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Swift's Service

to

Producer and Consumer

March, 1934

Swift & Company
U.S.A.

16939

General Office, Swift & Company, Chicago

Swift & Company
and the
American Meat Industry

Origin of Swift & Company

THE business out of which Swift & Company grew was begun by Gustavus Franklin Swift, in 1868. Mr. Swift was one of the true pioneers of the modern packing industry. At the age of fourteen he went to work for his elder brother, Noble, the village retailer, at Barnstable, Mass. Slowly he accumulated money. In the winter of 1859-60, he opened a retail meat market of his own in Eastham, Mass. From Eastham he went to Sagamore, and from Sagamore back to Barnstable, each time establishing a larger market.

After engaging for some years in the retail meat business and in livestock buying, Mr. Swift became the partner of James A. Hathaway, a prominent Boston retailer, and took charge of the buying end of the business. Convinced that the real future of the business lay to the West, Mr. Swift persuaded his partner to transfer the buying activities of the firm first to Albany, then to Buffalo, and finally, in 1875, to Chicago.

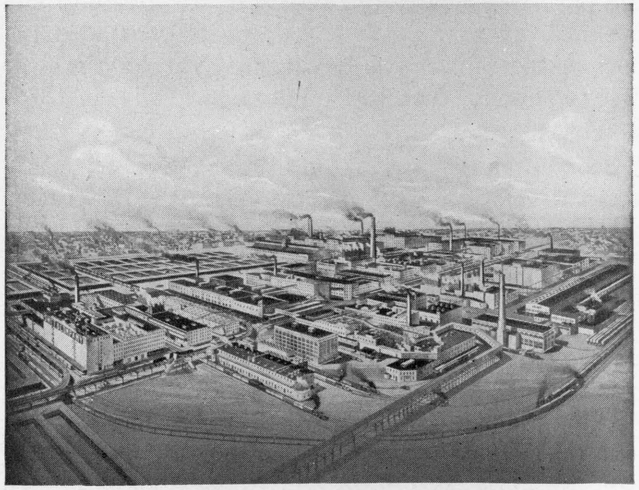
Soon after his arrival in Chicago, Mr. Swift set about developing a refrigerator car in the belief that the proper method of supplying the East with meat was to slaughter the animals in the West and to ship the dressed meat under refrigeration to the eastern markets. But his partner was not disposed to participate in this new and untried experiment. The result was that in 1877 Mr. Swift established his own packing plant at Chicago, helped to develop a workable refrigerator car, and began to make in his own cars the first successful year-round, long-distance shipments of dressed beef.

The establishment of the dressed-beef trade, to take the place of livestock shipments to the big eastern markets, was Mr. Swift's most noteworthy achievement, for it revolutionized the entire meat industry and made way for the establishment of the large packing companies with their nationwide selling organizations and large-scale treatment of by-products.

In order to break down eastern prejudice against western dressed meat and to win over the eastern slaughterers who opposed him, Mr. Swift established partnerships with outstanding local meat dealers in the eastern markets who agreed to handle his products. Later, as the business grew in favor and in volume, he established his own branch-house selling outlets.

After the success of the dressed-beef trade had been assured in the home markets, Mr. Swift took a leading part in developing the foreign market for American beef.

At the time of Mr. Swift's death in 1903, the business of Swift & Company, which had been organized as an Illinois corporation in 1885, extended



Bird's-eye View of Swift & Company's Chicago Plant

virtually to all parts of the United States and into many foreign countries. Under the guidance of Mr. Swift's sons, the company has continued to expand, until today it is one of the largest concerns of the kind in the world, with annual volume in excess of 6,000,000,000 pounds, and with a vast quantity of physical plant and equipment.

The company now owns and operates over fifty packing plants, the more important ones being located at Chicago, Kansas City, South Omaha, South St. Joseph, St. Louis, East St. Louis, South St. Paul, Fort Worth, Denver, Sioux City, North Portland, Watertown, S. Dak., Evansville, Ind., South San Francisco, Cleveland, Jersey City, Harrisburg, Moultrie, Ga., and Montgomery, Ala. Plants are also owned and operated in Canada at Toronto, Winnipeg, Moose Jaw, Edmonton, Vancouver, and Moncton.

Most of these plants are located at or near central livestock markets in the great livestock-producing sections. At these markets the company buys live animals from the producer or his commission agent, transforms them into meat, and the meat is then shipped to the various sections of the country where local production is insufficient for local needs.

Why Large Packers Are Necessary

It is not through mere chance that Swift & Company has become a large organization. It has become large because of certain conditions in the American meat industry which made large-scale operations both economical and necessary.

One of the principal economies in operating a large plant or a group of large plants is that all by-products can be completely utilized. In the large packing plants of today there is no waste; not a single element of value is discarded. Raw by-products are available from hundreds of thousands of animals. Almost valueless in a single animal, these raw products are assembled from many animals and converted into products having great value. For example, the tiny glands of 60,000 cattle are required to produce a pound of pure, dry insulin; so in large plants the glands are saved.

Small companies cannot make the same economies because they do not handle enough animals to justify all of the specialized by-product industries. The result is that some of their raw by-products are imperfectly utilized.

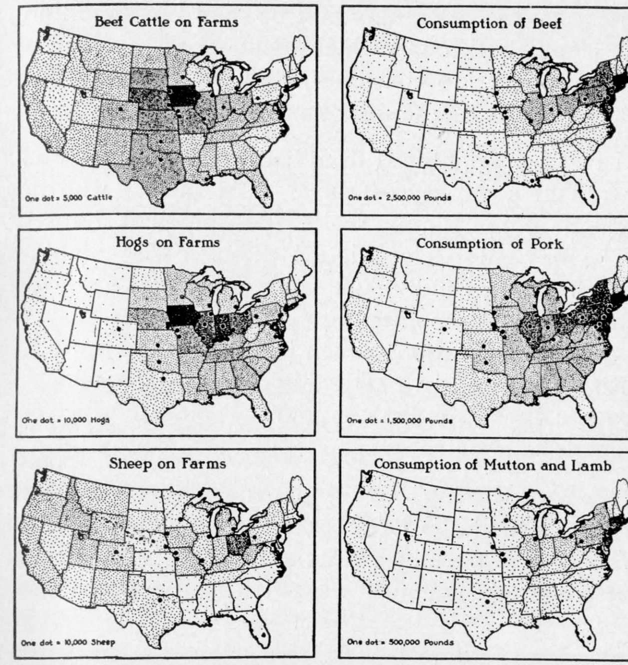
The economies to be found in complete by-product utilization constitute one of the important economic reasons for the development of Swift & Company's large packing plants in the Central West.

Another reason for the existence of a large concern like Swift & Company is that approximately two-thirds of the livestock of the country (80 per cent in the case of beef cattle) is produced west of the Mississippi River, while 69 per cent of the population lives to the east of it. Under these conditions, either livestock or fresh meat must be transported from the West to the East, and it has been found to be more economical to slaughter the animals in large central plants in the surplus-producing sections, save the by-products, and then transport the meat in refrigerator cars to the consuming sections than to ship the live animals. Only a large packer having the facilities for nationwide distribution can transport fresh meats to distant markets and distribute them efficiently.

In order to perform this long-distance service, Swift & Company is obliged to maintain selling organizations in various cities of the country which are supplied with meat from the company's plants by means of refrigerator cars. It would be impossible for a small packer to attempt to render the same kind of nationwide service. No small plant could assemble animals in the producing sections of the country in sufficient quantities to gain all the economies of large-scale production, including the complete utilization

THE MEAT SUPPLY

Where It Comes From | **Where It Goes**



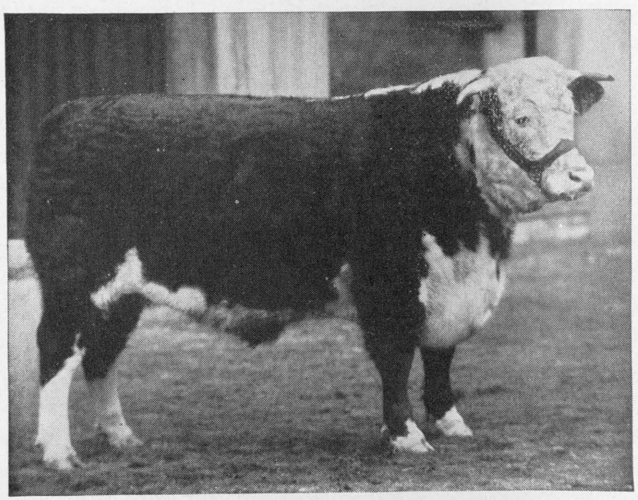
of by-products, and at the same time maintain a selling organization which would dispose of fresh meats economically in markets hundreds of miles away. Experience has shown, however, that whenever the business of a small packer becomes sufficiently large to warrant the extension of his markets to distant localities, he purchases branch-house facilities and actively competes with the larger companies in rendering the long-distance service. As soon as his business has developed to the point where the greater portion of his products is sold outside of the community in which the live animals were purchased, he becomes at once a "large" packer, because he is engaged essentially in performing the kind of service which has made the large packer an economic necessity.

Marketing of Livestock

The position of Swift & Company in the meat industry of the nation may best be shown by describing the channels through which meat passes on its way from producer to consumer, and the functions performed in the marketing process.

Livestock is shipped from country points by truck or rail in a variety of ways. The farmer who has enough animals may make the shipment himself; or, he may sell to a local livestock buyer who combines the offerings of individual farmers into carloads. At many shipping points farmers have organized co-operative associations which look after shipments for their members. In practically all cases the railways provide stock pens at these country points in which the animals can be kept until the time for loading.

Most of the livestock shipments from the country are made to large livestock markets in the Central West, where packing plants are located. At each of these markets are stock yards where the animals are



Champion Beef Steer

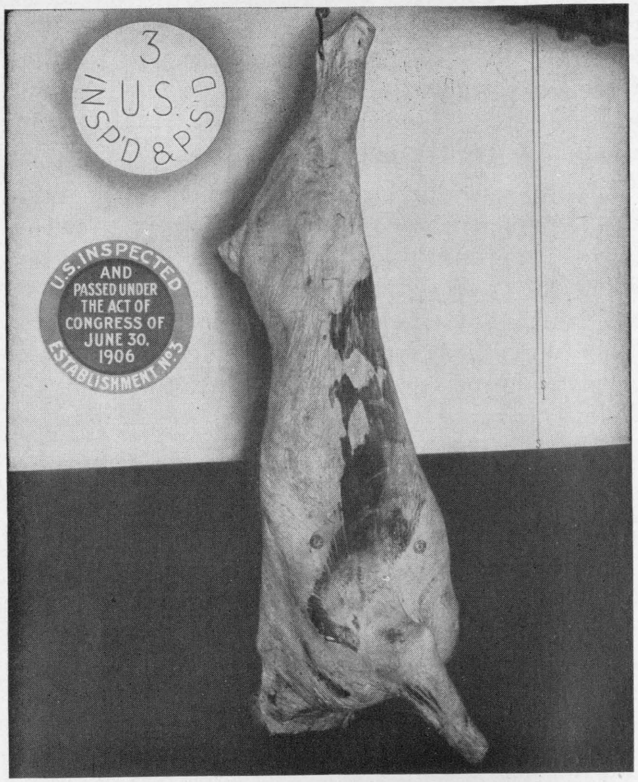
unloaded, fed, watered, and held until purchased for slaughter or reshipment. As a rule, the livestock coming to these yards is consigned to commission men who are expert salesmen and who attend to the feeding and final sale of the animals.

The buyers in the yards consist of packers, large and small; "shippers" who buy for reshipment to out-of-town buyers; and dealers and speculators who buy and sell on their own account. Fat cattle, sheep, and hogs are bought by packers for immediate slaughter. Light, unfinished cattle, known as "feeders," are sold chiefly to farmers and shipped back to the country to be fattened.

Government Inspection and Care in Handling

The packer has to maintain a buying organization in order to select properly the kind of animals that will meet the demands of his meat trade. After the animals have been bought, they are taken to the abattoir and slaughtered. During the dressing processes which follow, Federal Government inspectors thoroughly inspect every carcass. Condemned carcasses are used for other than food purposes. The good ones are stamped "U. S. Inspected and Passed," and after being carefully washed are placed in cooling rooms where they remain until all the animal heat has been dispelled. Hog carcasses are cut up after they have been chilled, and some of the cuts are cured and smoked. When ready for consumption, the meats are loaded into refrigerator cars and shipped to various parts of the country.

Throughout this whole process the meat is subject to rigid inspection both by Government officials and plant inspectors. The Federal Government inspectors are graduates of a four-year course in a veterinary college approved by the Government. They must also have passed a rigid civil-service examination. When livestock arrives at the yards, one of these officials makes an inspection of the animals. If



Side of Beef Showing Government Inspection

he finds any animal that is unsuitable for food, it is withheld from sale and disposed of in accordance with the regulations of the United States Government Bureau of Animal Industry. The cars and pens must also be cleaned and disinfected under the supervision of a Federal inspector.

The United States meat-inspection laws, which have been in force since 1906, require that all meats shipped from one state to another, or to foreign countries, must be inspected by a Government meat inspector. This work is done under the direction of the Secretary of Agriculture. The inspectors have

the power to close a plant that is not sanitary in every respect. To conform with the requirements laid down by the Government, the floors and tables in a plant must be washed every day; tools must be thoroughly sterilized; and workmen must have clean garments. Ample lavatory facilities, with hot and cold water, soap, sterilizing lotions, and towels, are supplied so that the work may be carried on in the most sanitary manner.

All animals have four inspections. The *ante-mortem* inspection is termed "on the hoof." The three *post-mortem* inspections are made on the glands of the head and neck on the viscera, and on the halves of the carcasses.

In addition to these inspections by Federal officials, Swift & Company has its own corps of inspectors. This force attends minutely to the enforcement of very rigid rules of cleanliness and sanitation in the handling of the meat from the time it passes the Government inspector until it is actually delivered to the retailer. A constant watchfulness is maintained over employes. Clearly expressed rules governing the habits of employes and their methods of work are

Packaging Swift's Premium Bacon

everywhere in evidence. These rules are rigidly enforced.

The same minute attention is given to the handling and care of meats on their way to market. Before a refrigerator car is loaded, it is thoroughly scalded with steam and hot water. Then about three tons of ice and eight hundred pounds of salt are put into the ice chambers to cool the car, the salt causing the ice to melt and absorb the heat. It takes about this quantity to get the car chilled before the meat is put in, and the car must be iced again when the meat is loaded. In order to keep the temperature cool and even throughout the overland journey, icing stations are maintained at various points along the railways so that ice and salt may be replenished every twenty-four hours.

Methods of Distribution

Swift & Company sells products directly to retailers all over the country. This it does by two different methods of distribution; first by means of branch houses, and secondly by means of car routes.

Branch houses are selling agencies located in the larger towns and cities. They are owned and operated by the company. Each house has refrigerating facilities, expert meat cutters and handlers, an accounting and credit organization, a sales force, and delivery equipment to carry the meats to the retailer's shop. These branches receive their supplies daily, or several times weekly, in refrigerator cars directly from the packing plants.

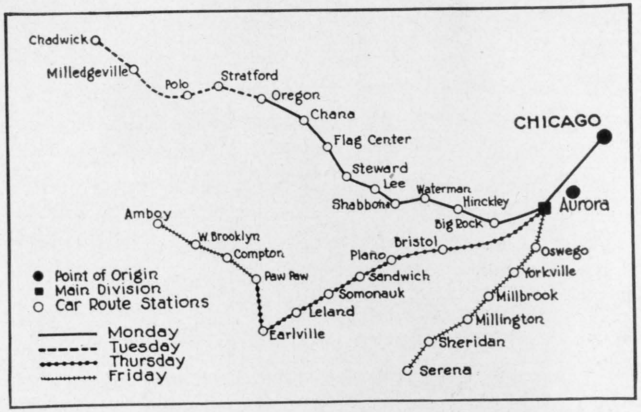
Some retailers go to the branch houses and select and bargain for their meats. Since most of the larger packers distribute their products in this manner, a particular city will have the branch houses of several packers, and the local retailers will go from one branch house to another selecting and bargaining for the products which meet with their approval. One cannot watch the bargaining that takes place in these

Modern Branch House

branch houses without being made aware of the keen competition existing in the wholesale meat market.

Branch houses are a necessary part of any complete nationwide meat-sales organization. Meat is a perishable product, and cannot well be entrusted to the care of an individual wholesaler doing business in some distant city hundreds of miles from the packing plant. Fresh beef must be sold to the retail trade within two weeks after the steer has been dressed, that is, within a few days after arrival at destination; otherwise it would deteriorate in quality and the trade would discriminate against it. Swift & Company learned long ago that the only way to be sure of getting its perishable meat products into the hands of retailers in proper condition was to own and operate its selling agencies. The company now operates more than 400 of these refrigerated sales branches.

Obviously, the branch house can be economically operated only in those cities which are sufficiently large to furnish a good volume of business. The thousands of smaller towns, which extend out in all



A Typical Car Route Service Arrangement

directions from the packing plants and which are not large enough to support branch houses, are reached by means of car routes; that is, a refrigerator car is sent out from a packing plant over a specified route to supply a whole series of towns with their meat and produce requirements. Once or twice a week, or oftener, a salesman goes to these towns, calls on the retail meat dealers, and takes their orders. These orders are sent back to the packing plant, where a refrigerator car is loaded accordingly. Swift & Company has over 700 of these car routes to supplement the work of distribution by its branch houses. These facilities enable Swift & Company to distribute meat and produce to virtually every city, town, and hamlet in the United States and to hundreds of towns and cities in Canada.

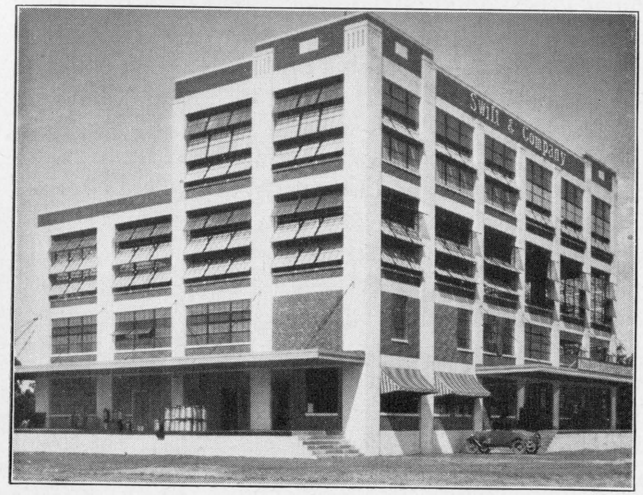
The efficiency with which Swift & Company distributes meat and other products is shown by a report of a Committee of the National Distribution Conference, which found that out of seventeen trades investigated, packer branch houses had the lowest cost of operation. In Swift branch houses, meat products are handled at a cost of about 5 per cent of

sales compared with a cost of 10 to 20 per cent in most wholesale trades. The cost of making car-route sales is about the same as that of branch houses.

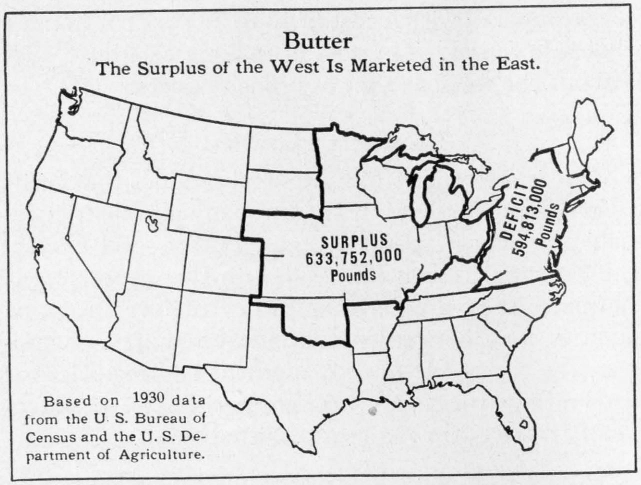
Products Handled

Meat is, of course, the principal product that Swift & Company handles, but the company also distributes such products as poultry, eggs, butter, and cheese. The principal reason for dealing in these products is that since they are perishable they require the same facilities for distribution that meat requires. Moreover, the use of the same equipment and facilities for distributing meat and other perishable products greatly reduces the net cost of distribution.

Swift & Company long ago built up an extensive sales machinery for the distribution of perishable meats. It was soon found that this same equipment and organization could be used advantageously to handle butter, eggs, cheese, and poultry. These products could be placed in the same cooling rooms with meat, transported in the same refrigerator cars,

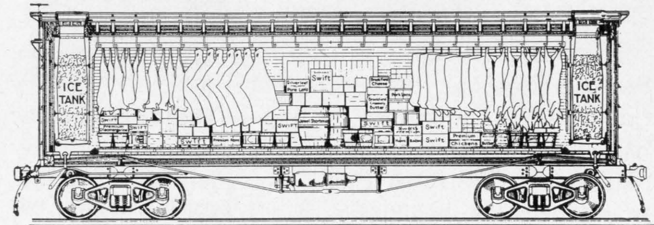


Modern Produce Plant



and sold through the same branch houses. They could be sold by the same salesmen and delivered to retailers in the same trucks and to the same class of retail shops. Naturally, the trade found it convenient and profitable to buy both its produce and its meat from the same firm. Furthermore, the handling of these additional products increased the volume of business with only a slight increase in overhead expense, with the result that unit selling costs could be reduced both on the meat and on the produce handled.

Swift & Company now has more than 100 produce plants in the West and Central West, where eggs are assembled, graded, and packed; where cream is bought and converted into butter; and where poultry is milk-fed and prepared for market. Like the packing plants, these houses assemble the surplus raw products of the great producing sections, convert them into finished products, and these products are then loaded into refrigerator cars and distributed directly through the branch-house and car-route organizations to the towns and cities where local production is insufficient for local needs.



Cross-section of Refrigerator Car

The economy with which these products are distributed may be illustrated graphically by referring to the manner in which they are loaded into refrigerator cars along with meat products. The beef and mutton hanging from the roof of a refrigerator car leave a certain amount of space in the lower part of the car which can be utilized for cured products, or for any other kind of freight requiring refrigeration, or for non-perishable freight that will not be damaged by refrigeration and will not contaminate the perishable products in the car. The transportation of poultry, butter, eggs, and cheese in such space adds weight to the car, promotes car efficiency, and increases the revenue per car.

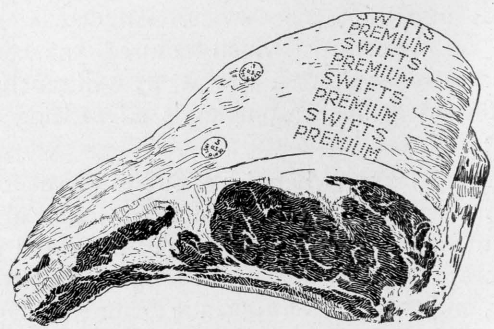
Formerly Swift & Company owned and operated a fleet of refrigerator cars. Ownership was necessary in order to obtain the kind of shipping service that perishable products require. In 1931, however, a way was found whereby the cars could be disposed of without impairing the service. All cars were sold under an agreement which assured the company adequate transportation service, as well as the right to maintain Swift & Company's advertising on the cars.

Swift & Company handles about 15 per cent of the total meat produced in the United States, or about 25 per cent of the output of federally inspected plants. The company's proportion of the total poultry, eggs, butter, and cheese entering trade channels is less than 10 per cent.

Quality

In spite of its equipment for large-scale production, Swift & Company is more concerned with quality than it is with quantity. It may be said that Quality has always been the company's chief product. By holding steadfastly to a policy of quality production, from the very beginning of its existence, and by striving continuously for improvement, the company has gained both a national and an international reputation for its products.

Among branded meat products today the Premium brand has a reputation second to none. Premium Hams and Bacon are known especially for their uniformity and quality, the result of "Ovenizing," an exclusive Swift & Company process. Though prepared at more than a score of scattered plants, the work of selection, preparation, and grading is so carefully supervised and checked that deviation from the fixed standard is next to impossible. Before hams and bacon can be branded as Premium, they must have been selected from meats of the right texture and contour; they must have been cured with the right proportions of salt and sugar, in the right temperatures, and for the right number of days; and they must have been "Ovenized." Swift's Premium Hams, thanks to "Ovenizing," are unapproached in flavor, tenderness, color, and firmness, as is Swift's Premium Bacon.



Swift's Branded Beef—Swift's Premium

Until recently it was not customary for packers to brand fresh meats, owing partly to the natural difficulty of impressing upon the meat a distinctive mark that would invariably be seen by the consumer. Swift & Company was the pioneer in overcoming this difficulty. It now brands the best qualities of both fresh beef and lamb. All beef, for example, is carefully graded, and every whole side which conforms to the highest known standards is impressed with the Premium brand. The identification is such that "Premium" appears on practically every roast or steak which can be cut from that particular side of beef. It is the consumer's assurance of first quality.

For many years the name of Swift & Company has been identified with "Silverleaf" Brand Pure Lard and with Brookfield products. The name "Brookfield" on a carton of eggs, on a package of butter or cheese, carries the same guarantee of quality in the produce line that "Premium" carries on meat and poultry products.

Throughout all the operations of the company having to do with the preparation and distribution of human food, absolute cleanliness is held to be of no less importance than quality. No effort is spared to maintain manufacturing and distributing facilities in the most sanitary condition at all times. Visitors are always welcome at Swift plants and branch houses.

By-products

In addition to handling perishable commodities, Swift & Company is compelled by force of circumstances to deal in the by-products derived from its slaughtering operations. These raw products must be manufactured to a merchantable stage, and this necessitates the ownership and operation of numerous by-product industries. Hides, for example, must be cured before they can be sold to tanners; select fats are made into oleo oil and stearin; the oil is used in making margarine, and the stearin is used in various cooking compounds; other fats are converted into tallow and later into soap; select bones are sold as raw material for knife handles and other articles; miscellaneous bones are made to yield tallow, glue, gelatin, etc., and the residue is ground into bone meal for use as fertilizer; dried meat scraps from the rendering of fats are turned into highly nutritious stock and poultry feed; hoofs become the raw material for buttons; blood is used for certain pharmaceutical preparations, for animal feeds, and for fertilizer; the hair is dried, washed, and sold to the manufacturers of cushions, mattresses, brushes, etc.; while the numerous glands and secretions of cattle, sheep, and hogs form the basis of a variety of medicines.

Formerly, many of these products were wasted. They were carted away regularly and dumped into trenches to be burned. Some waste still goes on in the smaller plants where the number of animals handled is too small to warrant extensive by-product operations. In the larger plants, however, everything of value is saved. The employment of scientific men

A Section of Chemical Laboratory

to give their entire attention to the problem of better productive processes has completely transformed this phase of the business. It was primarily on account of the greater economies to be gained through by-product utilization on a large scale that large plants came into existence in the first place.

The effect of the developments in by-product utilization upon the economics of the packing industry has been nothing short of revolutionary. Today, cattle, sheep, and hogs are a great deal more than food; they are the raw material for a vast range of marketable and valuable commodities. It is on that basis, and not merely on their food value, that they are purchased. The result is that the livestock producer gets better prices for his stock than he could possibly get if the inedible portions were not fully utilized.

At the same time, meat prices have been reduced to the consumer. However much the consumer may complain about the high price of meat, the price would be higher were it not for the careful attention that has been given to the manufacture and sale of by-products. Considering the fact that only 50 to 60 per cent of the live weight of a steer is meat, it is difficult to believe that a large packer can remain solvent when he is compelled by competition to pay out for a live steer more than he receives from the sale of the dressed carcass. Yet that is the situation he has to face when conditions are normal. He cannot buy beef without also buying by-products, and he must handle by-products in the most efficient manner if he expects to make a profit on his operations.

So much attention has been given to the problem of by-product utilization that it may fairly be said that practically every available portion of the animals handled in a large packing plant contributes something toward raising the price of livestock to the producer and reducing the cost of meat to the consumer. Competition within the industry forces every packer to share the greater part of his savings, due to

Pulling Wool from Pelts

by-product utilization, with producers and consumers alike.

The effect which improved methods of by-product utilization have had in narrowing the spread between meat and livestock prices over the last sixty years is clearly shown by the United States census. According to the census of 1870, it required nearly 19 per cent of the value of meat products to cover the packers' expenses and profits. Nowadays, with the improvements that have taken place in by-product utilization and in operating efficiency, it requires a much smaller percentage of the value of meat products to perform the same service. This is only another way of saying that improved methods in the packing industry, particularly in the more efficient use of by-products, have had the effect of making meat prices lower and livestock prices higher than they could have been otherwise.

The by-products which Swift & Company manufactures to a finished stage are stock and poultry feeds, fertilizer, soap, glue, margarine, and gelatin.

Other by-products are manufactured only to their first merchantable stage and are then sold. In order to supply the trade with products which supplement lard and oleo oil the company refines cottonseed oil and other vegetable oils, and converts them into vegetable shortening and salad oils.

Meat and Livestock Prices

Probably no feature of the packer's business has been so little understood as the matter of prices—the price he pays for livestock and the price he receives for meat. Some have assumed that when meat prices rose or livestock prices fell, a packer or group of packers were manipulating prices. Others have assumed that because packers were making money they must be exercising some kind of arbitrary control over meat or livestock prices. All sorts of assumptions and charges about the packers' ability to fix prices have been made from time to time—by consumers when meat prices were high and by producers when livestock prices were low. The persistence of these fallacies has been due largely to a complete misunderstanding of the economic laws governing the packer's operations.

There are at least two fundamental reasons why a packer or group of packers cannot control wholesale meat prices. In the first place, the greater portion of a packer's products consists of perishable meats which must be moved promptly into consumptive channels. As soon as meat is ready for the market it must be sold, and it must be sold for what it will bring.

If a packer attempted to get a higher price than the market afforded, the demand for his product would be diminished, his meat would not be sold, and it would soon spoil on his hands. Likewise, if he sold his meat carelessly for less than the current market price, his meat stocks would soon be sold out, and he would not be able to meet the requirements of all his customers. Every packer tries to get the best possible price for his meats all the time, and no amount of collusion with other packers would enable him to sell out his stocks at a higher price. So long as meat is a highly perishable product, it will be impossible for any packer or group of packers to control meat prices.

A second reason why packers cannot control meat prices is that there is too much competition, both actual and potential, to permit of arbitrary control. If all the large companies got together and proceeded to drive the small companies out of business in the hope of being able to control the market price of meat, it would still be impossible for them to accomplish their purpose of controlling prices because there would promptly come into existence an entirely new crop of small companies to carry on the competitive struggle.

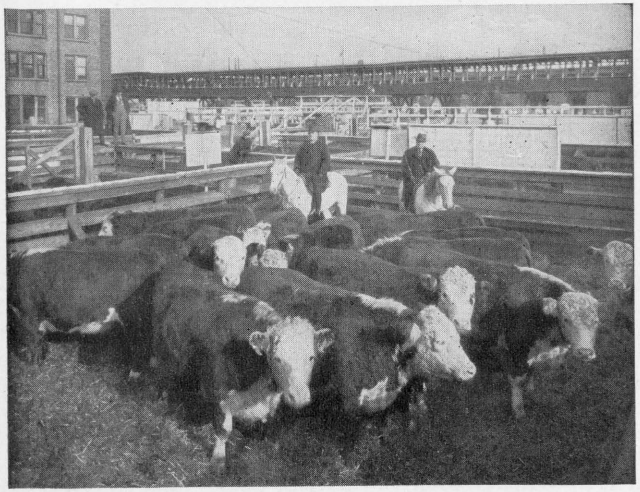
Over twelve hundred packers in the United States are turning out the best meat products they know how to produce. Swift & Company has to compete with all of these firms both in the purchase of livestock and in the sale of meat. In addition, the company has to compete with thousands of local butchers, and with farmers who prepare their own meats on the farm.

What the packer has to do with the determination of meat and livestock prices is a very different thing from what he has frequently been credited with doing. In reality, he is only an agent through whom producers and consumers bargain with one another. Instead of being an arbiter of prices, he is completely at the mercy of the law of supply and demand. His situation is far more difficult than that of the average manufacturer or merchant because he cannot withhold his goods from the market if prevailing prices are unsatisfactory. He deals in perishable products which *must be sold* whether the price is high or low, and they must be sold in competition with the products of all other packers.

At the beginning of each day the packer knows how

much meat he has on hand ready for the market. The first thing he does is to instruct his salesmen to get the best prices they can for that quantity of meat, reminding them that it must all be sold. He then follows the market returns carefully, from hour to hour, noting the prices at which his products are being sold.

On the basis of the prices he is able to get for his meat and by-products, and what he thinks he will be able to get in the immediate future, he goes into the livestock market and makes bids for livestock. Some of his supplies are received directly from producers at a price that must be in line with prices in the central markets. The great bulk of his supplies, however, is obtained in the central markets. Here he has to compete with other packer buyers, with "shippers," dealers, and speculators, all of whom want to buy livestock; and he has to buy from expert salesmen (commission dealers) who are trying to get the best possible prices for the producers. In the competitive bargaining which takes place, each packer tries to buy



Buying Cattle in Stock Yards

live animals at a price that will enable him to make a profit after the meat and by-products have been sold and manufacturing and distributing costs have been met. Competition with other buyers who are also watching the market returns on meat and by-product sales fixes the price of livestock at a point where only a small margin of profit is obtainable by any packer.

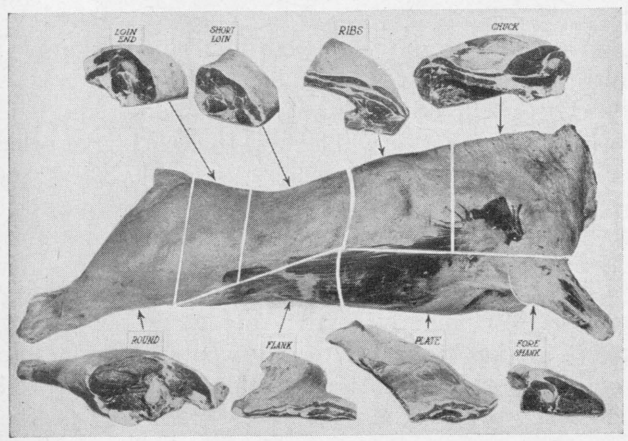
There are many people who think that the price of meat is, or should be determined by the price that a packer pays for livestock. But this is an entirely wrong view of the matter. A packer gets for his perishable meat products what the market affords, and on the basis of what he thinks he will be able to realize from the sale of these products, he goes into the open market and makes bids for live animals. Obviously, the highest price he can afford to pay for livestock is determined by the price he can get for meat and by-products less his expenses of manufacture and distribution.

It is often quite puzzling to the producer to understand why livestock prices should fluctuate widely from one season of the year to another or why a particular grade of livestock should sell for 15 or 50 cents per cwt. higher or lower today than the same grade sold for yesterday. Producers have strongly objected to the recurrence of these price fluctuations and have often assumed that they must be the result of price manipulation.

The truth of the matter is that fluctuations in livestock prices are due either to changes in the demand for meat and by-products or to changes in the supply. The demand for meat is exceedingly variable. The amount of meat that people will buy is affected by a wide variety of circumstances, such as the competition of other foods in season, holidays, weather, or industrial conditions. For example, adverse changes in the weather or in industrial conditions may come about quickly, and when they do come the packer

has to take a lower price for his meats, irrespective of what they cost him, in order to move them. Naturally, this causes him to offer a lower price for livestock. When changes in the demand for meat move the other way so that he is able to get more for his products, competition with other packers and livestock buyers forces him to pay more for live animals.

One of the most outstanding causes for fluctuations in livestock prices is the fluctuation in receipts at the central markets. Other things being equal, an increase in livestock receipts will compel a packer to reduce his bidding price because he knows that the additional cattle, sheep, or hogs coming to market will increase the supply of beef, mutton, or pork to be consumed, and that the increased supplies of these meats can be marketed only at lower prices. Therefore, he



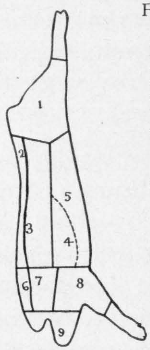
Standard Beef Cuts

(Chicago Style)

Round	24%	Rib	9%
Loin End	9	Chuck	26
Short Loin	8	Plate	12
Flank	4	Shank	4
(Suet)	4		
Hind Quarter Total	49%	Fore Quarter Total	51%

Side of Beef Total 100%

Pork Products



From a 250-lb. Hog Green Weights	Percentage o Live Weight
1. Ham	14.00%
2. Fat Back	3.00
3. Loin	9.50
4. Spareribs	1.50
5. Bacon	11.00
6. Clear Plate	2.25
7. Boston Butt	4.75
8. Picnic Shoulder	5.50
9. Jowl	2.00
Lard, By-products	25.00
Shrinkage	21.50
	100.00%

cannot afford to offer as much for the live animals. In the same way, a decline in livestock receipts means that there will be less meat to be marketed. The packer knows that he will be able to get a higher price for meat and by-products when the supply is less; so, he is forced by the competition of other livestock buyers to pay more for livestock.

Fluctuations in livestock prices are as objectionable to Swift & Company as they are to producers. A steady market from day to day would be preferable to all buyers. But until some plan has been devised that will stabilize the demand for meat and at the same time smooth out the wide fluctuations in livestock marketing, it will be impossible to overcome the fluctuations in livestock prices.

The point which puzzles the consumer most in connection with meat prices is why he should have to pay three or four times more per pound for certain cuts of meat at the local retail shop than the live animal costs the packer.

In making such comparisons, the consumer is apt to overlook the fact that the beef from a steer is only about 55 per cent of the live weight; a hog yields only 75 per cent in pork and lard; and a lamb yields less than 50 per cent in meat. Furthermore, there are only a limited number of sirloin steaks in a steer, of bacon slices or pork chops in a hog, or of lamb chops in a lamb. The prices of individual cuts vary considerably and have no definite relation to the price of the live animal.

Some cuts of beef, for example, are in great demand, while others are hardly wanted at all. About all the retailer can do, when he buys a lamb carcass or a side of beef, is to price the individual cuts according to their desirability. A few cuts may sell for four or five times the cost per pound of the live animal, while the least desirable portions may sell for little more than the live cost per pound. The retailer must get enough from all cuts taken together to pay for the cost of the meat and the cost of retailing. Under the latter item must be included the shrinkage in the weight of his meat, unavoidable waste, cost of delivery service, bad credits, wages, and the value of his own time.

Numerous investigations in the retail trade have shown that the cost of selling meat at retail is in the neighborhood of 20 to 25 per cent of the value of the meat sold.

Profits and Dividends

On account of large-scale operations and a high degree of specialization, Swift & Company is able to prepare and distribute meats at extremely small margins of profit. During the past eleven years, for example, the company's profits have averaged less than 2 cents on the dollar of sales, and less than 6 per cent on the total stockholder's investment. Total sales and rates of earnings during this eleven-year period are shown in the following table:

Year	Sales	Earnings: On Capital Stock and Surplus		Earnings: Per Dollar of Sales	
1923	750,000,000	6.20 per cent		1.76 cents	
1924	775,000,000	6.60 " "		1.82 "	
1925	875,000,000	7.12 " "		1.75 "	
1926	950,000,000	7.14 " "		1.65 "	
1927	925,000,000	5.47 " "		1.32 "	
1928	970,000,000	6.63 " "		1.53 "	
1929	1,000,000,000	5.78 " "		1.31 "	
1930	900,000,000	5.50 " "		1.39 "	
1931	710,000,000	3.61 " "		1.16 "	
1932	539,000,000	2.38 " "	(Loss)	.99 "	(Loss)
1933	500,000,000	4.81 " "		2.03 "	

The significant fact about these results is that the earnings are so small in terms of the annual sales as to have no appreciable effect upon meat or livestock prices. The large packer has frequently been criticized by the livestock producer because livestock prices were low, and he has been criticized by the consumer because meat prices were high, the argument being in all cases that the packer was making too much profit. The fact of the small rate of earnings completely disproves these contentions. There is probably no other industry, performing a similarly complex service, in which the normal margin of earnings is so small. A packer can exist on this margin only when he has a large volume of business.

On October 31, 1933, the company's capital stock was $150,000,000 and the surplus $67,000,000, making a total stockholder's investment of more than $217,000,000.

Swift stock is owned largely by investors. The number of shareholders is more than 55,000, about 24,000 of whom are women, and 13,000 employes. Over 75 per cent of our shareholders own an average of 85 shares each. It takes over 2,600 of the largest shareholders to vote a majority of the stock.

The Human Side

In conducting its business Swift & Company regularly employs more than fifty thousand people. These are located for the most part in the principal cities of the United States and Canada, the majority being connected in some capacity with one of the company's operating units such as a meat packing plant, produce plant, refinery, or oil mill. Many others are identified with the sales end of the business either at branch houses, which are located in the larger cities, or as traveling salesmen on car routes which cover the smaller cities, towns, and villages in practically all parts of the country.

Employes include men and women representing more than sixty different nationalities. Applicants are judged solely upon the basis of their fitness for the work to be done. The organization is characterized by high morale, length of service, and remarkable loyalty.

Swift & Company believes that the physical fitness of its working force is one of the fundamental necessities of a successful business. It therefore aims to

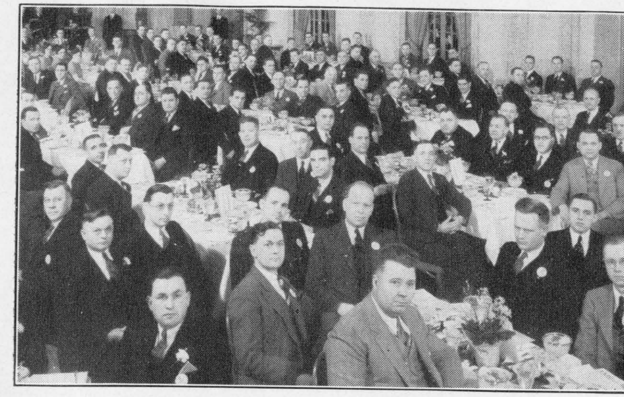
A Section of the General Office in Chicago employ healthy people, surround them with sanitary working conditions, protect them as much as possible from accidents while at work in the company's service, and provide them with skilled medical attention when the need arises.

Responsibility for carrying out this policy lies chiefly with the medical department. At Chicago and other points where the larger meat packing plants are located, well-equipped physicians' offices are maintained in charge of thoroughly trained doctors and competent nurses. At smaller units of the organization, arrangements are made for regular service by local physicians. All new employes are given a physical examination before being accepted as permanent additions to the company's personnel.

Employes of the company maintain and direct an Employes Benefit Association. The "E.B.A.," as the organization is called, has over 50,000 members, each contributing an average of twenty-seven cents weekly. In return for the small weekly contribution, members are paid weekly benefits for sickness and accident, and the death benefit is paid to the beneficiary. The benefit association also has provided group life insurance for its members which, when combined with the E.B.A., gives them insurance at very low cost. Employes carry $150,000,000 worth of insurance under this plan.

Swift & Company helps its employes to meet their financial problems by promoting habits of thrift, by providing financial relief in extreme and deserving cases, and by maintaining a non-contributory pension system whereby employes of long service and advanced age are able to retire with the assurance of at least some regular income for the remainder of their lives.

In addition, the employes of Swift & Company at many points have banded together to form Credit Unions. These are managed by the employes themselves. They not only promote among their members



Car Route Salesmen's Banquet

the voluntary practice of saving some part of their weekly income but also provide a channel through which limited amounts of money may be borrowed at low interest rates when emergency matters have to be met. Thousands of employes regularly make use of the advantages which the Credit Unions afford.

A wide variety of opportunities both for specific training and for general education is provided by Swift & Company through regularly organized classes at many of its plants and by means of correspondence courses conducted by its Training Division. Several thousand employes avail themselves of these privileges every year.

In 1921 a plan of Employes Representation was adopted at the Chicago plant of Swift & Company. This plan has since been extended to all the company's larger operating organizations. It has proved to be the means by which the employes and the company have worked out their mutual relations in a manner highly satisfactory to both. The Plant Assembly, as this association of employer and employe is called, has power to settle all disputes and grievances that arise, as well as to pass upon and make recommendations with respect to working conditions, including wages and hours.

Swift's Identifiable Products
(A Partial List)

Branded Beef: Swift's Premium, Swift's Select, Swift's

Branded Lamb: Swift's Premium, Swift's

Identifiable Packaged
Beef, Lamb, and Pork Cuts
Swift's Premium and Swift's Arrow

Swift's Premium Ham

Swift's Premium Bacon

Swift's Premium Cooked Ham

Swift's Premium Ham "Savor-tite"

Swift's Premium Delicatessen Style Ham

Swift's Premium Sliced Bacon
(In cartons, glass jars, and cellulose)

Swift's Premium Sliced Dried Beef
(In cartons, glass jars, and cellulose)

Swift's "Silverleaf" Brand Pure Lard
(Pastry tested)

Swift's Jewel Shortening

Swift's Jewel Salad Oil

Swift's Premium Margarine

Gem-Nut Margarine

Swift's Gem Mayonnaise

Formay

Vream

Swift's Brookfield Pure Pork Sausage
(Links and patties)

Swift's Premium Frankfurts

Swift's Premium Cervelat

Golden West Fowl

Swift's Premium Milk-fed Chickens

Swift's Premium Quality
Brookfield Butter Brookfield Eggs Brookfield Cheese

Swift's Ice Cream

New Sunbrite Cleanser
(Cleans easier, works faster, won't scratch)
(Double action)

Quick Arrow Flakes
(Treated with naphtha)

Wool Soap
(Toilet and bath)

Wool Soap Flakes

Peerless Cocoa Castile Soap

Maxine Complexion Soap

Vanity Fair Beauty Soap

Classic Soap

Arrow Borax Soap

Quick Naphtha Soap

Pride Washing Powder

Snap
(Concentrated soap suds)

Rador Glycerine
(Automobile anti-freeze)

Swift's Digester Tankage

Swift's Meat and Bone Scraps

Swift's Bomin

Red Steer Fertilizer

Swift's Silver Fur Food

Pard
(The natural meat food for pets)

Vigoro
(For lawns and gardens)

Swift's
Premium
Quality

S

Swift & Company

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