

Fédérées

1958

LA COOPÉRATIVE FÉDÉRÉE DE QUÉBEC

Annual Report

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**ANNUAL
REPORT**

AS AT OCTOBER 31st

1958

LA COOPÉRATIVE FÉDÉRÉE DE QUÉBEC

1958

board of directors

ADÉLARD BELLEMARE, President

OMER DESLAURIERS, Vice-President

ROLAND BELCOURT
J.-EUGÈNE BELZILE
LÉONCE BELZILE
GEORGES CHÉNARD
SIMON FORTIN
ALBERT GINGRAS
JOSEPH GRENIER
JOSEPH LALIBERTÉ

GÉDÉON LAROCHE
LOUIS LAROCHELLE
P.-E. MALTAIS
DAMIEN MARTIN
JOSEPH MASSON
LUCIEN MICHON
HENRI MIREAULT
ANDRÉ POISSANT

GENERAL MANAGER
RAYNALD FERRON

ASSISTANT GENERAL MANAGER
ROMÉO MARTIN

ASSISTANT GENERAL MANAGER
J. ARTHUR COURTEAU

SECRETARY
LÉO FILION

TREASURER
HENRI BEAUREGARD

executive committee

ADÉLARD BELLEMARE, President

RAYNALD FERRON
JOSEPH LALIBERTÉ

OMER DESLAURIERS
ALBERT GINGRAS

SECRETARY
ROMÉO MARTIN

ASSISTANT SECRETARY
LÉO FILION

Only farmers, who are directors of member co-operatives, are eligible to act as directors.

Dear Members,

I HAVE THE HONOUR to submit to you the thirty-seventh annual report of La Coopérative Fédérée de Québec. It is a faithful picture of our efforts and it reflects the conditions of the Quebec agriculture.

The activities of your Central are carried in both farm products and farm supplies. Both sectors have shown progress. The amount of business, the highest so far achieved, or 95 million dollars, is due to higher production and increased needs in farm supplies. However, the increase in volume of our operations exceeds the total increase of both production of and purchases on the farms. This means that our cooperatives have become stronger and have worked with increased efficiency.

Last year, I invited you to assume a greater participation and responsibility in co-operative activities. The increase in the amount of business shows that you have responded to my invitation.

During 1958, the evolution under way has continued both on the farms and in the co-operatives. Statistics show that the number of farms decreases and their size increases while production increases. The same is true for co-operatives, which while being less numerous than last year, have transacted more business.

In the co-operatives, operations are getting more specialized just as well as on the farms in both domains of livestock and crops. To maintain his net income at a satisfactory level, the producer is compelled to increase his production and his cash income, since the cost of commodities and services are rising. Our co-operatives, which are in fact the extension of our farms, must adapt themselves to changing conditions; they must endeavour, within their own means, to master the new applications of the so-called mass production techniques, which lead to accelerated developments not always adjusted to the needs of the market. When I say this, I have especially in mind vertical integration.

While not desperate, the present situation creates, however, a certain amount of uneasiness among those who are concerned about the continuation, not necessarily of the so-called traditional agriculture, but of the farm enterprises owned, managed and operated by true farmers.

In the present circumstances, we must not lose sight of some important economic facts. The gross national product has remained last year at about the same level as that of the preceding year. Employment outside of agriculture is getting scarcer. The situation of our export markets for agricultural products does not show much improvement. Finally, the large organizations assume an ever greater importance in food distribution on the national market. This situation might bring about serious repercussions on the agriculture of the whole country.

In such a brief outline, it is evidently impossible to give a complete analysis of agriculture and of our activities. I wish, however, to underline the increased collaboration at the levels of agricultural technical services and farm and co-operative groups of the Province and of the Country. We are aware of the existing problems in agriculture and also of the necessity for a greater collaboration at all levels. Within our co-operatives, this collaboration means a more sustained and efficient action.

In the name of my fellow colleagues on the Board of Directors, the Executive Council, and in my own, I say to all Co-operators, to the officers and employees of the co-operatives, and to those of the Central, my sincere thanks. You have worked well.

May God Bless our discussions and our efforts.

The President,



Gentlemen,

The 1958 Crop Year, generally speaking, has been more favourable to farmers of our Province: farm cash income shows an appreciable increase over the preceding year. For the first nine months of the year, farm cash income exceeds by about ten per cent the results obtained during the same period in 1957. However, it must be mentioned that field crops have been of lower quality.

Prices for agricultural products have, on the whole, increased slightly. The volume of livestock and livestock products marketed which represents more than 80 per cent of farm cash income in this Province, has increased markedly. On the other hand, production costs have continued to rise. On the whole, the farm net income should exceed that of last year.

It is gratifying to observe that our total business has increased from 78 to 95 million dollars. This is a striking result which was derived chiefly from an increase in volume. There is no question that the amount of business transacted by the *Fédération* reflects the changes in economic conditions of the Quebec farms and, that it is due to its role, its importance and its close links with local co-operatives and farmers. However, our increase in volume is even more considerable than the increase in production throughout the Province. This is equivalent to saying that the Central and the affiliated co-operatives hold an ever more important place in the processing and marketing of farm products.

Your Central has erected on behalf of the producers of the Montreal area a modern packing house which is adequate for the needs of the farmers and of the market. This initiative long requested by the farmers of the district, was not without need. This region, as you know, contains the greatest concentration of livestock in the Province. This new establishment will allow us, in the years to come, to work in a more systematic way towards the developments in the marketing of agricultural products.

In the field of dairy products, we have co-ordinated and implemented the policies established on the occasion of our last Annual Meet-

ing. We have planned these policies in collaboration with all the groups interested and have taken into account the developments of dairy farms and of the market. Already, fruitful results from this collaboration are in evidence. A higher efficiency level in the co-operative sector of the dairy industry has been achieved.

Generally speaking, farm supplies services have increased their amount of business appreciably. The Feeds Service shows a considerable increase in volume, due to larger livestock numbers on the farms and to the efforts which we have devoted with a view to better acquaint farmers with the new problems of integration.

The Farm Machinery Service has continued its forward march. The demand for farm machinery has increased and the services have been improved at the Central and in the locals. A new activity has been added to the services of the Central: the distribution of petroleum products. The organization of this service was a must. Agriculture is becoming mechanized rapidly. Farms utilize greater quantities of petroleum products. With this activity, the *Fédération* adds another indispensable line to its farm supplies services.

Due to the expansion of the services of your Central, the offices and warehouses which it occupies presently have become insufficient and inadequate. To provide the locals more efficiently with farm supplies and to give your enterprise the facilities in accordance with its activities and its importance, your administrators have decided to centralize the warehouses and erect new headquarters. Construction started a few months ago and is coming along satisfactorily.

The year 1958 has been characterized not only by a more rapid expansion but also by a more intense collaboration. There is greater team-work than ever between the *Fédération* and the locals. The management agreement policy, now being applied throughout the country, has proven its utility to us. It tends to achieve a greater unity and uniformity of action in the implementation of general policies and contributes to the improvement of management methods in agricultural co-operatives.

At the provincial and national levels, the Fédérée has collaborated closely with the agricultural centrals and professional and government organizations. The Fédérée has given particular attention at these various levels, to the study of new agricultural policies of a permanent character and which have a long range bearing on the fundamental needs of the agricultural class.

To confront the developments of integration, it is necessary to intensify the collaboration between farmers and their locals on the one hand, and between the locals and the Central on the other hand. In this way, we will be in a better position to plan and execute together the policies designed to facilitate the needed adjustments and adaptations in agriculture, to protect the farmer and his farm enterprise and, at the same time, safeguard the true rural life.

The Fédérée recognizes the need for certain forms of integration which allow the farmer to retain ownership of his farm and which lead to a greater efficiency in farm operations. In other words, it aims to help farmers retain for themselves the operation and management of their farms while achieving at the same time the greatest possible degree of efficiency.

Integration is not a new formula for your locals and your Central. About two-thirds of the business of your Central are obtained from the marketing of farm products. It has given such an importance to the orientation and development of farm products that it is to-day in a better position than many other organizations to bring about integration for the benefit of farmers. Furthermore, it has saved no effort to supply farmers with all kinds of necessary farm supplies. The initiative taken recently in the field of petroleum products is another case in point.

During the year, we have started to apply in the agricultural co-operatives financing and production plans. These plans include as a component part production and feed contracts. These contracts only represent in fact more definite

applications of the services already available at the Central. It is important to underline that our production and feed contracts have been conceived in the best co-operative spirit and that they do respect the freedom of the individual and his right to ownership.

In the implementation of our new policies, we will continue to attach a great importance to integration problems. We will endeavour to foresee the long range repercussions of policies affecting our agriculture and this in view of obtaining an ever greater degree of efficiency.

Due to the increasing importance which we hold in the field of farm products, we will devote a larger part of our time to the development of markets and to the improvement of marketing methods. This work will be long and costly.

Nowadays, the governments play an important role in the agricultural economy. However, the action of the agricultural policies of governments cannot be complete without the active and enlightened participation of the most interested people concerned, the farmers. The farmers can settle, in a good measure, their production and marketing problems, if they fully utilize the facilities of their co-operatives which are, at the same time, service and economic enterprises. In the midst of the present problems and changes in agriculture, co-operatives remain the rational, permanent and indicated organizations to facilitate the adjustments and adaptations which must be carried out.

It has been a privilege for me during the year to have had the full co-operation of all: the Administrators, my colleagues on the Executive Council, my immediate collaborators and the employees of the Fédérée, and the directors, managers and employees of our member co-operatives. The expansion and organization programs which the Fédérée has carried out during the year have necessitated a very great effort from everyone.

To all, I wish to express my most sincere thanks.

The General Manager,

Raymond Henry

COOPÉRATIVE FÉ

FINANCIAL POSITION A

— ASSETS —

Current assets

Cash on hand and in banks	\$ 66,649	
Prepayment on consignments and on goods in transit	1,022,105	
Accounts and notes receivable	5,746,131	
(after deduction of doubtful accounts \$113,345)		
Merchandise	4,563,659	
Operating supplies	207,108	
Deferred items :		
Insurance, maintenance materials, taxes, etc.		
(cost allocable to future operations)	<u>181,268</u>	
		\$11,786,920

Investments

Shares and notes at cost		
Legrade Inc.		
Interprovincial Co-operatives Ltd.		
National Cooperatives Inc.		
United Co-operatives of Ontario	1,793,488	
Mortgage loans and deposits	<u>62,901</u>	1,856,389

Fixed assets

Land, buildings, machinery, equipment, rolling stock, etc.; initial cost	5,053,836	
Less : Amortization allocated to operations of 1958 and previous years	<u>2,363,413</u>	2,690,423

Discount on bonds issued

Unamortized balance		<u>32,205</u>
		<u>\$16,365,937</u>

D É R É E D E Q U É B E C

AT OCTOBER 31st 1958

— LIABILITIES —

Current liabilities

Bank credits on merchandise and other assets	\$ 4,264,228	
Other bank credits	1,464,322	
Notes payable	975,676	
Accounts payable	796,620	
Accrued interest	133,867	
Miscellaneous deposits	81,912	
Other current liabilities	13,195	
	<hr/>	
		\$ 7,729,820

Long term debts

Bonds,		
3½% to 4½%, maturing from 1959 to 1966 incl.	1,305,800	
Patronage refunds,		
4% to 5%, maturing from 1959 to 1968 incl.	1,749,173	
Notes,		
3½% to 5¼%, maturing from 1959 to 1966 incl.	1,239,588	
Mortgage loan,		
4%, maturing from 1959 to 1967	102,655	
	<hr/>	
		4,397,216

\$12,127,036

CAPITAL AND SURPLUS

Capital stock

Paid up :		
Common shares — (\$10)	\$ 25,060	
Common shares — affiliation (\$25)	529,721	
Common shares — class "B" (\$25)	944,657	
	<hr/>	
		1,499,438

Surplus

Reserves	1,973,123	
Net earnings — year 1957-58	766,340	
(before patronage refunds and income tax)	<hr/>	
		2,739,463

4,238,901

\$16,365,937

SURPLUS AS AT OCTOBER 31st 1958

Balance as at November 1st, 1957		\$ 2,761,675
Deduct :		
Income tax for year 1957	\$ 62,690	
Patronage refunds on operations of 1957	<u>771,333</u>	<u>834,023</u>
		1,927,652
Add :		
Profit on conversion of investments	49	
Profit on disposal of fixed assets	9,757	
Profit on disposal of part of the fixed assets acquired during the year 1958 at Joliette	<u>35,665</u>	<u>45,471</u>
		1,973,123
NET EARNINGS for year 1957-58		<u>766,340</u>
(before patronage refunds and income tax)		<u><u>\$ 2,739,463</u></u>

AUDITOR'S REPORT

To the President and Shareholders of
La Coopérative Fédérée de Québec.

We have examined the consolidated Balance Sheet of La Coopérative Fédérée de Québec and of two of its wholly owned subsidiaries (Dominion Elevator Limited and Canadian Livestock Co-operative of Quebec Limited) as at October 31st 1958, and the Statement of Earnings and Surplus for the year ended on that date.

La Coopérative Fédérée de Québec also holds the whole of the capital stock of Legrade Inc. This capital stock is shown at cost under the heading of Investments.

La Coopérative Fédérée de Québec has guaranteed the repayment of capital and interest on the \$1,750,000.00 outstanding bonds of Legrade Inc., together with the bank loan obtained by this affiliated company to the extent of \$750,000.00. La Coopérative Fédérée de Québec — which owns in equal share with the Coopérative Agricole de Granby the whole of the outstanding capital of La Compagnie Immobilière Viger Ltée — has also guaranteed, jointly with the Coopérative Agricole de Granby, the repayment of a \$100,000.00 loan obtained by La Compagnie Immobilière Viger Ltée from the Caisse Populaire Régionale de Joliette.

We have obtained all the required information and explanations.

We have not made a detailed audit of all the transactions but we have verified, by means of such tests as we considered necessary in the circumstances, the accounting procedure and records.

In our opinion, the attached Balance Sheet of La Coopérative Fédérée de Québec, as at October 31st 1958, together with the statement of Earnings for the year ended on that date, are drawn up so as to exhibit a true and correct view of the state of the affairs of the Society, as at October 31st, 1958 and the results of its operations for the year ended on that date, according to the explanations and information submitted and as shown by the books of La Coopérative Fédérée de Québec.

PELLETIER, GRAVEL, DESLIERRES,

Montreal, January 19th, 1959.

Chartered Accountants.

CAPITAL, SURPLUS, NET EARNINGS AND PATRONAGE REFUNDS FOR THE LAST 20 YEARS

Financial Year	Capital	Surplus	Capital and Surplus	Net earnings before Patronage refunds and Income Tax	Patronage refunds to affiliated co-ops
1939	\$ 256,970	\$ 339,503	\$ 596,473	\$129,806	\$ 48,010
1940	229,239	395,622	624,861	115,787	60,403
1941	229,946	447,169	677,115	121,416	78,913
1942	238,883	474,531	713,414	115,293	97,841
1943	255,906	748,759	1,004,665	373,437	272,121
1944	279,499	801,641	1,081,140	369,766	282,342
1945	183,860	889,376	1,073,236	348,667	287,309
1946	202,409	876,549	1,078,952	271,198	205,830
1947	223,927	1,196,715	1,420,642	495,030	393,743
1948	248,053	832,296	1,080,349	88,227	46,761
1949	258,962	1,101,936	1,360,898	242,008	204,306
1950	276,863	1,319,961	1,596,824	230,612	180,687
1951	307,815	1,667,341	1,975,156	468,538	382,171
1952	437,940	1,726,254	2,164,194	481,808	393,808
*1953	570,227	1,731,944	2,302,171	322,484	246,342
1954	646,888	2,120,380	2,767,268	496,978	398,131
1955	888,661	2,291,545	3,180,206	**713,265	492,453
1956	1,049,861	2,528,490	3,578,351	**813,486	578,859
1957	1,237,145	2,761,675	3,998,820	**969,180	771,333
1958	1,499,438	2,739,463	4,238,901	**822,730	***

* Ten months of operation.

** Including Legrade Inc.

*** Patronage refunds will be determined at the occasion of the Annual Meeting.

THE QUEBEC AGRICULTURAL CO-OPERATIVES

Their features - Their future

FEATURES

Our agricultural co-operatives are, on the whole, closely related to our agriculture. By their very nature and their activities, they are truly the extension of the farm enterprises.

They are the property of farmers just as well as the Quebec farms.

They are essentially agricultural in the sense that they practically do not engage in the field of consumption.

They carry out numerous and complex activities: production, processing, grading, storage, packaging, crop protection, marketing, buying and selling.

They deal principally with the processing of dairy products, consignment of livestock and poultry, preparation of complete feeds, distribution of farm machinery . . . etc. We also find specialized co-operatives, such as canning plants, tobacco co-operatives, poultry killing plants, hatcheries . . . etc.

Legally, most of them are governed by a specially designed Act.

Their volume of business reflects usually the conditions and the revenues of the farms which they serve.

EVOLUTION

During the last ten years (1948-57), they have undergone a rapid and deep-rooted transformation, similar to that of Quebec Agriculture.

ONE society out of FIVE has disappeared, by merging with a neighbouring co-operative, which was better organized to serve the farmers of the district more efficiently. Out of 646 in existence in 1948, only 513 remained in 1957.

The number of members has increased even though the number of farmers has decreased from 140,000 to 120,000. A significant increase in the number of members per co-operative is evident. At least one farmer out of two in the Province is a member of an agricultural co-operative.

The agricultural co-operatives have increased their volume markedly. In 1948, only 36 co-operatives had a volume of business exceeding 500,000 dollars. In 1957, there were 68, although the number of co-operatives had decreased. For the co-operatives, taken together, we find an increase in volume of nearly one third (after adjusting the volume of business to remove the influence of prices). This increase is especially marked in the case of farm products.

The net worth of the co-operatives (credited dividends excluded) represented 45 p. 100 of the assets in 1948 and 51 p. 100 in 1957.

FEWER CO-OPERATIVES . . . MORE MEMBERS AND A BIGGER VOLUME PER CO-OPERATIVE . . .*

Year	Number of Co-operatives	Number of members per Co-operative	Amount of business per Co-operative **	
			Actual Dollars	1957 Dollars
1948	645	103	\$161,100	\$189,500
1951	600	115	200,400	189,700
1954	557	121	220,800	231,400
1957	513	135	293,800	293,800

CONDITIONS OF IMPROVEMENT

Confronted by rapid changes in agriculture, and aiming to better serve farmers and the general public, and continuing their upwards trend, co-operatives must pay greater attention than ever to the following points:

Become larger and stronger. This means that the trend of merging smaller co-operatives with stronger organizations must be accelerated. The large co-operative organizations can better adapt themselves to changing market conditions. Many co-operatives own production and distribution facilities not fully utilized.

Increase the number of services, continue to improve them and to adapt them to the present and future conditions.

Intensify co-operative education while insisting on recruitment, extension methods, and public relations.

Endeavour to improve administrative techniques and the financial situation, that is, tend towards a more efficient use of personnel, machinery, capital, and buildings.

Make a greater use of the proven results of economic and technical research.

Work in close collaboration with producers in securing them credit facilities.

Advise farmers on changes which take place in the agricultural economy.

Collaborate closely among themselves by a fuller use of the services of the Central so as to improve planning and implementation of policies designed to make their activities more efficient and, consequently, insure better services to the farmers and the general public.

* Data adapted from the annual reports of the Rural Economy Service of the Provincial Department of Agriculture.

** The amount of business in actual dollars represents the total of the sales as given for the years 1948, 1951, 1954 and 1957. The amount of business in 1957 dollars represents the yearly sales expressed in dollars having the same purchasing power as in 1957.

OUR SALES FOR THE LAST 20 YEARS

<u>Year</u>	<u>Farm Supplies</u>		<u>Livestock and Meats</u>		<u>Dairy Products and other Farm Products</u>		<u>TOTAL SALES</u>
	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>	<u>Amount</u>	<u>Percentage</u>	
1939	4,000,000	34%	3,200,000	27%	4,700,000	39%	11,900,000
1940	4,800,000	34%	4,000,000	28%	5,200,000	38%	14,000,000
1941	5,100,000	29%	4,700,000	26%	7,900,000	45%	17,700,000
1942	5,700,000	27%	4,900,000	22%	11,300,000	51%	21,900,000
1943	10,100,000	33%	6,300,000	21%	14,000,000	46%	30,400,000
1944	12,500,000	32%	9,300,000	24%	16,700,000	44%	38,500,000
1945	12,400,000	31%	8,400,000	22%	18,300,000	47%	39,100,000
1946	12,100,000	33%	9,300,000	25%	15,600,000	42%	37,000,000
1947	12,900,000	31%	11,400,000	27%	17,500,000	42%	41,800,000
1948	14,000,000	30%	15,100,000	32%	18,300,000	38%	47,400,000
1949	16,000,000	31%	15,200,000	29%	20,600,000	40%	51,800,000
1950	17,500,000	33%	19,000,000	36%	16,800,000	31%	53,300,000
1951	19,600,000	32%	22,500,000	37%	18,300,000	31%	60,400,000
1952	19,100,000	33%	18,800,000	33%	19,500,000	34%	57,400,000
*1953	15,900,000	34%	12,500,000	28%	17,700,000	38%	46,100,000
1954	21,100,000	35%	15,400,000	26%	23,600,000	39%	60,100,000
**1955	24,200,000	32%	26,200,000	36%	23,800,000	32%	74,200,000
**1956	28,000,000	35%	26,900,000	33%	26,300,000	32%	81,200,000
**1957	27,200,000	35%	27,100,000	35%	23,700,000	30%	78,000,000
**1958	31,200,000	33%	32,300,000	34%	31,600,000	33%	95,100,000

* Ten months of operation only.

** Including Legrade Inc.

