



**agropur**

**AGROPUR  
COOPÉRATIVE  
AGRO-ALIMENTAIRE**

**FORTY-SEVENTH  
ANNUAL REPORT  
1984-1985**







“This fiscal year has unfolded under the twin sign of diversification and consolidation.”





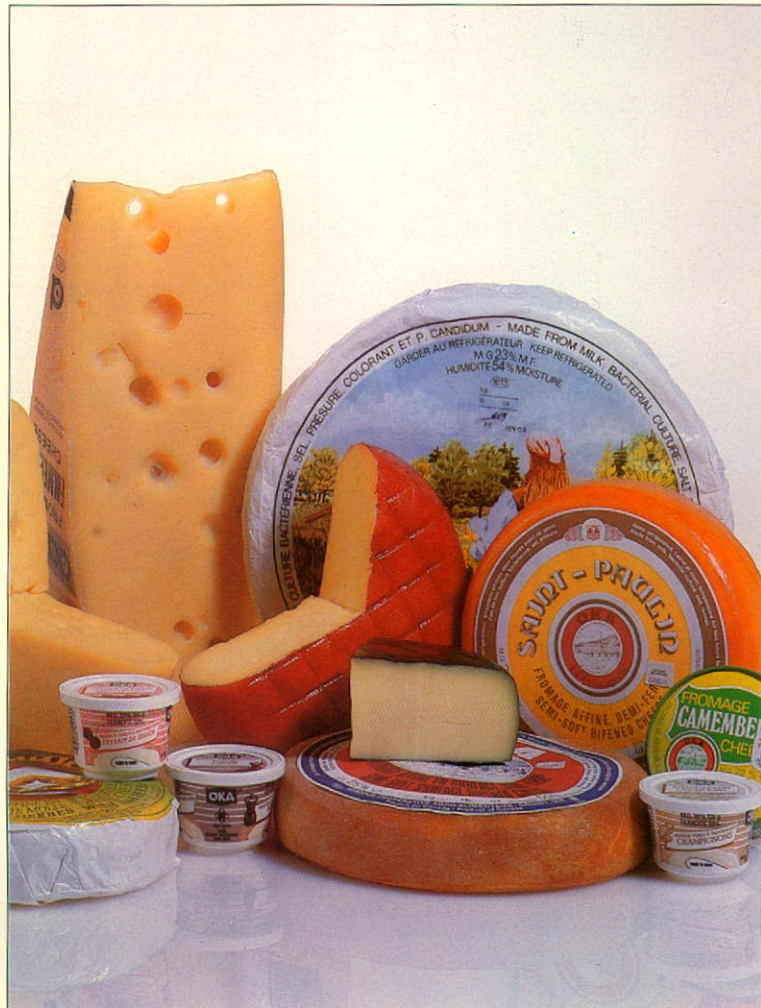
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# CONTENTS



	page
Highlights	2
Board of Directors	3
Last five years at a glance	4
Administrative Committee	5
Message from the President	6
Ideas... knowhow... and daring!	12
Financial Report	13
Report by the General Manager	29
The Social Role of Agropur	39





## HIGHLIGHTS

2

### Officers

Michel Lemire  
President

Raymond St-Cyr  
Vice-President

Reynald Charest  
General Manager

André Gauthier  
Corporate Secretary

R. Claude Ménard  
Manager, Financial Services  
and Treasurer

### Net sales (in \$ thousands)

Industrial Milk Division	505,952
Fluid Milk Division	242,719
Farm Supply Division	29,086
<b>TOTAL</b>	<b>759,001*</b>

\* This figure does not include transactions between Divisions, which totalled \$ 18,756,000.

### Number of employees at October 31, 1985

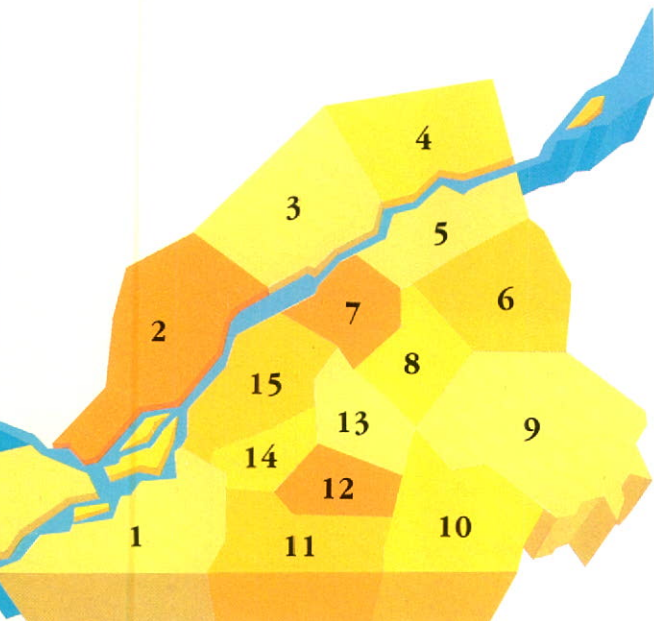
2,331

### Milk collections (in thousands of litres)

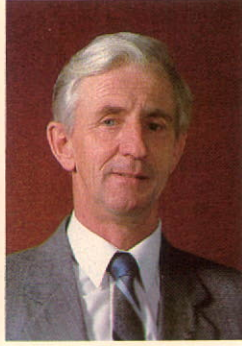
Industrial milk	827,830
Fluid milk	220,027
<b>TOTAL</b>	<b>1,047,857</b>

### Members by Region

Region	Members	Delegates
1- Salaberry	326	35
2- Lanaudière	440	44
3- La Mauricie	465	48
4- Ste-Anne	448	46
5- Des Seigneuries	406	42
6- De l'Érable	428	44
7- Lac St-Pierre	414	43
8- Bois-Francs	416	43
9- Des Appalaches	387	39
10- Estrie	360	37
11- Haut-Richelieu	519	53
12- Granby	491	51
13- Acton	533	55
14- Des Montérégiennes	509	52
15- Yamaska	410	41
<b>TOTAL</b>	<b>6,552</b>	<b>673</b>



## BOARD OF DIRECTORS



Michel Lemire\*  
président

Raymond St-Cyr\*  
vice-président

Lauréat Michaud\*

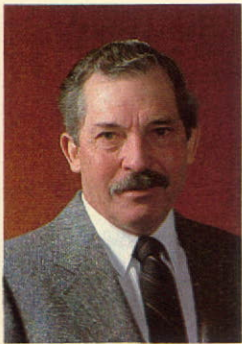


Jacques Cartier\*

Clément Favreau\*

Roger Beaudry

\*Member of the Executive Committee



Roger Béliveau

Léonard Boulais

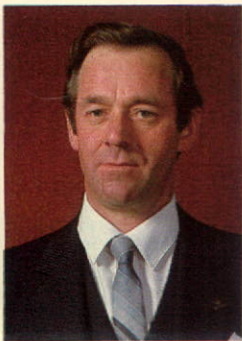
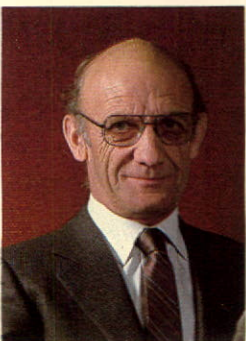
Harold Crochet



Guy Gaudet

Claude Girard

Jean-Paul Guimond



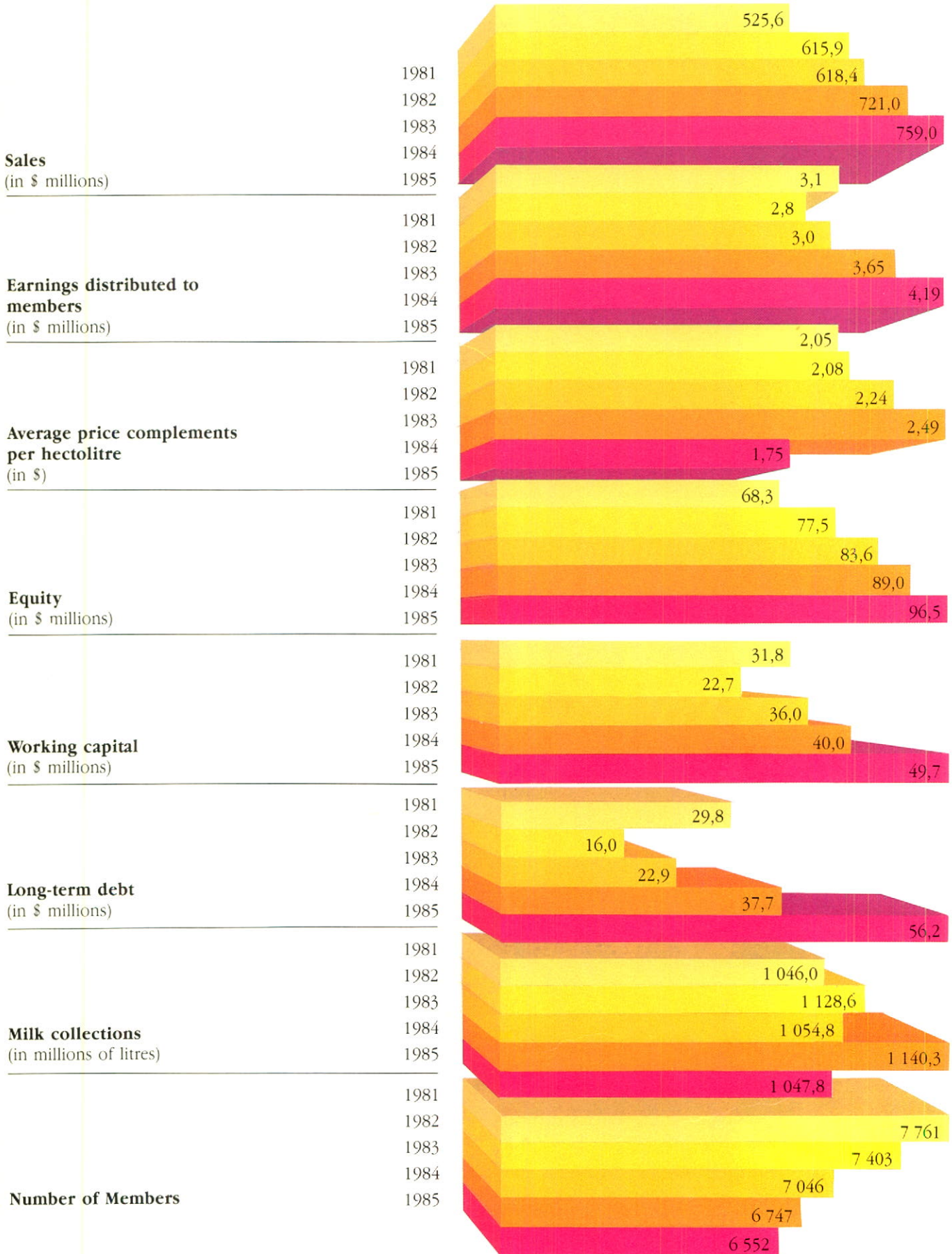
Paul-Henri Leduc

Gérard Montour

Philippe Véronneau



# LAST FIVE YEARS AT A GLANCE







Pierre Gignac  
Manager,  
Farm Supply Division

Jean Hupé  
Manager,  
Fluid Milk Division

Maurice Giguère  
Manager,  
Industrial Milk Division

Reynald Charest  
General Manager



R. Claude Ménard  
Manager, Financial Services  
and Treasurer

Raoul A. Blouin  
Manager,  
Member Relations

Roger Bourgault  
Manager,  
Human Resources

André Gauthier  
Corporate Secretary



## MESSAGE FROM THE PRESIDENT

6

Dear Members:

While Agropur operating results were not nearly as spectacular for the year just ended as for the previous fiscal period, I hasten to add that it was a very good year, nonetheless. Growth was slower, certainly, but this gave us an opportunity to take stock of our activities and prepare ourselves in solid fashion to meet the challenges of the future.

Today's figures are less impressive than those of some other years because of several factors, milk shortages in particular, which combined to slow our growth. Milk supplies were extremely limited during 1985, especially in the second half of our fiscal year, resulting in production cutbacks in some sectors.

Another factor was the agreement between the Fédération des Producteurs de Lait and the non-cooperative enterprises, which placed the cooperative movement at a disadvantage.

Add to that the especially stiff competition which we had to face last year, along with our considerable capital investments in certain sectors, and you can easily understand why our financial results were not up to the previous year's, although still quite interesting.

Our Coopérative has taken some giant strides in other areas, however. Among other things, we established ourselves in a new food sector: delicatessen products. We strengthened our position as a leader in the Québec agri-food industry. We expanded our penetration into new markets, notably in Ontario.

We made improvements to a number of our plants, giving us much better tools with which to meet the competition ahead. The new products we launched on the market represent long-term capital investments which we hope will give us every reason to celebrate a few years down the road.

Summing up the year, we consolidated our overall corporate position. The slower growth during the year is in no way a step backward. Instead, it should be regarded as a "pause for breath" to prepare ourselves for a future leap ahead.

### DIVERSIFICATION

I touched briefly on diversification in my message last year. Some people interpreted this statement as a desire on your Management's part to launch into the production of margarine. But, as you now know, we had an even greater objective in mind: tracing the first steps in a growth plan which will have profound repercussions on the entire future orientation of the Coopérative.

The year began with the purchase of Charcuterie La Tour Eiffel inc. and its American subsidiary, Wholfood Inc. This acquisition gives us an opportunity to establish ourselves immediately in a new food sector, by adding a range of complementary products to our own line of fine and specialty cheeses. Last but not least, it allows us to reinforce our presence at the deli counters, which are preferred points of sale for products such as ours.

The past year also saw the introduction of Rivella, a soft drink with a whey base. This market launch represents the successful outcome of our Kik Cola acquisition a few years ago. As you will probably recall, that purchase aroused some criticism in certain quarters at the time. Rivella, a thirst-quenching, naturally sparkling soft drink, has been a great success in Europe and we are hoping that it will

become just as popular on this side of the Atlantic.

During the fiscal year now ended, we also offered the public a line of creams with longer shelf life, which also seem to have a most promising future.

Through an agreement with another cooperative, we were able to acquire the Purfruit brand name and make new inroads into the fast growing fruit juices market. We later began to market strawberry and raspberry flavoured milks under the Pierrot brand name.

Finally, this list would not be complete if we did not say something about Yop, our latest "little wonder".

Sales of this liquid yogurt surpassed — by far — all our rosier forecasts. Only four weeks after it was introduced, more than one million bottles had moved off the shelves.

As you can see from all this, 1985 was an extremely active year from the viewpoints of diversification and expansion of our range of existing products. All these achievements provide concrete answers to the requests we have received following a number of consultations.

At this point, I would like to mention that the marketing of a new product is always an extremely risky and costly operation in terms of both time and money.

Between 12 and 18 months can easily elapse from the moment a decision is taken to offer the public a new product until the manufacturing equipment is delivered to the plant.

The cost of new equipment and the running-in period for the production line, along with advertising and promotional campaigns, often represent expenditures of several million dollars.

In our view, the launching of a new product is always too long and costly a process. Furthermore, success is never guaranteed! Dozens of new products are offered to the public every year. Only a few of them successfully meet all the necessary requirements to be accepted by consumers and to remain on the shelves for at least five years. That is the time usually needed to recoup the investments involved and reach the profitability level.

Everybody talks about launching new products. Not many firms take the risk, and even fewer are successful at the game.

So, it is scarcely surprising that we weigh the pros and cons long and carefully before expanding our product lines. We are well aware that it is a risky operation.

#### **NEW GENERAL MANAGER AND TREASURER**

There was a major change in our Administrative Committee during this past year. I am speaking, of course, about the departure of our former General Manager, Reynald Giroux.

This was in no way a spontaneous decision by Mr. Giroux. He had told us three years ago of his wish to resign on the anniversary of his birthday, in June 1985.

After gaining solid experience as a long-time employee of the Coopérative, Mr. Giroux directed its destinies as General Manager with all his characteristic enthusiasm. We thank him warmly for the many services he has rendered to our organization over the years.

Following his departure, Reynald Charest became our new General Manager. Mr. Charest has worked with us for 27 years, most recently as Manager of the Industrial Milk Division where he amply proved his competence.



I want to take the opportunity offered me at this Annual General Meeting to welcome Mr. Charest publicly and stress the pride we at Agropur feel at having him with us.

Our Treasurer, Guy Duguay, also retired at the end of this past fiscal year, after 35 years of service with us. We thank him for his efforts and wish him the long and rewarding retirement that he so richly deserves.

He is succeeded by R. Claude Ménard, our Manager, Financial Services, who from

your Directors took part in four meetings of the Solidarity Committee, to discuss the policy orientations of the Coopérative. Finally, they were also called upon to participate in 45 meetings of the Animators, including 36 devoted to dairy industry activities and eight organized to discuss matters concerning the Farm Supply Division.

The always popular Summer Assembly of Animators was held last year at Verchères, where our Dalpé & Frères inc. subsidiary is located.

Charcuterie La Tour Eiffel. Finally, we ended the year by taking a close look at our fertilizer custom blending plants at Marieville and Henryville.

#### REFRESHER COURSES

For the second consecutive year, the Agropur Directors attended refresher training courses as part of the "DECA" programme to develop management executives and administrators for the farm cooperative movement.

This refresher training programme, offered by the



*Québon milk and dairy products... the cornerstone of the Fluid Milk Division.*

now on will fulfill both responsibilities.

#### BOARD OF DIRECTORS

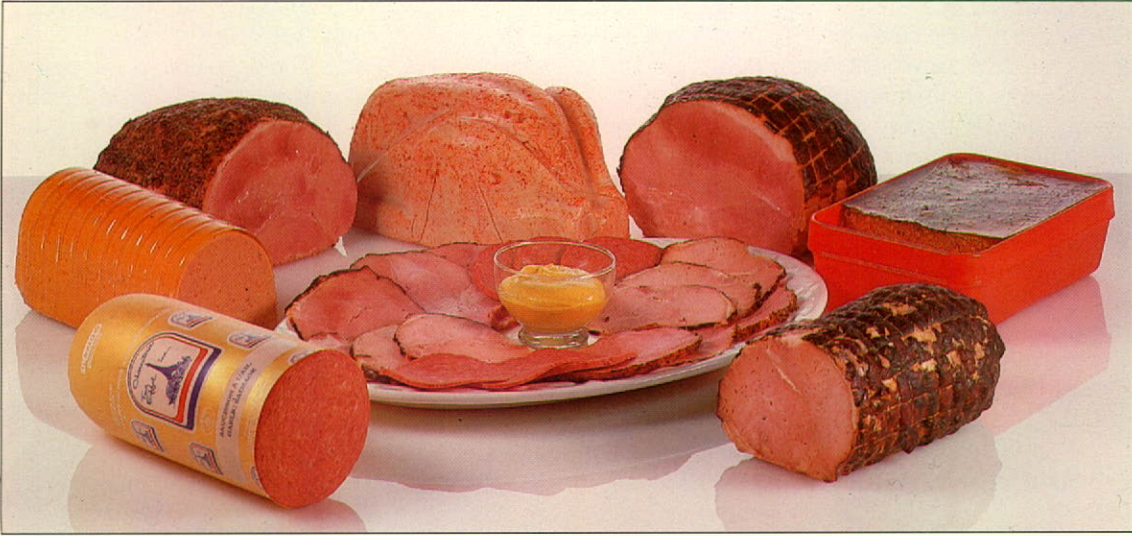
The year just ended has been an especially active one for all members of your Board of Directors.

They attended 21 Board meetings and three Executive Committee meetings. In addition,

In order to become more familiar with the physical facilities of our Coopérative, your Directors again visited a number of plants during the fiscal year now ended.

We visited the Brossard, Lawrenceville, Kik Cola and Orange Maison plants, as well as the yogurt production and packaging facilities at Granby. Quite naturally, we also examined the equipment and assets of our latest important acquisition,

Human Resources Division of the Coopérative Fédérée de Québec, has a number of extremely worthwhile objectives. They are: to ensure that participants have a more thorough and better nuanced idea of the context in which they must function; provide Directors of the various cooperatives with the necessary tools to make better and more



*The Coopérative  
acquired Charcuterie  
La Tour Eiffel inc.  
during this past year.*

enlightened decisions; improve interpersonal, professional and institutional relationships between managers, employees and members; and, finally, strengthen the feeling of togetherness and belonging within Agropur and this big family which is the cooperative movement as a whole.

#### **DAIRY COOPERATIVES CONGRESS**

Your Directors also took part in the annual Congress of the dairy cooperatives, held last November 27 in Québec City.

The theme of the 1985 Congress was: "Ideas... knowhow... and daring!"

Discussions revolved around new technologies, production and quality control methods. This interesting gathering not only gave participants an opportunity to brush up on productivity trends in the dairy sector in 1985; it also allowed Directors of cooperatives to get to know one another better and to forge closer links between the dairy cooperatives.

#### **AGREEMENT BETWEEN THE FÉDÉRATION DES PRODUCTEURS DE LAIT AND THE DAIRY COOPERATIVES**

As you will remember, an agreement was concluded in 1984 between the Fédération des Producteurs de Lait du Québec and the Dairy Cooperatives Council. At that time, we had every reason to believe that a similar agreement would be signed between the dairy producers Federation and the non-cooperative enterprises.

We are forced to admit today, however, that we are faced with two different agreements, one of which favours the non-cooperative sector.

As a result of these new agreements, combined with an important drop in milk production, our Coopérative was prevented from fulfilling all the production contracts it had succeeded in obtaining. Only one thing can alleviate this undesirable effect: the producers must fill their production quotas one hundred per cent. Only in that way can Québec producers preserve their share of the Canadian market.

#### **GOVERNMENT'S LONG-TERM DAIRY POLICY**

When it came to power in September 1984, the present Federal government promised to give Canada a coherent and rational long-term dairy policy.

Messrs Benoit Lavigne and Everett Biggs were appointed to form a commission of inquiry to visit the various provinces and sound out the views of the organizations concerned. The Lavigne-Biggs Commission submitted its conclusions in a report it handed down in November 1985.

We hope that the recommendations contained in this report will take the real needs of Québec dairy producers into consideration.

More than 48 per cent of all industrial milk produced in Canada comes from Québec farms. This situation engenders some very distinctive factors which must be respected.

We also express the hope that the Fédération des Producteurs de Lait du Québec can prove more flexible in its approach to the administration of the dairy quota policy.

## COOPERATIVES ACT

The new Cooperatives Act, which came into force at the end of 1983, led to the drafting of a proposed general by-law which was submitted to you for adoption at last year's General Meeting.

During this past fiscal year, your Board of Directors adopted new by-laws concerning this new Act. These internal administrative regulations will be submitted to you today so that you can ratify them.

## COOPERATIVE INVESTMENT PLAN

In May 1984, the previous Québec government announced its intention to create a special Cooperative Investment Plan. This would offer members investing in their cooperatives benefits similar to those available to investors in non-cooperative enterprises. That announcement was greeted with great satisfaction by our entire movement.

For a long time now, we have been asking the government to set up a system which would encourage more investments by members in their own

cooperatives. We are disappointed that producers who have set up their own companies cannot benefit from this programme, and we hope that the plan will be modified during the coming year so that they can share in the advantages.

## FARM SUPPLY DIVISION

At the beginning of 1985, we decided to give hog producers their own, autonomous operation, so that they would be eligible for farm income stabilization insurance. This new policy took concrete shape during the year. However, existing contracts must be honoured until they are completed, and this has been a determining factor in the losses which this Division had during the past year.

The profitability of our feedmill improved greatly during the 1984-85 fiscal year.

As everyone is aware, the situation in the farm machinery sector is a fairly difficult one, in Québec as elsewhere. Nevertheless, the budget forecasts which we submitted recently allow us to look ahead to an appreciable recovery in this

field of activity during the year now beginning.

The operation of our new fertilizer custom blending centre at Henryville, as well as the acquisition of the Marieville fertilizer plant, previously owned by the Coopérative Fédérée de Québec, enabled us to raise our fertilizer sales to more than 14,000 tonnes, representing a substantial increase.

Finally, we should mention that we are encouraging members to complete their purchase of common shares as equity in the Farm Supply Division.

Only a few members have acquitted their total subscription commitment for \$1,000 in paid-up equity. It is now time for all members to pay for their shares in full, just as rapidly as possible.

We will be urging producers to profit from the redemption of the "C" class preferred shares, which mature during the 1985-86 fiscal year, to increase their participation in this Division's authorized capital.

## DAIRY EQUIPMENT SERVICE

All the measures we have taken to turn this Service around

*Diversification:  
source of continued  
progress for the  
Coopérative.*



have not yet been enough to transform the losses encountered into an operating surplus.

Nevertheless, it must be remembered that the Dairy Equipment Service is an indispensable one. Equipment always seems to break down right at milking time, so the Board's objective is to offer producers the most efficient possible repair service at the lowest possible cost.

### PRODUCT ADVERTISING

Above all else, the Agropur role is to promote dairy products. That is why we encourage the consumption of milk and its derivatives in every possible way.

Pursuing that objective once again this past year, we invested considerable sums of money in brand advertising for our

Even though our Coopérative and all our individual members invest enormous sums of money to advertise and promote milk and dairy products, it must be remembered that the employees and members themselves are the best ambassadors for Agropur in their own neighbourhoods.

When they buy Agropur products at the grocery store, and encourage family members and friends to do the same, the Coopérative's members and employees help to create a demand which encourages greater penetration of Agropur products into every nook and cranny of the vast distribution network represented by the big food store chains.

When each and every one of us insists on buying the products of Agropur and its subsidiaries,

contrast, others declare that free trade must involve all sectors of the economy.

Every country in the world protects its agricultural industry in one way or another, for a number of excellent reasons.

Even though we know that a great deal of pressure is being exerted from many quarters to have Canadian agriculture excluded from any free trade policy, we must still remain vigilant.

Even today, it is essential for each of us to think of ways to cut production costs and to concentrate all our energies on making products of irreproachable quality.

It is also of the greatest importance today that we forge the tools which we will need so that we can protect our farms and our jobs tomorrow.



*Yoplait is now the top-selling yogurt in all of Canada, as well as in Québec.*

products, notably Yoplait, Yop, Rivella, fine cheeses, and Québon. This is in addition to the statutory amount of 57 cents per hectolitre of milk which each of our members contributes to the Dairy Bureau of Canada. That organization uses the money for generic advertising campaigns to encourage the consumption of milk and dairy products.

we create a demand from which we will be the first to benefit.

### FREE TRADE

Scarcely a day went by during the year just ended that we did not hear talk of free trade between Canada and the United States.

Some experts have stated that the agricultural sector should be protected in case any such measures are adopted. By

### CONCLUSION

Right here, I should mention that 1984-85 was a transitional year for Agropur. As I remarked at the beginning, the fiscal year now ended allowed us to pause, take stock of ourselves, and pave the way for the steps needed to ensure the future growth of our Coopérative. Those vital steps were diversification and cost cutting.

We must constantly innovate and launch new products on the market.

An enterprise which fails to innovate grows old rapidly and invariably starts to go downhill. Such a decline will be even more precipitous in a period of rapid change.

Innovation is always costly and risky. But there is something which is even more costly and risky: not to innovate at all!

In the cost cutting area, we are continuing to modernize our equipment and eliminate unnecessary expenses. That is one of the key factors which enables us to establish ourselves even more firmly in the marketplace and meet the competition.

In closing, I want to thank the members of the Board of Directors for the loyal collaboration they have given me. Their support is vital to the smooth running of our Coopérative.

I also wish to thank the Administrative Committee and the members of its team, as well as all our employees, for the good work they have done this past year.

Finally, I extend my warm thanks to all our members for their continued support and their keen interest in our Coopérative.

Agropur's growth has been rapid, sustained and impressive during these past few years. With the loyal support of all, we are convinced that our Coopérative will continue to grow and prosper for the benefit of all our members.

*Michel Lemire*

MICHEL LEMIRE  
President

## IDEAS, KNOWHOW... AND DARING!

**Ideas.** Everyone has them. Some good, and some not so good. But they are part of everything we do. There's the idea we must have of consumer needs. The idea which sets the researcher to work on a new technology. The idea that makes it possible to manufacture a product much more efficiently and profitably. There's an idea behind everything!

**Knowhow.** This is the ability to transform ideas into new products or technologies. It is an entire combination of human and financial resources dedicated to bringing ideas to maturity and transforming them into success stories. In our



Coopérative enterprise, this "know-how role" is played by the research, production and quality control services. Knowhow is also — and above all — the main trademark of the Québec dairy cooperatives.

**Daring.** The dairy industry must have a great helping of it to overcome the numerous constraints, to grasp — and prompt — the opportunities for development... because taking the road to development is breaking with the past, moving ahead.

The development phase is already underway in the dairy industry. It takes the form of the search for new products, diversification, reduction of manufacturing costs, and so on. This is the phase which can propel to the heights of success those enterprises which are able to bring together ideas, knowhow... and daring!







**CONSOLIDATED  
BALANCE SHEET  
AS AT  
OCTOBER 31, 1985**

14

	1985	1984
	(in thousands of dollars)	
<b>ASSETS</b>		
<b>Current</b>		
Cash and short-term investments	<b>\$ 12,351</b>	\$ 19,475
Accounts receivable (including members \$5,836,000; 1984 — \$3,675,000)	<b>43,433</b>	42,327
Income taxes recoverable	<b>900</b>	1,042
Inventories (Note 2)	<b>44,550</b>	41,561
Prepaid expenses	<b>2,164</b>	1,155
	<b>103,398</b>	105,560
<b>Investments and advances</b> (Note 3)	<b>4,136</b>	3,390
<b>Fixed</b> (Note 4)		
Land, buildings, machinery and equipment, at cost	<b>170,723</b>	151,944
Accumulated depreciation	<b>(80,936)</b>	(72,231)
	<b>89,787</b>	79,713
<b>Goodwill and other assets less accumulated amortization</b>	<b>13,276</b>	7,822
	<b>\$210,597</b>	\$196,485

On behalf of the Board

*Michel Lemire*

\_\_\_\_\_, Director

*Raymond St-Louis*

\_\_\_\_\_, Director

See accompanying notes.

**CONSOLIDATED  
BALANCE SHEET  
AS AT  
OCTOBER 31, 1985**



	1985	1984
	(in thousands of dollars)	
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable (including members \$13,861,000; 1984 — \$24,782,000)	\$ 52,162	\$ 64,394
Current portion of long-term debt	1,490	1,208
	<b>53,652</b>	65,602
<b>Long-term debt</b> (Note 5)	<b>56,278</b>	37,671
<b>Deferred income taxes</b>	<b>4,149</b>	3,880
	<b>114,079</b>	107,153
<b>EQUITY</b>		
<b>Members' equity</b> (Note 6)	<b>79,420</b>	75,474
<b>Equity of the Coöperative</b>		
Net earnings for the year	7,761	5,473
Reserve	9,337	8,385
	<b>96,518</b>	89,332
	<b>\$210,597</b>	\$196,485

See accompanying notes.



**CONSOLIDATED  
STATEMENT OF  
EARNINGS  
FOR THE  
YEAR ENDED  
OCTOBER 31, 1985**

	1985	1984
	(in thousands of dollars)	
Sales and other operating income	\$759,001	\$721,411
Cost of goods sold	655,570	630,409
Gross margin	103,431	91,002
Selling expense	61,094	48,389
Administrative expense	15,211	13,812
Interest on long-term debt	4,875	3,441
Interest income and other income, net (including \$562,000 (1984 — \$347,000) of patronage refunds from Coopérative Fédérée de Québec)	(2,355)	(1,776)
	78,825	63,866
Earnings from operations	24,606	27,136
Gain on disposal of fixed assets	167	118
Amortization of goodwill	(1,544)	(771)
Write-off of an investment project, including the development of new technology	(1,841)	—
Earnings before the following items	21,388	26,483
Price complements to members	13,801	20,466
Earnings before income taxes	7,587	6,017
Income taxes of subsidiaries	(174)	544
<b>Net earnings for the year</b>	<b>\$ 7,761</b>	<b>\$ 5,473</b>

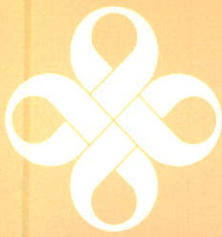
See accompanying notes.

CONSOLIDATED  
STATEMENT OF  
RESERVE  
FOR THE  
YEAR ENDED  
OCTOBER 31, 1985



	1985	1984
	(in thousands of dollars)	
Net earnings for the preceding year	\$5,473	\$4,679
Patronage refunds	(4,188)	(3,647)
Net transfer to reserve	1,285	1,032
Deferred income taxes	(333)	(511)
Balance at beginning of year	8,385	7,864
<b>Balance at end of year</b>	<b>\$9,337</b>	<b>\$8,385</b>

See accompanying notes.

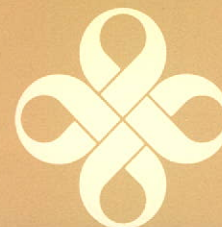


**CONSOLIDATED  
STATEMENT OF  
CHANGES IN  
FINANCIAL  
POSITION  
FOR THE  
YEAR ENDED  
OCTOBER 31, 1985**

18

	1985	1984
	(in thousands of dollars)	
<b>Source of funds</b>		
Operations		
Net earnings	\$ 7,761	\$ 5,473
Items not involving funds		
Depreciation of fixed assets	10,818	8,271
Amortization of other assets	1,591	802
Deferred income taxes	(398)	349
Gain on disposal of fixed assets	(167)	(118)
	19,605	14,777
Net increase in members' equity (Note 6)	3,946	4,369
Long-term debt	16,816	15,337
Proceeds on disposal of fixed assets	653	832
Grants	1,478	366
	42,498	35,681
<b>Application of funds</b>		
Fixed assets	16,786	19,166
Patronage refunds	4,188	3,647
Goodwill and other assets	890	554
Investments and advances	746	610
Investments in subsidiaries (Note 7)		
Acquisition cost	\$9,664	
Working capital deficiency	436	7,752
	32,710	31,729
<b>Working capital</b>		
Increase during the year	9,788	3,952
Balance at beginning of year	39,958	36,006
<b>Balance at end of year</b>	<b>\$49,746</b>	<b>\$39,958</b>

See accompanying notes.



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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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### **Consolidation**

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

### **Inventories**

Inventories are recorded at the lower of cost and net realizable value.

### **Fixed assets**

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 except for the building and production equipment of the cheese plant in Granby and the production equipment of the feed mill in Granby and of the plant in Brossard on which depreciation is calculated using the straight-line method.

### **Goodwill**

Goodwill 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. It also includes the cost of dairy rounds which is amortized on the diminishing balance method at the rate of 10% applied to the cost price less a 50% residual value.

### **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.

Income taxes are recorded on the tax allocation basis. Deferred income taxes arise principally from the fact that depreciation claimed for tax purposes exceeds that recorded in the accounts. Income taxes are recorded net of realized investment tax credits related to fixed assets of subsidiaries.

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NOTES TO  
CONSOLIDATED  
FINANCIAL  
STATEMENTS  
OCTOBER 31, 1985

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**2. INVENTORIES**

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	<b>1985</b>	1984
		(in thousands of dollars)
Dairy products		
Raw materials and products in process	<b>\$ 1,446</b>	\$ 1,697
Finished products	<b>31,347</b>	27,594
	<b>32,793</b>	29,291
Farm equipment and supplies	<b>1,568</b>	4,360
Maintenance supplies and other inventories	<b>10,189</b>	7,910
	<b>\$44,550</b>	\$41,561

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**3. INVESTMENTS AND ADVANCES**

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	<b>1985</b>	1984
		(in thousands of dollars)
Coopérative Fédérée de Québec, at cost	<b>\$ 2,227</b>	\$ 2,227
Other	<b>1,909</b>	1,163
	<b>\$ 4,136</b>	\$ 3,390

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**4. FIXED ASSETS**

	Rate	Book value	1985 Accumulated depreciation <small>(in thousands of dollars)</small>	Book value	1984 Accumulated depreciation
Land	—	\$ 3,957	\$ —	\$ 3,633	\$ —
Buildings	5%	56,415	17,044	49,799	14,826
Production equipment	10% and 20%	92,243	52,716	83,339	47,481
Sales equipment	20%	650	553	604	540
Transportation equipment	30%	14,329	8,867	12,043	7,890
Office furniture and equipment	20%	2,206	1,550	2,083	1,403
Computer equipment	20%	923	206	443	91
		<b>\$170,723</b>	<b>\$80,936</b>	<b>\$151,944</b>	<b>\$72,231</b>



**NOTES TO  
CONSOLIDATED  
FINANCIAL  
STATEMENTS  
OCTOBER 31, 1985**

**5. LONG-TERM DEBT**

	1985	1984
	(in thousands of dollars)	
<b>Agropur, Coopérative agro-alimentaire</b>		
* Loans at cost of funds plus 3/4%	\$ 7,000	\$16,500
* Bank loans at prime bank rate	14,500	—
* Loan at prime rate maturing in 1991**	10,000	—
Bank acceptances, at cost of funds plus 3/8%	10,000	5,000
Bonds, 14 1/4%, Series C, maturing November 15, 1987	5,000	5,000
Bonds, 12 3/4%, Series D, maturing June 1, 1988	2,000	2,000
Bonds, 8 1/4%, Series A, maturing in 1988	861	1,148
Notes payable unsecured, 9.35% and 11%, maturing in 1988	1,209	1,327
Balance on purchase of shares of subsidiaries, 9 1/2%, 12 1/2% and prime bank rate less 2 1/2%, repayable until 1996	2,072	2,450
Other loans, 8% to 13 1/4%, repayable until 1991	2,397	507
	<b>55,039</b>	<b>33,932</b>
<b>Subsidiaries of Agropur, Coopérative agro-alimentaire</b>		
* Bank loans, prime bank rate	2,500	4,000
Mortgage bond, Series A, repaid	—	521
Other loans, 7 1/2% to 14 1/2% and prime rate	229	426
	<b>57,768</b>	<b>38,879</b>
Current portion	<b>1,490</b>	<b>1,208</b>
	<b>\$56,278</b>	<b>\$37,671</b>

\* These loans are secured by the pledge of \$35,000,000 principal amount of Bonds, Series B, bearing interest at the prime rate and repayable upon demand. 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.

\*\* 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.

**Repayments of principal** (in thousands of dollars):

1986 — \$1,490; 1987 — \$8,087; 1988 — \$19,118; 1989 — \$3,133; 1990 — \$1,850; and \$24,090 subsequently.



## 6. 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 and the preferred shares "C" are redeemable at par value no later than 10 years after issuance.

The preferred shares "D" and "E" are issued under the Cooperative Investment Plan, at the members' request, under the conditions pertaining to the preferred shares "A" and "B" respectively. According to the terms of the Plan, these shares bear interest at an annual rate of 1/10 of 1% non-cumulative and are redeemable, at their par value, by resolution of the Board of Directors beginning the fourth year following their issue providing that the Reserve has increased by 50% of the amount of the redemption. The obligation to pay an interest has to be maintained as long as it remains a requirement of the Cooperative Investment Plan.

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

	1985	1984
	(in thousands of dollars)	
Common shares	\$ 2,318	\$ 2,383
Preferred shares "A"	63,759	61,572
Preferred shares "B"	11,215	9,689
Preferred shares "C"	1,080	1,092
Preferred shares "D"	307	—
Preferred shares "E"	30	—
Preferred shares	711	738
	<b>\$79,420</b>	<b>\$75,474</b>

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

	1985	1984
	(in thousands of dollars)	
Balance at beginning of year	\$75,474	\$71,105
Issue of preferred shares as payment for price complements	10,351	15,348
Payments on common shares	14	22
Redemption of preferred shares "A"	(5,532)	(10,355)
Redemption of preferred shares	(887)	(646)
<b>Balance at end of year</b>	<b>\$79,420</b>	<b>\$75,474</b>

At October 31, 1985, common shares subscribed but not issued and fully paid amounted to \$125,738 (1984 — \$118,375).



**NOTES TO  
CONSOLIDATED  
FINANCIAL  
STATEMENTS  
OCTOBER 31, 1985**

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**7. INVESTMENT IN SUBSIDIARIES**

During the year, Agropur, Coopérative agro-alimentaire acquired all of the capital stock of Charcuterie La Tour Eiffel Inc. and its subsidiary, Wholfood Inc. This acquisition, which was paid for in cash, has been accounted for under the purchase method as follows:

	(in thousands of dollars)
Fixed assets, attributed value	\$ 6,070
Goodwill and other assets	6,155
	12,225
Working capital deficiency	(436)
Long-term debt	(1,791)
Deferred income taxes	(334)
Acquisition cost	\$ 9,664

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**8. CONTRACTUAL COMMITMENTS**

Lease commitments aggregated approximately \$507,000 at October 31, 1985 (1984 — \$1,229,000). The lease expense for the year ending October 31, 1986 will be approximately \$244,000.

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## 9. POTENTIAL TAX BENEFITS

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The Coopérative is eligible for an investment tax credit of approximately \$2,354,000 which can be used until 1992.

Also, a wholly-owned subsidiary of the Coopérative has losses of approximately \$4,690,000 for federal tax purposes and \$1,285,000 for provincial tax purposes which can be used to reduce future taxable income. These losses expire from 1986 to 1992. That same subsidiary is eligible for an investment tax credit of approximately \$303,000 which expires in 1992.

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## 10. ALLOCATION OF NET EARNINGS FOR THE YEAR

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On December 18, 1985, the Board of Directors accepted to recommend to the annual general meeting that patronage refunds totalling \$2,840,000 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:

(in thousands of dollars)

Net earnings for the year	\$7,761
Patronage refunds recommended	2,840
Balance allocated to reserve	\$4,921

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The resulting deferred income taxes calculated on the income of the Coopérative will be approximately \$3,300,000.

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## 11. TRANSACTIONS WITH MEMBERS

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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 90.5% during the year.

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**EARNINGS  
BY DIVISION  
OCTOBER 31, 1985**

	Industrial Milk Division		Fluid Milk Division	
	1985	1984	1985	1984
	(in thousands of dollars)			
Sales and other operating income	<b>\$505,952</b>	\$497,604	<b>\$242,719</b>	\$212,962
Cost of goods sold	<b>453,847</b>	448,324	<b>193,966</b>	173,850
Gross margin	<b>52,105</b>	49,280	<b>48,753</b>	39,112
Selling expense	<b>20,048</b>	16,741	<b>38,527</b>	29,189
Administrative expense	<b>8,809</b>	7,816	<b>5,815</b>	5,514
Interest on long-term debt	<b>4,234</b>	2,679	<b>641</b>	762
Inter-division interest	<b>(3,132)</b>	(2,518)	<b>2,858</b>	2,186
Interest income and other income, net	<b>(1,323)</b>	(693)	<b>(607)</b>	(807)
	<b>28,636</b>	24,025	<b>47,234</b>	36,844
Earnings (loss) from operations	<b>23,469</b>	25,255	<b>1,519</b>	2,268
Gain on disposal of fixed assets	<b>11</b>	14	<b>156</b>	104
Amortization of goodwill	<b>(956)</b>	(367)	<b>(588)</b>	(404)
Write-off of an investment project, including the development of new technology	<b>—</b>	—	<b>(1,841)</b>	—
Earnings (loss) before the following items	<b>22,524</b>	24,902	<b>(754)</b>	1,968
Price complements to members	<b>13,801</b>	20,466	<b>—</b>	—
Earnings (loss) before income taxes	<b>8,723</b>	4,436	<b>(754)</b>	1,968
Income taxes of subsidiaries	<b>137</b>	174	<b>(311)</b>	370
<b>Net earnings (loss) for the year</b>	<b>\$ 8,586</b>	\$ 4,262	<b>(\$ 443)</b>	\$ 1,598



Farm Supply Division		Elimination of inter-division transactions		Consolidated	
1985	1984	1985	1984	1985	1984
(in thousands of dollars)					
\$29,086	\$28,955	\$18,756	\$18,110	\$759,001	\$721,411
26,513	26,345	(18,756)	(18,110)	655,570	630,409
2,573	2,610	—	—	103,431	91,002
2,519	2,459	—	—	61,094	48,389
587	482	—	—	15,211	13,812
—	—	—	—	4,875	3,441
274	332	—	—	—	—
(425)	(276)	—	—	(2,355)	(1,776)
2,955	2,997	—	—	78,825	63,866
(382)	(387)	—	—	24,606	27,136
—	—	—	—	167	118
—	—	—	—	(1,544)	(771)
—	—	—	—	(1,841)	—
(382)	(387)	—	—	21,388	26,483
—	—	—	—	13,801	20,466
(382)	(387)	—	—	7,587	6,017
—	—	—	—	(174)	544
(\$ 382)	(\$ 387)	\$ —	\$ —	\$ 7,761	\$ 5,473



**AUDITORS'  
REPORT**

28

The Members,  
Agropur,  
Coopérative agro-alimentaire

We have examined the consolidated balance sheet of Agropur, Coopérative agro-alimentaire as at October 31, 1985 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.

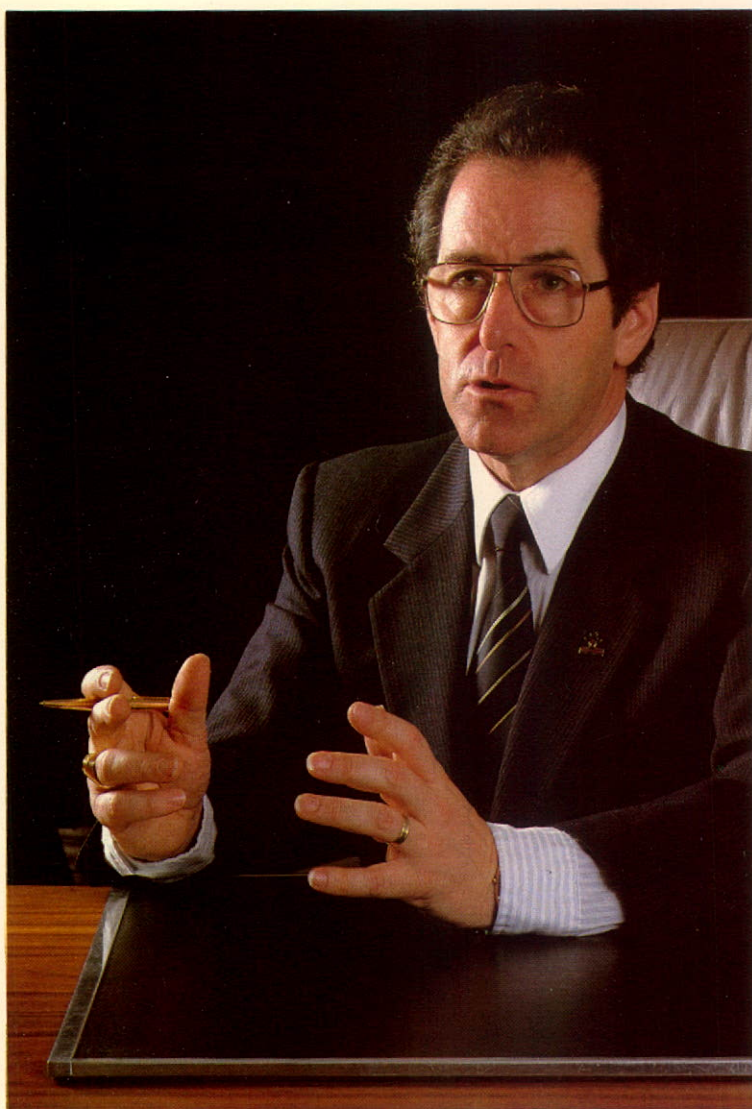
In our opinion, these consolidated financial statements present fairly the financial position of the Coopérative as at October 31, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Charette, Fortier, Howey  
Touche Ross*

Chartered Accountants

Montreal, Quebec,  
January 7, 1986.





Mr. President,  
Members of the Board of Directors,  
Fellow Members and Associates.

This is my first report to you as General Manager of Agropur, Coopérative agro-alimentaire.

I would like to begin by thanking the Board of Directors for the confidence they showed in me last June by appointing me to this position. It involves weighty responsibilities, but you can be sure that I shall do everything in my power to prove myself worthy of the trust you have placed in me.

I would also like to take this opportunity to pay a heartfelt tribute to my predecessor, that remarkable man Raynald Giroux. Last year at this time, Mr. Giroux remarked that the lively competition we had to face made economic conditions even more difficult than usual. The facts show that he had good reason to make that statement.

During the year just ended, the price concessions which we had to offer our major customers in order to maintain our sales volume were a determining factor in the decreased profitability of our operations.

Other factors also combined to slow our growth. These included: the general drop in milk production by our members; implementation of the new marketing agreement; increased demand for raw materials needed for preferred product categories; and the disappearance of the surplus milk supplies previously delivered to the Dalpé & Frères plant.

While the past year's results were not exactly spectacular, they were quite satisfying. We are all the more proud, as our President emphasized a few minutes ago, that we were able to consolidate our positions in many sectors during this past fiscal year. Among other things, the acquisition of Charcuterie La Tour Eiffel inc., the introduction of new products and the modernization of our plants and equipment represent investments which will ensure an even more promising future for our Coopérative.

#### **CONSOLIDATED RESULTS**

Agropur sales increased by \$38 million during this latest 12-month fiscal period to reach \$759 million, representing an overall growth of more than 5.2%.

Consolidated earnings before income taxes and price complements to members were lower, however: \$21,388,000 in 1984-85, compared with \$26,483,000 in the previous year.

As mentioned previously, several factors explain this decrease in our profitability. The main ones were the stiff competition which forced us to lower the prices of some of our products, and the disadvantageous agreement concluded with the Fédération des Producteurs de Lait. This agreement, which was approved by the Régie des Marchés agricole on August 1, 1985, deprives us of substantial quantities of milk, especially during periods of shortages.

To those problems must be added the normal yearly increases in fixed expenses and manufacturing costs. These increases were not entirely

compensated for by higher milk collections and adjustments in selling prices. Some warehouse storage revenues also dropped substantially.

The difficulties encountered during this past fiscal year have made us more aware than ever that we must place increasing emphasis on efficient manufacturing methods, strict cost cutting to reduce losses, and the constant search for better productivity, in order to use our resources in the most profitable manner possible.

It is in this way, and in this way only, that we will be able to reach our objective: to ensure the well-being of members by keeping their Coopérative growing steadily and constantly. I am happy to note that we have achieved this year after year, despite the pitfalls encountered within what is often an extremely difficult economic context.

Now, let us take a look at the results of each Division.

#### **INDUSTRIAL MILK DIVISION**

For the Industrial Milk Division, the year just ended was featured by expansion of our line of existing products, changes in the range and variety of manufacturing processes, and noticeably increased exports.

Net sales of the Division reached \$505,952,000, about 2% above the previous fiscal year's \$497,604,000. Earnings before income taxes and price complements were \$22,524,000, compared with \$24,902,000 in 1983-84.

It should be noted that these higher sales were achieved despite an important decrease in the volume of milk delivered to our processing plants. Milk deliveries dropped to 827,830,000 litres compared with 870,875,000 the previous year, a decrease of 43 million litres, or 4.95%.

In order to maintain our profitability at the highest possible level, we placed the emphasis on manufacturing products with high added value, cut back on production of items with poorer profit possibilities, and reduced sales of surplus products to the Canadian Dairy Commission.

These changes had positive results. Among other things, production of cheddar and other cheeses increased from 33.5 million kilograms to 41.7 million kilograms last year. Manufacture of cut cheeses for the retail and export markets increased from 10.7 to 16.5 million kilograms — up by 54.7% — while production of fine cheeses increased by 40%.

These results were achieved in spite of competition from legal and illegal imports of cheeses from other countries.

On this latter subject, I would like to draw the attention of the government authorities concerned to the necessity of seeing that the laws protecting consumers and producers alike are respected. Governments should not wait until it is too late before acting.

There were substantial decreases in the manufacture of a number of products. Bulk butter, in particular, saw total output drop from 11 million kilograms in 1984 to 4 million kilograms this year. Production of skim milk powder was down by 31.7%; while production of 7.5% evaporated milk was reduced to 43 million kilograms, an 18.1% decrease.

Yoplait was a different story, however, and we are happy to tell you that sales volume increased by almost 6% over the previous fiscal year.

We made major breakthroughs on export markets during the year just ended, shipping more than 5 million kilograms of cheddar type cheeses to Japan, Algeria and Trinidad. This establishes a remarkable precedent for our Coopérative, added to the growing success of our fine cheeses on the United States market.

**FLUID MILK DIVISION**

The year's highlights for this Division were the launching of several new products and substantially increased market shares for its principal products.

Division sales climbed to \$242,719,000 from the previous year's \$212,962,000, for a 14% increase.

Operating revenues after income taxes showed a net loss of \$443,000, compared with a surplus of \$1,598,000 the previous fiscal year.

There are several reasons for this negative performance. In the first place, \$1.8 million were invested in a comprehensive analysis of our future needs in robotics and in the development of manufacturing processes and storage facilities in the ice cream sector. There were also important losses in the soft drinks sector

that had to be absorbed, principally generated by the marketing and launching of Rivella last March. There were further substantial losses involved in the introduction and marketing of ultra-pasteurized, long shelf life cream products manufactured at the Brossard plant.

Fortunately, price adjustments for fluid milk, along with increased sales of these products, enabled us to improve the financial results at our different dairies.

The above gives you a brief explanation of why there is such a discrepancy between the profit and loss figures for 1984-85 and the previous fiscal year.

However, I want to make it clear that new products are the lifeblood of our Coopérative. Developing, perfecting and then marketing new products always involves risks and the need to commit large sums of money. But these investments feed growth: without them an enterprise is doomed to collapse and disappear over the long term.

The Division's sales were up substantially in the year just ended. Expressed in volume

terms, sales of fluid milk and by-products increased by 8% last year, to 250 million litres, compared with 231 million litres the previous fiscal year.

Overall, ice cream sales remained at about the same level as in 1983-84. However, Québon in its attractive new packaging staged a remarkable performance, with a 41% sales increase.

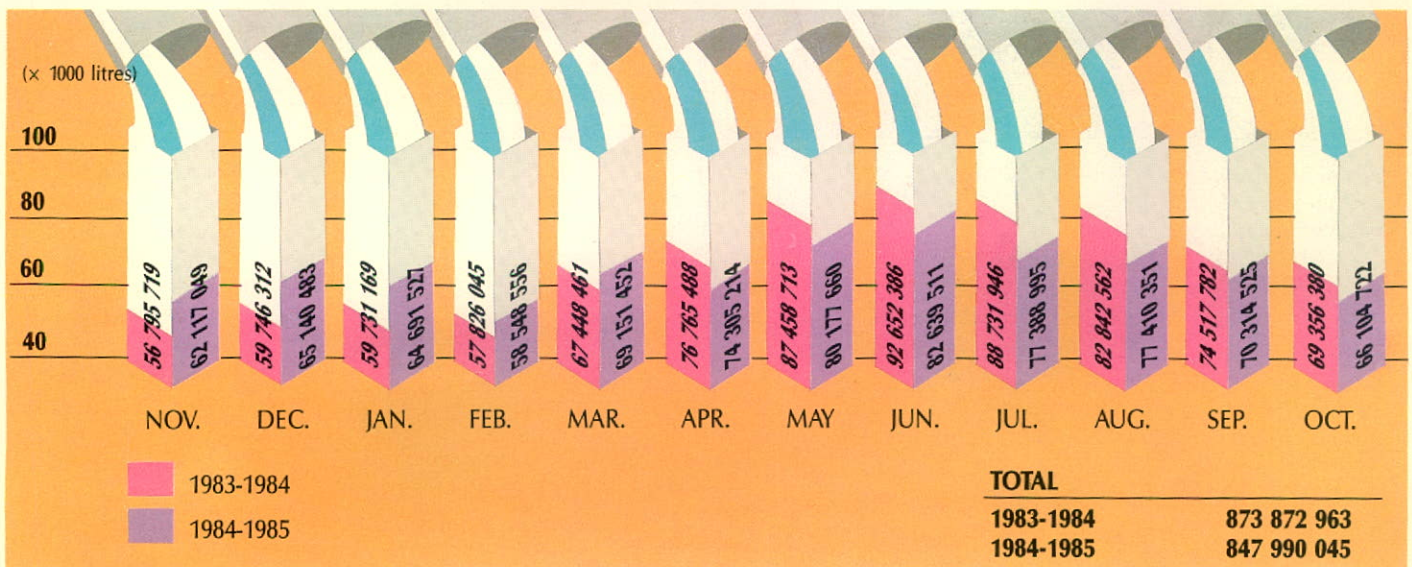
It is also interesting to note that we now have a 42% share of the ice cream market in Greater Montréal, compared with 35% the previous year. This performance is all the more remarkable since the total ice cream market in our distribution area is shrinking rapidly, and actually decreased by 12% in this latest 12-month fiscal period.

Eight new "Maître Glacier" dairy bars were opened during the year. Six of these were on the Man and His World site in Montréal, one in Sherbrooke and the other in Joliette. The Division now operates 40 "Maître Glacier" dairy bars in Québec, where we now outnumber Dairy Queen, which held top position for a long time.

**FARM SUPPLY DIVISION**

The year just ended marked a turning point for the Farm Supply Division. Now, for the first time in many years, we can

*Monthly milk production by members (in litres)*



seriously consider the possibility that this Division will turn a profit in the near term.

Sales totalled \$29,086,000, for a slight increase over 1983-84. Operating results showed a loss of \$382,000, compared with \$387,000 the previous year. All this points to positive results next year, especially since we have abandoned the practice of raising

Sales of seed grain, farm chemicals and fertilizers showed remarkable increases of 41.5%, 37.7% and 24.3% respectively.

#### Farm Machinery and Accessories Services

Sales decreased by \$900,000, totalling \$2,765,000 at year-end. The decrease was due primarily to lower farm machinery sales, since activity in the parts and

Consolidation of farm accessories operations in Granby, Marieville, Henryville and Saint-Germain also is creating an interesting trend in earnings from operations.

#### Hog Raising Service

In November 1984, the Agropur Board of Directors decided to end the practice of raising hogs on a contract basis, at a fixed price, and offered members the opportunity to become autonomous producers.

This resolution was adopted following a period of virtually negative results obtained in the hog raising sector and because Agropur found it impossible to obtain compensation from ASRA, the Québec government's farm production stabilization insurance programme.

In order to change over to the new system, our Coopérative had to terminate hog raising contracts already in effect. That meant we still had to market 24,000 hogs last year, compared with 44,200 in 1984, for an operating loss of \$451,000. If it had not been for this deficit, the Farm Supply Division would have recorded a surplus of about \$70,000 in fiscal 1984-85.

#### DIVERSIFICATION

It was an extremely active year for our Coopérative in carrying out its diversification programme.

The first important move was the acquisition of Charcuterie La Tour Eiffel inc. on January 5, 1985.

This purchase not only enabled us to market a more diversified range of products, it also gave us access to the profitable delicatessen sector.

In addition, the expanded sales territories for Tour Eiffel products in Ontario and the United States offer promising prospects.



*The Coopérative also offers members a full range of top quality farm supplies.*

hogs under contract, at fixed prices.

#### Feed and Fertilizer Service

This Service saw earnings from operations double to \$425,000, due to increased profitability and savings achieved by higher production volume and technical improvements to equipment.

repairs section remained stable. The loss of \$224,000 reported in this sector has already begun to be corrected, due mainly to a reduction in personnel and lower inventories, which decreased from \$1,165,000 in 1983-84 to only \$518,000 this past year.

The new farm machinery marketing policy of the Coopérative Fédérée de Québec also promises to be a positive factor for this Service in the near future.

Among the new products launched on the market last year, we want to mention Rivella in particular. Even though the initial introduction was difficult, the success achieved by Rivella on the European market encourages us to be guardedly optimistic.

After some difficulties running in the new equipment at the Brossard plant, we began to market ultra pasteurized creams with a longer shelf life, in regular sizes as well as individual creamers. These products are destined to replace milk and cream substitutes such as powdered coffee whiteners.

In November 1984, following an agreement negotiated with another cooperative, we introduced Purfruit brand juices in Montréal area schools. In view of the success obtained there, we began to market Purfruit juices in one-litre containers in grocery stores, commencing in October 1985.

Also in answer to demand in the school sector, we introduced Pierrot brand strawberry and raspberry flavoured milk drinks.

Rocky Mountain and Chocowich frozen specialties, which we began to distribute this past year, have been even more successful than we had expected.

We also introduced three new flavours of stirred yogourt: kiwi, apricot/mango and pineapple/grapefruit, as well as a new peach/pear flavour firm yogourt.

Finally, we have some good news to announce about Yop liquid yogourt, launched at the Montréal Food Salon on October 8, 1985. Offered in four flavours — strawberry, raspberry, kiwi/red currant and exotic fruits — Yop also surpassed all our expectations. Just one month after it hit the market, sales of this liquid yogourt with its truly delicious flavour passed the one million bottle mark.

## INVESTMENTS AND IMPROVEMENTS

This past year also saw us making numerous improvements, changes and expansions which required substantial investments in several of our plants.

At the Fromagerie de Granby, for example, we built a new powdered milk warehouse at a cost of \$450,000. This new facility, with a storage capacity of 1.5 million kilograms, reduces costs involved in transferring products and eliminates the need for outdoor storage facilities.

A further investment of \$103,000 was made to install new equipment at the Fromagerie for packaging curd cheese in 20-pound containers.

Another capital investment of \$410,000 was made at the yogourt plant for equipment to manufacture Yop liquid yogourt.

Steam boilers at the Notre-Dame-du-Bon-Conseil plant were converted to natural gas and an energy recuperator was installed on the main chimney. These improvements, costing \$221,000 in all, resulted in energy savings of some \$700,000 annually.

Butter churning equipment at that same plant was rebuilt to enable more efficient production of whey butter and regular butter. The refrigeration capacity of the cold storage room was increased, three cream tanks and a continuous type churn were added. Total investment for these improvements was \$365,000.

At Lawrenceville, a cheese cutting line for producing 18 kilogram blocks of cheese was added, at a cost of \$190,000. This was done to ensure that cheese for shipment to Algeria, Japan and Trinidad could be cured in the required time.

At the Oka plant, the waste water treatment plant is now in operation and functioning as anticipated.

At La Pérade, we completed major repairs which involved a total investment of \$230,000. Among other things, the roof was repaired and the glass facade was restored.

At Brossard, \$2.25 million were invested in facilities to process and market creams with longer shelf life.

A \$4 million investment was made at the soft drink bottling plant to purchase and install equipment for manufacturing Rivella.

At Saint-Laurent, we replaced the old filling line for packaging milk in two-litre cartons with equipment having twice the capacity. We also improved processing procedures so that we can now extend the "best before" date code limit to 20 days, instead of the previous 13 days.

At the Montréal-Nord plant, new equipment has been purchased for packaging Québon ice cream in two-litre containers.

Finally, at the Trois-Rivières plant, the pasteurization and homogenization equipment was modernized to increase the processing capacity from 12,000 lbs/hour to more than 20,000 lbs/hour. These changes have considerably increased operating efficiency, as well as product quality.

Those are just a few of the more important changes made during this past fiscal year.

## ONTARIO MARKET

We completely restructured our Ontario distribution centre during the year. Among other things, we eliminated all intermediaries, and are now handling all activities and responsibilities ourselves. This has produced excellent results and the year's budgeted objectives had been achieved by the end of September. We also doubled our market share in the Toronto region and in other areas where we are already established in Ontario.

In July 1985, as a result of all these efforts, Yoplait became the top-selling yogourt in all of Canada, as well as in Québec where it has been a long-time leader. This performance marks a new milestone in the history of both Yoplait and Agropur, a fact that I firmly believe must be emphasized.

Our Ontario market penetration as a whole is more and more encouraging with every passing month. The operation is becoming so efficient, in fact, that we must again think of using even larger storage facilities and increasing the number of delivery trucks.

Needless to say, we must make every possible effort to continue expanding our presence on this market, which is Canada's largest, with some eight million consumers.

## AWARDS

Agropur receives numerous awards and trophies every year for the excellence of its products. This past year was no exception and, in fact, was even a bit above the ordinary in terms of the harvest of medals, decorations and mentions of all kinds which we reaped: almost 30 in all.

Among the honours we received in 1985, the following are worth special mention:

Six Lys d'or: Bon-Conseil cheddar cheese; Dalpé & Frères Emmenthal; Oka Forêt Noire; Dalpé & Frères skim milk powder; Laiterie Samoïsette fluid milk; Laiterie Mont St-Bruno butter. We also captured 11 gold medals at the world famed Monde Sélection de Bruxelles.

Our Oka cheese won a gold medal at the Pacific National Exhibition in Vancouver, and

Brie de Vaudreuil cheese received a silver medal.

Three of our butter brands were proclaimed "Grand Champion" at the Royal Winter Fair in Toronto, with each winning a gold medal.

At the Canadian National Exhibition in Toronto, Swiss cheese made in our Oka plant, our Tomme des Laurentides and our Vaudreuil's Camembert each won first prize in its category. It is worth noting that our Swiss cheese received the highest ranking of all entrants: 97.8% of all judging points.

During the 26th advertising gala of the Publicité Club de Montréal in May 1985, we received a Coq d'or, their highest award, for a poster created for the Québon ice cream "Plein les babines" campaign.



*Production was up substantially for all types of cheese. Sales of fine cheeses increased by 40% during the year.*

We also won the bronze trophy for Yoplait yogourt during the 13th Sodima International Symposium in Paris, last September.

As the crowning touch, Agropur was named the "Enterprise of the Year" by the financial weekly, *Les Affaires*. We received this honour in recognition of our growth, our management team's competence, and our general performance.

We are extremely proud of all these awards, and I am sure that they will make all our members even prouder.

#### MARKETING AND ADVERTISING

The Publicité Club's Coq d'or naturally leads us to talk about marketing and advertising.

The marketing services of the Industrial Milk Division and the Fluid Milk Division launched

one programme after another to achieve their objectives, which are to promote the quality of Agropur products and stimulate sales.

Two figures will prove just how successful their efforts have been. Firstly, while butter consumption in Canada as a whole dropped by some 2% last year, we were able to increase our retail sales of butter by 42%. Secondly, while the total market for ice cream in Québec was shrinking by about 12%, we increased our market share by some 20%.

Among the numerous other accomplishments of these services during the past year were: new packaging for several products, including Crino and Québon; the creation of new television campaigns; and numerous promotional activities, such as:

The "Victory Tour Express" by singer Michael Jackson, which was a resounding success with young people in Québec and Ontario. This promotion helped the sales of our yogourts.

"La Croisière Yoplait s'amuse", which received an excellent reception from food store chains, distributors, agents and consumers across Québec and Ontario.

"La Relève Yoplait", which added soccer to its range of activities this past year. In all, this Yoplait programme covered 40 marathons, in collaboration with the Fédération d'athlétisme du Québec.

"Moi et Fafoin", a promotional tour of hospitals, schools and shopping centres, was also well received.

"L'Offre folle de Québon", an advertising and promotional campaign carried by television stations throughout Québec.

"Passion sur le patio", a television promotion for Savourin brand ice cream.

We also used our milk cartons for various commercial and public service promotions.

The one attracting the greatest attention is certainly our agreement to collaborate with the Montréal Urban Community police to distribute messages directed at children. Using the theme "Le Mieux-être de l'enfant", these messages urge children to be careful in all their activities, and provide them with some sound advice.

Finally, our Coopérative participated in several expositions, including the "Salon de la Femme", the Agriculture and Food Fair, the Montréal International Youth Salon and the Gourmet Show in Toronto.

Through these various activities, Agropur kept itself in the public eye throughout the year. They clearly helped to make our products, our brand names and our Coopérative better known.

#### TECHNICAL SERVICE

Our Technical Service was far from idle during the year, and it also contributed to Agropur's progress by operating on several fronts at once.

#### Quality and Composition Control

This section found its activities expanded considerably this past year, especially with its increased responsibilities for verifying the composition of cheese products.

Agropur also tightened its quality controls on materials used in our various production processes. From now on, suppliers must conform to even stricter standards than in the past if they wish to keep our business.

#### Research

The joint research study with the National Research Council of Canada, dealing with the coagulating action of



enzymes used in the production of cheese, was completed last year.

An action plan has been drawn up to make practical use of the data collected during this project.

A new project, also a four-year programme like the last one, has been started to study bacterial activity during cheese production. Its goal is to find ways that we can better control, regulate, and possibly accelerate, the cheese ripening process. This programme looks quite

## HUMAN RESOURCES SERVICE

In October 1985, the Agropur team numbered 2,331 employees, working in 38 locations throughout Québec, in Ontario and the United States.

Acquisition of Charcuterie La Tour Eiffel inc. added 82 employees to the existing team.

The Coopérative's special productivity improvement programme continued to achieve excellent results during the past year. It will be expanded even

A number of our managers took the courses with the goal of better preparing themselves for the arrival of micro-computers and data processing equipment in their workplaces.

Since this past year was a difficult one economically, our Coopérative found it necessary to hold wage and salary increases for both executive and labour personnel to levels in keeping with current economic conditions.

Prevention continues to be a primary concern of the



*Attractive new packaging helped increase sales of Québon ice cream by 41%.*

promising and will probably improve the quality of our cheeses even more and reduce production costs.

Analyses made by the Development section have been compared with similar work done in New Zealand, bringing to light some extremely interesting correlations regarding fat/protein ratios in cheeses.

These studies will permit us to standardize the composition of our products more accurately and accelerate the curing process.

more in the Fluid Milk Division and will be introduced in the other two Divisions during the year ahead.

Refresher training courses were also continued during the year, providing management with the opportunity to increase their knowledge of the Coopérative's strategic objectives and to evaluate the performance of employees.

Coopérative in its efforts to ensure health and safety in the workplace. The agri-food sector has received priority attention under the new government Act. This means that we must set up even more severe programmes, in conformity with the new requirements laid down by the Workplace Health and Safety Commission.

Finally, 12 out of the 24 existing collective agreements were renewed during the past year, without any work



stoppages. These agreements involved 780 employees in three Divisions.

## **MEMBER RELATIONS SERVICE**

Due to the previously mentioned consequences of the new marketing agreement, the year just ended marked a new phase in the activities of the Member Relations Service.

When this new agreement came into effect, it was the signal for Coopérative members to close ranks. They decided to fight to protect everything they have succeeded in building up over the past 47 years, and to provide their common enterprise with new impetus.

Towards that goal, a special training day for 1985's new Animators was held to help them familiarize themselves with the main dossiers they will have to deal with in the future.

In addition, the roles of the 12 cooperative counsellors have been redefined, to place the emphasis on exterior relations. From now on, these cooperative counsellors will be increasingly present and active among the members, and will become more involved with their problems and hopes.

Thanks to the help of these cooperative counsellors, the Milk Collection Service last year conducted an in-depth analysis of the milk basin. The objective was to rationalize the collection patterns and to stabilize, if not actually decrease, the operating expenses which are absorbed directly by the members.

During the past year, this Service also completed its programme for identifying all milk tanker-trucks in the Agropur colours and held information

meetings with the milk transporters. This gave the latter an opportunity to bring their needs and desires into the open and to get a clear picture of their roles as the Coopérative's daily ambassadors to the members.

## **CONCLUSION**

Summing up, the year now ended unrolled under the twin signs of diversification and consolidation.

Diversification through the purchase of an enterprise such as Tour Eiffel, enabling us to establish ourselves in new markets. Diversification by expanding our existing line of products with new yogurt flavours. Diversification by the introduction of new products such as Rivella, creams with longer shelf life, fruit juices, fruit-flavoured milk drinks and, quite obviously, Yop. Every step we take is guided by listening to the market and introducing products which respond in every way to the consumer's wishes.

When I speak about consolidation, I refer to modernization of existing equipment, increased

productivity, reducing costs, stricter financial pre-planning, and an even more firmly established market position. These are the springboards for our Coopérative's future progress and profitability.

Because that future begins today, I want to give you the broad outlines of our plans for orienting the Coopérative. The projects that I am outlining to you today complete and support those which our President announced just a few minutes ago. They are: communication and productivity.

Communication first and foremost between the members and their Board of Directors, so that your representatives will be able to respond even more rapidly to the requests of the members. Communication between the Administrative Committee and the Board of Directors, so that the latter can set the decision-making wheels in motion more rapidly. Communication between the Coopérative and consumers, so that the latter recognize the quality of Agropur products and put them in their shopping baskets. Finally, communication between management and employees. And it is here that we must approach the subject of productivity.

*Crino packaging was revised and modernized during the 1984-85 fiscal year.*



All studies made to date demonstrate that productivity is the result of concerted and intelligent action taken by each and every employee.

When all personnel know their own individual roles, understand the employer's objectives, and recognize the value of being a fully participating member of this big team which is the enterprise itself, each employee is generally more productive.

In order to clarify all these matters, and to ensure that every employee can accept them without reservation, I intend to meet with the largest possible number of executives and staff at different levels during coming months. These meetings have already begun.

By being more productive, the Coopérative will have much more "muscle". It will be more dynamic, active and capable of responding to market demands rapidly and vigorously. The market reveals itself to be super-competitive and each day more dangerous and difficult to deal with.

It is by remaining at the leading edge of productivity, profitability and quality that we will continue to grow and prosper.

In closing, I wish to thank our President and the members of our Board of Directors for their loyalty and support.

I also want to thank all my loyal collaborators on our management team, as well as all executives and employees, for their excellent work during the year.

Finally, I must repeat my conviction that by working hand in hand, in a climate of mutual confidence, we will overcome all obstacles and, together, we will lead Agropur to even greater heights of success.

Thank you!



REYNALD CHAREST  
General Manager



"A cooperative is an enterprise with a soul."

Those who discovered this happy truth well understood the mission and the *raison d'être* of a cooperative.

At Agropur, this statement is all the more appropriate since the Coopérative does not measure its success by financial profitability alone.

Agropur has chosen as its primary role the need to ensure the economic well-being of its members through the sustained growth of its manufacturing and marketing operations. Over and above that, the Coopérative has developed various training programmes which allow its members to improve their education and increase their financial independence.

At the same time, the Coopérative creates jobs for more than 2,300 employees and participates in numerous philanthropic, social and cultural activities. Finally, it works constantly, both here and abroad, to encourage the growth of the cooperative movement — a vigorous movement which daily shows itself to be better and better adapted to the economic and social needs of a large part of the population.

#### **LISTENING TO THE MEMBERS**

The Coopérative offers its members a truly remarkable range of social, human and commercial benefits.

Take the Milk Collection Service, for example, which is part of the Coopérative's very foundations, as well as the Dairy Equipment Service. For more than 30 years, this Service has offered members quality equipment and efficient repair service, all at extremely good prices.

Neither should we forget the various Coopérative training programmes. These are divided

into two distinct sections: farm cooperative youth training, and sessions for couples.

The objective of the youth training programme is to prepare young people to manage their own farms efficiently. Sessions for couples have been set up expressly to show the participants all the possibilities of the cooperative formula for running family type farming operations.

Finally, this list would not be complete if we failed to mention the cooperative counsellors. As the privileged links between the Coopérative and its basic units, they constantly listen to the members' needs, and encourage management to adopt measures to satisfy those needs. This effective and productive interaction is one of the keys to Agropur's success.

During this past year the cooperative counsellors made a detailed, parish-by-parish study of the entire territory we serve. The objective was to evaluate the effect of certain clauses of the new marketing agreement.

The Milk Collection Service negotiated contracts with more than 80 independent trucking contractors and continued its analysis of milk collection routes, in order to rationalize its operations and reduce costs wherever possible.

The Animators, those energetic volunteer leaders who work in their own communities to keep the members in constant and close touch with their Coopérative, were also extremely active. They took part in numerous meetings with the Directors and also made an in-depth analysis of a simulated management model for a Coopérative department. The objective was to learn all about how a department works, and its complexities. The Animators also studied the rules governing the internal operations of a cooperative. These are the rules

which the delegates later adopted in order to abide by the various provisions of the new general agreement on cooperatives.

Once again this year, the Communications Service continued to publish the monthly "Agropur-Nouvelles" and the "Lettre aux Animateurs" on a regular basis. It also republished the explanatory document concerning milk payment stubs; prepared an information kit for new members; developed a survey for use at members' meetings; ran an internal marketing committee; and revised the Agropur policy regarding donations for philanthropic purposes.

#### **EMPLOYEES' FRINGE BENEFITS**

The social role of Agropur also extends to its employees and the members of their families.

During this past year, Agropur paid its employees tens of millions of dollars in salaries, wages and fringe benefits of all kinds. The Coopérative also works constantly to ensure and improve employee safety and well-being.

For example, the Coopérative provides facilities so that its employees can participate in sports and recreational activities at the workplace. It encourages them to improve their skills and general academic levels by paying part of their educational fees.

Work Committees were also set up in the various plants as part of the overall policy to encourage employees to take part in Coopérative life. These Committees contribute to a better quality of life in the workplace and help to improve productivity at all levels.

Agropur further augmented its range of services for employees during the year by reaching or renewing agreements with various medical clinics. It also encouraged employees to take refresher training courses in order to become familiar with data processing, robotics and

other new technologies used in the Coopérative's various plants.

### PHILANTHROPIC ACTIVITIES

Agropur is keenly aware of its social role in the Canadian community as a whole. Once again this past year, it made gifts of money and in kind to various charitable and cultural organizations, associations and groups. These donations totalled tens of thousands of dollars.

Among other things, Agropur donated substantial sums to: Centraide; the Wilfrid-Pelletier Foundation; Aliment-Aide; the Granby Hospital Centre Foundation; the University of Sherbrooke Hospital Centre Foundation; Laval University; the Fondation de l'Hôpital St-François-d'Assise; University of Québec at Montréal; and the Québec Golden Age Foundation. With the willing help of its entire personnel, Agropur also contributed generously to the Cerebral Palsy Telethon.

Mr. Reynald Charest, the new Agropur General Manager, is the Honourary Patron of the fund-raising campaign for Aliment-Aide, the organization set up by Cardinal Paul-Émile Léger to help assuage the misery of starving peoples around the entire world.

Agropur also participated in the World Folkloric Festival at Drummondville; the Granby Gastronomic Festival; the Coaticook Milk Festival; the Centennial celebrations of the Sherbrooke Regional Agricultural Fair; as well as at the International Youth Salon, where the Coopérative sponsored the improvisation activities.

In the sports domain, Agropur sponsored the "Coupe Excellence", continued to encourage the "Relève Yoplait" programme and set up the "Kilomètres Yoplait" activity.

The children were not neglected, either, as the Coopérative continued its visits to schools and hospitals under the Yoplait "Moi et Fafoin" programme.

One Agropur initiative which has received a great deal of favourable publicity was the campaign developed in cooperation with the Montréal Urban Community Police to help prevent crimes against children. This programme, which has generated nothing except praise for the Coopérative, was given new impetus by "Elmer", the mascot used in messages broadcast over the Vidéotron cable networks to urge children to be cautious.

Fully aware of its responsibilities and its role as a good corporate citizen, Agropur has joined the Organization for Economic Cooperation and Development (OECD), in order to make its members aware of the Third World's pressing needs and to establish solid links with cooperatives in the countries concerned.

In the years to come, we hope that mutual exchanges at the administrative, technical and cooperative levels can be established with those other countries. It will be through this type of concerted action that close links can be forged between the partners, creating North-South relationships which respect human dignity.

Mr. André Gauthier, the Agropur Corporate Secretary, is a Director of that international organization, which is dedicated to extremely noble goals.

### COOPERATIVE DEVELOPMENT

Agropur has always worked hard to encourage the development of the cooperative movement as a whole, both on the national and international levels.

The Coopérative participates in setting up exchange programmes between sister cooperatives in the United States, Europe and in the developing countries, in its efforts to achieve that goal.

An example well worth mentioning is the training course organized in collaboration with the Office franco-québécois pour la jeunesse, which twinned 20 young people from the Agropur youth training programme with an equal number of future cooperative members from La Cana, the large cooperative from Ancenis, in France.

The young visitors from France were the guests of Québec families in May 1985, while our young people were welcomed in homes in rural France at the end of September.

### CONCLUSION

This rather brief rundown of the social role and activities of Agropur allows us to evaluate the cooperative solidarity which motivates its members and its directors.

Let us count the ways!

The service it renders to the community. Its concern for the future of our youth. The desire to develop each member's personal responsibility and well-being. The will to improve the quality of life for its employees. Its contributions to charitable organizations. Its participation in cultural activities... All those things testify to Agropur's determination to be more than just a simple enterprise... but an enterprise with a soul.

This determination is a reality which makes itself more and more obvious with every passing day!









**agropur**

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**AGROPUR,  
COOPÉRATIVE  
AGRO-ALIMENTAIRE**

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