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agropur  
1987-1988





**FIFTIETH  
ANNUAL REPORT  
1987-1988**

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## HIGHLIGHTS

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<b>NET SALES</b> (in thousands dollars)	
Industrial Milk Division	522,450
Fluid Milk Division	295,427
<hr/>	
Total	817,877
Transactions between divisions	22,155
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<b>Grand total</b>	<b>795,722</b>

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### NUMBER OF EMPLOYEES

2,657

### Milk collections (in thousands of litres)

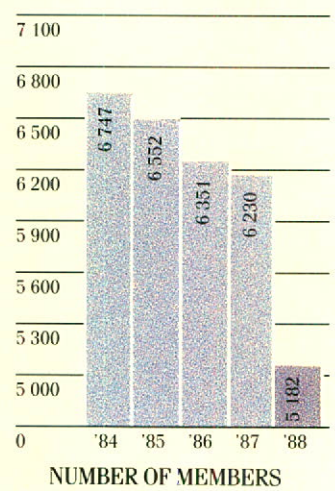
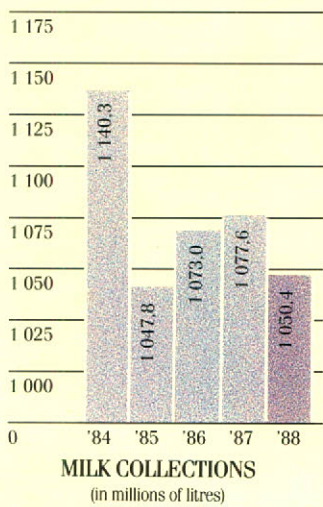
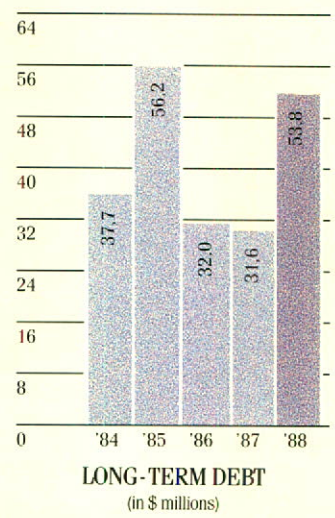
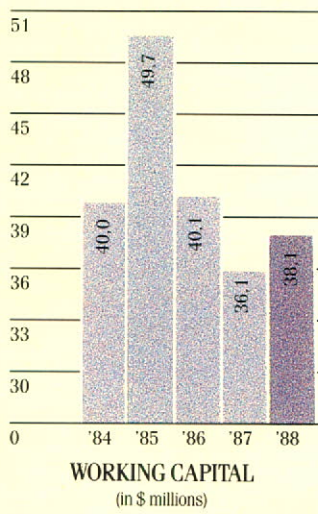
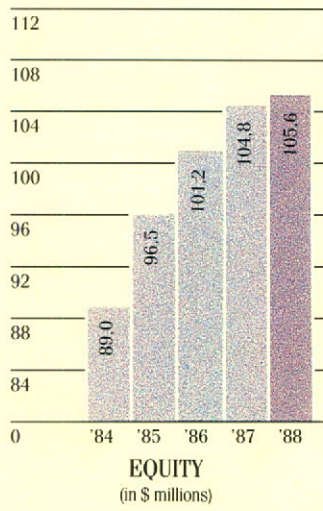
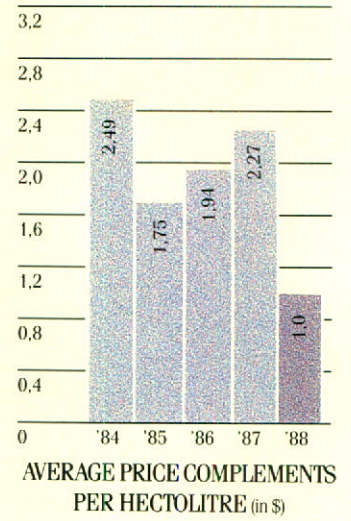
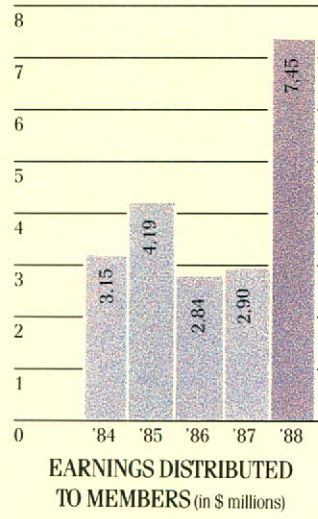
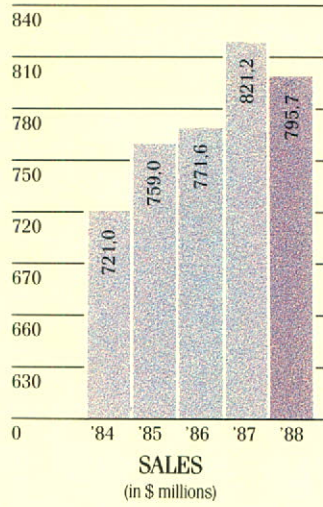
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Industrial Milk	793,900
Fluid Milk	256,540
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<b>Grand total</b>	<b>1,050,440</b>

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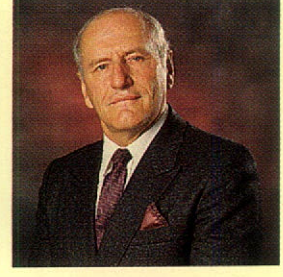
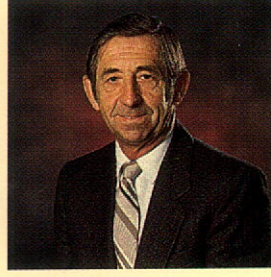
### OFFICERS

Michel Lemire  
President  
Raymond St-Cyr  
Vice-President  
Reynald Charest  
Chief Executive Officer  
André Gauthier  
Corporate Secretary  
R. Claude Ménard  
Manager, Financial Services and Treasurer

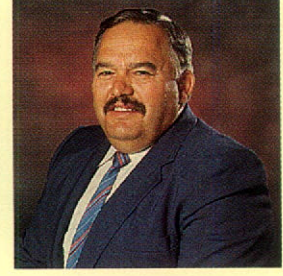
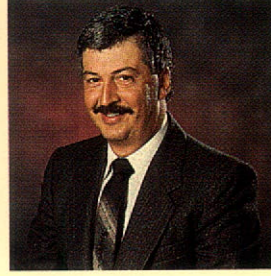
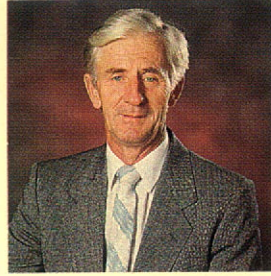


BOARD OF DIRECTORS

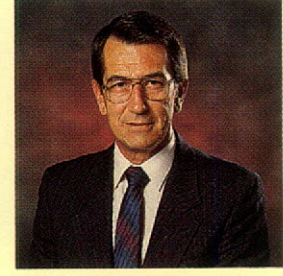
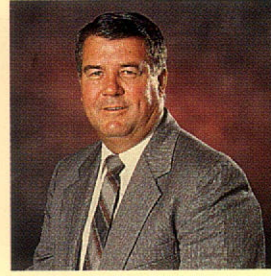
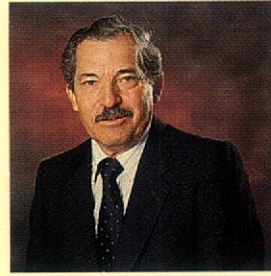
Michel Lemire\*  
President  
Raymond St-Cyr\*  
Vice-President  
Clément Favreau\*



Lauréat Michaud\*  
Jacques Cartier\*  
Roger Béliveau

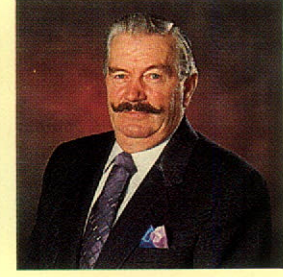
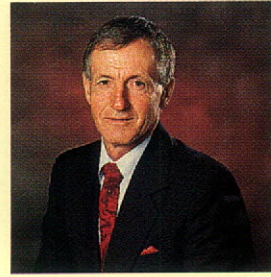


Léonard Boulais  
Harold Crochet  
Michel Douville



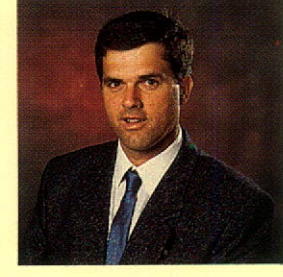
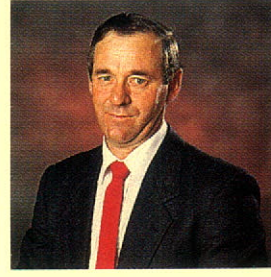
Claude Dumontier  
Claude Girard  
Jean-Paul Guimond

Gérard Montour  
Philippe Véronneau  
Normand Viau



\*Member of Executive Committee

*This Board of Directors was among the first. First row: Gédéas Parent, President; Philippe Comeau, Vice-President; Omer Deslauriers, Secretary. Second row: Adélar Dumoulin, Origène Desroches, Sylvanie Lussier, Directors; Ephrem Martin, Manager; and Alpha Mondou, Agronomist from the Québec Department of Agriculture.*



## MESSAGE FROM THE PRESIDENT

Dear members:

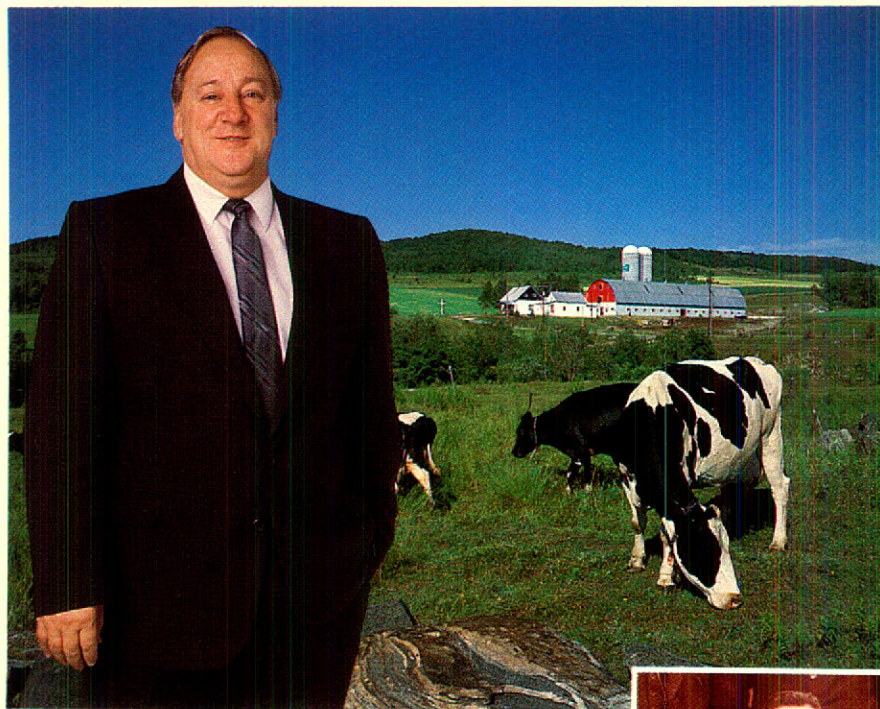
The history of our Coopérative has been heard many times during this 50<sup>th</sup> Anniversary.

From the history of Agropur, we have discovered — among other things — that during the most difficult years our predecessors showed great solidarity and combined their efforts to correct a precarious situation. We like to think that future generations will also learn the same from 1987-88.

As for this year, insight and action were not amiss, which is a good sign for the future of our organization.

We can take great pride in the seriousness with which a great number of members took part in the consulting process on the future of the Coopérative. The main theme — «Together, let us plan our future» — has been looked at from every aspect: the mandate of the enterprise, its human and financial resources and its market development. The results will no doubt enable your directors to provide you with action steps that will consider both your needs and your views on the development of the Coopérative.

It is also essential to highlight the efforts expended by our team of directors to further streamline the Coopérative's operations. At the end of the 20<sup>th</sup> century, when discussion centres on a world-based economy and its liberalism, organizations must adjust rapidly. Foresight, vitality and compe-



tence are all factors that will decide the winning teams. In this regard, we have all we need to succeed — and that gives us faith in the future.

Obviously, our success or failure depends not only on us. We are affected by the political environment and subject to market trends. Our actions are also influenced by pressure groups, particularly in Québec, where agricultural cooperation does not seem to be appreciated at its fair value and merit. People do recognize, however, that the overall cooperative movement plays a key role in social and economic development.

As in the past, we think that the relationship between members and their Coopérative should continue to be a source of vitality, and that all our actions should strive to improve it.

We are proud of Agropur's achievements in our first half-century, and thankful to our predecessors. The members and employees who have continued their work are following in their footsteps and devoting a great amount of energy in this enterprise. The 1987-88 fiscal year is no exception and we are very satisfied.

Your President,

*Michel Lemire*

Michel Lemire



*Omer Deslauriers has a special place in the history of the Coopérative de Granby. Always at the forefront of the small team of founders, he was President from 1941 to 1962.*



## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Agropur's sales reached \$795 million in its last fiscal year ended October 31, 1988. The income from operations amounted to \$17 million.

These two indices of economic activity are naturally lower than those of last year, when Agropur's results were the highest ever recorded. As compared to previous years, the performance of the enterprise is quite remarkable considering the social conditions that it was subjected to during the last year.

Last year's decision to drop all the operations of the Farm Supply Division has reduced sales by \$27 million. On the other hand, this decision has undoubtedly helped prevent the operating losses endured for many years.

Our largest division in terms of sales, the Industrial Milk Division, saw its industrial milk capacity greatly reduced, which resulted from requests made by the Fédération des producteurs de lait du Québec to supply non-cooperative plants.

Finally, for the last few years, the margin given to processors under the National Dairy Policy has not been fully indexed.

Another significant factor affecting our revenues was the fierce competition in all markets and sectors, which is mainly influenced by the country's current demographic situation.

In addition, as opposed to previous years, Agropur undertook very few consolidations over this last year.

Despite lowered revenues, some very positive aspects have come out of this fiscal year. Agropur was able to increase the range of its product line and expand its distribution network, as well as optimize its production tools. Most importantly, the Coöperative has stimulated and rejuvenated its work force.

Agropur has everything it needs to fulfill its leadership role. It relies on the commitment of its cooperative members and on the expertise and vitality of its employees. The enterprise operates with leading-edge technology and makes use of an elaborate marketing network.

I therefore trust that, with everybody's cooperation, Agropur will once again rise to the challenge.



Reynald Charest,  
Chief Executive Officer



Jean-Marie Bonin, the  
Coöperative's General  
Manager from 1943 to  
1956.

## AGROPUR'S ROLE IN THE SOCIAL AND POLITICAL FORUM

Agropur plays a major role in the dairy industry. It is therefore normal that all actions taken by the Coopérative receive much attention.

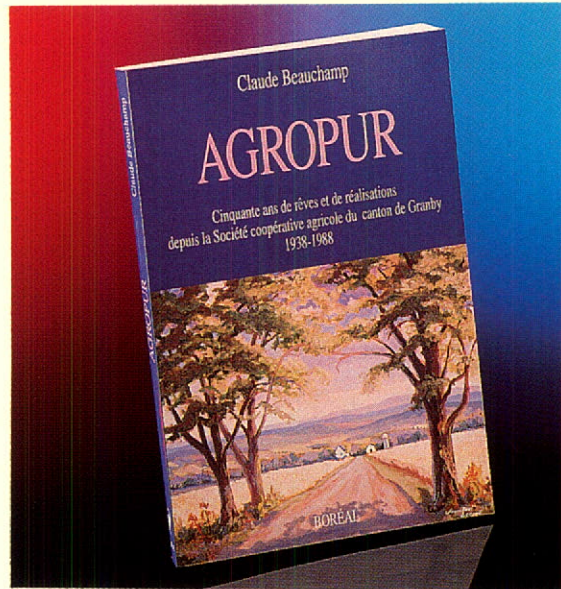
The year ended October 31, 1988 has witnessed the Coopérative's involvement in many matters.

### COOPÉRATIVE RELATIONS

Agropur is the largest cooperative affiliated with Québec's association of agricultural cooperatives, the Coopérative Fédérée de Québec. True to its great sense of responsibility, Agropur participated in the major planning process carried out by the Coopérative Fédérée during the year. This step has shed light on the great possibilities of aggressive cooperative action within Québec's large agri-food industry.

The free trade agreement has brought up many discussions. The agricultural cooperative expressed its views on this commercial agreement between Canada and the United States. Both governments made commitments to respect the measures proposed to safeguard the agriculture industry in Québec and Canada, and especially the restraint that Canadian milk producers had imposed on themselves. In response to this, the agricultural cooperatives and particularly Agropur were realistic; they did not yield to panic but asserted their intention to increase their productivity even more.

As a member of the Québec Dairy Cooperative Council, Agropur, an agri-food cooperative, has devoted a great deal of energy on the



*«Cinquante ans de rêves et de réalisations depuis la Société coopérative agricole du canton de Granby». Professor Claude Beauchamp's book shows how Agropur succeeded in combining the cooperative advantages of membership control with the economic principles of large enterprise.*

marketing of milk during these last twelve months.

At the national level, the Coopérative submitted a report on April 20, 1988, to the Canadian Milk Supply Management Committee's task force which is responsible for reviewing the distribution of national quotas between provinces. Agropur's situation was clearly presented: the Province of Québec in general, and Agropur in particular, have the resources required to assume responsibility for supplying consumers with quality dairy products in sufficient quantities and at competitive prices.

### THE MILK TRANSPORTATION AND MARKETING AGREEMENT

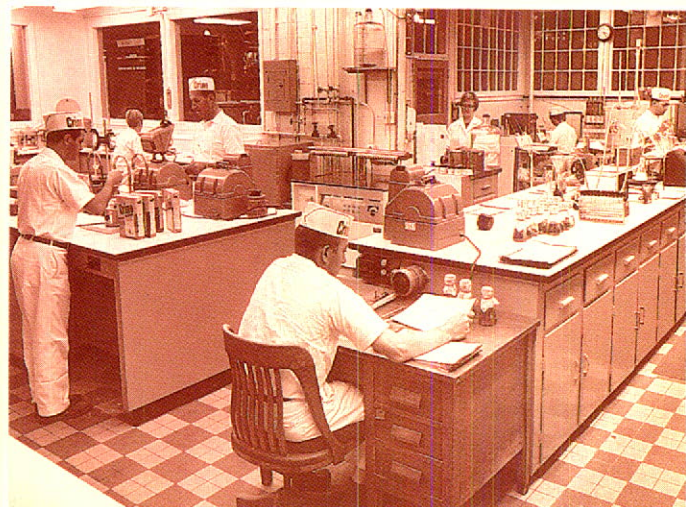
The 1988 fiscal year has served to demonstrate the negative impact of a marketing agreement that unduly benefits the non-cooperative sector to the detriment of the cooperative sector.

In addition, the Fédération des producteurs de lait du Québec, by virtue of the

position it has taken on this matter, is instrumental in displacing the traditional cheddar cheese market from Québec to Ontario. By moving part of their quota westward, it will not only affect Québec-owned cooperative enterprises on the short term, but also the acquired rights of all Québec dairy producers.

Québec controls 48% of Canadian industrial milk production. The role of Québec dairy cooperatives is directly related to this performance. La Fédération des producteurs de lait du Qué-

*In 1948, the Coopérative installed its first permanent laboratory for quality control and dairy products research.*





*Provided with the latest in equipment, Agropur employees make profitable contributions to its success.*

*André Gauthier, Corporate Secretary, and Louise P. Gaudreau, Administrative Secretary. (Picture at the top of the page)*



## ACTIVITIES OF THE BOARD OF DIRECTORS

The members of the Board of Directors of Agropur, coopérative agro-alimentaire, held 17 regular meetings in 1987-88.

The Executive Committee of Agropur, including five directors, met seven times. As for the Audit Committee, they held four meetings.

bec must recognize their contribution and understand that it is not fair for these cooperative farmers to fully support the enterprises that they founded and also take charge of their year-round production. At the same time, they must invest considerable amounts in recycling a large part of the milk into low-profitability operations in a saturated market. A balanced solution is being studied by the Québec dairy plants supply system and it is essential that they come up with an answer.

Agropur is very conscious of the consumers' trend toward low fat products. It has marketed several new products to meet this demand. Consequently, it cannot agree with a marketing approach that stresses this trend and which mostly benefits the non-cooperative industrial sector.

In the area of milk transportation, the requests from the dairy cooperative are also quite clear. The cooperatives want to be recognized for the role they have always played on the regional scale and that brings with it an expertise that the entire dairy sector cannot afford to lose. The dairy cooperatives believe that the organization closest to the producers should be responsible for the daily management of transportation and would consequently be the most appropriate for their needs.

The fifteen directors, who met together in a Solidarity Committee on four separate occasions, have once again organized the communication programs for the members and carefully examined their needs. The ongoing consulting, through a member-animators network, was particularly active during the «Together, let us

plan our future» process. This concluded on August 24 with a policy conference in which more than 600 members and close to 100 managers took part.

## COOPERATIVE ACTION

As Claude Beauchamp recalls in the introduction to his book on the fifty years of Agropur: «A cooperative is both an association and a business... Just like the various levels of authority within them, they are closely linked. The association is first represented by its members and their respective territories. It also stands for information, animation, participation, involvement in the consulting or decision-making process and faithful use of the cooperative's various services.»

The Member Relations Service is in charge of this entire cooperative for Agropur's members and its main objectives are to answer members' questions and make them aware of the changes in their collective enterprise.

At the end of 1987-88, Agropur had 5,182 members, which is a reduction of more than 1,000 members in comparison with last year. In addition to the consolidation of farms that annually reduces membership by roughly 300 members, giving up farm supply activities to a new cooperative was the basic reason behind this major decrease.

The membership profile continues to change. The trend towards collective farming is an ongoing process. Over the last twelve months, an addition of 188 cooperative farms was recorded for a total of 1,662, of which 1,321 are formed as partnerships and 301 as corporations. For Agropur, as well as for other cooperatives, this fairly recent change in the membership represents a new challenge, finding the means to make all partners of cooperative farms more aware of their responsibilities.



The Member Relations Service comprises ten cooperative advisors, who are located in the same regions as their respective members. These advisors work with the producers on an individual basis or at parish meetings. Forty-four (44) meetings addressing 132 parishes were held this year and the objective is to cover the entire territory within the next three years.

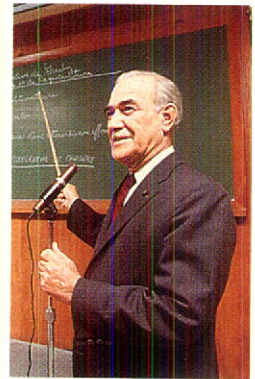
The advisors also meet regularly with the milk carriers of their respective territory who have daily contracts with members and can therefore help advisors complete the information process.

Agropur is represented in rural areas by its members. It is therefore expected to participate in local activities. The cooperative advisors is present in a vast number of reunions, agricultural exhibitions or meetings with local agricultural officers. In

addition, the advisors must be involved in local youth activities and welcome the various delegations interested in Agropur and its members.

In 1987-88, the 50<sup>th</sup> Anniversary of Agropur, several important activities were held, including a policy conference. In this regard, the cooperative advisors encouraged the members and animators to think about their needs and the future of their Coopérative. Jointly with other managers, they also acted as workshop secretaries for the August 24 policy conference. In addition, they helped the Coopérative Day's Organizing Committee for the celebrations of the 50<sup>th</sup> Anniversary which took place at the olympic complex on September 10.

*The cooperative advisory team consists of ten members. Here, Lorraine Bédard and Richard Walsh confer with Raoul A. Blouin, Manager of the Member Relations Service.*



*The original format of member-animators, first set up in 1949 by Rolland-P. Sabourin, soon proved to be one of the marking events in Agropur's history.*



*International cooperation has always been important for the Coopérative's Directors. Standing, at rear: Isidore Martin, President (1962-1974); Rolland-P. Sabourin, Secretary until 1972. Front, right: Philippe Pariseault, General Manager from 1956 to 1976.*

Each day, the advisors put their expertise to good use by assisting the cooperative farmers in their profession. Whether it be budget planning, acquisition or transfer of farms, purchase or sale of quotas, or constant dairy production of excellent quality, the

cooperative advisors can help members solve their problems. They are the resource persons that most members turn to before making an important decision concerning their operations.

Through the Coopérative Training Service, many courses were again given throughout the year.

Training for 18- to 25-year-olds planning to set up a farm was given in the St. Lawrence north shore territory. From its beginning, in 1982, this format reached 300 to 400 sons and daughters of members.

Training sessions for couples are designed for young households less than 35 years old who have been members for at least five years. Since 1984, twelve such courses have been given to 204 people, including those who took part in the two courses offered last year.

Two training sessions for member couples 35 years old or more were added this year. Although more ex-

perienced, these members still need to update their knowledge on Agropur and strengthen their relation with the Coopérative.

Finally, the member-animators networks has continued to be the driving force of Agropur's democratic life. Over the last twelve months, the animators – approximately 600 of them – have met six times to revitalize the cooperative movement.

## 10<sup>th</sup> CONFERENCE OF THE DAIRY COOPERATION



### WHY WILL WE NEED AGRI-FOOD COOPERATIVES IN THE YEAR 2000 ?

Cooperation, the pathway to poverty! Long gone is the time when cooperation was synonymous with sacrifice and need.

Today, cooperation is fighting for a share of the spotlight in a highly competitive market, where the ruthless commercial principles of the agri-food industry apply

for cooperative and non-cooperative businesses alike.

In fact, we must ask ourselves whether, in 1988, it is more of an advantage to be considered a cooperative rather than a non-cooperative business.

The business needs for capital are always on the increase. The cost of research and development for new products is out of reach for many large and well-known cooperatives.

Today's trend, such as the concentration of the food retailing industry and the consolidation of processing industries, will remain in effect until the year 2000. It will be interesting to see if the cooperative model will adjust to maintain its leadership in Québec's dairy industry in the future as it has until now.

## A DYNAMIC PRESENCE

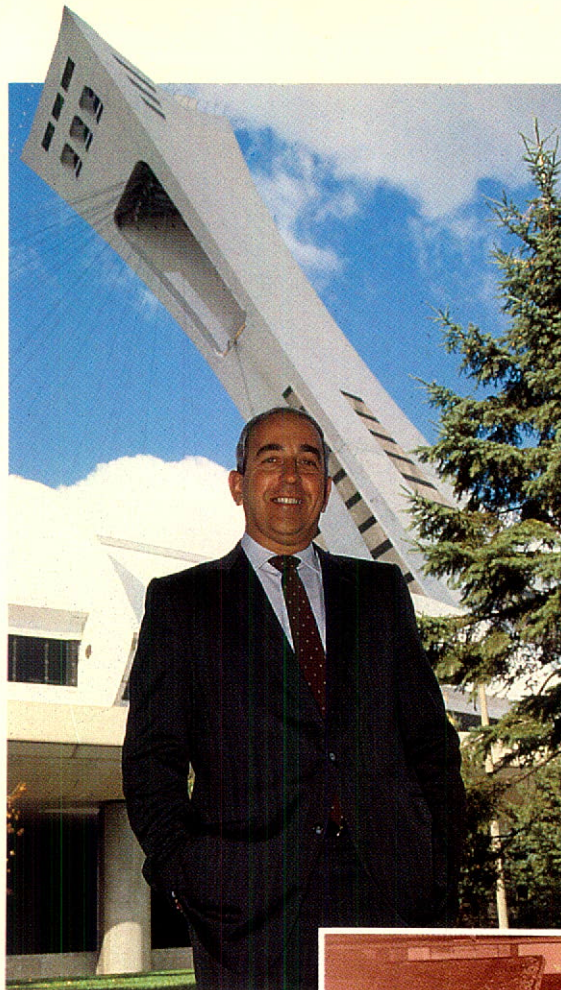
In its role as a go-between for the Coöperative and its market, the Public Relations Service has taken advantage of the 50<sup>th</sup> Anniversary of our founding to step up the promulgation of the Agropur message.

The main goal of the 50<sup>th</sup> Anniversary celebrations was to broadcast Agropur's image and enable us to keep our leading position not only in dairy products but in the entire agri-food industry as well. We have addressed this message to employees and members as well as customers and consumers.

The theme «50 years of health and growth» along with its logo, was prominently featured during all activities. It emphasized the Coöperative's dynamic approach in facing the future and the obvious benefits that Agropur's products held for health and fitness.

Since the 50<sup>th</sup> Anniversary festivities were inaugurated at the annual meeting on February 4, 1988, a whole series of events has taken place:

- A tribute to retired former directors and managers.
- The publicity tour for 50<sup>th</sup> Anniversary activities including 60 presentations to members and employees. These meetings were the venues for local premières of the video documentary: «Une étonnante réalité» (A Surprising Reality), which traces Agropur's evolution.
- The April get-together for Agropur's customers in all sectors — retail, institutional and food services.
- The anniversary promotion in May and June, where Québec consumers got a chance to join in Agropur's celebration through the advertising campaign spotlighting four major brands



*Montréal's olympic complex was the venue for a major jamboree on September 10: the 50<sup>th</sup> Anniversary corporate activity: Ken McCaughey, Public Relations Manager, stands in front of the stadium.*

— Crino, Québon, Yoplait and Oka — all at once.

- The drawing contest, where members' and employees' children took part in an event that fostered communication with parents by illustrating the Coöperative's beginnings.
- Recognition of the excellence shown by all of Agropur's human resources — employees, jobbers/distributors and members — in community involvement as well as on a professional scale, through the institution of the «Club de l'Excellence».
- Highlighting the anniversary of our founding on August 24 by hosting a major gathering of member-animators and management personnel joining several distinguished guests. This



event, which took place in Granby, marked the outcome of our «Together, let us plan our future» campaign objective through a policy conference. It also featured special presentations worthy of note such as the launching of professor Claude Beauchamp's book on the history of Agropur, the sealing of a milk can commemorating our jubilee, and, lastly, a ceremony honouring the contribution of two founding members. Sylvanie Lussier and

*Hosting groups of visitors has been a good means of publicizing its products for Agropur.*



Publications, book, video production; our 50<sup>th</sup> Anniversary year has generated much in the way of information material.



Mindful of its status as a good corporate citizen, Agropur has played an active role in the community, especially in the world of sports.

Rolland Beaudry, and three retired managers, Adéland Lemoine, Philippe Pariseault and Raynald Giroux.

- The activity jamboree on September 10 at Montréal's olympic complex where thousands of employees and members could participate actively, either by supporting or joining one of the 38 teams in the « Agropuriades ».
- The publication of a special « Agropur » insert on October 22 in five Québec dailies with a total circulation of 600,000.
- The implementation of a conference service enabling Agropur to make presentations to various socio-economic groups.

On top of everything else, this year's golden anniversary celebrations have allowed us to apply the volunteer spirit of hundreds of members and employees who provided the support work for all the activities.

The contents of two internal newsletters courtesy of the Communications Service — « Agropur - Nouvelles » for members and « La Voix Lac-

tée » for employees — accurately reflected the Coopération's high regard for its 50<sup>th</sup> Anniversary and addressed specific needs in information.

Agropur's commercial aspect was the subject of a video program with its wide range of products as a background. A pamphlet accompanies this film documentary.

Agropur's involvement in the community did not diminish during the last year. Its social record is evidenced by numerous financial contributions to organizations dealing with welfare, education, health and sports as well as charitable institutions and agricultural associations.

Among the principal contributions, we would like to note the Drummondville World Folklore Festival, Granby's National Bantam Hockey Tournament, « Opération Nez-Rouge », the Trois-Rivières Children's Festival, the Société d'investissement à la jeunesse and the Sports Challenge for the Handicapped. In addition, Agropur supports humanitarian institutions such as the Canadian Cancer Society, Centraide (The United Way), the Cerebral Palsy Association, the Telethon of Stars, UNICEF, Food-Aid and several hospital foundations. Various scholarships have been funded, including the Institut de technologie agricole and Laval University.

In terms of international cooperation, Agropur is a member of SOCODEVI, Société de développement international; Mr. André Gauthier, our Corporate Secretary, chairs its administrative council.

During the year, a corporate advertising program has been developed under the theme « Agropur, it's good for you! » and targeting three regions, l'Estrie, la Mauricie and les Bois-Francs. In this way, Agropur has attempted to regionalize its influence by emphasizing the economic benefits it brings to specific regions.

Lastly, Agropur's participation in 22 trade shows throughout Québec and Ontario has served to promote the business and popularize its line of products while highlighting their quality.

Agropur is a social and human institution that feels responsible to its members, employees, customers and consumers.

Having originated from a particular background, Agropur has been built on the values, traditions and customs of its milieu. In its special role, through its commitment to the community, and through an institutional advertising program, Agropur projects a highly positive image on the market.

## HUMAN RESOURCES MANAGEMENT: «GOING FROM THEM TO US»

In order to survive in the competitive jungle of the 21<sup>st</sup> century, business will have to attain more than excellence; they will have to attain perfection.

This creed of doing it right the first time will have to be shared by all of the Coopérative's personnel. All employees will have to remember to think in terms of «us» rather than «them».

Agropur's challenge in this respect is imposing, particularly in view of the number of employees, which totalled 2,657 on October 31, 1988. However, the Coopérative has modern human resources management tools at its disposal.

The productivity improvement program (P.I.P.), which is based on improved communication, is now operational at several levels of the organization and allows better evaluation of employee performance.

The concept of total quality control (T.Q.C.) is materializing, as evidenced by the realization of the first stages of implementation. Awareness and information sessions for management personnel have been held on several occasions. These sessions have repeatedly stated the objective to be the concept of aiming for quality in the product as well as in management, technology and communication. Attesting the Coopérative's dedication to the total quality control concept is the fact that the members of the Coopérative's Board of Directors also attend a two-day session dealing with this management method.

There was a first this year in the Coopérative's Fluid Milk Division when a «Quality Week» sponsored by the Division's Technical Services was held in October. The

concern for quality was also made clear by the training programs in health and sanitation offered to numerous employees, and by the development and installation of pathogenic bacteria control to better protect the consumer. The training of quality improvement groups is another method instituted by the Coopérative.

The Human Resources Service now has an operating structure giving it a primary role vis-à-vis its employees. Its purpose here is to be available whenever required by different sectors and places of activity.

In terms of training, the Human Resources Service, in keeping with its accomplishments for members over the last few years, has inaugurated orientation sessions for the Coopérative's new employees. Since January 1988, three of these sessions, with about 20 new managers each time, have been held. These orientation meetings have proved doubly useful recently due to the expansion of the sales and distribution sectors. Given its plans to establish closer relations with various levels of government, Agropur has offered to take part in training programs for management personnel.

With respect to internal information to members of its personnel, «La Voix Lactée» newsletter now reaches some 800 Agropur jobbers/distributors to keep client representatives better informed of the Coopérative's activities.

Two collective agreements have been renewed during the year. Only one of these had led to an actual work stoppage. On October 31, 1988, four more agreements were on the bargaining table.



The mandate of the Safety, Health and Sanitation Service is to reduce the number of work-related accidents, and also their severity. To that end, the active participation of workers is encouraged through meetings that go beyond simple lecturing by actively involving them in safety measures. Contributions to the Commission de santé et de sécurité au travail have increased by 22% over last year due to the poorer performance recorded by the Québec dairy industry as a whole. It is therefore becoming important for Agropur to establish several accident-prevention programs.

Health and safety committees consisting of 20 employees or more will be initiated at each plant for that purpose.

*The team responsible for the Human Resources Service. From left to right, sitting: Denis Pinsonneault, Mario Campbell and Pierre LeBlanc; standing: Yvon Lafrance and Claude Laberge.*



*The signing of the collective agreement between the Coopérative and its employees in 1950. Unionization of the Coopérative started as far back as 1945.*



## FINANCIAL MATTERS

*Money is the sinews of war*, as the saying goes. This is even true for cooperatives which have the distinction of promoting human values, where it is a means rather than an end. Nevertheless, financial matters lie at the core of everyday life.

Before all else, the Coopérative must be profitable in order to fulfill its social vocation. The members' contributed surplus, a measure

of its success, is just as important.

Agropur has always been very mindful of its financing. Its members' rate of contribution to internal financing is constantly adapted to its changing needs. This involvement by the owners has notably enabled the Coopérative to obtain outside financing at very reasonable terms.

In today's world, however, when farmers in-

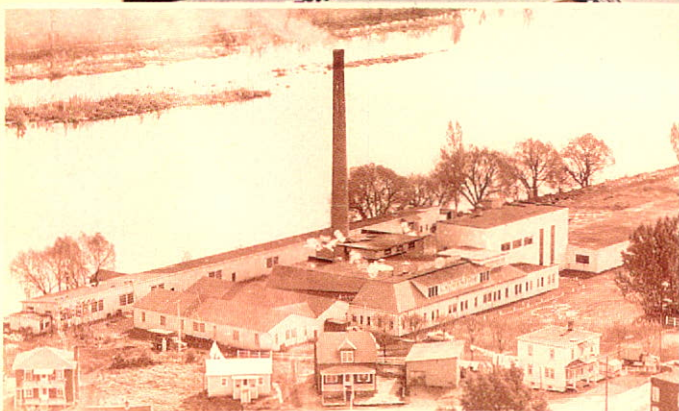
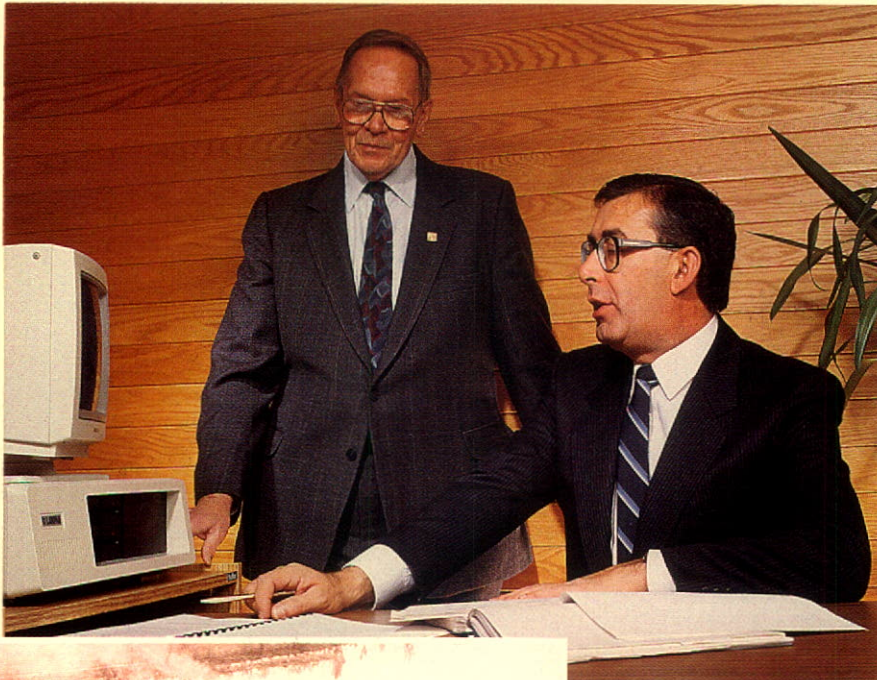
creasingly need to keep their capital for their own enterprises, when competition is getting stiffer, at a time when product diversification is becoming imperative and when business consolidation costs are increasing, the subject of financing is of capital importance.

This has in fact become a topic under consideration during the year. The members and their directors have discussed it, particularly in the light of the « Together, let us plan our future » program.

More and more, Agropur's members are taking advantage of the provincial government's Coopérative Investment Plan (C.I.P.). Thirty percent more members bought into the C.I.P. this year than to last.

In this 50<sup>th</sup> Anniversary year, the Board of Directors has modified rules governing the reimbursement of capital stock to leaving members. As of now, insofar as is possible in the Coopérative's financial context, retired members will have their capital stock reimbursed in seven equal instalments over a period of six years. This change has two purposes – reducing delays in reimbursements and reassuring retired members by committing ourselves to a reimbursement plan.

*In the foreground: R. Claude Ménard, Manager of Financial Services and Treasurer. Standing: Pierre Gignac, Special Projects Manager.*



*The purchase of the Ste-Anne-de-la-Pérade plant in 1955 represented a significant step in the Coopérative's geographical expansion.*

## INFORMATION – FASTER, MORE EFFICIENT

At the end of the 20<sup>th</sup> century, management makes use of communication as a tool to make the business decision-making process faster, more precise and more productive.

Agropur has devoted large sums to computerizing its operations. In the year ended October 31, 1988, a new accounts receivable system was implemented. It now allows customers a better understanding of their account balances and an easier follow-up of their credit situation.

Other projects are being developed, such as the design of control systems for production materials, for billings and for sales information. An experimental

project has been conducted at the Ste-Thérèse fluid milk plant which consisted in outfitting the delivery units with microcomputers. Results obtained so far look very encouraging.

Another outstanding event of the past year was the overwhelming arrival of microcomputers as a work tool. Slow to start until recently the implementation of these systems has revolutionized the working styles of many employees, despite having at first required a great effort of adaptation.

The buying policy has been revised to make purchasing the responsibility of the different levels of authority. The call for tenders process has been



upgraded to enable the Coopérative to make the best possible use of its buying power on the open market.

*On August 24, over 600 member-animators took part in the policy conference held under the theme «Together, let us plan our future».*

## DAIRY EQUIPMENT

The major changes in progress since last year in the Dairy Equipment Service were completed in 1987-88.

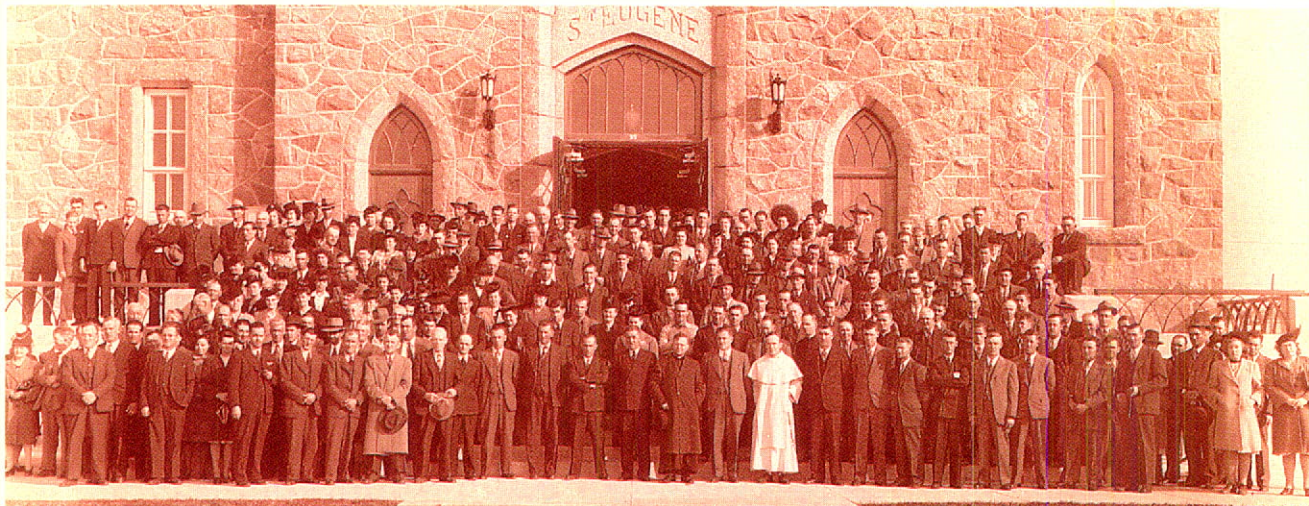
The supply of professional material and equipment, as well as maintenance and repair services, are now provided by technicians who work on their own.

Agropur now operates a dairy equipment distribution centre in Louiseville to supply these distributors with all the materials they need to operate.

This new formula is designed to solve all the problems that arose over the year in the dairy equipment

sector and provide members with permanent service at a very competitive price.

*Democratic participation by Coopérative members has always been the order of the day. This eloquent photo, dating from the 1947 annual meeting, so testifies.*



## A DREAM THAT BECAME A REALITY

«Tonight, we are officially founding the Société coopérative agricole du canton de Granby, a cooperative that I hope will live for a long time».

It is in these terms that on August 24, 1938, Mr. Alpha Mondou, an agronomist from the Québec Department of Agriculture, addressed some sixty farmers from Granby and surrounding parishes who had gathered for the occasion in the basement of the Notre-Dame de Granby Church.

Prophecy or optimism? Perhaps both, since Mr. Mondou was merely expressing the founders' vision and strong commitment to the realization of this project.

Fifty years later, this association has become Agropur, an agri-food

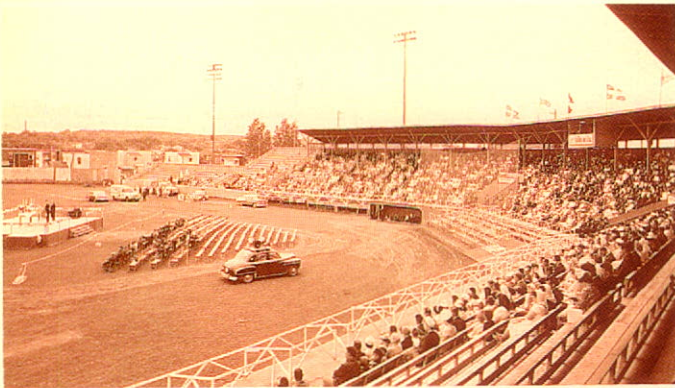
cooperative and a well-respected leader, and it closely resembles the enterprise envisaged in 1938. We should not be surprised by its results, since this modest organization has everything it needs to succeed: determination to use all available human resources, adherence to the values of cooperatives and an outstanding sense of entrepreneurship.

Many thousands of individuals have contributed to the Coopérative over the last 50 years, all of whom are proud to have built such a remarkable success. Together, all members and employees, within their capacities and responsibilities, have laid the cornerstone of this organization. Of course, these individuals have benefited from the association as much as they have contributed to building its future. They also nurtured the cooperative format by maintaining a close interrelation between generations.

From the start, this diversified enterprise offered a vast range of services to its

members, so we should not be surprised today by the far-reaching scope of Agropur's activities. Naturally, milk remains the main operation, but it is now found in a multitude of products. Over the years, juices, frozen novelties, delicatessen products and prepared dishes were added, thus enabling Agropur to supply good food to thousands of Canadians who are increasingly mindful of their nutrition.

In many ways, Agropur has shown itself to be a leader in the community. The Coopérative provides income to the 10,000 families of its members, employees and jobbers/distributors. The economic benefits of its activities are felt whenever it purchases goods and services, and wherever its products are distributed. Adding to this a committed involvement in social and environmental issues, we can unequivocally assert that Agropur is good for everyone, both socially and economically.



*Agropur's extended family has always been included at milestone occasions in the Coopérative's history. The 1961 inauguration of our new head office in Granby was one such event.*



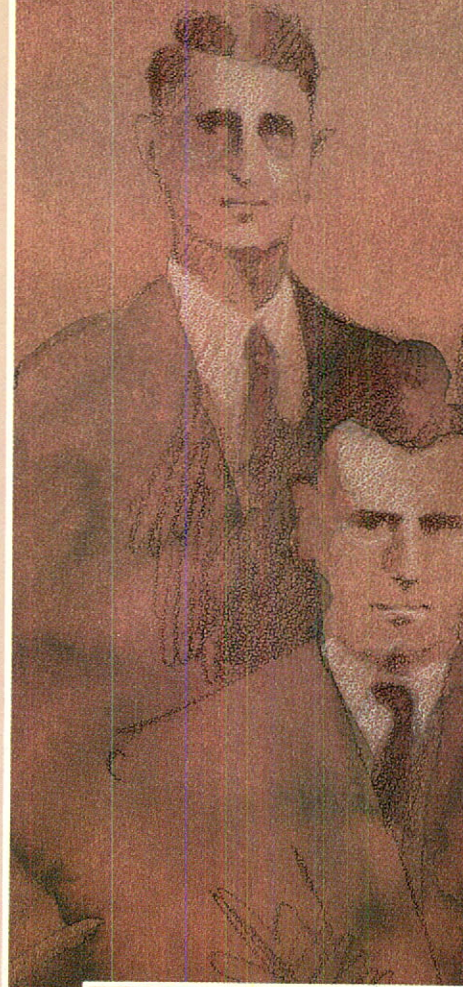
# 1938

*When faced with the harsh realities of the dirty thirties, a group of a hundred farmers from Granby and surrounding parishes decided to unite.*

*On August 24, 1938, the «Société coopérative agricole du canton de Granby» was founded.*

*Fifty years of perseverance, foresight and vitality have contributed to transform a modest enterprise into today's Agropur, a leader in the agri-food industry.*

# 1988

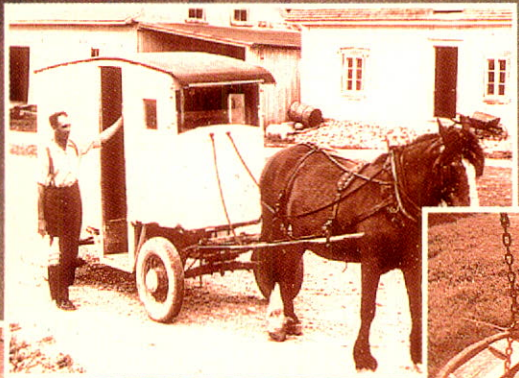


# 50<sup>th</sup> ANNIVERSARY ACTIVITIES

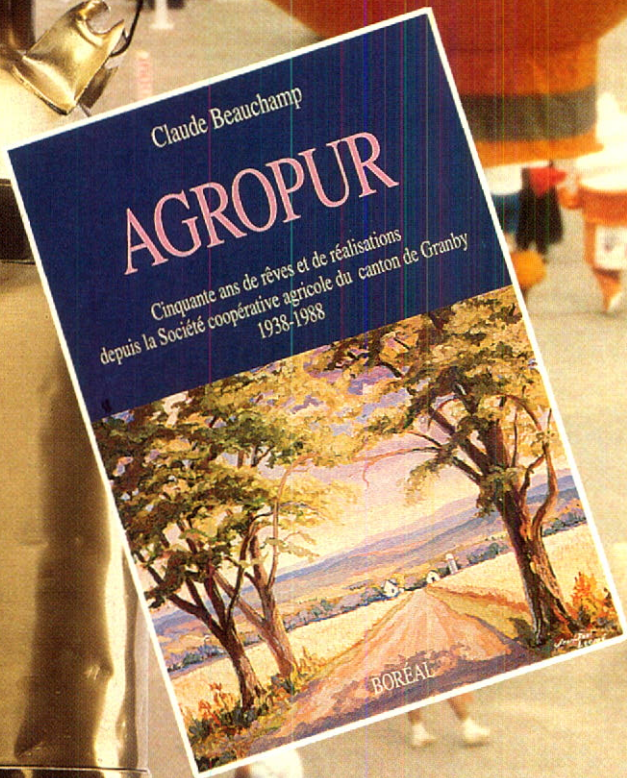
*Fifty years of intense cooperative life. Fifty years of effort generously rewarded. This is what Agropur wanted to highlight before embarking on its next half-century.*

*The celebrations of Agropur's 50<sup>th</sup> Anniversary took place with the idea of sharing as the dominant theme. Thousands of individuals participated in this concept, which was, and still is, a keystone of its growth.*









Ce bidon commémoratif contient des objets illustrant certains des événements qui ont marqué l'année 1988, année du 50<sup>ème</sup> anniversaire de fondation d'Agropur, coopérative agro-alimentaire, dans les secteurs de l'alimentation, politique, agricole, sportif, culturel, économique et humoristique. Le choix a été fait par une brochette de journalistes.

Le bidon a été scellé le 24 août 1988, jour du 50<sup>ème</sup> anniversaire par MM. Michel Lemire et Reynald Charest, respectivement président et directeur général de la Coopérative, pour n'être ouvert que 25 ans plus tard, soit en l'an 2013.



FINANCIAL  
STATEMENTS



agropur

CONSOLIDATED  
BALANCE SHEET  
OCTOBER 31

ASSETS	1988	1987
	(in thousands of dollars)	
<b>Current assets</b>		
Cash	\$ —	\$ 2,229
Accounts receivable (including members \$501,000; 1987 — \$859,000)	59,325	56,234
Income taxes	—	333
Inventories (note 6)	42,370	41,454
Prepaid expenses	1,953	2,062
	103,648	102,312
Investments (note 7)	4,425	3,947
Fixed assets (note 8)	104,559	90,708
Other assets	20,774	15,160
	\$ 233,406	\$ 212,127

On behalf of the board

*Michel Lemire*

..... Director

*Raymond St-Louis*

..... Director

CONSOLIDATED  
BALANCE SHEET  
OCTOBER 31

LIABILITIES	1988	1987
	(in thousands of dollars)	
<b>Current liabilities</b>		
Bank overdraft	\$ 706	\$ —
Accounts payable (including members \$17,377,000; 1987 — \$15,712,000)	62,220	63,696
Income taxes	118	—
Current portion of long-term debt (note 9)	2,443	2,477
	<b>65,487</b>	<b>66,173</b>
<b>Long-term debt (note 9)</b>	<b>53,888</b>	<b>31,683</b>
<b>Deferred income taxes</b>	<b>8,367</b>	<b>9,446</b>
<b>Equity</b>		
Members' equity (note 10)	83,211	80,780
Equity of the Coopérative		
Net earnings for the year	6,435	10,175
Reserve	16,018	13,870
	<b>105,664</b>	<b>104,825</b>
	<b>\$ 233,406</b>	<b>\$ 212,127</b>

CONSOLIDATED  
STATEMENT OF  
EARNINGS  
YEAR ENDED OCTOBER 31

	1988	1987
	(in thousands of dollars)	
Gross revenue	\$ 795,722	\$ 821,297
Cost of goods sold	663,035	678,512
Gross profit	132,687	142,785
Operating expenses		
Selling	90,858	84,072
Administrative	21,283	19,186
Interest on long-term debt	4,722	4,020
Interest income and other income, net	(1,649)	(2,631)
	115,214	104,647
Earnings from operations	17,473	38,138
Other		
Loss (gain) on disposal of fixed assets	17	(176)
Amortization of goodwill	1,959	1,530
	1,976	1,354
Earnings before the following items	15,497	36,784
Price complement to members	8,299	18,035
Earnings before income taxes and extraordinary items	7,198	18,749
Income taxes of subsidiaries	1,331	3,607
Earnings before extraordinary items	5,867	15,142
Extraordinary items (note 5)	568	(4,967)
Net earnings	\$ 6,435	\$ 10,175

CONSOLIDATED  
STATEMENT  
OF RESERVE  
YEAR ENDED OCTOBER 31

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	1988	1987
	(in thousands of dollars)	
Net surplus for the preceding year	\$ 10,175	\$ 9,442
Patronage refunds	(7,444)	(2,905)
Net transfer to reserve	2,731	6,537
Income taxes	(583)	(3,623)
Balance, beginning of year	13,870	10,956
Balance, end of year	\$ 16,018	\$ 13,870

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CONSOLIDATED  
STATEMENT OF  
CHANGES IN  
FINANCIAL  
POSITION  
YEAR ENDED OCTOBER 31

	1988	1987
	(in thousands of dollars)	
<b>Operating activities</b>		
Earnings before extraordinary items	\$ 5,867	\$ 15,142
Charges to earnings not involving use of funds:		
Depreciation of fixed assets and other assets	14,260	12,845
Deferred income taxes of subsidiaries	267	643
Loss (gain) on disposal of fixed assets	17	(176)
	20,411	28,454
Net change in other items	(5,828)	110
Current income taxes directly allocated to reserve	(1,330)	(2,422)
	13,253	26,142
<b>Financing activities</b>		
Additional financing	31,000	3,088
Repayment of long-term debt	(8,829)	(4,286)
	22,171	(1,198)
<b>Investing activities</b>		
Purchase of fixed assets	(26,996)	(19,577)
Proceeds on disposal of fixed assets	1,021	1,152
Grants	124	128
Goodwill and other assets	(443)	(1,288)
Investment and advances	(476)	(1,848)
Investment in subsidiaries net of acquired cash	(6,874)	(6,912)
Extraordinary items	298	5,606
	(33,346)	(22,739)
<b>Activities with the members</b>		
Issue of preferred shares	6,224	13,526
Payments on common shares	23	43
Redemption of preferred shares	(3,816)	(13,599)
Patronage refunds	(7,444)	(2,905)
	(5,013)	(2,935)
Cash decrease	(2,935)	(730)
Cash position, beginning of year	2,229	2,959
Cash position, end of year	\$ (706)	\$ 2,229

Cash consists of cash less bank overdraft.

NOTES TO  
CONSOLIDATED  
FINANCIAL  
STATEMENTS  
OCTOBER 31, 1988

1 - Statutes of  
incorporation

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Agropur, coopérative agro-alimentaire is constituted in accordance with an authorization from the Gouvernement du Québec dated August 29, 1938.

2 - Accounting policies

The Coopérative's financial statements are prepared in accordance with generally accepted accounting principles subject to special accounting policies set in bylaws of the Loi sur les coopératives.

a) Consolidation

The consolidated financial statements include the accounts of Agropur, coopérative agro-alimentaire and its subsidiaries.

b) Inventory valuation

Inventory is valued at the lower of cost (mainly first in, first out basis) and net realizable value.

c) Investments

Investments in Coopérative fédérée du Québec are accounted for at cost.

Investments in companies subject to significant influence are accounted for using the equity method. Under this method, the share of the participating company in earnings or losses is recognized in the statement of earnings and included in the book value of the investment shown on the balance sheet. Dividends received are considered as returned on investment and therefore deducted from the book value of the investment.

d) Fixed assets and depreciation

Fixed assets are recorded at cost net of applicable government grants and investment tax credits related to fixed assets of the Coopérative.

Depreciation is calculated on the diminishing balance method over the estimated useful life of the assets concerned.

e) Other assets

Other assets are mostly composed of goodwill which includes the excess of cost of investment in subsidiaries over their fair value at dates of acquisition as well as purchased goodwill which is amortized on a straight-line basis over a ten-year period.

2- Accounting policies  
(continued)

f) Income taxes

Income taxes of the Coopérative cannot be finally determined before approval of the patronage refunds at the annual general meeting of members. Therefore, income taxes on the net earnings for the year of the Coopérative are accounted for after the approval of the patronage refunds and reported in the statement of reserve.

g) Pension plans

The Coopérative participates in various defined benefit pension plans.

Pension costs related to current services under the Coopérative's pension plan are charged to operations as they accrue. Any excess in market value of the assets of the pension fund over the actuarial present value of accrued pension benefits as at November 1, 1987 and any excess or deficit which has occurred since that date are amortized over the estimated average remaining service life of the employee group covered by the plan. Actuarial valuations use the projected benefit method pro rated on services based on management's best estimate with respect to future events.

3- Acquisitions

On February 26, 1988, the Coopérative acquired all the shares of companies specialized in the distribution of milk products. These acquisitions which are accounted for using the purchase method are summarized as follows:

	(in thousands of dollars)
Total assets	\$ 2,974
Liabilities assumed	(3,047)
Net assets acquired	(73)
Goodwill	7,297
Acquisition cost	\$ 7,224
Consideration:	
Cash	\$ 7,224

4- Earnings

Cost of goods sold and operating expenses presented in the consolidated statement of earnings include an expense of \$12,134,000 (1987 — \$11,211,000) for depreciation of fixed assets and an expense of \$2,126,000 (1987 — \$1,634,000) for depreciation of other assets. Interest income and other income, net, include \$ 893,000 (\$ 960,000 in 1987) of patronage refunds from Coopérative fédérée de Québec.

5- Extraordinary items

	1988	1987
	(in thousands of dollars)	
Loss incurred on the sale of a division	\$ —	\$ (4,357)
Gain (loss) incurred on disposal of assets	144	(2,827)
Reduction of income taxes due to loss of carry forward of previous years	424	2,217
	\$ 568	\$ (4,967)



	1988	1987
	(in thousands of dollars)	
6-Inventories		
Raw materials and products in process	\$ 2,604	\$ 2,455
Finished products	29,046	28,630
Supplies and other inventories	10,720	10,369
	\$ 42,370	\$ 41,454

	1988	1987
	(in thousands of dollars)	
7-Investments		
Coopérative fédérée de Québec	\$ 1,565	\$ 1,399
Investment in company subject to significant influence	1,638	1,434
Other	1,222	1,114
	\$ 4,425	\$ 3,947

	1988		1987		
	(in thousands of dollars)				
8-Fixed assets	Cost	Accumulated depreciation	Net value	Net value	Rates
Land	\$ 4,347	\$ —	\$ 4,347	\$ 3,952	
Buildings	68,002	22,864	45,138	40,647	5%
Production equipment	115,737	71,013	44,724	36,904	10 and 20%
Sales equipment	745	603	142	101	20%
Transportation equipment	20,653	12,675	7,978	7,266	30%
Office furniture and equipment	2,678	1,982	696	693	20%
Computer equipment	2,314	780	1,534	1,145	20%
	\$ 214,476	\$ 109,917	\$ 104,559	\$ 90,708	

## 9-Long-term debt

	1988	1987
	(in thousands of dollars)	
Agropur, coopérative agro-alimentaire		
Loans at cost of funds rate plus 0.5 % (1)	\$ 14,000	\$ —
Bank loans at prime rate (1)	7,000	—
Loan at prime rate maturing December 1, 1990 (1) (2)	7,000	8,000
Bonds, 8.25 % , Series A, matured	—	287
Bonds, 12.75 % , Series D, matured	—	2,000
Bonds, 11.4 % , Series E, maturing from 1988 to 1993	9,000	10,000
Bonds, 9.95 % , Series F, maturing November 15, 1991	6,000	6,000
Bonds, 10.875 % , Series G, maturing from 1990 to 1995	10,000	—
Notes payable, unsecured, 10.75 % , maturing January 6, 1990	1,150	1,150
Notes payable on redemption of preferred shares, no interest, maturing January 3, 1989	810	2,400
Balance on purchase of shares of subsidiaries, bearing interest at rates of 9.50 % , 12.50 % and at bank prime rate less 2.50 % , repayable until 1996	938	1,316
Other loans, at rates varying from 0 % to 13.25 % , and at bank prime rate less 2.5 % , repayable until 1992	415	2,410
	<u>56,313</u>	<u>33,563</u>
Subsidiaries of Agropur, coopérative agro-alimentaire		
Bank loans, bearing interest at rates from 8.75 % to 13.75 % , repayable until 1994	13	569
Other loans, bearing interest at rates from 2.90 % to 10.25 % , repayable until 1989	5	28
	<u>18</u>	<u>597</u>
	56,331	34,160
Current portion	2,443	2,477
	<u>\$ 53,888</u>	<u>\$ 31,683</u>

(1) These loans are secured by the pledge of \$ 35,000,000 principal amount of bonds, Series B. The total nominal value of these bonds, Series B, bearing interest at the prime rate and repayable upon demand is of \$ 35,000,000. The bonds, Series B, have been issued to be pledged under the terms of agreements securing borrowings of the Coopérative contracted or to be contracted under the terms of revolving loan agreements with one chartered bank and other financial institutions. Under the pledge agreements, it may occur that the principal amount of the bonds pledged be in excess of the amounts borrowed and, should this be the case, the right of the borrowers in the bonds pledged will be limited to the actual amount of the borrowings.

9-Long-term debt  
(continued)

(2) The Société de développement industriel du Québec has agreed to pay for 75 % of the interest exceeding the rate of 11 %.

The bonds are secured under the terms of a trust indenture between the Coopérative and Fiducie du Québec and dated November 15, 1982. The trust indenture provides for certain undertakings of the Coopérative in connection with the issue of additional bonds, certain financial tests and a negative covenant which prevents the Coopérative from pledging its assets.

Payments required to be paid over the next five years are as follows:

1989 — \$	2,443,000
1990 — \$	17,045,000
1991 — \$	9,524,000
1992 — \$	9,199,000
1993 — \$	7,180,000

10-Members' equity

The members' equity of the Coopérative is variable and unlimited as to the number of shares which may be issued. Each share has a par value of \$ 10 except for preferred shares D and E which have a par value of \$ 1 each.

Voting rights are restricted to holders of qualifying common shares and such rights are limited to one vote per member.

The common shares and the preferred shares B are not redeemable but are convertible into preferred shares which may be redeemed under certain conditions.

The preferred shares A are redeemable by resolution of the Board of Directors.

The preferred shares D and E are issued under the Coopérative Investment Plan, at the members' request, under the conditions pertaining to the preferred shares A and B respectively. According to the terms of this plan, these shares are redeemable, at their par value, by resolution of the Board of Directors beginning the third year following their issue providing that the reserve has increased by 50 % of the amount of the redemption.

The other preferred shares are redeemable by seven equal instalments over six years subject to the respect of certain financial tests.

At year-end, the members' equity issued and fully paid was as follows:

	1988	1987
	(in thousands of dollars)	
Common shares	\$ 1,550	\$ 1,731
Preferred shares A	55,287	62,399
Preferred shares B	13,039	13,615
Preferred shares D	3,289	2,260
Preferred shares E	691	288
Other preferred shares	9,355	487
	<u>\$ 83,211</u>	<u>\$ 80,780</u>

10 - Members' equity  
(continued)

During the year, the members' equity has changed as follows:

	1988	1987
	(in thousands of dollars)	
Balance, beginning of year	\$ 80,780	\$ 80,810
Issue of preferred shares as payment for price complements	6,224	13,526
Payments on common shares	23	43
Redemption of common shares	—	(546)
Redemption of preferred shares A	(991)	(10,776)
Redemption of preferred shares C	—	(1,065)
Redemption of other preferred shares	(2,825)	(1,212)
Balance, end of year	\$ 83,211	\$ 80,780

A total amount of \$ 10,373,000 of common shares and preferred shares A, B, D and E have been transferred with other preferred shares to be redeemed.

At October 31, 1988, common shares subscribed but not issued and fully paid amounted to \$ 37,926 (1987 — \$ 32,674).

11 - Contractual obligations

Lease commitments aggregated approximately \$ 2,274,000 as at October 31, 1988 (1987 — \$ 2,112,000). The lease expense for the year ending October 31, 1989 will be approximately \$ 681,000.

The Coopérative has also agreed to buy, in the course of the coming year, machinery and equipment for an amount of \$ 2,227,000.

12 - Pension plans

Effective November 1, 1987, the Coopérative adopted prospectively the new recommendations of the Canadian Institute of Chartered Accountants on the accounting for pension costs and obligations. The effect of this change on net earnings for the year is not material.

As of October 31, 1988, the market value of pension plan assets was \$ 8,597,000 and the actuarial present value of accrued pension benefits was \$ 7,278,000.

13 - Investment tax credit

The Coopérative is eligible for an investment tax credit of approximately \$ 1,809,000 which can be used until 1998.

14 - Allocation of net earnings for the year

On December 22, 1988, the Board of Directors accepted to recommend to the annual general meeting that patronage refunds totalling \$ 1,826,000 be distributed to members out of the net earnings for the year. If this recommendation is adopted at the annual general meeting, net earnings for the year will be allocated as follows:

	1988	1987
	(in thousands of dollars)	
Net surplus for the year	\$ 6,435	\$ 10,175
Patronage refunds recommended	1,826	7,445
Balance allocated to reserve	\$ 4,609	\$ 2,730

The resulting income taxes calculated on the income of the Coopérative will be approximately \$ 1,467,000.

15 - Transactions with members

The proportion of the transactions that the Coopérative has carried out with its members within the meaning of Section 45 of the Regulation respecting the application of the Cooperatives Act amounted to 88.8 % during the year.

## EARNINGS BY DIVISION

YEAR ENDED OCTOBER 31  
(in thousands of dollars)

	Industrial Milk Division		Fluid Milk Division	
	1988	1987	1988	1987
Gross revenue	\$ 522,450	\$ 524,739	\$ 295,427	\$ 290,773
Cost of goods sold	454,845	449,819	230,345	225,381
Gross profit	67,605	74,920	65,082	65,392
Operating expenses				
Selling	39,618	36,087	48,807	45,576
Administrative	13,279	11,505	10,437	7,157
Interest on long-term debt	4,617	3,790	105	355
Inter-division interest	(2,660)	(3,417)	2,660	2,994
Interest income and other income, net	(1,468)	(1,613)	(181)	(630)
	53,386	46,352	61,828	55,452
Earnings (loss) from operations	14,219	28,568	3,254	9,940
Other				
Loss (gain) on disposal of fixed assets	(84)	(85)	101	(94)
Amortization of goodwill	1,230	807	729	723
Earnings (loss) before the following items	13,073	27,846	2,424	9,311
Price complement to members	8,299	18,035	—	—
Earnings (loss) before income taxes of subsidiaries and extraordinary items	4,774	9,811	2,424	9,311
Income taxes of subsidiaries	(440)	(90)	(891)	(3,517)
Extraordinary items	—	—	568	(610)
Net earnings (net loss)	\$ 4,334	\$ 9,721	\$ 2,101	\$ 5,184

Farm Supply Division		Elimination of Inter-Division Transactions		Consolidated	
1988	1987	1988	1987	1988	1987
\$ —	\$ 26,914	\$(22,155)	\$(21,129)	\$ 795,722	\$ 821,297
—	24,441	(22,155)	(21,129)	663,035	678,512
—	2,473	—	—	132,687	142,785
—	2,409	2,433	—	90,858	84,072
—	524	(2,433)	—	21,283	19,186
—	—	—	(125)	4,722	4,020
—	298	—	125	—	—
—	(388)	—	—	(1,649)	(2,631)
—	2,843	—	—	115,214	104,647
—	(370)	—	—	17,473	38,138
—	3	—	—	17	(176)
—	—	—	—	1,959	1,530
—	(373)	—	—	15,497	36,784
—	—	—	—	8,299	18,035
—	(373)	—	—	7,198	18,749
—	—	—	—	(1,331)	(3,607)
—	(4,357)	—	—	568	(4,967)
\$ —	\$ (4,730)	\$ —	\$ —	\$ 6,435	\$ 10,175

## AUDITORS' REPORT

To the Members of Agropur,  
coopérative agro-alimentaire  
and its subsidiaries

We have examined the consolidated balance sheet of AGROPUR, COOPÉRATIVE AGRO-ALIMENTAIRE AND ITS SUBSIDIARIES as at October 31, 1988 and the consolidated statements of earnings, reserve and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Coopérative as at October 31, 1988 and the results of its operations and the changes in its financial position for the year then ended in accordance with accounting principles as set out in note 2 to the financial statements applied on a basis consistent with that of the preceding year.

*Mallette, Benoit, Barlauger, Rondeau & Associés*

Chartered Accountants

Montreal,  
December 9, 1988



## THE INDUSTRIAL MILK DIVISION HIGHLIGHTS

*Major expansion work has been carried out at the Granby yogurt plant in order to automate production and improve distribution. Seen here in the plant's new warehouse is Robert Poirier, Manager of the Industrial Milk Division.*

The Industrial Milk Division has undergone an unusual year in both sales volume and operating income.

This year's sales, which amounted to \$522.4 million, are 0.4 percent lower than last year's. Income for the year is \$14 million less than last year's.

The reduction in industrial milk is a direct result of the agreement proposed by the Fédération des producteurs de lait du Québec and constitutes a major reason for the decrease. More intense competition and sales prices that did not correspond to increases in

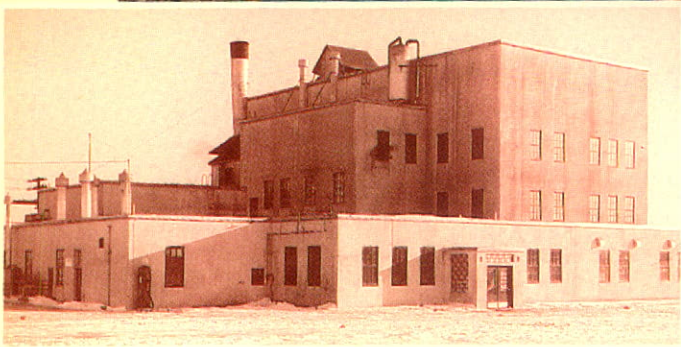
production costs represent the other causes.

This does not mean that the management of the Industrial Milk Division has stopped trying to develop products directly targeting consumers. In the same vein, product distribution on a provincial and national scale remains a primary concern. Also, improvements have been made to the process of exporting certain cheeses to the United States.

Energetic measures have been taken to diversify production to a greater degree by directing it toward fresh products. The utilization of industrial milk over the twelve-month period ended October 31, 1988 can be broken down as follows:

Cheese	: 54.9%
Butter and milk powder	: 36.7%
Evaporated milk	: 3.9%
Yogourt	: 3.4%
Other products	: 1.1%

All of the innovations brought about are aimed at positioning Agropur within new markets for the enhanced satisfaction of the consumer, who is the ultimate customer.



*«The Coopérative knows no bounds» said our pioneers. The construction of the Notre-Dame-du-Bon-Conseil plant in 1954 was an eloquent testimonial of this optimism.*

The Toronto distribution centre, currently undergoing full expansion, has been relocated in a new warehouse a few minutes from the airport and downtown. A 25,000 square foot area has been set up to combine all of Agropur's distribution activities in this important population centre.

Already recognized as an environmentally concerned enterprise, Agropur has maintained its standards in that field during the year. At the Granby cheese plant, for example, programs of mechanization and automation resulted in a major reduction in product waste and a decrease of close to 15% in polluting effluent compared to last year. In Verchères, special agreements with the municipalities concerned will result in combined sewage treatment.



*In order to provide better service to a constantly expanding market, Agropur's Toronto shipping operations have just been centralized.*

*True to its consistent interest in international relations, Agropur has already exported products to over 40 countries.*

The Coopérative has made major capital investments during the past year, principally at the Granby cheese plant. A line-production system for cheese, the largest of its type in the world, was installed to eliminate the conventional processing tables and thus improve the operating efficiency, as well as the composition and the quality of the finished product.

Major efforts have been devoted in various plants to bring about strict and precise control of production standards such as operating pressure, temperature, output and weight. This streamlining will allow our personnel to ensure unprecedented product quality and consistency.

The year's major innovation for butter was the acquisition of the Savourin label, which had been launched several years ago by a group of Québec cooperatives. This brand has been marketed by Agropur since September 1988 and results so far have been most encouraging.

A joint agreement to manufacture a calf supplement has been signed with a Québec enterprise that has solid experience in the field. The necessary machinery has been installed in the Plessisville and Louiseville plants in preparation for small-scale testing before large-scale production is launched. Agropur has taken advantage of a technology exchange with a French firm to further this project.

Two thousands (2,000) tonnes of cheddar were exported principally to Japan but also to Trinidad. Also, 3,000 tonnes of whole milk powder were exported throughout the world.

The experience and expertise of the Research and De-

velopment Service requires no further proof, as evidenced this year by their research work on accelerating the ripening process for cheese.

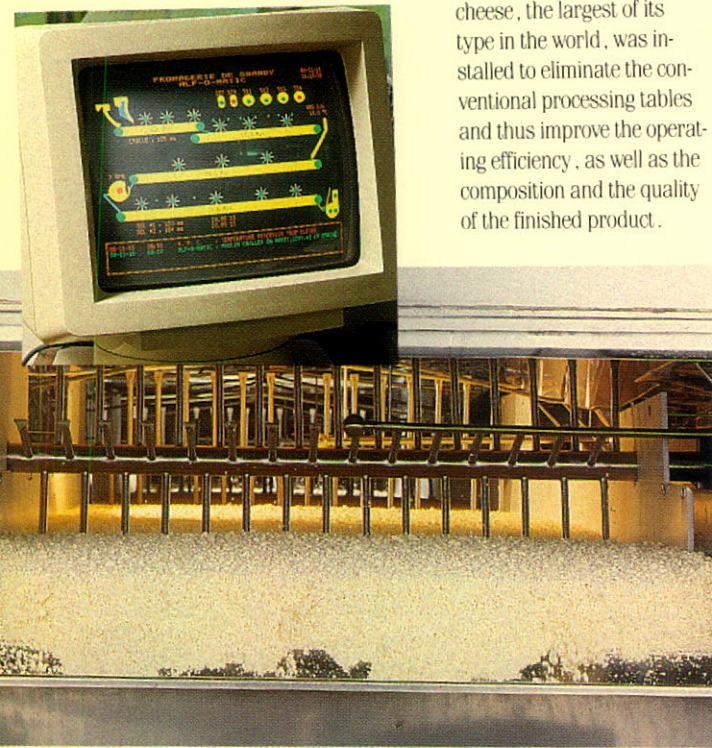
Much work has been devoted to improving existing products and better adapting them to consumer tastes.

In the field of milk transportation, the Beaudry et Lacoste subsidiary has been awarded the transport contract for all farm-produced milk. This development means they will take over routes formerly run by Milko, another subsidiary. Beaudry et Lacoste shares inter-plant milk transportation with Interlait, which is jointly owned by Agropur and Agrinove. In order to streamline routes and collections, the Coopérative acquired leading-edge technology in the form of European computer systems and software.

*Automation, computerization and a new product line: a \$6 million capital investment in the Granby plant.*

Concurrently, the entire process has been automated, allowing a better guarantee of product consistency and increased daily production. A new production line, combining capacity and productivity, has been added for the production of stretch-type Mozzarella. In addition, this installation created a need to enlarge the packaging and warehousing areas.

*The Granby cheese plant is inaugurated on September 9, 1980. Raynald Giroux is Agropur's acting General Manager.*





**Beurre de Culture**  
**Salé**  
**Cultured Butter**  
**Salted**

On reconnaît un grand beurre à la fraîcheur de la crème dont il provient. Savourin\*  
 A great butter is as fresh as the cream from which it is churned. Savourin\*  
 1 lb 454 g

**SAVOURIN**  
**BEURRE**  
**BUTTER**

**Non Salé**  
**Unsalted**

On reconnaît un grand beurre à la fraîcheur de la crème dont il provient. Savourin\*  
 A great butter is as fresh as the cream from which it is churned. Savourin\*  
 1 lb 454 g

**SAVOURIN**  
**BEURRE**  
**BUTTER**

**Beurre de Culture**  
**Non Salé**  
**Cultured Butter**  
**Unsalted**

On reconnaît un grand beurre à la fraîcheur de la crème dont il provient. Savourin\*  
 A great butter is as fresh as the cream from which it is churned. Savourin\*  
 1 lb 454 g

**SAVOURIN**  
**BEURRE**  
**BUTTER**

**Semi-Salé**  
**Half Salted**

On reconnaît un grand beurre à la fraîcheur de la crème dont il provient. Savourin\*  
 A great butter is as fresh as the cream from which it is churned. Savourin\*  
 1 lb 454 g

**SAVOURIN**  
**BEURRE**  
**BUTTER**

**Beurre de Culture**  
**Salé**  
**Cultured Butter**  
**Salted**

On reconnaît un grand beurre à la fraîcheur de la crème dont il provient. Savourin\*  
 A great butter is as fresh as the cream from which it is churned. Savourin\*  
 1 lb 454 g

**SAVOURIN**  
**BEURRE**  
**BUTTER**



## SPECIALTY CHEESES

With the successful takeover of a subsidiary, Produits laitiers Mont St-Hilaire, Agropur has acquired Froche, a company that specializes in the production of over 350 varieties of European cheese.

The establishment of new distribution centres in Ville d'Anjou and Québec is complete. Thanks to a concerted effort with two Agropur subsidiaries — Les Fromages Princesse in Plessisville and La Laiterie Choix-Unic in Amqui — Agropur's

specialty cheese distribution network for Québec is now second to none.

There was no skimping on efforts to enhance specialty cheese distribution outside the province. A regional sales manager for the Prairies is now heading the distribution network there.

In Ontario, sales projections were not reached, despite some innovative improvements. A major restructuring has been taking place there since year end.

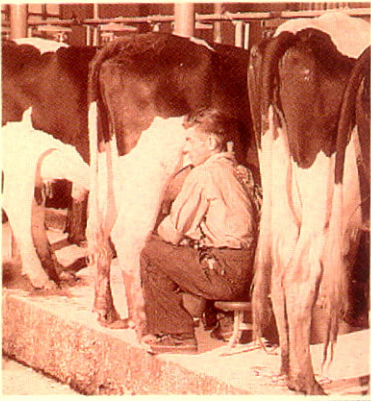
An agreement has been

signed with an exclusive agent for the introduction of soft cheeses into the United States market. This is a keynote event for the specialty cheese exports sector.

Mechanization programmes, such as the fresh cheese bagging operation at the Plessisville plant, have been put into effect to stimulate production.

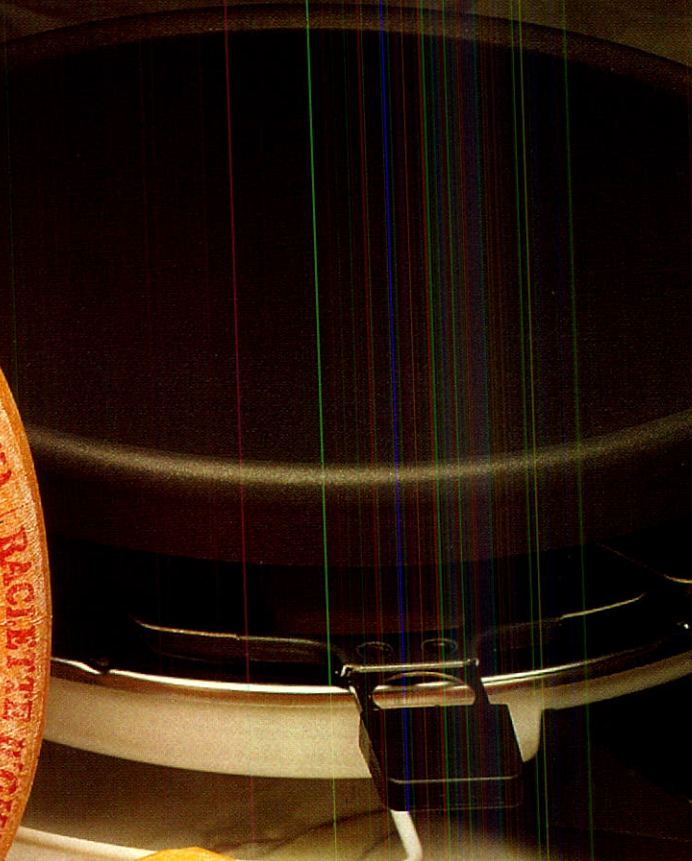
The wide range of specialty cheeses manufactured or marketed by Agropur, added to a long tradition of cheddar production, means that Canadian consumers today can find any product they want. No company is better placed than Agropur to offer the full gamut of high-quality cheeses.

*Despite a lack of mechanization, farmers were always careful to keep milking parlours clean.*



*Picture on the right: cheese cutting and packaging room at the Ville d'Anjou distribution centre. Over a million dollars was invested to answer increased product-handling demands.*





## YOGOURT

*Yoplait maintains its position as the most widely distributed yogourt in the Canadian market.*

*1971: Pursuant to an agreement with Sodima, a French firm, the Coopérative inaugurates the marketing of Yoplait as the exclusive Canadian franchisee. (picture at the bottom of the page)*

Sales in the yogourt sector have not gone up this year, as opposed to the trend observed in recent years. The competition is much more intense and has affected performance in this market as well as others.

Although its market share in Québec dropped, Yoplait's ranking in Ontario has greatly improved, especially due to the popularity of last year's latest development, the «Fruit-at-the-bottom» yogourt.

Yop, for its part, remains the uncontested champion among producers of liquid yogourts. In fact, a new

high-speed production line has been installed at the Granby plant.

Stirred yogourt has undergone a change of image this year and now comes in an attractive new package. In addition, the composition — particularly the amount of fruit — has been improved. The overall image change has been backed up by a major advertising campaign drawing on the initial concept of «Passion for taste» and presenting it as the «Perfect mix».

In the plant, all our efforts we have concerted in order to complete the major expan-

sion project begun last year. All of the processing equipment has been relocated and the packaging line mechanized, which augures well for the coming year's operations.

Some important development work was conducted during the year to fine-tune a number of new products which will be launched in 1989. A new sales team has been appointed to allow faster reactions to the competition's moves.

Agropur remains a leader in the yogourt market; the Coopérative's knowhow and consistent concern for quality allow it to offer great-tasting fresh desserts and health snacks. Yoplait products, the preferred choice of Canadians, give the consumer a great variety of choice. Yoplait stirred yogourt, Yop, the yogourt drink, fruit-at-the-bottom Yoplait or Yoppy, the firm, flavoured yogourt, are all products that are synonymous with quality and appealing to the most discerning palates.



## DELICATESSEN MEATS AND PREPARED DISHES

The past year's operations have reinforced the position of our subsidiary, Charcuterie La Tour Eiffel Inc., in all of its markets.

However, the degree of growth was less than that foreseen. The increase in sales volume was 1% higher than that recorded last year, yet it was 24% lower than forecast despite the launching of new fish delicatessen products and vacuum-cooked dishes.

Gross earnings were down 3% from the preceding twelve months, the main cause being higher production costs. Previous capital investments which had been made in view of increasing volume and adding new product lines were not used to their fullest capacity.

A major change in sales and distribution to a Québec foodstore chain caused a 25% drop in sales volume to these establishments in spite of all the promotional programs subscribed. This warehouse delivery system has also allowed competing delicatessen producers to make inroads in the market. On other markets, a drop shipment type of delivery combined with a strong sales force allowed to maintain a steady development of the market for our products.

Bringing our fish products to market was doubly delayed by problems with the quality of mussels and cod. Combined with the market's limited acceptance

of this type of product, these factors made it impossible to reach sales projections.

The delicatessen market outside Québec is also growing slower than expected due to problems in listings and distribution. The sales and distribution set-up has been corrected and completed during the year and now allows greater flexibility with different markets as well as increased development in desired directions.

Next year's plan of action will be based on streamlining this subsidiary's operations. The introduction of a working plan specifically aimed at developing target markets, increasing productivity and reducing sales expenses should direct the Tour Eiffel subsidiary towards expected performance.



*In 1946, the Coopérative begins exports of canned powdered milk.*

*Delicious old-fashioned Fermier brand hams were awarded the 1988 certificate of excellence at the Super Salon de l'Alimentation held in Montréal.*





*Tour Eiffel carries four product families: fish and seafood, fowl, hams and specialized pork products.*



*The Farm Supply Division, which was sold off in 1987, was a long-time diversification activity for Agropur. Seen here is the Granby hardware service.*

#### VARIATIONS VACUUM-COOKED DISHES

The subsidiary's major innovation was the launching of vacuum-cooked dishes. These fresh, ready-to-cook dishes address consumers' needs by offering a wide variety and a good price/quality ratio. Now distributed throughout Canada, this product line initiates Tour Eiffel's diversification towards a sector that is bound to evolve rapidly in coming years.

Variations brand vacuum-cooked dishes are based on a new concept in the food industry.

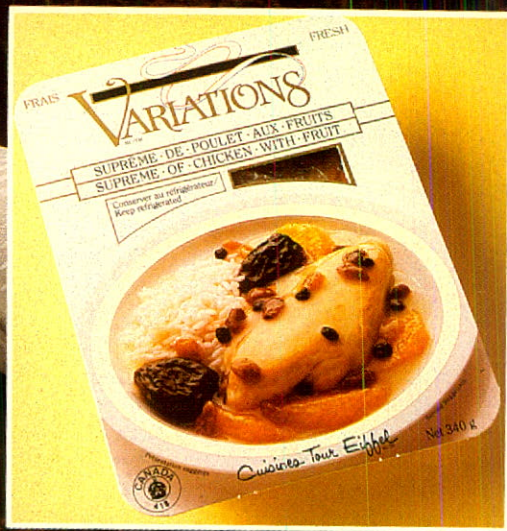
Because they are cooked in a vacuum, Variations dishes distinguish themselves from other vacuum-packed products which are

not cooked in the absence of air. Variations dishes have the following characteristics:

- an unequalled preservation of all flavours and juices, which are trapped inside the package during cooking;
- an enhancement of tenderness in meats, due to slow cooking in moist heat;
- maximized preservation of nutrients, since neither vitamins nor minerals can escape;
- the composition of light and healthy prepared dishes, as no added fat is necessary for cooking;
- the food keeps for weeks longer because vacuum-cooking pasteurizes the dishes.

Tour Eiffel's ultra-modern facilities ensure very strict health conditions, which are so essential to the control of product quality. Constantly controlled independent air conditioning, the latest in tooling and a rigorous control and streamlining of operations combine to increase productivity, fulfill orders in short time and ensure efficient production so as to maintain the excellent quality of all its products.

The wide range of Variations dishes is separated into four categories: fish and seafood, fowl, meats and pâtés. Variations products are made available on the grocer's shelf in individually wrapped 340-gram portions. Variations products are aimed at the institutional as well as the restaurant markets, both of which represent prime targets for Tour Eiffel.



## QUALITY AND EXCELLENCE

In terms of quality, 1987-88 was no exception to the rule for Agropur, coopérative agro-alimentaire. On the contrary, the enterprise received numerous awards and trophies which represent the crowning achievement of all the efforts devoted to the excellent quality of its products and attest the value of its actions.

The honours that we received are listed below:

- Four Lys d'Or awarded by the ministère de l'Agriculture, des Pêcheries et de l'Alimentation du Québec.
- Butter: Laiterie Mont St-Bruno
- Vanilla ice cream: Laiterie Mont St-Bruno
- Fluid milk: Laiterie Mont St-Bruno
- Firm cheese: Oka Gouda

- Finalist in the « Total Quality » and « Environment », categories at the Mercuriades:

- Five gold medals at the world-famous Monde Sélection de Bruxelles

- Champfleury
- Oka
- Raclette d'Oka
- Yop, fruit punch flavor
- Fruit-at-the-bottom Yoplait, black cherry flavor

- First five places at the Royal Winter Fair in Toronto

- 1<sup>st</sup> Prizes: Brie de Vaudreuil, Oka, Dalpé Emmenthal
- Grand Champion: Dalpé Emmenthal
- Reserve Champion: Oka

- Three prizes at the British Empire Dairy Show in Belleville, Ontario

- 1<sup>st</sup> Prizes: Camembert Vaudreuil and Dalpé Emmenthal

- Grand Champion: Dalpé Emmenthal

- Two trophies received at the Super Salon de l'Alimentation in Montréal for the innovative aspects of their two new products: Miko Christmas logs and mini logs and Variations vacuum cooked dishes.

- Grand Championship (Oka) and two first prizes (Gouda and Oka) were won at the Canadian National Exhibition in Toronto.

- Two gold trophies were awarded at the Yoplait International Symposium held in Portugal for the sales performance and the advertising campaign that launched Fruit-at-the-bottom Yoplait.

- A certificate with distinction was awarded by the Department of Regional Industrial at the Prix Canada contest for business excellence in the category « Invention » for the ripening process of cheese.

In addition to boosting employee morale, these awards also back up the efforts devoted to advertising by Agropur to attract and enlarge its clientele. As for the consumers, it represents a definite assurance of quality.



Some of our products which received merit awards last year.

## THE FLUID MILK DIVISION : HIGHLIGHTS

Sales recorded by the Fluid Division reached a total of \$295.4 million during the year ended October 31, 1988. This represents a slight increase of 1.6% over the preceding year.

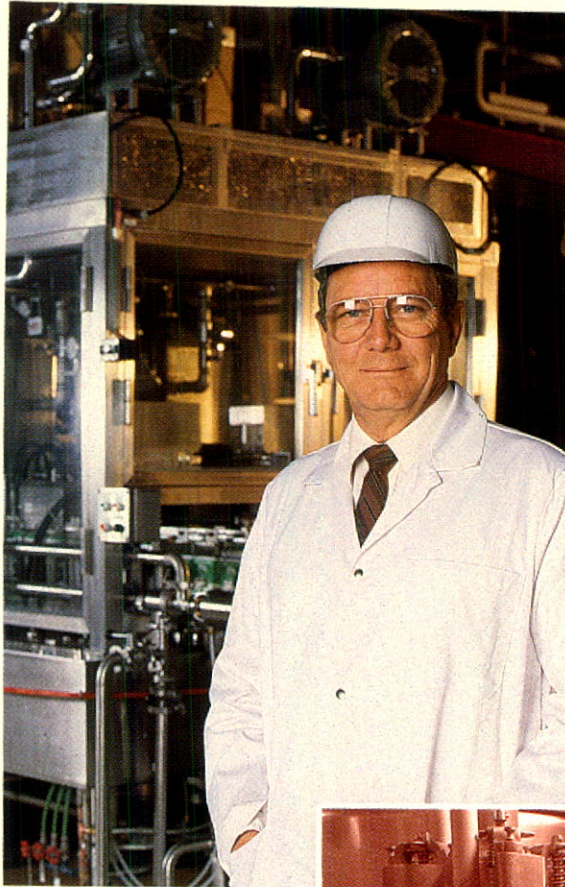
This year's rather modest performance results in part from the intense competition that persists in the metropolitan Montréal area. These results could have been worse had they not been made up by the excellent performance outside the city and particularly in the Québec area.

The operating surplus, now amounting to only \$3.2 million, is a reflection of this difficult situation.

Milk collections totalled 256 million litres.

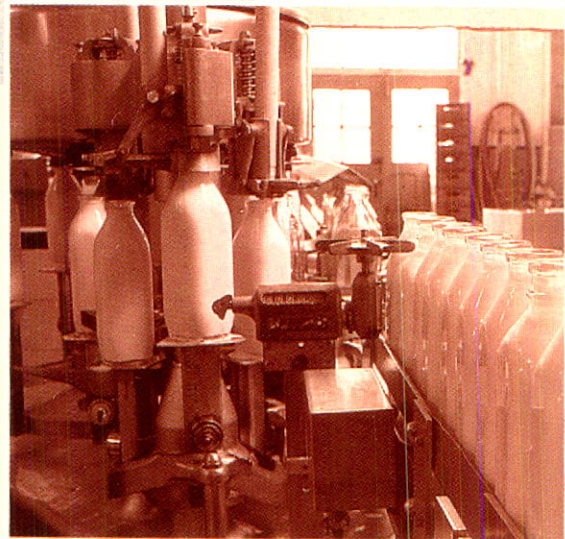
The 1987-88 fiscal year was a period of consolidation for the Fluid Milk Division. The Division has decentralized its activities in favour of subsidiaries and affiliates. Sales to the manufacturing sector have increased steadily. The geographical development of markets now allows us to deliver as far afield as the

Maritimes. The total quality concept is finding acceptance among employees, and has successfully passed the first stage of implementation. Lastly, our market research studies have resulted in the development of Miko products.



*The Ville St-Laurent plant is now equipped with new carton-filling machines, bringing its bottling capacity to close to 700,000 litres of milk a day. Jacques Bourgault, Manager of the Fluid Milk Division, stands in front of one of the machines.*

*Glass milk bottles were replaced by carton containers in the Sixties. Later came plastic bag containers.*



## MILK AND MILK BY - PRODUCTS

Sales have continued to burgeon in the Québec City area with an increase of 30%. Operations in the Estrie are also on the rise, recording an increase of 4%.

1% milk fat partly skimmed milk has been introduced on the market in response to a trend by consumers to favour a low-fat diet.

The Ville St-Laurent plant is now equipped with two new milk carton filling machines that provide added efficiency. The growth in ultra-pasteurized cream sales is largely responsible for the substantial increase in production at the Brosard plant.

Investment capital has been allocated to the plants in St-Bruno and St-Jean (a million dollars in the latter case) in order to upgrade their technology and, consequently, their performance.

Amqui's branch will soon be able to amalgamate its operations into a single plant thanks to an investment of over three million dollars.

The territory covered by the Sherbrooke plant continues to expand. The Québec trademark is increasingly visible in Thetford Mines, Lac Mégantic, part of the Beauce, Drummondville, Baieville and Sorel.

Products sold by the Orange Maison subsidiary continue to impress with their quality and good taste. The 11% increase in sales recorded over the last year results from the geographical expansion of its distribution network.



*Amqui's plant was the recipient of \$3.9 million in capital investments in order to amalgamate its entire operation under one roof.*



*The 1973 incorporation of Québec-Lait Inc. marks an important milestone in the history of the Coopérative, soon to become a major player in the fluid milk sector.*

## ICE CREAM — FROZEN NOVELTIES

The sales volume for ice cream has remained at the same level as last year's. This is due to the proven stability in the rate of consumption and also to brisk competition in this market.

Agropur is posting interesting results in some specific markets, however. For example, although the number of franchises has not changed much, Maître Québécois dairy bars have experienced remarkable results, showing an increase of 13%. The out-of-home consumption of ice cream, which benefited from a summer vacation period marked by very high temperatures, partly explains this unexpected increase.

A sub-contracted operation at the Amqui plant enables Agropur to reach the New Brunswick market.

The long-term agreement to produce ice cream under the Laura Secord label has been reinforced by the fact that current production volume for that company has gone up 30%.

Speaking of production, the Montréal-Nord plant, having completed the first phase of renovation, will further improve efficiency with the upcoming realization of the second phase.

The introduction of two new frozen novelty products, Froussi Pops and Circo Pops, represents an expansion of our product line. Agropur has obtained Canadian exclusivity for the production and distribution of these figurines. This is a clear example of Agropur's innovative spirit, as the Coopérative is currently the only one in Canada to have developed this concept.

### MIKO FROZEN DESSERTS

The highlight of the year for the Fluid Milk Division was the launching of Miko frozen desserts.

There is a new concept behind the introduction of Miko frozen desserts on the market. Although new in Québec and Canada, these products have already been tested in France by the Ortiz-Miko company and have all the appeal necessary to become a hit with local consumers, especially since the taste is well suited to the market.

This product represents the top of the line, yet remains affordable. Joining Miko ice cream logs and mini logs, it is specifically designed for a select class of consumers who are looking for both novelty and refined taste. These individually packaged frozen desserts are the perfect end for a meal.

Miko frozen desserts are available in seven varieties: Orange or Blackcurrant Boumbas, Monaco or Rio Parfaits, Pear Belle Hélène, Peach Melba or Liège Chocolate.

The product is made available to institutions, restaurants and food services in twelve-pack containers. At the retail level, consumers will see it in boxes of two on the grocer's shelf.

Miko joins Agropur in its innovating tradition and in its constant readiness to respond to new markets.

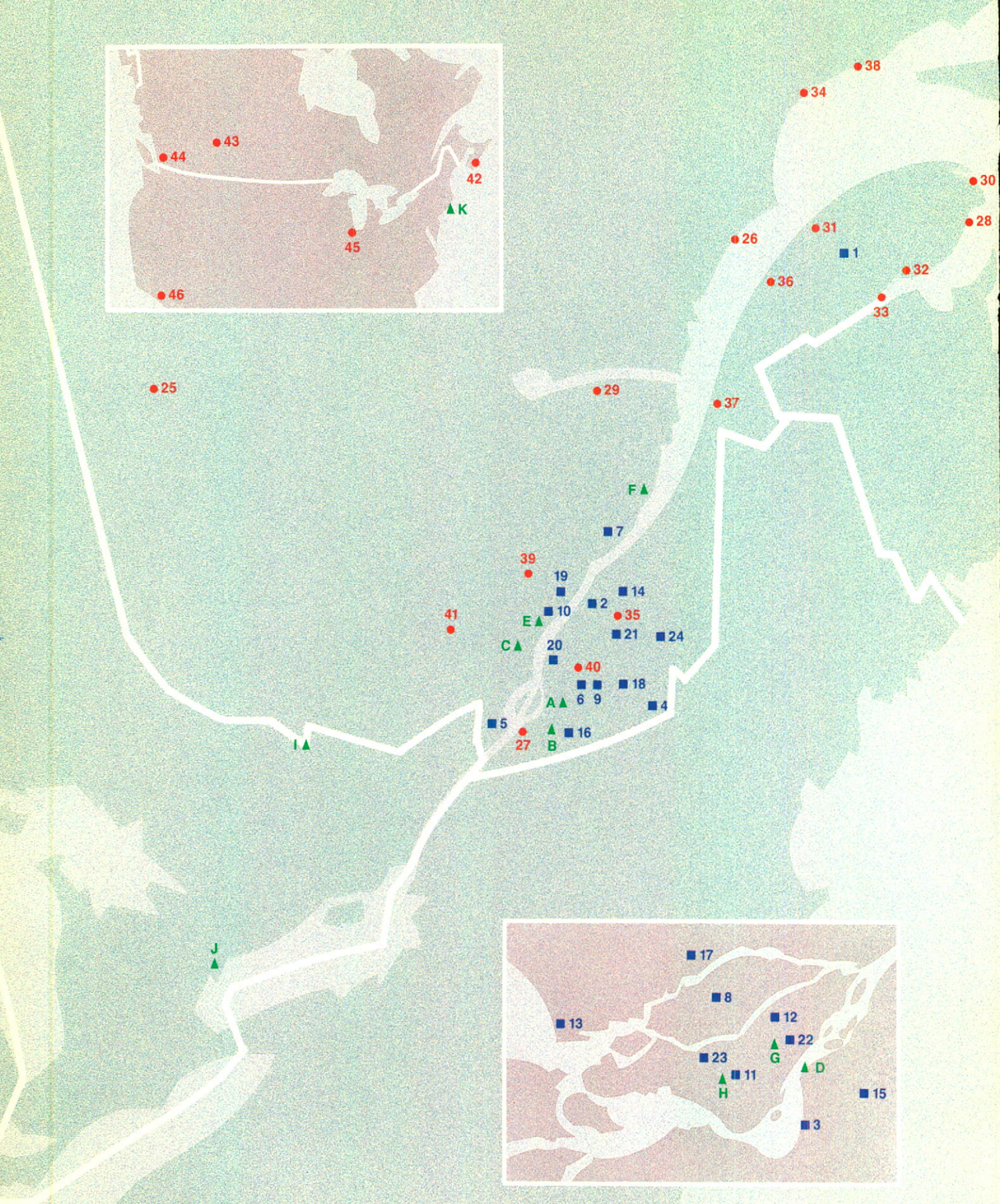
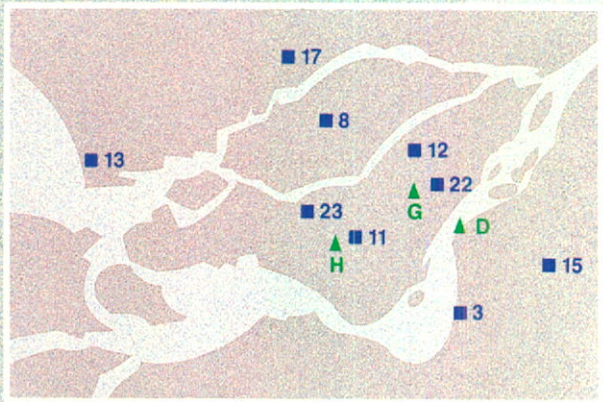
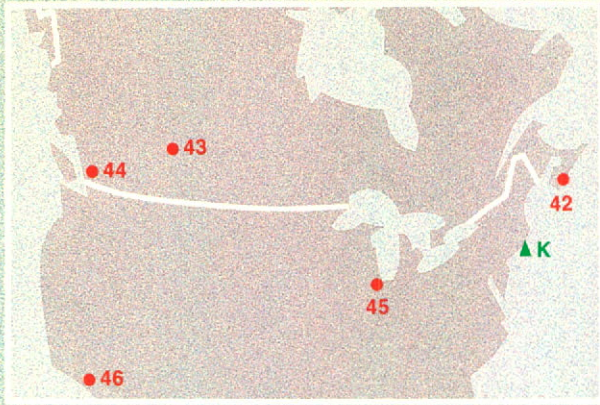
This new product line is the evidence of management's desire to adopt and encourage an aggressive sales and marketing strategy to maintain its first-place ranking in Québec and to continue expanding outside the province.

*The range of frozen novelty products is constantly expanding in response to consumer demand.*



*The Coopérative is always prepared to make use of the latest in marketing techniques.*







PLANTS



LOCATION	PRODUCTS	LOCATION	PRODUCTS
1 Amqui	milk, milk chocolate, cream, ice cream, cheese	13 Oka	specialty cheese: Oka, St-Paulin, St-André, Gouda, Forêt Noire, Raclette, Swiss, Petite Fondue, Tomme des Laurentides, Capucin
2 Bon-Conseil	cheddar, butter, powdered milk: instant, skim and whey powder, cream cheese preparation	14 Plessisville (2 plants)	powdered milk: condensed, skim, whey powder, cheddar: grains and twists, specialty cheese (Capitouf, Fropain)
3 Brossard	U.H.T. cream (10%, 15%, 35%), U.H.T. milk chocolate	15 St-Bruno	milk, milk chocolate, grape juice, lemonade, butter
4 Coaticook	milk (depot)	16 St-Jean-sur-Richelieu	milk, milk chocolate, juice, butter, cream
5 De Beaujeu (St-Polycarpe)	specialty cheese (soft cheese, Marquis, Champfleury, Brie, Camembert)	17 Ste-Thérèse	milk, milk chocolate, cream
6 Granby (2 plants)	cheese: Brick, Mozzarella, Colby, Fresh Skim, Dairy Farm, Stirred Curd, Farmer, cheddar, cottage cheese, butter, butter oil, powdered milk: skim, whole, whey powder, sour cream, yogurt (firm, stirred, fruit-at-the-bottom, top)	18 Sherbrooke	milk, milk chocolate, soft ice cream mix
7 La Pérade	milk: evaporated, formula	19 Trois-Rivières	milk, milk chocolate, juice, cheddar cheese, butter
8 Laval	pâtés, ham, terrines, vacuum-cooked dishes, fish mousse	20 Verchères	cheese: Emmenthal, Swiss, processed cheese, powdered milk, formula
9 Lawrenceville	cheese (cut)	21 Victoriaville	soft ice cream mix, milk, milk chocolate, cream, butter
10 Louiseville	calf supplement, skim milk powder	22 Ville d'Anjou	cheese (cutting and packaging), processed cheese
11 Montréal	Orange Maison juice	23 Ville St-Laurent	milk, milk chocolate, butter-milk, cream, frozen novelties (Popsicle, Drumstick, Fudgsicle Revello, Sandwich, Miko)
12 Montréal-Nord	ice cream	24 Weedon	butter, powdered skim milk, milk (depot)

DISTRIBUTION CENTRES



A Granby	G Ville d'Anjou
B Iberville (milk transportation)	H Montréal (Ferrier)
C Joliette	I Ottawa (Ontario)
D Longueuil	J Toronto (Ontario)
E Louiseville (dairy equipment)	K Howell (New Jersey, U.S.A.)
F Québec	

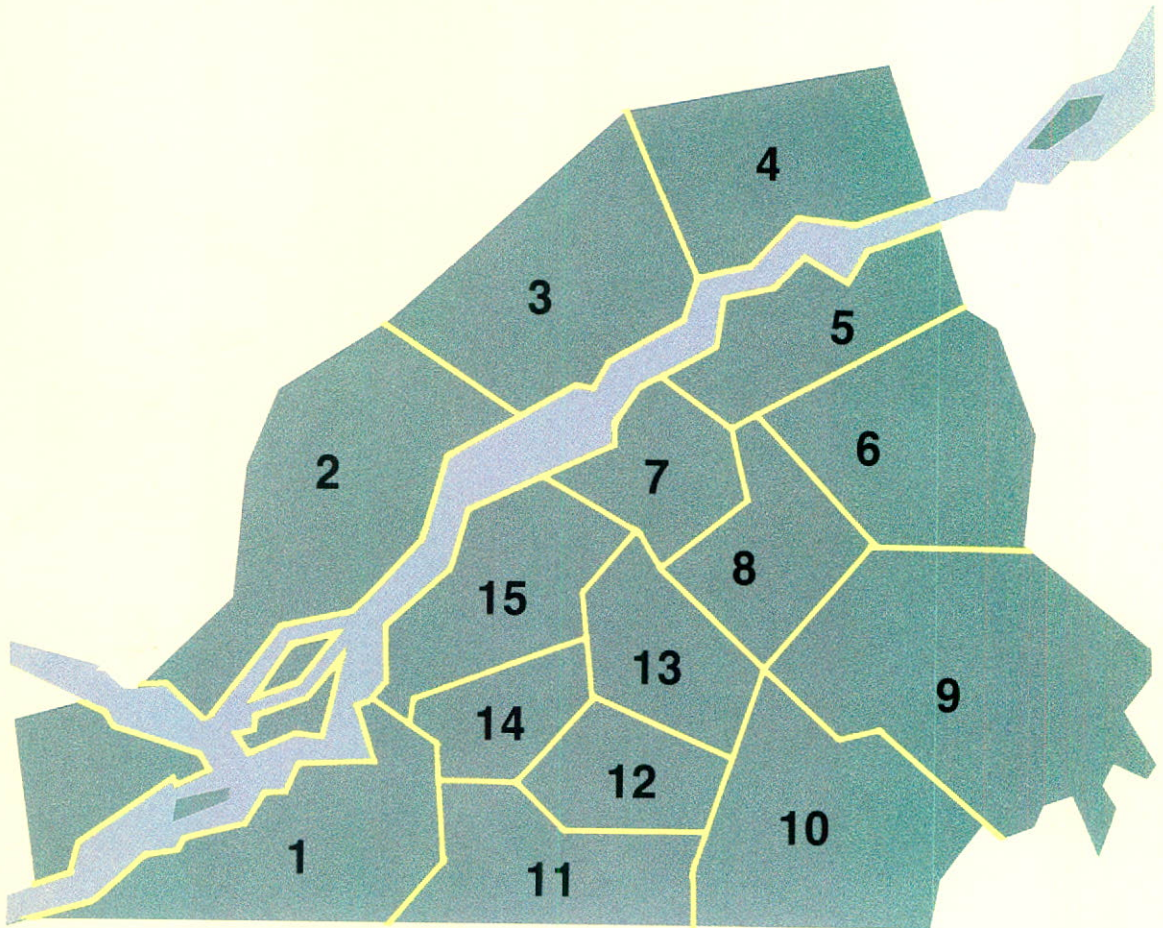
SALES OFFICES DEPOTS



25 Amos	36 Rimouski
26 Baie-Comeau	37 Rivière-du-Loup
27 Beauharnois	38 Sept-Iles
28 Chandler	39 Shawinigan
29 Chicoutimi	40 St-Hyacinthe
30 Gaspé	41 St-Jovite
31 Matane	42 Darmouth (Nova Scotia)
32 New-Richmond	43 Edmonton (Alberta)
33 Pointe-à-la-Croix	44 Vancouver (British Columbia)
34 Port-Cartier	45 Chicago (Illinois, U.S.A.)
35 Princeville	46 Los Angeles (California, U.S.A.)

COOPERATIVE  
MEMBERSHIP

ADMINISTRATIVE REGIONS	NUMBER OF MEMBERS
1 SALABERRY	326
2 LANAUDIÈRE	442
3 LA MAURICIE	413
4 STE-ANNE	392
5 DES SEIGNEURIES	376
6 DE L'ÉRABLE	388
7 LAC ST-PIERRE	387
8 BOIS-FRANCS	388
9 DES APPALACHES	338
10 ESTRIE	337
11 HAUT-RICHELIEU	206
12 GRANBY	214
13 ACTON	373
14 DES MONTÉRÉGIENNES	210
15 YAMASKA	392
TOTAL:	5,182



Any long journey requires careful planning. For Agropur, these first fifty years have been just that, a carefully planned journey that just shows how well its predecessors had planned it. By choosing the cooperative system as a business model, they ensured for it a continuity that would go far beyond the individuals who comprised it. One of the characteristics of cooperation is that it eliminates the problems concerning the transfer of property between generations.

In just over a decade, the year 2000 will start and Agropur will be close to a quarter of the way through of its second half-century. What will the Coopérative be like then? What changes will it undergo? What challenges will be accepted to remain an agri-food industry leader?

This answer lies in the present members' decision to face the competition and increase their share of the market. A very similar attitude was adopted by our predecessors who deliberately chose not to impose any limits on themselves.

However, Agropur will have to deal with different situations from now on. For all practical purposes, the concentration of production no longer applies. In Québec at least, there are very few consolidations of dairy processing plants worth considering. Is there a future in enhancing communication between Québec dairy cooperatives? Should Agropur's limits be increased as in the past? Will these frontiers extend outside Québec or even as far as the United States?

If, in 1988, it is quite normal to talk about a world-wide economy, what will the situation be like in ten or twenty years? Naturally, commerce will become increasingly internationalized and isolated trading circles will crash. Easier communications and faster exchange of goods and services, not only between neighboring

countries but also between continents, will force business to adjust rapidly and be constantly ready for new changes. Agropur will not be exempted.

Over these past ten years, diversification has been one of the most popular strategies for enterprises. Agropur has been sensitive to the need to adapt rapidly to consumer needs on one hand and to the ceiling on the overall demand for dairy products on the other. The odds are that Agropur will continue to provide the most complete range of products possible, well-diversified and as of high quality. The consumers' concern for healthy nutrition will be more demanding. It will be up to business to meet their needs.

As it is for the other partners in the agri-food industry, this adjustment will not be easy for Agropur. One of the sensitive points of development is financing.

However, the Coopérative members need generous sums to continue their farming operations, whose total assets often amount to several hundred thousand dollars. How is it possible to reconcile the desire of the members to increase the rate of development of their Coopérative with the maintenance of the values which fashioned its history and gave it its distinct personality?

It is obviously up to the members to answer this question, being well aware of the fact that the number of members is limited. How will Agropur's membership be selected in the future? For whom is it designed? How will it adapt to the new reality in terms of concentration of farms bringing several producers into the same

enterprise. All these questions will certainly be solved by the initial vitality of Agropur's democratic organization. That we can be sure of!

To the same degree as anyone else, Agropur will be forced to do its best to reach the highest productivity level possible. In order to do so, all of its forces, and more particularly its human resources, must combine their efforts towards the objective of doing it better right

from the start. Much stiffer competition, fast technological changes, and consumers facing multiple choices are but a few reasons why the success of the enterprise is based on the sharing of knowledge and interpersonal relationship skills. In this regard, the total quality concept applied by Agropur is an important guarantee so that it can fully assume its leadership, in the present, as well as in the year 2000.

Erected on a solid foundation based on human values and equipped with modern means, Agropur is proud of its origins, well prepared to enter into the next century. Even a hundred years after its foundation, we will be able to say: The journey of a thousand miles starts with a single step.

Agropur, coopérative  
agro-alimentaire  
Head Office:  
510 Main Street  
Granby, Quebec  
J2G 7G2  
Telephone: (514) 375-1991  
Telex: 05-832510  
Fax: (514) 375-2099

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