty paid per qr.	Ratio of sugar used to malt	Amount of malt used	Amount of sugar used	Total amount of duty paid
	Gallons	s. d.	%	Quarters	Cwts.	£
Guinness and Bass (together)	152.6	26 6	1.1	722,027	16,427	968,034
Common brewers (all in G.B. and Ireland), No. 10,143	144.8	25 2	15.2	6,956,872	2,122,611	10,114,055
Brewers over 1,000 barrels per ann., No. 1,836	144.0	25 0	15.9	6,529,089	2,084,115	9,577,084
Brewers (small) under 1,000 barrels, No. 8,307	138.2	24 0	4.5	427,783	38,496	536,971

Table No. VI. -1892-3. Comparisons between Guinness and Bass in 1892-3 and 10,143 common brewers, 1,836 large brewers, &c., showing brewing values of malt and sugar, duty paid, ratios of use, &c.

Tables IV to VI - These afford opportunities of comparison of materials used and duty paid by various brewers in 1880-1, 1888-9, 1892-3.

1880-1 was the first year after the Repeal of the Malt-tax, when the beer-duty was commenced. The year 1888-9 is the last in which Guinness and Bass were separated in the returns. The full report for 1893, when published, enabled last year to be contrasted with former years, confirming the figures obtained from the *Returns relating to Brewers' Licences*.

The difference in the number of gallons brewed from each quarter by the large and small brewers can be attributed to slightly inferior material used, less knowledge of the business, and defective or insufficient machinery and plant.

A number of important facts are thrown into bold relief by these tables, that may well repay full and careful consideration. These are :-

1. The number of brewers is rapidly diminishing. Accordingly a monopoly or close corporation is being created.
2. The largest brewers pay the highest rate of duty.

3. The smallest and largest brewers find it pays best to use malt and not substitutes.
4. Malt is being rapidly displaced.

1. From the standpoint of the materials used, if we take these four main facts in order, it may be noted as satisfactory to investors that the largest firms give the best financial results. Therefore, the smaller the number of brewers the better. The loss to agriculture and other disadvantages do not concern us here. They may be for the time ignored. Large breweries, rightly conducted, afford a sounder opening for investment than smaller concerns.

2. The payment of a high rate of duty implies the use of better material and a fuller knowledge, or control of better machinery during use. If the price of material could be constant this would not concern shareholders. As the range of prices is very considerable, matters of great practical significance arise right here. For instance, barley at 50s. per quarter produces malt of extra fineness, capable of yielding exquisite beer. Such malt can be used at a profit by Bass. It would be too expensive to small country brewers, or to licensed victuallers who brew. Bass can pay the higher price, together with the extra cost of enhanced duty, and yet make a profit.

The three largest brewers are dependent upon the popular taste for the maintenance of their trades. The instant popular favour turns to prejudice, their trades diminish, and they might readily be utterly swamped. A good illustration of this has been recently furnished. Not many years ago Allsopp was closely pressing Bass for premier place. By a series of small accidents, the most important of which was probably a little prejudice amounting, for the time being, to a phase of unpopularity, Allsopp's trade fell back. The excessive use of foreign barley or substitutes for malt may have contributed to this result, so reference to it here cannot be avoided. Brewers that have no tied trade are dependent upon the quality of their beer and its popularity. Trades like Guinness' could disappear with alarming suddenness. It is highly improbable that popular feeling will turn; but fashions in taste are proverbially fickle. It is accordingly possible. Careful investors regard possibilities as well as probabilities.

The heavy differences in net profits per barrel, and the small limit of profit made, have been shown (*vide* Table I.). A relatively smaller falling away of trade than Allsopp's actually experienced could so reduce the profit earned by Guinness that no dividend would be available for the Ordinary shares from actual earnings of the year.

3. The use of other material than malt by brewers is a matter of great moment to investors. Tables IV. and VI. show that in twelve years the quantity of malt brewed has increased 469,217 quarters, or 7.1 per cent. only, whilst sugar has increased 973,388 cwt., or over 85 per cent. This, however, is not the true measure of the use of substitutes. Prior to 1880 nothing but sugar was permitted to displace malt. After the Malt-tax was repealed brewers were allowed to use any saccharine material they pleased in beer - excepting Saccharin, the product of coal-tar. This pernicious material is very, strictly forbidden, whilst almost anything else may be used. Although this liberty has been given for so short a time,

malt is now displaced to a large extent in many breweries by rice, maize, and similar substances, that are, however, entered as malt. They frequently cost less, but their chief value is they keep down the price of malt. Hence they pay to use, and by their use shareholders secure larger dividends. They are also of direct but private profit to some of the officials in breweries. It was unusual for a maltster to pay an operative brewer a commission. It is now quite common for a sugar-dealer or corn-merchant to allow very heavy commissions.

It is noteworthy, and of great interest to investors, to inquire into the reasons why the two largest brewers use so little other material. Probably their trades develop and prove the best investments, because of the fact that they are noted for the use of the most carefully selected and best barley. Viewed in this light, the nominal cheapness of substitutes turns out to be very costly to shareholders.

4. The rapid displacement of malt affects consumers and agriculturists very materially. Leaving this side of the question, and keeping our attention for the time fixed on the financial effects on the enormous capital now invested in breweries, it is certain that the largest brewers do not find it an advantage to use substitutes; hence (as the tables show) they use very little sugar or other material than barley-malt. It is commonly reported that no other substitutes are used by them, and that the small quantity of sugar used is for priming only. The results have been such that, in the twelve years covered by the tables, the growth of the trades of the two largest firms is fairly represented by the increased duty paid. This amounts to no less than £352,445, or at the rate of 57.2 per cent. The increased duty paid by the whole trade is £1,616,011, or 19.0 per cent. The firms that do not use substitutes thus grow rather more than three times as fast as the whole trade develops. Consequently, the policy of snatching a profit at the cost of the future growth may soon prove of direct practical interest to investors in breweries.

Chapter III.

Special Claims and Risks of A. Guinness, Son & Co. - Exclusive Production of Porter. - Competition. - Tied Trade.

Probably no paragraph in the prospectus issued October 21, 1886, by Arthur Guinness, Son & Co. (Limited), is so full of meaning as the third on page 3. In this, a matter of great interest to investors is put in the light of a distinct advantage, or series of advantages. On several occasions notes of warning have been issued, and the matter has been referred to in the columns of *The Statist*. This paragraph runs as follows (for the convenience of those who may not be able to readily refer to the original it is quoted here) :-

“The business consists exclusively of the production of porter, and is not subject to competition from the great ale brewers, who rank next in the magnitude of their out-turn; it has also this special feature, which it is believed is possessed by no other large brewery, namely, that there are no tied houses, and no advances are made to publicans or others. There is therefore no capital outlay beyond the more cost of production.”

Three matters of first importance are claimed here :-

1. The production of porter exclusively.
2. No competition from other brewers of like magnitude.
3. No tied trade, so capital restricted to that needed only for mere production.

In other words, a source of great strength is claimed, and the tangible result must necessarily be a large return upon the capital employed.

However true this was when the capital stood only at the comparatively small amount shown by the books of the private firm in July, 1886, or even when, with a very large augmentation in the shape of goodwill, it was raised to the sale value of the business at its conversion, it no longer holds true. An investor putting capital into this, or any similar business, must not be deceived into the acceptance of gilt for gold.

The ordinary stock at par value yields steadily 15 per cent. per annum, and there is a rapidly growing reserve

fund to cover general business risks or fluctuations of trade. But anyone buying this stock at, say, 350, is taking extreme trade risks at a shade over 4¼ per cent.

Looking, therefore, once more at this paragraph closely, investors at a high price, or intending buyers, may consider the risks run, with the help of the additional light now offered:-

1. The exclusive production of porter gives only a very slight advantage to the brewer. It simplifies work, reduces stocks of material and maturing-porter to a minimum, and puts certain minor charges and outgoings on the lowest basis. But it is putting all the eggs into one basket. Attention has already been drawn to the extreme fickleness of fashion in matters of taste. Probably in no other province are the changes swifter and more potent than in those relating to beverages. The history of drink for 3,000 years is full of illustrations.

Were popular taste to change in any season so that the phenomenal growth of this business not only received a check, but was actually cut back 20 per cent., what would happen? In a brewing business a loss of 20 per cent. of trade will affect the gross profit, to a much greater extent than 20 per cent., and necessarily the net profit to a still greater degree. If Table III. be referred to, the slight difference in yield of material used 1888-9 against 1887-8 affected the duty paid to the extent of 5d. per quarter, or 2.6 per cent. The gross profit of the latter year was at the rate of 5s. 9d. per quarter; but the net profit was 7s. per quarter more, so that the ratio of net to gross profit rose from 57 to 62 per cent.

It may be held that other contingencies, such as differences in price of material, &c., are not taken into consideration. This is true; but experience teaches that a slight fluctuation in the volume of trade done will affect net profit to a greater extent than gross profit or an apparently considerable difference in cost of material. The above figures suffice to render more minute dissection unnecessary.

When dealing with the report *The Statist* pointed out (August 11, 1894) that the figures given are altogether too meagre and unsatisfactory. Were fuller information furnished it would be possible to be more exact; but generalisations may be framed upon such data as are furnished. As shown in that article, a steady decline in

profits is occurring, notwithstanding the rapid increase of trade, and decrease in cost of raw materials. The business was sold for £,6,000,000 in 1886. It is now nominally valued at over £14,000,000. A large part of this great difference is because of the relatively small capital actually employed. Other brewers use capital to tie trade, and such capital does not earn a manufacturing profit; but it gives security. In reality it is simply another illustration of higher interest at correspondingly greater risk. Let a rise in malt and hops and a decrease of trade occur simultaneously, and these views would prove to be in no sense of an alarmist character.

A general brewing trade, where several kinds of ales, stout, and porter are supplied, is necessarily more stable than one where porter only is dealt in. Anyone growing tired of porter fancies a change, and generally he is free as a butterfly to flit from bush to bush. If Guinness' claim means anything at all it means that anyone tiring of their stout and wishing to take something else has, perforce, to cease dealing with them. With almost any other business he could change with considerable variation but still continue a good customer of the same brewer.

2. "No competition from other brewers of like magnitude." There is no other firm of *like* magnitude, but four or five are as large as Guinness' was twenty years ago. If the claim is that these do not compete, it is contrary to common knowledge. The great efforts made of late years by several of the Burton firms to produce stout and porter, and the provincial excellence of those articles brewed by several of the largest London brewers for generations past, does offer very material and serious competition.

The broad claim is a monopoly. No monopoly exists. In reality keen competition is ceaselessly working under the laws that regulate all free trade. One simple illustration can throw a rather lurid light on the value of this claim from the investor's standpoint. Many brewers permit Guinness' bottled stout to be sold in their tied houses. Were this privilege withdrawn suddenly, a very serious difference in the volume of porter exported would be felt at once.

3. No tied trade. "There are no tied houses, and no advances are made to publicans."

It is fair to assume that this is brought forward as an advantage, as it occurs in this paragraph. It has been shown already that it is a very doubtful advantage. It is a question which has very distinctly two sides. As it is followed by the further claim that "no capital is used excepting what is really needed to produce porter," it is worth discovering what the true value of this claim may prove. Sufficient has already been said to show the extreme risk this business runs of losing so much of its trade, that a large part of the normal value of its ordinary share capital would disappear. Direct reference to the value in many businesses of a tied spirit trade, together with the profit-rentals of properties leased and let at a profit, is merely noted here, and will be referred to hereafter, when dealing with certain smaller country businesses. Two sets of opposing facts have to be reconciled on this point. Guinness' claim is perfectly valid, if no disaster overtake them. A ship may carry a lot of sail with very little ballast in fine weather, but an unexpected squall can do speedy mischief. The great earning power of the business in relation to the capital employed is proof of top-heaviness and weakness in a storm.

To repeat the well-known metaphor, the whole of the eggs are in one basket. To make the illustration stronger, but not too strong, and recalling a well-known picture, the boy carrying the basket is on ice.

The prospectus gave very meagre particulars of the values of the properties transferred to the Company. No report or valuation was issued, and no information was furnished of the value of the brewery and stores prior to 1866. What was said was: "During the past 20 years (1866-1885) a sum of £1,106,554 has been spent on extensions, permanent improvements, and maintenance of building's and machinery. Of this sum, £358,405 has been spent on maintenance, and deducted from profits, and £748,149 upon permanent improvements. The premises are at present in perfect repair, and are sufficient in all respects for the existing or an increased business. New malt stores are in course of erection, and will be completed within a few months. The total cost of these will be about £65,000, of which £26,000 has already been expended in addition to the above £748,149."

In addition, the vendor guaranteed that the stocks and miscellaneous balances should amount to not less than £900,000. We have nothing to guide us as to the value placed upon goodwill. Assuming that it is now exces-

sive, owing to the subsequent growth of the business, it is of use to compare the three largest businesses that were all very similarly placed in 1888 in respect to tied trade.

An alteration of policy on this point is known to exist already, and great differences in the near future are expected.

Name of company	Total share capital	Trade done (duty paid)	Capital value of each £ duty	Capital value of each barrel brewed
	£	£	£	£
Guinness	6,000,000	463,436	12.9	4.03
Bass	4,080,000	293,053	13.9	4.34
Allsopp	3,300,000	184,586	17.8	5.56

Table No. VII. Three Largest Brewers with the Smallest Amount (relatively) of Tied Trade, Duty Paid, Capital Value per £ Duty, and per Barrel of Trade Done in 1888.

At this date each £ of duty represented 3.2 barrels of beer, so that the nominal capital engaged to each barrel

of trade done was (approximately) as shown.

Chapter IV

Bass, Ratcliff & Gretton's Prospectus - Numbers of Brewers in 1882 and 1893.

Comparing these figures it is seen that the actual capital involved per barrel of trade done in 1888 varied as widely as £5.56 for A11sopp to £4.03 for Guinness. In June, 1890, Sir S. Scott & Co. offered to the public on behalf of Bass, Ratcliff & Gretton (Limited) £910,000 of their Preference shares, and in the prospectus then issued a certificate, signed by Messrs. John Bowley & Sons, set forth the amount of beer brewed in 1889. This had risen to 1,009,369 barrels, so that the total capital used very closely approximated to Guinness', the relative amounts being £4.04 and £4.03 respectively.

The net profits for that year are certified at £338,470, or 6s. 5d. per barrel. For the same year Guinness' net profit on brewing was £692,925 from 1,524,169 barrels, or 9s. 1d. per barrel, a difference of 2s. 5d., which equals no less than 36 per cent.

A large portion of this difference is accounted for in the extra cost of the materials used. Malt and hops of a very different quality and price can be used in porter than are required to produce super-fine pale ales. But reverting to Table I. it will be seen that the profit of 9s. Id. per barrel is abnormally high for Guinness. The highest previous amount was 8s. 4d. in 1866, while Bass's net profit in 1889 was only £338,470, against more than £350,000 for the previous five years, on a smaller number of barrels brewed. These figures emphasize the wide fluctuations that differences in cost of materials *can* make to net profit; but such differences are relatively very small compared with those that can be caused by diminution of business. In few other trades is maintenance of the volume of trade done so vitally important to the ratio of net profit earned.

Reference has more than once been made to the effect on a brewer's trade of its being "tied" or "free" There is a very material difference between a trade tied by actual ownership of license and premises, and one secured only by a short lease or by cash advances or loans to the occupiers and license-holders. Attempts have been made for many centuries to make licenses personal. Although some premises have retained a license for very long periods of time, the fact remains that nearly

all licenses depend upon the individual, i.e. the actual character and conduct of the holder. How long this may continue is a question that is of small concern at present, although it is remarkable that the desire of "the trade" to take the public in to share the exceptionally heavy profits of brewing has an apparent ratio to the risks of any or all licenses of a whole neighbourhood being suspended by the operation commonly known as Local Option. This threatens year by year to reach the sphere of practical politics. The risk of a wholesale suspension of licenses has grown so imminent that it cannot be ignored by investors in breweries. Admitting the undesirability of meeting troubles half way, nevertheless it does not pay an investor to shut his eyes to the shadows thrown before coming events. The men best able to judge, or to practically understand the question, are those whose whole business it is. These are not merely willing, but recently have become anxious that the public should share their high profits. This reduces their risks, which seem to increase year by year. Should the rapid conversion of private breweries into Joint-stock Companies continue to proceed at the same rate as it has done during the past five years, probably no brewery of any note or consequence will remain in private hands at the commencement of the twentieth century.

The number of common brewers has been falling enormously for many years past. It is not possible to fix with exactitude either the number of brewers or breweries. The figures given in the official *Reports of the Commissioners of Inland Revenue*, or in the *Returns relating to Brewers' Licences*, are not quite perfect in this respect, although they tell much. In the lower ranks the number of persons licensed exceeds the number of licenses issued, whilst with the larger brewers this is reversed. The distinction has only been made for one year, so that in the following tables the actual falling off is a little less than the apparent; it is well known that the relative proportions are fairly stable from year to year. For practical purposes, more exact particulars are furnished from 1882-93. These are sufficient for investors' use, especially as the whole trade passed through the greatest crisis of this century when the Malt-tax was repealed in 1880. Nearly all comparisons prior to this date have a greater historical than practical interest to investors. Before this time the common brewers, or brewers for sale, were not distinguished from the private, or household brewers.

A slight difference might be made in the numbers of each section, if the varying charges for duty could be accurately adjusted. It is not necessary for present purposes. Prior to the repeal of the Malt-tax, the malt-duty, in round figures, was about 22s. per quarter of malt The beer-duty commenced (1880) at 6s. 3d. per barrel of 36 Imperial gallons of 1.057 specific gravity, or 25s. per quarter. This was raised in 1890 to 1.055 s.g., equal to 26s. per quarter; and, again, this year (1894) to 6s. per barrel, or 28s. per quarter. It makes no difference if the variation of duty be effected by lowering the degrees of specific gravity charged, or increasing the pence per barrel. The increased tax upon beer in 14 years thus equals 6s. per quarter, or 1s. 6d. per barrel, or 27 per cent. As this tax is paid by consumers, it is of slight interest to investors, apart from its crushing effect upon small and poor brewers. These lack the means to act as buffers between consumers and the exactions of the

State. They are rapidly decreasing and will speedily disappear, unless there be further Legislation framed with a view to protect small traders. At present this seems very improbable, but in this country, as in France, the unexpected sometimes happens. Should it do so in this instance it will have the effect of preventing the concentration of brewing into a comparatively small number of businesses.

Variations in the manner of charging duty might prove of great influence in this connection, and especially so if framed with a view to the better securing the purity of beer, a point to which farmers, maltsters, and brewers have of late turned very considerable attention.

The refusal to longer permit priming would exert a direct effect upon the number of brewers.

	Class I	Small brewers, brewing under	1,000	barrels per annum		
	II	Medium	”	”	20,000	”
	III.	Larger	”	”	1,000,000	”
	IV.	Great	over	”	1,000,000	”
		Class I.	Class II.	Class III.	Class IV.	
		Number	Number	Number	Number	
1882		14,449	1,894	215	1	
1893		<u>8,307</u>	<u>1,545</u>	<u>289</u>	<u>2</u>	
Change		- 6,142	- 349	+ 74	+ 1	

Table No. VIII. Four Classes of Common Brewers, with Numbers in each Class, in 1882 and 1893.

Barrels of Beer brewed of specific gravity of 1.055°		Number of			Relative Nos.	
Barrels	Barrels	Persons licensed. No.	Licenses issued. No.		Persons. No.	Licenses. No.
	Under 1,000	8,307	7,808	Class 1	8,307	7,808
1,000	to 10,000	1,369	1,256	Class 2	1,545	1,536
10,000	" 20,000	276	280	"		
20,000	" 30,000	126	127	Class 3		
30,000	" 50,000	77	84	"		
50,000	" 100,000	51	58	"		
100,000	" 150,000	13	14	"		
150,000	" 200,000	4	5	"		
200,000	" 250,000	3	4	"		
250,000	" 300,000	1	1	"	289	314
300,000	" 350,000	5	8	"		
350,000	" 400,000	1	1	"		
400,000	" 450,000	1	1	"		
450,000	" 500,000	4	7	"		
500,000	" 550,000	1	1	"		
550,000	" 600,000	1	1	"		
600,000	" 1,000,000	1	2	"		
1,000,000	and over	2	6	Class 4	2	6
	Total	10,143	9,664		10,143	9,664

Table No. IX. Number of Persons Licensed as Brewers for Sale, and Licenses issued, classified according to the Number of Barrels Brewed, 1893.

Chapter V

Amount of Materials Used and Trade Done by all Brewers - Use of Sugar .- Decrease in Number of Brewers - Change of Fashion - Spread of Clubs - Licensing Reform.

Tables VIII. and IX. show very clearly the general and relative positions of brewers at the end of last year and twelve years ago.

In any great industry, and more particularly in one of very old standing, rapid changes affect capital. The actual changes in the brewing trade in a very short period are shown in Tables X., XI., and XII. Brewing is not merely lucrative, it involves large capital, and year by year is growing to such a stage that it can only be worked by wealthy men, or large corporations with ample means. In other words, as already indicated, it is fast becoming a monopoly if things continue as they are.

To make this point clearer, in the following tables the details concerning brewers and the materials they use, are given in a way that throws much light on the actual conduct of the business. These tables show investors not merely what is or has been, they furnish very clear indications of what may be expected in the near future.

In eleven years very nearly half the small brewers disappeared, and a very heavy decrease occurred in the number of brewers a little larger. These men between them in 1882 used over 44 per cent. of the total quantity of material brewed that year. This fell in 1893 to only 33 per cent. As the quantity of beer brewed has steadily and almost constantly increased, their loss was others' gain. The true relations of the classes is thrown into almost startling proportions when the actual percentage of gain or loss in the short period under review is considered. This is shown in Tables XII. and XIII.

The losses of Class I. are no less than 41 per cent., and Class II. 21.4 per cent., whilst Class III. gained 12.1 per cent., and Class IV. No less than 119.5 per cent. Such

enormous gain is largely accounted for by the fact that the greatest brewer in Class III, passed into Class IV. Had he remained in III, that class would have gained more largely, and such abnormal increase in Class IV, would not have appeared. That is, however, immaterial. The fact stands, and because, it stands it is most suggestive and valuable to investors. Put into the form of practical advice it amounts to-have nothing to do with small or risky concerns, and invest only in big businesses. It is not a case of "Put not your faith in Princes," for almost every sign indicates that the Princes in the trade are alone worth trusting. Experience has shown that even the Princes cannot be taken at sight, but require to be closely looked at and valued properly and systematically. The wide fluctuations that mark Allsopps may presently occur with even greater variation with Guinness, and they are not impossible with Bass.

The exceptional character of each of these businesses renders them liable to greater and more sudden fluctuations than are likely to happen to the majority of those Companies, doing a normal or commonplace business, scheduled in Table No. XVI. (B).

All the breweries in that list are justly entitled to be termed large, and not one of them suffers from the one peculiar danger that threatens Guinness, as alluded to in Chapter III.

It is noticeable that more than half this list, and just one half of all the breweries employing £1,000,000 and upwards of Capital, are situated in London.

This fact is important because in attempting to foresee what may happen to the trade through experimental or special Legislation, the risks of interference and loss are much less for the London breweries than for those situated out of the Metropolis.

Another feature of some significance is the number of tied house's owned by them compared with many of the smaller country Companies.

	Class I		Class II	
	Malt and corn Quarters	Sugar Quarters	Malt and corn Quarters	Sugar Quarters
1882	678,590	16,427	2,281,228	215,654
1893	427,783	19,248	1,885,966	303,499
	Class III		Class IV	
	Malt and corn Quarters	Sugar Quarters	Malt and corn Quarters	Sugar Quarters
1882	3,382,969	344,024	294,349	-
1893	3,921,095	730,345	722,028	8,214

Table No. X. Quantities of Material used by the Four Classes of Breweries set forth in Table VIII.

The equivalent of sugar in quarters is used for additional accuracy and ease of comparison.

	Class I Quarters	Class II Quarters	Class III Quarters	Class IV Quarters	Total Quarters
1882	695,017	2,496,882	3,726,993	294,349	7,213,241
1893	446,031	2,189,465	4,651,440	730,242	8,018,178

Table No. XI. Trade done by the Four Classes and by all brewers.

The percentage used by each class of the total materials consumed by brewers at the respective dates, is as follows:-

	1882 Per cent	1893 Per cent	Percentage of loss or gain
Class I	9.5	5.6	- 41.0
Class II	34.7	27.4	- 21.4
Class III	51.7	58.0	+ 12.1
Class IV	4.1	9.0	+ 119.5

Table No. XII. Percentage of Materials used.

Looked at another way the differences become still more marked. The percentage ratios of sugar to malt and

corn, and the positive increase in sugar used by the four classes work out as follows:-

	1882 Per cent	1893 Per cent	Positive increase in use of sugar
Class I	2.4	4.5	+ 17.1
Class II	9.5	16.0	+ 40.4
Class III	10.1	18.6	+ 112.2
Class IV	-	1.1	8,214 to nil
General ratio	8.7	15.2	+ 84.2

Table No. XIII. Ratio of Sugar to Malt used by Brewers.

	1882 Quarters	1893 Quarters
Class I	47.9	57.2
Class II	1,317.8	1,429.1
Class III	17,334.8	16,094.9
Class IV	249,349.0	365,121.0
General average	434.3	829.7

Table No. XIV. Average Quantity of Materials used by each Brewer in the Four Classes and by all Brewers, 1882 and 1893.

The figures relating to the materials used given in Tables X., XI., and XIV. are significant. In 1882 Class I. used only 2.4 per cent. of malt-substitutes, and Class IV. none whatever. In 1893 Class I. had doubled the percentage of sugar used by adding only 2,821 qr. of sugar, and decreasing the use of malt by 250,807 qr. This very extraordinary change occurred in a modified degree with Class II., where the increase in sugar was 87,845 qr., and the decrease of malt used was 395,262 qr. These figures are startling, but they are less remarkable than the differences in Classes III. and IV. The increased use of malt by the brewers of Class III. amounted to over half a million quarters (538,026 qr.), and of sugar to not nearly as much, but still an enormous gain, or 386,321 qr. In Class IV., the gain is relatively still greater, amounting to 427,679 qr. malt and 8,214 qr. sugar.

From the data given by those who have carefully studied the science of brewing, it is calculated that the practical limit to the profitable use of sugar is about 30 per cent. As the fourth largest brewer uses over 29 per cent., whilst the whole trade (as yet) uses only just over 15 per cent., it is exceedingly probable that the use of sugar will continue to increase. Although it has nearly doubled in eleven years, there is still power for it to double again. A decrease in the price of sugar, or an increase in barley, or a readjustment of the taxes on either or both these articles, might readily cause the natural economic limit, i.e., 30 per cent., to be reached.

It has been already pointed out that the effect of excessive use of sugar is to enable a brewer to snatch a profit at the cost of expansion. For shareholders it is

undoubtedly a short-sighted policy, eminently penny-wise and pound-foolish. Full consideration of the preceding tables will make this point perfectly clear. The honourable name and prestige that has made the products of one great firm known in every civilised corner of the globe would, had they kept to the policy of their Dublin rivals, with reference to the use of good malt and malt only, have enabled them to reach and keep in the first position, more easily than they retain the fourth. This fact is one of such significance to investors that it ought not to be lost sight of.

Sophistication of beer and imitations of malt may prove profitable for a time. The divisible profits for a series of years may be considerable. But it is better in the long-run to have the greatly enhanced value a steadily growing business is bound to acquire.

One chief consideration for investors should be the determination (if possible beforehand) of the causes of wide changes in the conduct of the brewing trade. The effects in some particulars have been already fully set forth. It is certain that some of the remarkable changes indicated in the preceding tables must be the outcome of wide and deep causes that probably are capable of detection.

The success or failure of any individual business may be the outcome of the business capacity or ineptitude of its head, or due to some purely local circumstance that may be termed accidental. A first-class man may be ruined, or a flourishing business may be stopped by the failure of a bank, the shifting of the channels of trade, or any such local calamity, over which the individual has absolutely no control. Again, in a decaying industry the whole volume of business may rapidly dwindle, and yet a few firms continue to increase and prosper whilst nearly all others drop off or are subject to greatly reduced profits.

It is obvious that the number of brewers is dwindling very quickly; but the volume of business done by the smaller number remaining does not cause merely each of those left to increase, but the total volume of beer brewed each year apparently becomes larger. This increase in volume does not quite equal the growth of population, nor does it equal the amount of beer formerly brewed privately that now, owing to the change of fashion, is brewed by common brewers. Not very long

ago almost every good housewife prided herself on the quality of her "home-brewed." The quantity now brewed by women is so small that it does not need notice. A social change has occurred that is entirely in favour of the investor in breweries.

Another change, still more potent, is being effected with almost startling rapidity.

Allusion has already been made to the grave risks many businesses run from the possible change in the licensing laws that has been long threatened. The temperance party are confident that their hour of triumph is near. Brewers, and indeed all others conversant with the trade or engaged in it, give strong proof that they also think grave changes imminent in the way they admit the general public to share their risk. Many think that the rigour of extreme fanaticism practised in some of the United States, and in other places, will never be seen in our country; so that, come what may, the breweries will continue to work even if no public-houses are licensed. But irrespective of any action by the authorities, either in the application of existing laws or in the making of new ones, a very great change in licensing, or, more strictly, in evading a license and thereby creating a want of licensing, is taking place.

The remarkable freedom and liberty accorded to clubs, which, it is anticipated, will be extended rather than curtailed, make it a matter of indifference to those brewers who do not own tied-houses. Indeed, many of them already would rather supply a workman's club than a public-house or a beer-shop. The profit per barrel is much less; but the lock-up of capital is also much smaller, and the risk of bad debts is practically nil. Already; in many parts of the country, brewers will send beer to one of their own houses, for which they charge their tenant, say 36s. per barrel, whilst the charge for precisely the same beer to an adjacent club will be only 30s., or in many cases even 28s.

Such businesses, therefore, as Bass' and Guinness' will be very little affected adversely by the quiet revolution in licensing values now being worked by the establishment of clubs, or by Local Option. In fact, if temperance reformers make the common mistake of scotching what they call the snake of drink by the tail instead of the head, then all such businesses will still further develop.

It is obvious that the three chief factors to consider in this connection are of a social character.

1. The change of fashion or taste.
2. The rapid spread of clubs.
3. Legislation or licensing reform.

It might be urged that a further social question, the fuller education and rapidly increasing self-respect and independence of the mass of the people, will lead to marked differences in their drinking habits. For at least another generation this will not require separate consideration, although it will very largely, and ever increasingly, affect the three points just defined. To investors these and other questions may have a variety of interests, but we care to examine here only their pecuniary bearing.

In looking into the whole question of the vast sum now invested in British breweries, and in the analysis that the Reports of a number of typical businesses will undergo, these social questions will be found to be factors of value not hitherto suspected, and will attain a new significance.

Attention, as yet, has been centred on a few only of the greatest businesses. Although the extreme risks one of these is running has been pointed out, from the possibility of change of fashion in taste, the other two factors will more probably than not affect the largest businesses beneficially. Whatever changes of law may occur, or whatever vagaries may be indulged in by zealots, it is a matter of little concern to the present generation of investors in some (but very few) businesses; for we may be quite sure that the popular taste for beer will not diminish, nor will the quantity of beer brewed decrease. But this will not save a very large number of our British limited liability breweries. They may suffer badly from changes in taste; but the increasing number of clubs, or the alterations of law, will prove almost certainly fatal to many of them. In the majority of country breweries the whole capital employed is very greatly increased by the practice of owning houses in order to "tie" the trade. The result is fairly satisfactory so long as respectable tenants are found, and the trade is maintained. The value of the property is greatly enhanced when a license is secured, and the lock up of its cost is not serious so long as it is fairly represented. But if the license be lost, a large proportion of the value disappears. When a brew-

ery holds many properties the loss of a few is not very serious, but if such loss occurs each year, or, if by any sudden change - such as the extended action of the doctrine that any license may be refused in any district where the number of licensed houses is too great, the loss of capital becomes a very serious question. In making up the balance-sheets sufficient account of such losses is rarely taken. To holders of debentures issued on the security of such property the question is one of great importance, for there are exceedingly few licensed premises that would realise as much after the license is lost, as they now represent as security either for mortgages or debentures.

Let us take as an illustration a common (country) brewer owning, say, 100 houses. Assuming the average value of these houses to be £1,200 each, and that the brewery, maltings, and other properties are worth £30,000, we might find such a property mortgaged for, say, £90,000, or there might be debentures issued with a charge on plant, stocks, book-debts, &c., of £120,000. So long as the licenses are renewed each year, the security is fairly good; but were the licenses removed or lost, the value of the houses in many instances would fall to less than half. In this instance probably the average might fall to £500. The value of a license in any case is considerable, and its limit is ruled by the volume and nature of the trade done. Two premises, alike in every respect and of equal value, irrespective of trade done, are taken by brewery valuers at very different figures if in one the sales equal 12 barrels a week and in the other only two.

This difference fairly represents the assumed value of the license *plus* the trade done. It represents the amount of shrinkage its loss would cause in the value of the security held by debenture-holders,

With clubs no such fictitious values are created, consequently the trade is done on different lines at very reduced profits. A wholesale transference of trade from Inns to Clubs means a very heavy loss to debenture and share holders in breweries. The first would rarely receive the value at par of their investments and the other would not merely cease to receive dividends, but their total share capital would entirely disappear. These facts demonstrate the financial importance to investors of the social changes actually occurring and those that seem imminent.

Chapter VI

Influence of Price of Materials - Effects of Present Abnormal Cheapness - Proper Policy to Pursue - Observations on Official Records - Imperfection of Existing Acts and Need for Amendment.

The relative unimportance of the cost of material has been already pointed out. Its true value to an investor is not difficult to determine, and as very wild statements are sometimes disseminated, with a view apparently of bolstering weak stocks, the whole question requires to be looked at practically. A brewery of considerable size, using, say, 120,000 qr. of malt and 30,000 cwt. of sugar, has its gross profit influenced by market fluctuations in barley, hops, and sugar, thus :- In a year of low prices the materials may cost -

120,000 qr. malt at 36/- per qr.	£216,000
30,000 cwt. sugar at 14/- per cwt.	21,000
15,000 cwt. hops at 80/- per cwt.	<u>60,000</u>
	£297,000

In a dear year the cost might be increased not less than £84,000, presuming that the many other outlays and expenses of a large brewery remain stationary, or that the numerous minor fluctuations counter-balance each other. Beer-duty, fuel, labour, horse-keep, carriage, and a score of other charges of the class, are subject to countless fluctuations; but, on the whole, it usually happens that when some are dear, others are cheap, and in any case, for the present purpose, these minor items may be disregarded.

In a dear year, so far as the chief materials are concerned, the difference of £84,000 is accounted for thus -

120,000 qr. malt at 44/- per qr.	£264,000
30,000 cwt. sugar at 18/- per cwt.	27,000
15,000 cwt. hops at 120/- per cwt.	<u>90,000</u>
	£381,000

The harvest of 1894 determined the character of the brewing year now commenced. Without any possibility of doubt, it is emphatically a brewer's year, so far as cost of materials is concerned. How it may turn out with regard to trade is another matter.

Barley is exceptionally, abundant, and cheaper than it has been for a century. No man living can remember hops at current rates, Sugar is not abnormally low, but it is cheap. No prophetic gift is, therefore, needed to assert that brewing profits this year should be unusually high. The brewing year commences October 1, so that the full effects of the extremely low rates now ruling will not be felt until next autumn. With the certainty of cheap materials for the next twelve months, directors in prosperous concerns may perhaps feel disposed to advise the distribution of higher dividends than they would otherwise sanction, so that in some cases it is possible shareholders may participate, at an early date, in the larger dividends that present appearances may seem to warrant.

It has been already shown, however, that the influence of a decrease of trade upon the net profit is more potent than apparently large fluctuations in the cost of material. With the considerable number of barley and hop growers, the present ruinous price realised for their crops means much diminished spending-power. They must curtail expenses all round, and not only will they drink less beer, but, what is of more importance, the labourers employed by them will have to go short too. The plight of wheat-growers is still worse. With new wheats selling freely in many markets at 18s. per quarter, it requires very little knowledge or experience in agricultural matters to discover that the spending-power of the whole agricultural community for another twelve months is seriously reduced.

Certain breweries may not be adversely affected by this depression, but the majority of country breweries in agricultural districts must be, so that, although very high profits will be made by some breweries, great complaints will be heard from others. Unless there is plenty of money in the country to spend, the baker and butcher commonly stand before the brewer. Investors must, therefore, exercise greater discrimination than ever before, and, above all, must not be misled into buying, at high prices, stocks that are unduly inflated by circumstances of a transitory class.

The difference in cost of material also very rarely represents the true brewing value or profit-earning power. It often happens that very cheap barley will not malt well, or does not yield a high extract when brewed. In such cases it is not so cheap as it seems. In the case of hops, also, when dear, a brewer uses less, or reduces the

standard of quality used, so that the real cost is less than the difference in the market quotations.

Sugar, if dear, is displaced by maize, rice, sago, or any similar material that happens to be abundant and cheap.

In a well-managed brewery, under competent control, there is, therefore, no probability of wide fluctuations in profit, even if several of the chief items of cost happen to be higher, or much lower, than usual. Necessarily, such a season as the present promises to be, makes it possible for some concerns to pay a dividend, should they have hitherto omitted this important duty; or, in better ordered firms, the dividend will be increased, unless the falling away of trade counterbalances the difference in cost of malt and hops.

In private firms, such a year as the present, when it occurs, is used to make extensions or additions to premises and plant, or the extra profit may be devoted to the acquisition of licensed properties, and so be carried to capital account.

This is a sound and discreet course that shareholders would do well to encourage their directors to follow. No mistake is more common and more mischievous than the payment of large dividends that absorb, every half-year, almost the whole of the earnings. The fluctuations in profit are bound to be considerable in so peculiar a business as brewing. Shares that yield steadily 6 or 7 per cent., and get the security of a permanently increasing reserve fund, are more certain and valuable in every way. When the reserve reaches the point that it gives absolute security to the business, then a bonus distribution meets all necessities. Meanwhile, the self-sacrifice has been to the prejudice of those only who have sold out, but even in their case, probably they have sold more easily and to better advantage, to an extent that exceeds the additional dividends they might have had, so that they also are gainers, and have nothing to complain of.

Now that a year of abundance is certain, investors may feel confidence in taking shares in sound, well-managed breweries, that do not possess in a marked degree any of the elements of weakness defined in former chapters. No concern this year should find any difficulty in securing a good surplus beyond all fixed and preferential charges. The one point which is of most importance now, is the volume of trade done. It would be a good

thing if brewing companies gave quarterly accounts of both volume and value of sales. A great deal of uncertainty as to values would then disappear, with absolutely no disadvantage to *bonâ-fide* investors. Speculators, also, would not have occasion to grumble, as they could gamble more intelligently, or, at least, bet with greater frequency.

Before completing the general remarks that fittingly follow the preceding chapters, and commencing to deal with the gigantic totals and trading of the Limited Liability Breweries of Britain, it is right to point out some of the difficulties thrown in the way of a student by the improper way in which information is withheld or obscured officially, and by the imperfections of the existing Acts relating to Companies.

Few who use the search-room at Somerset House come away with exalted views of the intelligence of the gentlemen who control the registration of Companies. Still less can one admire the almost idiotic way in which the constantly increasing mass of information relating to Companies is sorted and stored. The index would be a disgrace to Chinese officials. It may be wise to keep a register in which all titles are entered exactly as registered, but surely another might also be prepared in which some cross references were given. To look for Allsopp under S and Guinness under A because the true titles of these firms were registered as commencing with Samuel and Arthur respectively, is trying, but anyone knows, or should know, the right and full titles of those Companies. More obscure and smaller Companies are not so well-known, and unless the initial letter of the title be remembered the search becomes very tedious. J.L. Lloyd, for instance, is to be found only under J., William Yates & Co. under William, and so on. The difficulty is not reduced by the loose and careless way in which frequently the titles of Companies are referred to in directories, trade manuals, and guides, and other official or semi-official publications.

The whole of these difficulties can be overcome if only enough time and patience be devoted to the task. A very much greater evil is the non-tabulation of the total authorised capital and borrowing power of Companies. The attempt to get out any statement of the total capital employed in any specific business or set of Companies involves simply Herculean labour. Probably the officials could never clearly discriminate sufficiently to be sure

of their classification, if it were to be tried. One Company might be put under hotels that was also a brewery company, or under breweries that made a leading feature of its hotel business. The labour of selecting will still have to be done by the searcher.

Then not only should a list of all Companies wound up be open to free inspection, not all that from any cause whatever cease to exist should have that fact indicated on the public index. Ample cross-references should be inserted, which any junior of average intelligence could perform, and the date of registration should be furnished for reference to the annual Blue Book return. Information that now take weeks of hard toil, and costs a considerable sum to acquire, could then be secured quickly and with a minimum of labour and outlay.

The Companies' Registration Acts should be speedily amended so that the authorised borrowing power and the extent of its exercise should be known. It is monstrous that only the share capital is noticed, and this only at the time of Registration; subsequent extensions or reductions are not recorded.

As an illustration of the confusion this defect can cause, it is now quite possible to have a very small authorised share capital, and immense or even unlimited borrowing

powers, so that the mortgages and debentures can very greatly exceed the nominal capital. Though the Articles of Association disclose the borrowing powers taken investigation of the actual capital of a series of Companies becomes very tedious. Were such particulars returnable by law, the tabulation would be very easy, and the value of the statistics already given would be much enhanced by the completeness of the information.

The tardy publication of official reports and returns is a grave disadvantage, and the confusion of dates is a source of error. For instance, *The 37th Report of the Commissioners of Inland Revenue* was not issued until October 1894, and the information it gives concerning brewers was over a year old (September 30, 1893). *The Return of Joint-Stock Companies* was published October 14th last, and this again only gives particulars in a meagre form up to the end of 1893. Many matters of vital interest to investors and others are either not given at all, or, if given, are so badly arranged as to be practically worthless. Mortgages and loans, for instance, are not noticed.

The second and final part of this piece will appear in a future issue of Brewery History.