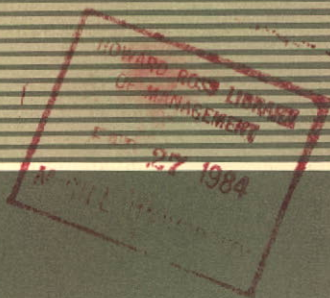




agropur

Forty-fifth
annual report 1982-1983



agropur coopérative
agro-alimentaire



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Board of Directors

R. Beaudry	P.H. Leduc
R. Béliveau	M. Lemire
J. Bellemare	L. Michaud
M. Bourgeault	R. Perrault
H. Crochet	J.M. Robert
C. Favreau	R. St-Cyr
G. Gaudet	P. Véronneau
J.P. Guimond	

Officers

President	Michel Lemire
Vice-President	Lauréat Michaud
General Director	Raynald Giroux
Corporate Secretary	André Gauthier
Treasurer	Guy Duguay

Regions

	Members	Delegates
Salaberry	381	39
Lanaudière	470	49
La Mauricie	502	53
Ste-Anne	485	49
Des Seigneuries	435	45
De l'Érable	455	47
Lac St-Pierre	442	45
Bois Francs	457	49
Des Appalaches	431	45
Estrie	397	43
Haut-Richelieu	540	56
Granby	523	55
Acton	557	59
Des Montérégiennes	540	56
Yamaska	431	45
	7,046	735

Highlights

Net sales (in thousands of dollars)

Industrial milk	\$ 421,432
Fluid milk	190,768
Farm supply	20,984
(this figure does not take into account transactions between the Divisions which came to \$14,831)	618,353

Milk collections (in thousands of litres)

Industrial milk	849,389
Fluid milk	205,384
	1,054,773

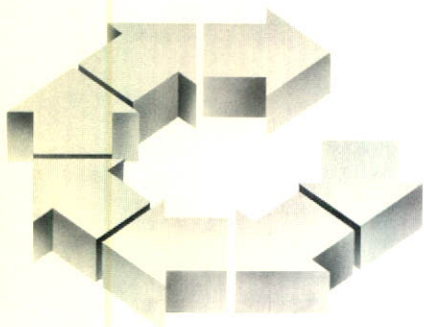
Number of employees: 2,166

Last five years at a glance

	Sales, in \$ millions	Earnings distributed to members in \$ millions	Average price complements per hectolitre, in \$	Members' equity, in \$ millions
1979	371	3,3	1,442	50,3
1980	453	3,1	2,065	58,9
1981	525,6	3,1	2,049	68,3
1982	615,9	2,8	2,08	77,5
1983	618,4	3,0	2,24	83,6

	Working capital, in \$ millions	Long-term debt, in \$ millions	Milk collections, in millions of litres	Variation in the number of members
1979	13,2	23,2	933,9	8 357
1980	27,5	29,2	992,3	8 186
1981	31,8	29,8	1 046,0	7 761
1982	22,7	16,0	1 128,6	7 403
1983	36,0	22,0	1 054,8	7 046

Farm youth training and cooperative growth



The work of building the Coopérative never ends. It goes on day after day, thanks to the unremitting and voluntary efforts of the men and women who are part of it. To ensure its continuity, links of mutual assistance must exist between the generations.

Today as yesterday, the cooperative spirit needs a breath of freshness to ensure its dynamism. Thus, the training of young farmers is an extremely important responsibility.

The pace of Coopérative progress depends on the type of agriculture practised by its members. Solutions to the majority of problems encountered by rural youth are not much different from those applied by preceding generations of cooperators. Essentially, their source can be found in a study of the values which are the basis of the farm cooperative movement's success: equality of individuals, a proportional sharing in economic activity, and a spirit of mutual assistance.

By its insertion into the everyday life of the enterprise, the youth training programme will transmit its own fresh values and ensure the growth of the Coopérative according to its needs, while respecting all its member-owners and users.

Message from the President



Dear Members:

Our Coopérative is in sound health. Year after year, it strengthens its internal links and enriches itself by means of the solidarity of its members. It has successfully come through difficult years and surefootedly followed its programme for economic recovery in the wake of bad times. Built on the solid foundations of mutual assistance and good administration, the Coopérative intends to provide efficient service to its members who, by their active participation, contribute to its growth. The results of the year just ended demonstrate, once again, that the formula followed by our predecessors for these past 45 years is still the best.

Democracy in our regions

Active participation is the key to more democracy and greater cohesiveness between our members. It was with that in mind that we restructured our administrative regions, raising the number from eight to 15. Smaller in area, the new regions bring members closer together and create more homogeneous patterns of thinking, action and cultural practices. They also encourage greater participation by members in regional meetings: thus keeping the Board of Directors in closer touch with the members. Our General Assembly today, for the first time, reunites the delegates from these new geographical divisions. We believe that this reorganization responds well to our members' needs.

Board of Directors

As is the case each year, the members of your Board of Directors attended numerous meetings and special gatherings. Their participation in the work of various committees is a good illustration of our concern that the many people speaking for our cooperative movement will always have our ear.

We held 15 regional meetings to inform members of decisions taken at the last General Assembly and enable them to elect delegates to attend this annual meeting today. The Board of Directors met 16 times and the Executive Committee six times, while the Farm Supply Division Committee held nine meetings.

There were also 48 meetings of the Animators, who provide such an efficient example of our participative democracy.

The summer meeting of the Animators, held on June 1, 1983, allowed us to take a firsthand look at another of our fine regions, the Eastern Townships. We visited our fluid milk plant at Sherbrooke and learned more about the cooperative instructional programmes given by the Institut de Recherche et d'Enseignement pour les Coopératives at the University of Sherbrooke.

The Board of Directors and the Administrative Committee, along with present and future members, attended the annual dairy cooperatives Congress on the theme of cooperative farm youth training. I wish to thank them all for their unreserved commitment and sense of responsibility to our movement.

Milk production ups and downs

A less satisfactory development was last year's milk production record. While production increased substantially from November to March, it had to be cut back in the four-month period from April through July to comply with the quota assigned to each producer. Unfortunately, the weather played a villain's role during three of those months: May was too rainy, June too hot and July too dry! Production was reduced considerably by the vagaries of the weather, so the annual volume was 6.3% lower than in the preceding year.

This was a very unhappy development, because it is absolutely necessary that Québec farmers produce the full quota set for the province. It is in the best interests of each and every farmer to achieve his objective, because failure to do so could result in the loss of a part, no matter how small, of the national quota.

Self-promotion in our regions

Our production must be supported by a dynamic marketing approach. Our Coopérative and its subsidiaries already set aside 87¢ per hectolitre of milk received to promote consumption of our national brand products. On top of this, we contribute 50¢ per hectolitre to the Canadian Dairy Bureau for generic promotion of dairy products. The major part of the latter advertising investment, understandably, is spent in the large urban centres.

This in no way means that our farm regions should be neglected. The efforts of the Board of Directors must be backed up by your active presence and role in your own communities. You know the people, you live with them every day. So there is no better advertising than your own! Serve your own products and brag about them. Let people see you buying your products at the grocery store. It's well worth the effort. You should be justly proud of what you produce: talk about it, promote it, and profit!



agropur



Farm Supply Division

Once again this past year, the Farm Supply Division was the weak link in our Coopérative, due to several factors.

Among others, we should mention:

- difficult conditions in the entire farm machinery sector;
- weak hog prices;
- insufficient capital subscribed by the Division's member-users, including contributions to members' capital and general reserve;
- low volumes of members' transactions and our lack of dynamism.

The Directors had to make some hard decisions during the year to improve this difficult situation, and naturally had to consider the replies to the survey the Animators made among some 1,000 members. At a special meeting early in the year the Directors approved some measures designed to rectify the situation and permit the Division to continue offering its services to members. Among other things, they reconfirmed our relationship to the Fédération, whose valuable support has been much appreciated in recent months. They also decided that the two dairy Divisions will help support the Farm Supply Division financially, without interest.

Union - Coopérative relations

One of the clauses of the December 1979 agreement was a subject of dispute again in 1983. It dealt with the creation of a single Federation which would represent all Québec dairy producers.

Throughout the entire year we tried, without any ulterior motive, to work out a fair and honest agreement with the Dairy Producers Federation with the goal of arriving at a position that would be acceptable to both sides, all the while keeping in mind that the nature of an enterprise such as ours is not negotiable.

We were surprised, therefore, when the new Federation submitted a proposal in June 1983 that represented a definite backward step.

We naturally opposed it.

It was then that the Federation asked the Régie to settle the difference. This despite the fact that the dairy cooperatives had already asked the Régie to resolve the dispute back in December 1982, but the Office, at that time, did not go along with it.

The Régie named a conciliator, attorney François Hamelin, who presided over 23 conciliation sessions ending December 23, 1983. Mr. Hamelin has since written his report and submitted it to the Régie, which must now issue its directives.

On another matter, the Dairy Producers Federation made a good decision by granting a producer with an eligible farm the right to integration in the system by buying a fluid milk quota.

Nevertheless, when we were advised that the Federation, by this decision, was taking over milk payments to our members, your Board of Directors expressed its strong opposition. Your Coopérative continued to prepare our members' milk payments. You and your Directors are all too well aware of how hard we had to fight before 1979 to maintain the links between the Coopérative and its members. Your Directors cannot allow such a situation to arise again.

Dairy equipment

There was an appreciable improvement in the dairy equipment picture during the year, as the agreement reached with the Coopérative Fédération de Québec produced quite satisfactory results. As well as strengthening the inter-cooperative links, this agreement facilitated the expansion of this important member service by offering dairy farmers an even wider choice of equipment than ever. But what is especially important in all this is that we, as producers, are assured of a service which is nothing short of essential in the dairy industry.

Farm youth training: an excellent beginning

This past year saw a significant initiative launched by our Coopérative. A total of 34 young people, sons and daughters of our members, shared a unique experience. In two groups, one at Joliette and the other at St-Ferdinand de Mégantic, they spent a full week together learning what cooperative life is all about and acquiring a positive approach to the dairy industry.

Greatly encouraged by the results of these first two training courses, we decided to offer other groups of young people the opportunity to take part in similar sessions. Three groups of young people from the Ste-Anne, Mauricie, Estrie, Appalaches and Salaberry regions will enjoy this experience during 1984.

We have great expectations for this programme which trains the future farmers who one day will be taking over from our present members. Armed with a wide array of useful knowledge, these farmers of tomorrow will be much better equipped to participate in the life of what will then be their Coopérative. If they wish to commit themselves to the farm life, they will then see to it that the Coopérative constantly adapts itself to the developing needs of its members.

As members, we should be proud of this achievement in which we jointly share. At the same time, we must maintain a constant dialogue with our sons and daughters in everything we do. This is how we can best contribute to the continuance and growth of the dynamic spirit that is the essence of our cooperative movement.

Rolland P. Sabourin: pioneer and builder

Agricultural training for farm youth is part of the tradition of the pioneers who made the cooperative dream become reality. As an outstanding example of these men of vision, I want to recall the name of Rolland P. Sabourin, a pioneer and builder to whom we owe much.

Joining the cooperative movement by choice, he rapidly won the friendship and esteem of his colleagues. Forward looking, clear thinking and active, with a remarkably disciplined and legalistic mind, he brought to every task he approached an innate sense of responsibility and a constant concern for doing it well.

"For the problems of cooperation," he said, "there must be cooperative solutions." He was the one who brought us the original concept of the ANIMATORS, his way of ensuring that members could participate actively in the cooperative life. As General Secretary, he developed the Coopérative's by-laws, set up its archives and a filing system for records and documents.

Always a perfectionist, filled with great enthusiasm, this administrator of such rare quality provides us with a vivid picture of an appealing and exemplary man. He was the soul of the cooperative movement, and we shall always remember him as a great cooperator.

Conclusion

On behalf of our members, the Board of Directors and all our employees, I want to extend our appreciation to a man who has worked loyally for us since February 1954: Mr. Raynald Giroux, our General Manager, named as "Food World Personality of 1983" by the Association des détaillants en alimentation du Québec.

This distinction honours our entire Coopérative, and I thank and congratulate him on your behalf.

I also want to extend thanks to our management people and all our employees for their loyal support throughout the year.

Above all, I thank my colleagues on the Board of Directors for the wholehearted support they have given me.

Our Coopérative is moving steadily forward. Proud of its past and its present achievements, it looks to the future with faith and optimism. If we can claim success, the reason for it is certainly the tremendous solidarity that binds us all so closely.

Your invaluable cooperation and constant support have enabled us, once again, to achieve enviable results during a difficult economic period.

Thank you all for your confidence and your loyalty to the ideals of the Coopérative. Our individual and collective commitment, as always, is the key to our future and that of our young people.



MICHEL LEMIRE
President



**FINANCIAL
REPORT
1982-1983**

**Consolidated balance sheet
as at October 31, 1983**

	1983	1982
	(in thousands of dollars)	
Assets		
Current		
Cash and short-term investments	\$ 21,091	\$ 77
Accounts receivable (including members \$2,430,681; 1982—\$2,038,347)	31,582	37,780
Grants receivable	—	1,017
Income taxes recoverable	358	269
Inventories (Note 2)	34,961	33,071
Prepaid expenses	947	660
	88,939	72,874
Investments and advances (Note 3)	2,780	2,717
Fixed (Note 4)		
Land, buildings, machinery and equipment, at cost	124,983	117,515
Accumulated depreciation	(60,729)	(54,026)
	64,254	63,489
Goodwill and other assets less accumulated amortization	5,393	6,357
	\$161,366	\$145,437

On behalf of the Board

Michel Lemire _____, Director

Laurent Michard _____, Director

See accompanying notes.

**Consolidated balance sheet
as at October 31, 1983**

	1983	1982
	(in thousands of dollars)	
Liabilities		
Current		
Bank loan	\$ —	\$ 3,510
Accounts payable (including members \$21,250,302; 1982 — \$16,841,080)	52,012	45,767
Current portion of long-term debt	921	943
	52,933	50,220
Long-term debt (Note 5)	21,970	16,009
Deferred income taxes	2,815	1,754
	77,718	67,983
Members' Equity		
Members' capital (Note 6)	71,105	65,977
Unappropriated earnings	2,003	4,496
General reserve	10,540	6,981
	83,648	77,454
	\$161,366	\$145,437

See accompanying notes.

**Consolidated statement of earnings
for the year ended October 31, 1983**

	1983	1982
	(in thousands of dollars)	
Sales and other operating income	\$618,353	\$615,904
Cost of goods sold	542,666	545,629
Gross margin	75,687	70,275
Selling expense	39,531	31,745
Administrative expense	11,141	10,270
Interest on long-term debt	2,378	4,877
Interest income and other income, net	(1,372)	(1,317)
	51,678	45,575
Earnings from operations	24,009	24,700
Gain on disposal of fixed assets	80	91
Amortization of goodwill	(998)	(1,711)
Earnings before the following items	23,091	23,080
Price complements to members	17,818	17,386
Earnings before income taxes	5,273	5,694
Income taxes of subsidiaries	594	1,098
Net earnings for the year	\$ 4,679	\$ 4,596

See accompanying notes.

**Consolidated statement of unappropriated earnings
for the year ended October 31, 1983**

	1983	1982
	(in thousands of dollars)	
Balance at beginning of year	\$4,496	\$3,539
Net earnings for the year	4,679	4,596
	9,175	8,135
Transfer to general reserve of prior year's unappropriated earnings of the Coopérative, including subsidiaries' dividends of \$3,000,000 (1982—\$400,000)	7,172	3,639
Balance at end of year	\$2,003	\$4,496

See accompanying notes.

**Consolidated statement of general reserve
for the year ended October 31, 1983**

	1983	1982
	(in thousands of dollars)	
Transfer of prior year's unappropriated earnings of the Cooperative	\$ 7,172	\$ 3,639
Patronage refunds	3,003	2,798
	4,169	841
Deferred income taxes	610	109
Net transfer to general reserve	3,559	732
Balance at beginning of year	6,981	6,249
Balance at end of year	\$10,540	\$ 6,981

See accompanying notes.

**Consolidated statement of changes in financial position
for the year ended October 31, 1983**

	1983	1982
	(in thousands of dollars)	
Source of funds		
Operations		
Net earnings	\$ 4,679	\$ 4,596
Items not involving funds		
Depreciation of fixed assets	7,159	7,424
Amortization of other assets	1,040	1,762
Deferred income taxes	451	61
Gain on disposal of fixed assets	(80)	(91)
	13,249	13,752
Net increase in members' capital	5,128	7,472
Long-term debt	5,384	—
Proceeds on disposal of fixed assets	471	888
	24,232	22,112
Application of funds		
Fixed assets	6,983	11,880
Patronage refunds	3,003	2,798
Long-term debt	—	13,970
Goodwill and other assets	76	217
Investments and advances	63	120
Investment in a subsidiary (Note 7)		
Acquisition cost	\$ 50	
Working capital deficiency	705	2,309
	10,880	31,294
Working capital		
Increase (decrease) during the year	13,352	(9,182)
Balance at beginning of year	22,654	31,836
Balance at end of year	\$36,006	\$22,654

See accompanying notes.

**Notes to consolidated financial statements
October 31, 1983**

1. Summary of significant accounting policies

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 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 unappropriated earnings of the Coopérative are accounted for after the approval of the patronage refunds and reported in the statement of general 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.

Notes to consolidated financial statements (continued)
October 31, 1983

2. Inventories

	1983	1982
	(in thousands of dollars)	
Dairy products		
Raw materials and products in process	\$ 5,582	\$ 6,595
Finished products	23,342	20,866
	28,924	27,461
Farm equipment and supplies	3,766	4,206
Maintenance supplies and other inventories	2,271	1,404
	\$34,961	\$33,071

3. Investments and advances

	1983	1982
	(in thousands of dollars)	
Coopérative Fédérée de Québec, at cost	\$ 2,292	\$ 2,484
Other	488	233
	\$ 2,780	\$ 2,717

Notes to consolidated financial statements (continued)
 October 31, 1983

4. Fixed assets

	Rate	1983		1982	
		Book value	Accumulated depreciation	Book value	Accumulated depreciation
(in thousands of dollars)					
Land	—	\$ 4,252	\$ —	\$ 3,337	\$ —
Buildings	5%	42,930	12,198	40,282	10,954
Production equipment	10% and 20%	64,796	39,788	59,840	35,366
Sales equipment	20%	598	533	622	538
Transportation equipment	30%	10,350	6,972	9,613	6,071
Office furniture and equipment	20%	1,930	1,195	1,587	1,076
Computer equipment	20%	127	43	107	21
Work in progress	—	—	—	2,127	—
		\$124,983	\$60,729	\$117,515	\$54,026

Notes to consolidated financial statements (continued)
October 31, 1983

5. Long-term debt

	1983	1982
	(in thousands of dollars)	
Agropur, Coopérative Agro-Alimentaire		
* Loan at cost of funds plus $\frac{3}{4}\%$	\$ 7,000	\$ 9,000
Bonds, $14\frac{1}{4}\%$, Series C, maturing November 15, 1987	5,000	—
Bonds, $12\frac{3}{4}\%$, Series D, maturing June 1, 1988	2,000	—
** Bonds, $8\frac{1}{4}\%$, Series A, maturing from 1983 to 1988	1,435	—
Serial Debentures, $8\frac{1}{4}\%$, maturing from 1983 to 1988	—	1,722
Notes payable unsecured, $9\frac{3}{4}\%$ or prime bank rate plus 1%, maturing until 1986	294	413
Balance on purchase of shares of subsidiaries, $9\frac{1}{2}\%$ and prime bank rate less $2\frac{1}{2}\%$, repayable until 1996	1,808	2,016
Other loans, 8% to 11%, repayable until 1991	658	840
	18,195	13,991
Subsidiaries of Agropur, Coopérative Agro-Alimentaire		
* Bank loans, prime bank rate	4,000	2,621
Mortgage bonds, Series A, 12.636% and cost of funds plus 3%	646	251
Other loans, $7\frac{1}{2}\%$ to $13\frac{3}{4}\%$	50	89
	22,891	16,952
Portion maturing within one year	921	943
	\$21,970	\$16,009

* 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 Bonds, $8\frac{1}{4}\%$, Series A, have been issued on November 15, 1982 in exchange for the Serial Debentures, $8\frac{1}{4}\%$. They have the same maturities which are \$287,000 per annum payable on April 15, 1983 to 1988 inclusively.

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):

1984 — \$921; 1985 — \$8,159; 1986 — \$1,310; 1987 — \$931; 1988 — \$7,878; subsequently — \$3,692.

Notes to consolidated financial statements (continued)
October 31, 1983

6. Members' capital

The members' capital of the Coopérative is variable and unlimited as to the amount which may be issued.

Voting rights are restricted to holders of ordinary capital and such rights are limited to one vote per member.

The ordinary capital and the preferred capital Series B are not redeemable but are convertible into preferred capital which may be redeemed under certain conditions. The preferred capital Series A is redeemable by resolution of the Board of Directors and the preferred capital Series C is redeemable no later than 10 years after issuance.

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

	1983	1982
	(in thousands of dollars)	
Ordinary capital	\$ 2,436	\$ 2,529
Preferred capital, Series A	58,856	55,456
Preferred capital, Series B	8,696	6,887
Preferred capital, Series C	1,117	1,105
	\$71,105	\$65,977

Notes to consolidated financial statements (continued)
October 31, 1983

7. Investment in a subsidiary

Laiterie Léveillé Inc., a wholly-owned subsidiary of the Coopérative, acquired, effective December 1, 1982, all the shares of Kik Cola Inc. for a consideration of \$50,000.

This acquisition, which can be summarized as follows, has been accounted for on the purchase method:

(in thousands of dollars)

Fixed assets, attributed value	\$1,332
Working capital deficiency	(705)
	627
Long-term debt	577
	\$ 50

Operating results are included in the consolidated financial statements since the effective date of acquisition.

8. Contractual commitments and contingency

Lease commitments aggregated approximately \$1,416,000 at October 31, 1983 (1982 — \$1,516,000). The lease expense for the year ending October 31, 1984 will be approximately \$775,000.

On August 24, 1981 Agropur, Coopérative Agro-Alimentaire received from the Commission de la Santé et de la Sécurité du Travail du Québec an assessment for the years 1978, 1979 and 1980 in the amount of \$300,290. An appeal to the notice of assessment was addressed to the Direction des services financiers of the Commission. No provision has been made in the financial statements for this assessment.

9. Investment tax credit

The Coopérative is eligible for an investment tax credit of approximately \$2,115,000 which can be used until 1990.

10. Comparative figures

Certain figures in the consolidated statement of earnings have been reclassified to conform to the new basis of presentation adopted in 1983.

Supplementary information
October 31, 1983

Earnings by division (in thousands of dollars)	Industrial Milk Division	
	1983	1982
Sales and other operating income	\$421,432	\$429,957
Cost of goods sold	381,213	391,706
Gross margin	40,219	38,251
Selling expense	14,337	10,969
Administrative expense	5,749	5,521
Interest on long-term debt	1,552	3,496
Inter-division interest	(3,358)	(3,104)
Interest income and other income, net	(278)	(485)
	18,002	16,397
Earnings (loss) from operations	22,217	21,854
Gain (loss) on disposal of fixed assets	16	157
Amortization of goodwill	(286)	(1,139)
Earnings (loss) before the following items	21,947	20,872
Price complements to members	17,818	17,386
Earnings (loss) before income taxes	4,129	3,486
Income taxes of subsidiaries	132	151
Net earnings (loss) for the year	\$ 3,997	\$ 3,335

Fluid Milk Division		Farm Supply Division		Elimination of inter-division transactions		Consolidated	
1983	1982	1983	1982	1983	1982	1983	1982
\$190,768	\$177,858	\$20,984	\$22,866	\$14,831	\$14,777	\$618,353	\$615,904
157,422	149,065	18,862	19,635	(14,831)	(14,777)	542,666	545,629
33,346	28,793	2,122	3,231	—	—	75,687	70,275
22,761	18,426	2,433	2,350	—	—	39,531	31,745
4,779	4,229	613	520	—	—	11,141	10,270
826	1,381	—	—	—	—	2,378	4,877
2,166	1,555	1,192	1,549	—	—	—	—
(1,008)	(615)	(86)	(217)	—	—	(1,372)	(1,317)
29,524	24,976	4,152	4,202	—	—	51,678	45,575
3,822	3,817	(2,030)	(971)	—	—	24,009	24,700
64	(66)	—	—	—	—	80	91
(712)	(572)	—	—	—	—	(998)	(1,711)
3,174	3,179	(2,030)	(971)	—	—	23,091	23,080
—	—	—	—	—	—	17,818	17,386
3,174	3,179	(2,030)	(971)	—	—	5,273	5,694
462	947	—	—	—	—	594	1,098
\$ 2,712	\$ 2,232	\$ (2,030)	\$ (971)	\$ —	\$ —	\$ 4,679	\$ 4,596

Auditors' Report

The Members,
Agropur, Coopérative Agro-Alimentaire

We have examined the consolidated balance sheet of Agropur, Coopérative Agro-Alimentaire as at October 31, 1983 and the consolidated statements of earnings, unappropriated earnings, general 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, 1983 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.

Charlette Fortier, Hawley & Cie
Touche Ross & Cie

Chartered Accountants

Montreal, Quebec,
January 6, 1984.

Report by the General Manager



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

Within an economic context that has some sectors showing signs of a recovery, but where the effects of a lingering recession are still being felt overall, we have succeeded in staying on the course we have set for ourselves. On the whole, AGROPUR is in good financial health, which certainly pleases all of us. This success is due in large part to the active confidence of our members and the excellence of our human and technical resources, which have strengthened the cooperative ties and our ability to meet competitive demands.

There were no spectacular projects or achievements to report this past year: we have, however, consolidated the gains and results of previous fiscal years. Our administration has been sound and disciplined, and this policy has had positive effects, helping to explain why we are describing 1983 as the year of consolidation.

The soundness of our consolidated balance sheet is a promising sign for our Coopérative's future, and each year marks a new beginning for accomplishments that will show our dynamism and continued progress.

Consolidated balance sheet

Consolidated results for these past 12 months were slightly better than those of the preceding year, despite the relatively weak rise in overall sales volume. Nevertheless, our total sales of \$618 million continue to place us among Canada's largest manufacturing enterprises.

As we said, 1982-83 was a year of consolidation. This was due to various factors, which can be summed up as follows:

- financing charges for needed funds decreased from 15.82% to 11.63%;
- lower sales volume was compensated for by obtaining more remunerative margins on manufactured products;
- strict controls, along with additional investments, made it possible to improve efficiency and profits;
- and, finally, there was the excellent management of operating, transportation and energy costs.

As of October 31 last, consolidated earnings before price complements to members and income taxes totalled \$23,091,000, which was almost equivalent to the preceding year's results.

Total consolidated assets rose by about \$16 million to \$161,366,000, compared with \$145,437,000 the year before.

Turning to individual sectors of our operations, the Fluid Milk Division reported a 7.3% increase in overall sales for the year, to a total of \$190,768,000. However, the year's results were disrupted by decisions of the Québec Agricultural Marketing Board and the provincial government. We have received no compensation for our increased costs these last 25 months and, in addition, had to absorb the 2¢ per litre price increase awarded to producers since December 1982.

Industrial Milk Division sales, however, dropped by 2%, to \$421,432,000. This drop is due principally to a major reduction in milk production at the farm level. It can be attributed to reduced quotas, a rainy spring, increased production of fresh dairy products, drought and increased demand from the Dairy Producers Federation with regard to supplying dairy processing plants.

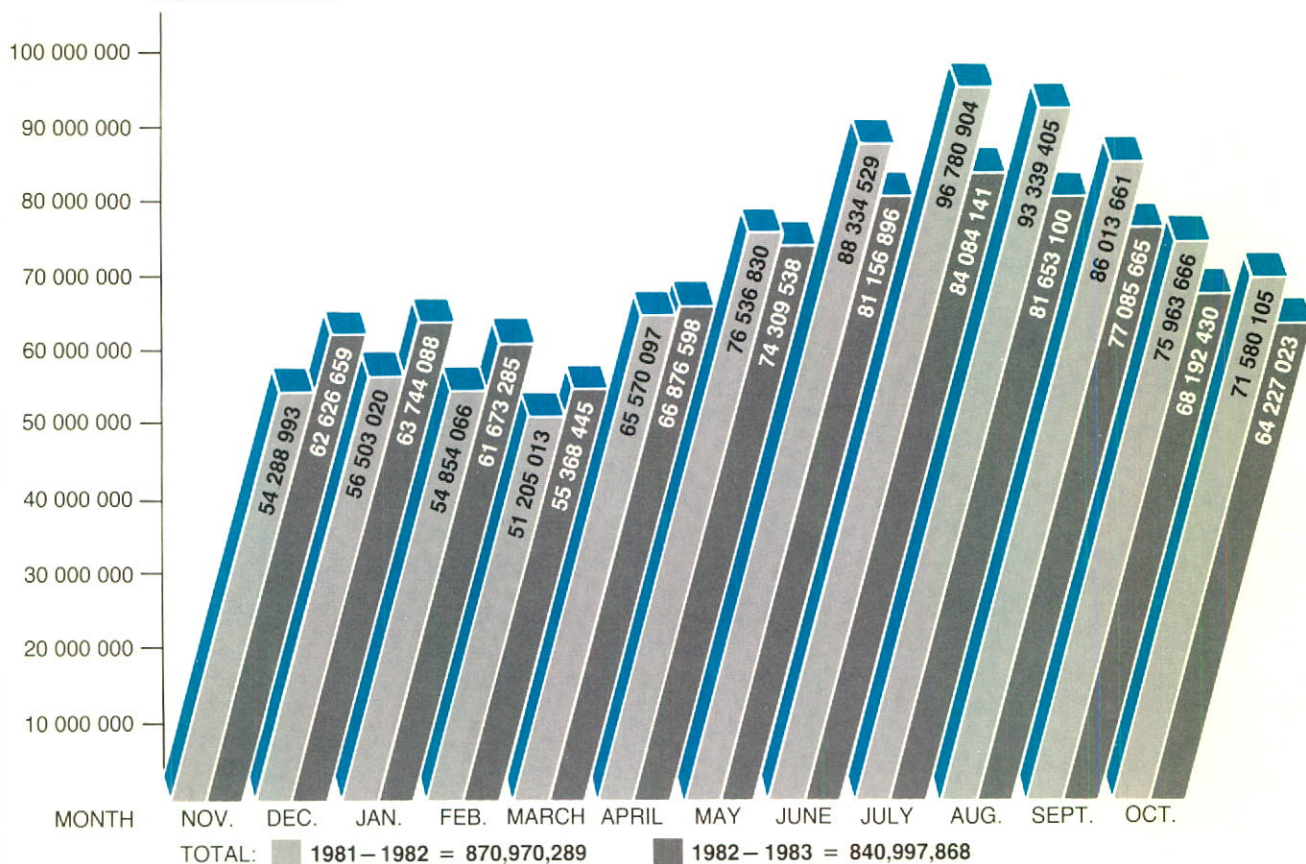
The Farm Supply Division experienced some difficulties, and sales were down by about \$2 million, to \$20,984,000. As a result, this Division made a negative contribution to earnings from operations. Nevertheless, due to major changes approved by the Board of Directors, and closer links with the Coopérative Fédérée, the situation improved during the last six months of the fiscal year. We can thus express a certain amount of optimism for the months ahead, in view of the increased interest shown by members and the dynamic attitude of our personnel. We feel that 1984 will be an important year for the Division's future.

At the administrative level, AGROPUR made it a primary objective to rationalize procedures so as to reduce operational costs. We developed a data processing system for producing the ledger and financial statements. Our new fiduciary certificate enabled us to adjust rapidly to interest rate fluctuations and stabilize our long-term loans so we would not be at the mercy of floating rates which, in 1981-1982, soared to almost 20%.

Summing up, the year's consolidated balance sheet is the result of a common effort to rationalize operations and strengthen the Coopérative structures.

Volume of milk received from integrating and industrial members

Volume in litres



Milk collections

Once again this past year, monthly milk collections varied widely. Compared to the previous year, milk production on farms was down by 6.3% for the 12 months as a whole. This, despite the fact that milk collections in the first month were up by 15% compared with a 10% drop in the last month. The table showing the wide month by month fluctuations speaks for itself. Purchases of milk from outside sources decreased by 48.75%, compared with 1981-1982.

The Milk Collection Service now ensures dairy farmers in 75% of the territory served that their production will be picked up every two days the year around. This will have a favourable effect on the quality of the milk and also the final products. The average capacity of the tanker trucks doing the pickups is now 18,500 litres, which will make transportation from the farm gate and delivery from one plant to another much easier and more profitable. Pursuing our policy of continually improving quality, we have once again consolidated some of our markets in order to give the consumer better service.

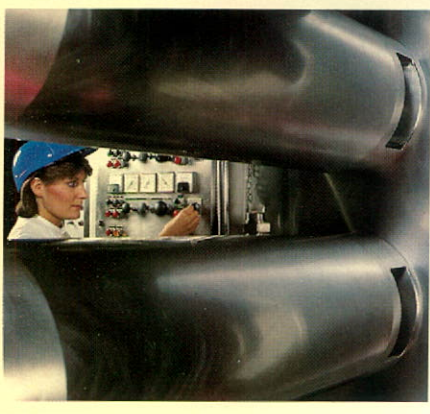
Production

As mentioned previously, the 1982-1983 fiscal year was notable for the efforts made to reduce our operating costs.

Equipment installed during the year included a second packaging machine for small containers of yogourt, a second milk powder mixing line, and startup of a second dryer at Plessisville.

After studying several ways to reduce energy usage and costs, such as electricity, natural gas and biomass, we signed contracts to have several of our plants converted to natural gas.

Construction work on the waste water purification system at the Bon Conseil cheese plant has now been completed, on time and within budget. At full capacity, this plant will be among the most efficient in the world in terms of cost per kilogram for treating organic matter. This plant, using anaerobic and aerobic fermentation processes, is now in operation. We



anticipate that we will soon be using the methane gas produced by this plant as a source of back-up fuel for our steam boilers. This will decrease the cost of operating our waste water purification plant.

At the Montréal-Nord plant, we conducted a time and motion study to determine labour costs at the different work stations. We also made an automization study of the ice cream freezing facilities to optimize production at peak periods.

Last July, the Board of Directors approved a plan to expand and modernize the refrigeration chambers and processing equipment at the Laiterie Léveillé Inc. plant, and this project is now well underway.

We are pleased to report that the AGROPUR Control and Research Centre is now in full operation, one year after its official opening. The principal research project now being carried out is a study of the coagulating agents used in cheese production.

On the technical level, we perfected a high temperature process for drying skim milk powder, resulting in a heat stable product. We also improved the quality of our whole milk powders, while continuing to devote considerable effort to control and inhibit spoilage by the use of bacteriophages.

On the whole, our manufacturing activities have been oriented towards our consolidation objectives and have contributed to lower operating costs.

Marketing

Our AGROPUR products are being made increasingly available to Canadian consumers. We are now distributing a wide range of products and investing the substantial amount of \$9,159,000 in advertising and promotion, in addition to our Canadian Dairy Bureau contribution.

A detailed examination of our principal products follows.

Sales of fluid milk and related products increased by 0.3% over 1981-1982, although the market for milk products as a whole dropped by 0.4% during the same period.

Sales volume for our ice creams and frozen specialties was up by 3% over the previous year.

Two new flavours of ice cream were introduced during the year: ITTI, with "smarties" candies, and Pina Colada. Three new frozen specialties are now on the market: Chippers sandwiches, Ju-sicle and Creamsicle frozen pops.

Profitable distribution goes hand in hand with efficient production. By combining fluid milk and ice cream delivery routes, we were able to reduce our distribution costs from the previous year's levels.

In the Industrial Milk sector, lower milk production on farms resulted in a 28% decrease in butter production and 24% in skim milk powder. Sales of evaporated milk for export showed a slight increase of 1.8%.

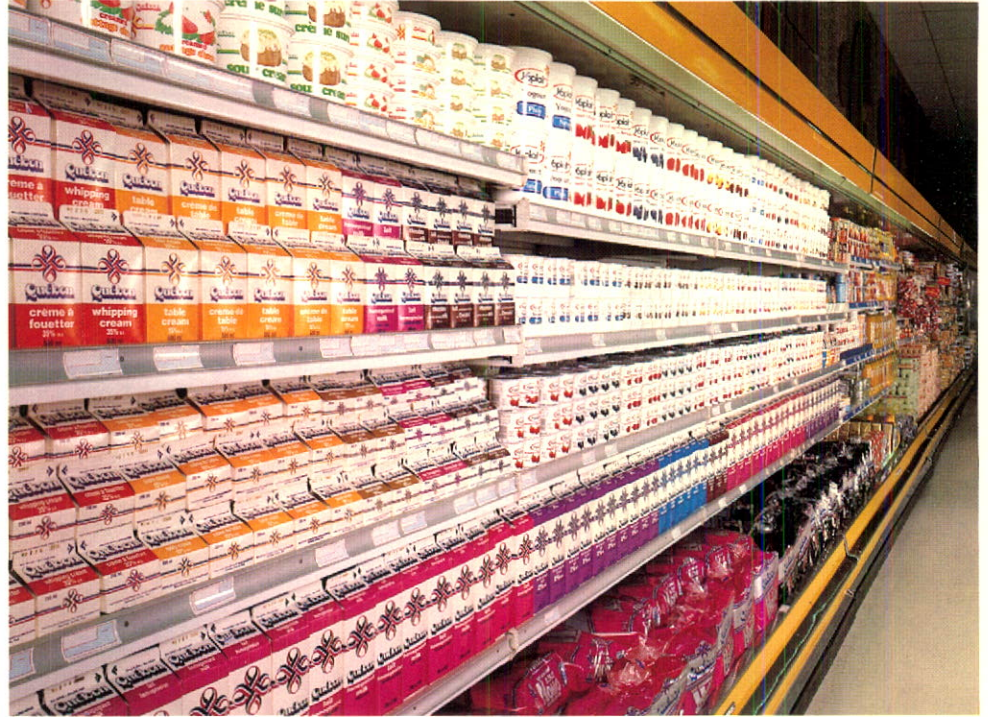
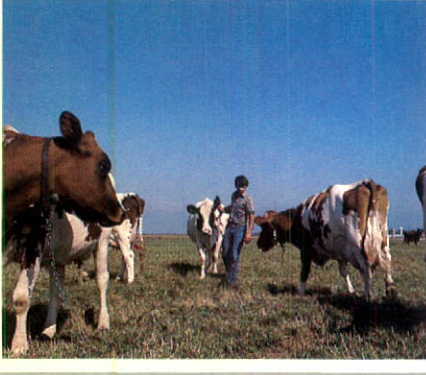
Total cheese production increased by about 8%, but output of fine cheeses remained at the previous year's levels. As planned previously, we completely reorganized our fine cheeses distribution procedure in order to serve the different points of sale more efficiently. We anticipate an appreciable increase in sales of these cheeses during the current year.

YOPLAIT became the number one seller during 1983, on the national level as well as in Québec. This success is attributable to the quality of our product and our dynamic marketing policy which has been spearheaded by such innovations as the "Relève Yoplait" programme.

The efforts made by the various Services of the Coopérative also contributed to a 26% increase in the volume of finished products shipped during the year. Finally, the increased use of AGROPUR transportation equipment for the supplies and materials we purchase also brought us substantial savings.

In another area, the expansion of our Longueuil warehouse ensured customers of better service and greater availability of our products. This will also facilitate the launching of new products under the Yoplait label.

Innovation and control are essential to achieve perfection in the quality of our products. As proof that this pays off, our Montréal-Nord plant won the Lys d'Or award for its vanilla ice cream for a record-breaking third year. The Laiterie Mont St-Bruno Inc. won second place for its ice cream; Laiterie Léveillé Inc. was awarded the Lys d'Or for fluid milk, with the Sherbrooke plant winning third place.



The quality of our products has brought us success in several other competitions, notably the Monde Sélection de Bruxelles, where we won five Gold Medals: one for Oka cheese, one for Vaudreuil Brie; one for Vaudreuil Camembert; and two for Crino evaporated milk. At this same competition the International Cup was also awarded to Crino evaporated milk, which has won a Gold Medal for the past five years in a row.

Farm Supply Division

Staff at the feed mills have done considerable work to improve feed texture and quality of the finished products. All our feeds are now manufactured according to the COOP formula, based on COOP micro-premix.

Stricter quality control standards have been applied for raw materials, manufacturing processes and finished products. As a result, feed sales volume increased by 7% during the last quarter of the year.

Fertilizer sales were 4% higher than in the previous year, and seed sales were also up by an appreciable amount.

Farm Machinery Service sales volume grew by 4%, aided by a healthier financial situation, along with new and highly qualified personnel. Inventories of machinery and parts were substantially reduced as a result of the year's aggressive sales efforts.

Farm Accessories Service sales volume was up by 19%, to provide another positive note.

The Livestock Service marketed 6% fewer hogs than in the previous year, but production was generally of excellent quality and suitability for processing into food products. Market conditions are still difficult and dependent on world demand, however, so the Service reported a negative result for the year.

Sales of veterinary drugs increased by 13%, a highly satisfactory performance, but it should be noted that this Service runs the risk of feeling the future negative effects of new provincial regulations now being studied.

Membership and employee relations

Numerous personal contacts between members and the Coopérative Advisors have allowed us to gather the basic data needed to develop a policy centred on cooperative solidarity. In addition, a 5-day farm youth training programme was set up, an activity which received special emphasis at the annual dairy cooperatives Congress.

The Communications Service was actively involved this past year in the revitalization of the Farm Supply Division. It prepared a survey, conducted by the Animators, to learn the needs of the members and whether they intended to obtain their supplies from their Coopérative by patronizing this Division. The Service also contributed to increased exchanges between participants in the cooperative movement.

Relations between management and employees were also improved, from the viewpoints both of work life quality and productivity.

The economic context impelled everyone to make an attentive study of the problems confronting us. The bonds between staff and management were certainly strengthened by this reflection, which has led to a greater participation in the Coopérative's life and activities.

I would like to call attention here to the Work Committees which were set up to give both sides the opportunity to become aware of the competitive stakes involved and to gather positive suggestions. These true quality circles respond to a need for motivation and commitment to our Coopérative on the part of everyone connected with it.

We renewed seven collective agreements, without any of the three Divisions concerned being affected by work stoppages. Furthermore, pay scales agreed to by all our personnel were in conformity with government guidelines and took market conditions into account.

We revised our group insurance plans to provide uniform and improved benefits, at lower cost, to more than 1,000 employees in various sectors.

In another area, a training programme was developed for some of our employees to acquaint them with new data processing and office automation techniques. This programme extends over three years and benefits from a federal government subsidy.

Finally, the Prevention, Health and Hygiene Service continues to look after the safety and wellbeing of our employees. This is an important task, since it touches on the human aspect of our Coopérative and helps us to avoid increased fringe benefit costs.

Conclusion

Summing up, in all our Services and all our workforce units, we are now witnessing a consolidation of our joint heritage: a financial, administrative, economic and human consolidation. The 1982-1983 balance sheet is yet another milestone in our Coopérative's long tradition.

The essential strength of AGROPUR is founded on the men and women who are part of it, on their solidarity and cooperation in the daily tasks. In this respect, we have known how to maintain our cohesiveness, vitality and attachment to the cooperative spirit.

If there is any need to justify the reasons for these sentiments, I can only express my great pride, gratitude and happiness for the opportunity to be part of management and work so closely with all of you.

I am also pleased to express my gratitude to your President and Board of Directors for their wise decisions and great devotion.

My thanks also go to my close associates and all AGROPUR personnel for their contributions and the professionalism they bring to their assignments each and every day.

May the year now underway be richly endowed with fulfilled hopes and accomplishments for each one of us and for our Coopérative! Congratulations, and thank you for your close attention to my report.



RAYNALD GIROUX, Agronomist
General Manager

The Social Audit

As a cooperative, the purpose of AGROPUR is to serve people. For the same reason, AGROPUR also has a significant social role on the Québec scene.

Serving its members

Although it has become an enterprise of major national scope, AGROPUR has remained faithful to the principles which have inspired it since its inception. To maintain its cooperative leadership in the agri-food industry, it works constantly to develop and improve its dairy products through the joint efforts of its farmer-members, administrators, researchers and employees. All benefit from it, individually and collectively.

Despite the difficult economic context of this past year, AGROPUR members were able to increase their average family incomes by almost \$5,000.

This added value is the result of their willingness to apply the three essential principles of the cooperative movement: participation in decision-making, financing and economic activity.

Members also provide themselves with complementary services to improve their quality of life. For example, 3,922 of them participate in the group life insurance plan administered by the Coopérative. Also, when fire strikes, members can call on a mobile emergency service to aid them, and benefit from special discounts to replace materials and possessions which have been lost in the fire. Last but not least, to encourage better technical training, the Coopérative provides financial support for Young Breeders' Clubs by giving an annual \$100 award to each of the 46 clubs which organize local exhibitions of dairy heifers.

Serving its employees

The AGROPUR social role also extends to employees and their families. In addition to the more than \$55 million it pays out annually in wages and various benefits, AGROPUR works constantly to guarantee the safety and welfare of its personnel. As one example, it facilitates their participation in sports and recreational activities in the communities where they work.

It also encourages its employees who wish to advance their academic standards: the Coopérative pays for part of their educational costs.

In another area, the establishment of Work Committees in the various plants and facilities is an integral part of this policy of participation in all aspects of cooperative life. This contributes effectively to an improved quality of life in the workplace and better productivity at all levels.

Serving the community

AGROPUR never loses sight of its role in serving the Québec community as a whole.

As an economic motor of primary importance, AGROPUR manifests a genuine concern for protecting the environment and conserving energy.

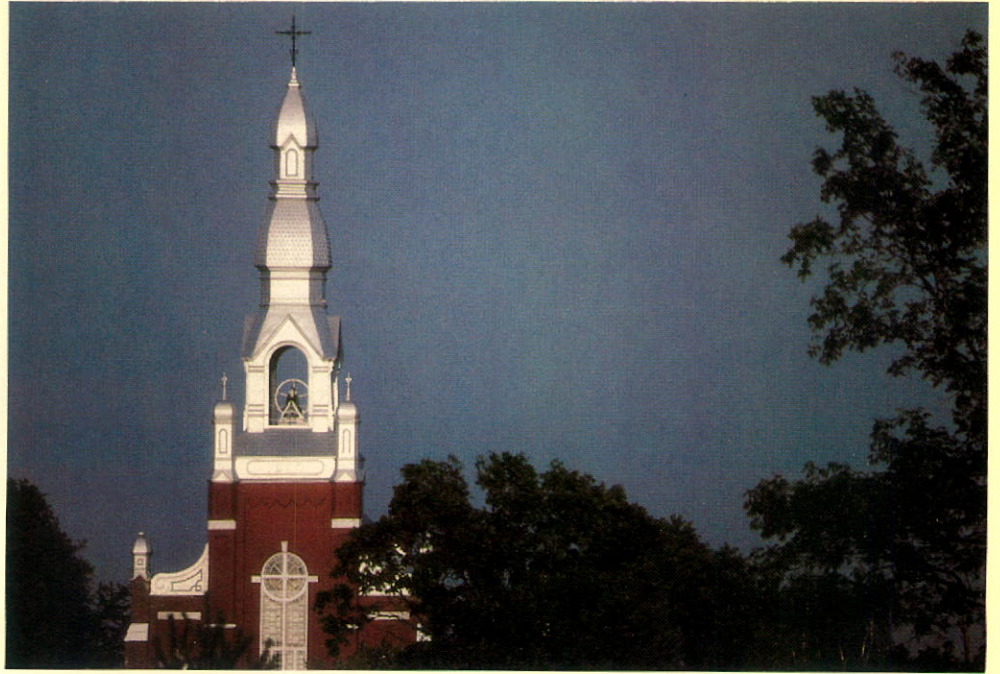
The Coopérative has invested millions of dollars in this sector during recent years, notably at Notre-Dame du Bon Conseil, where a waste water treatment plant was built at a cost of \$1.7 million. It is now in operation, producing methane gas for the energy needs of the cheese plant. A similar treatment plant is now being built at Oka.

At the community level, AGROPUR is directly involved in the organization of programmes such as "Jogging-Agropur" and "Relève-Yoplait" to encourage people of all ages to become more active and protect their health. To date, 450,000 school age children have been enrolled in the "Relève-Yoplait" programme.

AGROPUR also contributes to research funds and subsidizes various popular, cultural and artistic activities such as the Coaticook Milk Festival, the World Folkloric Festival at Drummondville and the Montreal Symphony Orchestra.

Constantly looking to the future, AGROPUR does not hesitate to invest in academic training. Once again last year, it awarded scholarships to students of merit at the agricultural technology institutes in La Pocatière, St-Hyacinthe and Laval University. It also provided financial support to IRECUS (Institut de Recherche et d'Enseignement pour les Coopératives de l'Université de Sherbrooke) and made a financial contribution to help the organizers of the Québec Youth Summit Meeting.

The Cerebral Palsy Association, Red Cross, Centraide, Canadian Cancer Society and Heart Foundation are among the organizations sharing in the substantial sums that AGROPUR devotes every year to numerous humanitarian causes.



Conclusion

This brief outline of the AGROPUR "Social Audit" provides a good indication of the cooperative solidarity which animates its membership and management.

Services to the community, concern for the environment, active educational support, a real sense of responsibility and equity: all demonstrate the willingness of the people of AGROPUR to maintain a solid presence in today's society.

As this society evolves, it is obvious that our social role must be adapted constantly to the changing scene. That is the challenge which those in charge are determined to master.

Board of Directors

Front row, left to right:

* G. Gaudet
* R. St-Cyr
* M. Lemire, *President*
* L. Michaud, *Vice-President*
* R. Beaudry

* Members of the Executive Committee

Middle row:

C. Favreau
J. Bellemare
H. Crochet
P.H. Leduc
P. Véronneau

Back row:

M. Bourgeault
R. Perrault
J.M. Robert
J.P. Guimond
R. Béliveau



Administrative Committee

Front row, left to right:

Reynald Charest, *Manager, Industrial Milk Division*
Jean Hupé, *Manager, Fluid Milk Division*
Raynald Giroux, *General Manager*
Claude Ménard, *Manager, Financial Services*

Back row:

André Gauthier, *Corporate Secretary*
Raoul A. Blouin, *Manager, Membership Relations*
Roger Bourgault, *Manager, Human Resources*
Guy Duguay, *Treasurer*
Pierre Gignac, *Manager, Farm Supply Division*

