



1962

ANNUAL  
REPORT

**COOPÉRATIVE FÉDÉRÉE DE QUÉBEC**

1962

*board of directors*

ADÉLARD BELLEMARE, president

ALBERT GINGRAS, vice-president

ROLAND BELCOURT  
J.-EUGÈNE BELZILE  
LÉONCE BELZILE  
GEORGES CHÉNARD  
OMER DESLAURIERS  
ARMAND DUBOIS  
SIMON FORTIN  
LOUIS-PHILIPPE GRONDIN

JOSEPH LALIBERTÉ  
LOUIS LAROCHELLE  
PAUL-ÉMILE MALTAIS  
JEAN-PAUL DINEL  
ROLAND PIGEON  
HENRI MIREAULT  
ANDRÉ POISSANT  
JULES ST-GERMAIN

ADMINISTRATOR  
J-ARTHUR COURTEAU

ASSISTANT ADMINISTRATOR  
GEORGES-ÉTIENNE TURCOTTE

GENERAL MANAGER, TREASURER  
HENRI BEAUREGARD

SECRETARY  
UBALD LAMONTAGNE

ASSISTANT SECRETARY  
ROGER PERREAULT

*executive committee*

ADÉLARD BELLEMARE, president

ROLAND PIGEON  
LOUIS LAROCHELLE

OMER DESLAURIERS  
ALBERT GINGRAS

SECRETARY  
UBALD LAMONTAGNE

ASSISTANT SECRETARY  
GEORGES-ÉTIENNE TURCOTTE

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

## Dear Members,

I have the honour of presenting to you the forty-first annual report of "La Coopérative Fédérée de Québec".

In submitting this report, I cannot do so without first referring to Senator Henri C. Bois, who died last July. Senator Bois was an outstanding figure in the realm of farming, in the agricultural profession, and in farm cooperatives.

Farm cash income in Quebec Province for 1962 should exceed that of the previous year, particularly because of a larger hog production, and because of improved hog prices. Despite higher cost prices, there should also be an increase in farm net income.

On the whole, the farm sector continues to progress. The economic growth of Quebec farming, however, has not kept pace with that of other sectors of the economy. Moreover, economic conditions on farms remain very unequal from one area to another and within the same area.

Within the context of the general economy, Quebec agriculture is experiencing some difficulty, however. The same comment can be applied to the farm co-operative movement, since it represents an important segment of our agriculture.

The cost of production is increasing while farm prices are either dropping or stabilizing. We are seeking to increase the volume of output and, to this end, we are engaging in greater mechanization. Capitalization is increasing, credit charges are rising, and sometimes, we seriously jeopardize the future.

The expansion of co-operative enterprises also gives rise to unforeseen problems, and it happens that, as a result of rapid growth, we must invest heavily. The result is often translated into a freeze of an important part of the funds and into financial inconvenience that accompanies such a situation. The Fédérée has experienced this crisis of growth in recent years, and during its last fiscal period, it has had to revise its orientation in a basic manner. I must point out this was the first time in 30 years that your Federation has experienced a reorganization of any importance.

Your directors have rethought the general policies of the enterprise with a view to obtaining better returns on investments, buildings, machinery and personnel, and thus assure maximum economic advantages to affiliated co-operatives and farmers.

No effort was spared in uncovering the most favorable sources of supply in what concern farm supplies and better outlets for farm products. While not losing sight of the co-operative nature of the enterprise, they have given to their activities a thoroughly commercial approach.

I want to point out that the reorganization task called for the active participation of your Board of Directors and your Executive. Thanks to untiring contacts with officials at the Central, we have all been able to follow closely the progress of financial, commercial and economic operations of the enterprise, develop and implement corrective policies. We ask you to take note that we have continued to coordinate a number of functions between the Fédérée and your Legrade subsidiary.

The amount of business done by your Central was maintained thanks to the support of affiliated co-operatives and the beneficial effects of the new policies. The deficit for the fiscal year is, indeed, the highest in our history. You will be pleased to learn, however, that the economic and financial situation of the Fédérée has straightened out at a lively pace since last May, and that the liquidity of the enterprise, as our general manager will point out to you, has greatly improved.

The work of consolidating operations and services continues. The farmers of the Province can count on one of the most up-to-date mills in the country, its automated feed mill in St. Henri. We plan also to place greater emphasis on expert policies at the local co-operative level and to have recourse to the best proven administrative methods.

Your Federation has collaborated intimately during the year with farm associations and the Provincial Department of Agriculture within the Committee set for the development of farm policies. As you recall, on the occasion of your 1962 annual meeting, you expressed a wish that such a committee be established.

The leaders of the UCC and the Fédérée are working closely together. Both organizations have common objectives: They are trying to improve the lot of the farmer. This collaboration should intensify in the future, all the more since the numerical and political importance of the farmers in the province is lessening within the framework of the Quebec economy.

In collaboration with the UCC, the Fédérée submitted a brief to the Provincial Department of Agriculture on the feed situation, hog, cattle, lamb

and sheep. It has also taken active part in the Eastern Farm Conference, and in a press conference with the UCC on Quebec's main farm problems.

For financial reasons, we have had to curtail our personnel during the past year. The Board of Directors wishes to draw attention to the services that many of them have rendered to the farm co-operative movement.

In the name of the Board of Directors, I wish to express my thanks for the outstanding efforts that have made our employees during the year.

Fellow members, the Fédérée will increase its efforts with a view to providing affiliated co-operatives with the best services at the lowest cost

possible. We are on the right road. You can have faith in the future.

May Providence bless our deliberations and continue to grant us aid.

The President,



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*Gentlemen,*

**9** In 1962, your Co-operative experienced a reorganization that had been pending for a long time. In fact, it was the first fundamental reorganization of the Fédérée for more than 30 years. Caused by a financial crisis that was felt sharply toward the beginning of March, it was deemed necessary to consider all levels of the organization: financial structure, top level management, administrative framework, commercial departments. The enterprise at all levels experienced and continues to experience the repercussions of the corrective measures that had to be applied.

Since their appointment, the administrator and the general manager have insisted that close attention be given to the real situation of the enterprise that had just been placed in their charge. A financial report consolidating all the subsidiaries, as of last May 11, disclosed the true picture.

Immediately, everything was done to stop the rapid outflow of resources still available, and to increase revenues.

As a means of conserving resources, the following measures were taken:

- 1) Abolition of purely administrative departments considered superfluous in the circumstances.
- 2) Merger of administrative departments considered indispensable to the efficient operation of the enterprise.
- 3) A more efficient utilization of buildings and equipment found to be non-productive.

Simultaneously, to increase revenue, we had recourse to the following measures:

- 1) Talks were entered into with certain suppliers to obtain better conditions.
- 2) A study was made of market outlets for our affiliated co-operatives.
- 3) Research was made on new marketing channels.

While awaiting for these new measures to bear fruit, we had to maintain the confidence of our purveyors of funds and suppliers, and at the same time lift the morale of employees, who, altogether, were facing a difficult situation.

Methods used during the reorganization period might have appeared radical in certain circles, and in the eyes of some observers who were not fully acquainted with the true situation. All can be assured, however, that the measures taken on this occasion were applied with the greatest care, keeping in mind the circumstances as well as the urgency of the situation and the efficient operation of the enterprise.

We were at all times convinced the Fédérée had at its disposal everything needed to emerge from the crisis through which it was passing.

Thus, as you may see for yourself in reading the comparative statements that have been submitted, our confidence in the recuperative powers of the Federation has been justified.

At the request so often repeated by our members at the annual meeting, we thought fit this year to give you a report on all activities of the Fédérée, including its most important subsidiaries, such as Legrade Inc., and Eastern Abattoirs Ltd. This is how we shall proceed from now.

In the present financial statements, you will notice a true picture of available assets from which have been eliminated all elements not easily realizable. In working towards a healthy liquidity, we came to the end of the fiscal year, bringing up to date all our current and contractual debts.

Although considerably reduced in comparison to the same period last year, the working capital presents the advantage of being more easily realizable on short notice and enables us to evaluate with assurance the immediate future, that is to say, until the resumption of business next Spring brings in fresh funds.

I must point out — and many of you have noticed it — that the additional discounts obtained in 1962 from some of our suppliers have been remitted in great proportion to the locals, and that for the purpose of enabling our affiliated cooperatives to face the normal competition of the market.

Despite the optimism that operations in recent months have given us cause to expect, the rebuilding of the working capital to a reasonably certain level cannot be completed, in our opinion, before two or three years. This situation will be attained only by putting on a contributory basis all those who have at heart the success of the enterprise, employees at all levels and co-operatives whose work and loyalty will be put to the test.

Now that the financial position of the enterprise is on the road to improvement, we are about to launch a plan to further increase revenue, while taking necessary caution to avoid any premature steps that would be done without planning. Past experience has shown that the addition of new activities without a previous study of market conditions and without serious planning, very often risks degenerating into disastrous adventures, the consequences of which are inevitably felt by the members.

The re-organization now in progress is not yet nearly completed. It will continue and the controls already installed should be maintained and even increased in certain departments and establishments.

At the Fédérée, which is a co-operative of co-operatives, there should be one over-riding objective. While being inspired by co-operative principles, we should do everything to obtain for the benefit of the farmer, the highest competitive prices we can get for his products, and on the other hand, to provide him for his work with the best merchandise at the lowest price possible. The co-operators have a right to expect this treatment from their locals, and from their Central. Moreover, this is the main purpose for which these organizations were built and decided to follow the best economic movement — that of co-operation.

Directors of the Fédérée should be congratulated for having chosen an administrator and an assistant administrator on whose services they can count for the welfare of the enterprise. For this, I am very grateful to them.

Mr. J. A. Courteau and his colleagues will have occasion to make known to you, during the meeting, the reorientation and the new developments of the administrative and commercial departments that we foresee for this year. Once again, I can assure you that in our operations emphasis will be placed on serious studies of planning.

My thanks are also extended to the co-operators, to the managers of affiliated co-operatives and to the whole personnel of the Central who, throughout the difficult period we have gone through, have always given me their confidence and loyalty, thus helping with the task confided in me.

The General Manager,



# COOPÉRATIVE FÉDÉRÉE DE QUÉBEC

CONSOLIDATED

## — ASSETS —

	October 31 <u>1962</u>	May 11 <u>1962</u>
<b><i>Current Assets</i></b>		
Cash on hand and in bank . . . . .	\$ 327,887.29	\$ 872,602.04
Accounts and notes receivable (doubtful accounts deducted, Note 2) . . . . .	7,830,037.80	12,824,150.34
Federal Income tax recoverable . . . . .	132,309.28	121,211.91
Inventories (note 3) . . . . .	7,975,132.67	7,716,327.45
Deferred charges . . . . .	<u>388,036.90</u>	<u>548,361.22</u>
	<u>16,653,403.94</u>	<u>22,082,652.96</u>
 <b><i>Investments</i></b>		
Shares, bonds, notes and deposits . . . . .	389,942.41	482,847.49
Mortgages receivable . . . . .	<u>387,680.74</u>	<u>173,378.00</u>
	<u>777,623.15</u>	<u>656,225.49</u>
 <b><i>Fixed Assets</i></b> (note 4)		
Lands, buildings, machinery, equipment, rolling stock, at cost . . . . .	11,726,447.53	11,541,756.44
Less: Accumulated depreciation . . . . .	<u>5,117,852.72</u>	<u>4,881,176.27</u>
	<u>6,608,594.81</u>	<u>6,660,580.17</u>
 <b><i>Other Assets</i></b>		
Goodwill . . . . .	1.00	1.00
Discount on bonds (unamortized balance) . . . . .	211,304.76	218,550.90
Excess of cost over book value of net assets of subsidiary companies at the date of acquisition . . . . .	<u>2,144,092.11</u>	<u>2,087,587.47</u>
	<u>2,355,397.87</u>	<u>2,306,139.37</u>
	<u>\$26,395,019.77</u>	<u>\$31,705,597.99</u>

# EC AND SUBSIDIARY COMPANIES

## BALANCE SHEET

### — LIABILITIES —

	October 31 <u>1962</u>	May 11 <u>1962</u>
<b><i>Current Liabilities</i></b>		
Bank loans .....	\$ 7,899,310.11	\$10,378,802.37
Accounts and notes payable .....	6,862,433.47	10,727,134.11
Miscellaneous deposits .....	279,926.12	279,926.12
Accrued and other current liabilities .....	372,560.27	180,622.31
	<u>15,414,229.97</u>	<u>21,566,484.91</u>
<b><i>Long Term Debts</i></b>		
Bonds:		
Coopérative Fédérée de Québec		
1st mortgage — 4% — 1963/1966 .....	452,000.00	521,000.00
General Mortgage sinking fund		
5¾% — 1969 .....	1,900,000.00	2,000,000.00
1st mortgage serials and sinking fund —		
5½%, 5¾%, 6% — 1963/1971 .....	1,500,000.00	1,600,000.00
Legrade Inc.		
1st mortgage, serials and sinking fund —		
4%, 4½%, 5%, 5½% — 1963/1972 .....	1,459,000.00	1,459,000.00
	<u>5,311,000.00</u>	<u>5,580,000.00</u>
Patronage refunds — 5% — 1963/1969 .....	1,073,283.93	1,078,935.59
Term notes — 3½% — 5¼% — 1963/1970 .....	1,139,306.73	1,218,120.49
Mortgage loan — 4% — 1962/1967 .....	70,832.99	74,607.16
	<u>7,594,423.65</u>	<u>7,951,663.24</u>

### SHAREHOLDERS' EQUITY

<b><i>Capital stock</i></b>		
Common shares .....	1,934,595.00	1,933,537.44
Preferred shares .....	1,218,030.00	1,218,465.17
	<u>3,152,625.00</u>	<u>3,152,002.61</u>
SURPLUS or (Deficit) .....	233,741.15	(964,552.77)
	<u>3,386,366.15</u>	<u>2,187,449.84</u>
	<u>\$26,395,019.77</u>	<u>\$31,705,597.99</u>

See the explanatory notes (1 to 5) herewith which are an integral part of the above consolidated balance sheet.  
Verified and certified according to our report.

BOULANGER, FORTIER, RONDEAU & CIE, C.A.

PELLETIER, GRAVEL, DESLIERRES, C.A.

Montreal, January 21, 1963.

## AUDITORS' REPORT

To the Shareholders of

Coopérative Fédérée de Québec

We have examined the consolidated balance sheet of Coopérative Fédérée de Québec and its wholly owned subsidiaries as at October 31, 1962, and the consolidated statements of operations and surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such test of the accounting records and other supporting evidence as we considered necessary in the circumstances.

The consolidated statements are based on the audited reports as certified by the respective auditors of the different companies.

In our opinion, the accompanying consolidated balance sheet and statements of operations and surplus present fairly the financial position of Coopérative Fédérée de Québec and its subsidiaries as at October 31, 1962, and the consolidated result of their operations for the year ended on that date, as shown by the books and accounting records and in accordance with generally accepted accounting principles.

BOULANGER, FORTIER, RONDEAU & CIE, C.A.,

PELLETIER, GRAVEL, DESLIERRES, C.A.

Montreal, January 21, 1963.



## COOPÉRATIVE FÉDÉRÉE DE QUÉBEC AND SUBSIDIARY COMPANIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT OCTOBER 31, 1962

Note 1 — **Basis of Consolidation** — The accompanying consolidated balance sheet as at October 31, 1962, includes the accounts of the two subsidiaries, Legrade Inc. and Eastern Abattoirs Limited which were not previously consolidated. However, the books and accounts of these two subsidiaries, with those of Canadian Livestock Co-operative of Quebec Limited were closed as at October 27, 1962.

The figures of the following enterprises are consolidated in the accompanying statements:

Canadian Livestock Co-operative of Quebec Limited

Coopérative Fédérée de Québec

Eastern Abattoirs Limited

Fédérée Elevators Limited

Legrade Inc.

Mont-Joli Products Ltd

Note 2 — The provision for doubtful accounts deducted from the accounts and notes receivable, as at October 31, 1962, amounted to \$1,043,093.09.

Note 3 — **Valuation of Inventories** — The inventories of merchandise are valued at the lower of cost or market value. During the present fiscal year, the adjustments in the valuation of the inventories to bring them to the market value, brought a net operating charge of \$419,406.87.

Note 4 — **Fixed Assets** — The depreciation of fixed assets has been determined on the residual value in all the companies, except for Legrade Inc., where the straight line method is used, based on the residual value as at October 26, 1957, plus subsequent additions at cost. However, Legrade Inc. has always claimed the total depreciation for income tax purposes, and as a result the book value of the fixed assets exceeds by \$479,152.10 the net value for income tax purposes; consequently, the total taxes otherwise payable in future years could be increased, should the provision for depreciation entered in the books be higher than that for income tax purposes.

Note 5 — **Commitments** — Coopérative Fédérée de Québec has signed two long term leases with The Greater Montreal Central Market Co. Ltd, one for a period of 30 years beginning May 1st, 1960 with minimum annual rentals of \$172,200.00, the other for a period of 15 years, beginning December 1st, 1962, with annual rentals of \$31,000.00.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT MAY 11, 1962

The consolidated statements as at May 11, 1962, were prepared by Coopérative Fédérée Officials and are based on the financial statements as at the same date, as certified by the respective auditors of each company. Figures and accounts of Mont-Joli Products Ltd are not consolidated.

**COOPÉRATIVE FÉDÉRÉE DE QUÉBEC AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF OPERATIONS**

	From November 1, 1961 to October 31, 1962	From November 1, 1961 to May 11, 1962
Revenues . . . . .	<u>\$ 115,511,835.21</u>	<u>\$ 55,131,098.46</u>
Cost of merchandise sold and operating expenses . . . . .	109,361,388.48	52,843,934.62
Selling and administrative expenses . . . . .	6,137,192.98	3,599,001.05
Depreciation . . . . .	<u>558,262.53</u>	<u>244,772.17</u>
	<u>116,056,843.99</u>	<u>56,687,707.84</u>
Loss before the following provisions . . . . .	<u>545,008.78</u>	<u>1,556,609.38</u>
Provisions:		
For depreciation of inventories . . . . .	419,406.87	503,440.53
For doubtful receivables . . . . .	<u>783,372.12</u>	<u>841,704.53</u>
	<u>1,202,778.99</u>	<u>1,345,145.06</u>
Net loss carried forward to surplus account . . . . .	<u><u>1,747,787.77</u></u>	<u><u>2,901,754.44</u></u>

**STATEMENT OF CONSOLIDATED SURPLUS**

Balance, as at October 31st, 1961 . . . . .	<u>\$ 2,377,477.90</u>	<u>\$ 2,377,477.90</u>
<b>Deduct:</b>		
Reduction since date of purchase in surplus of subsidiary companies which were not consolidated . . .	120,296.10	120,296.10
Adjustment of income tax in respect of prior years . . . . .	59,498.78	67,459.81
Adjustments applicable to previous year . . . . .	243,898.30	229,364.20
Net loss for the period . . . . .	<u>1,747,787.77</u>	<u>2,901,754.44</u>
	<u>2,171,480.95</u>	<u>3,318,874.55</u>
	<u>205,996.95</u>	<u>(941,396.65)</u>
<b>Add:</b>		
Profit (or loss) on disposal of fixed assets . . . . .	26,869.20	(23,156.12)
Profit on purchase of bonds for sinking fund purposes . . . . .	875.00	
	<u>27,744.20</u>	<u>(23,156.12)</u>
Debit balance, as at May 11, 1962 . . . . .		<u>(964,552.77)</u>
Credit balance, as at October 31, 1962 . . . . .	<u><u>233,741.15</u></u>	



*Fédérée*