

Fédérée

1963

ANNUAL
REPORT

COOPÉRATIVE FÉDÉRÉE DE QUÉBEC

1963

board of directors

ALBERT GINGRAS, president

LOUIS LAROCHELLE, vice-president

ROLAND BELCOURT
ADÉLARD BELLEMARE
J.-EUGÈNE BELZILE
LÉONCE BELZILE
GEORGES CHÉNARD
ISIDORE MARTIN
ARMAND DUBOIS
SIMON FORTIN

LOUIS-PHILIPPE GRONDIN
JOSEPH LALIBERTÉ
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

ALBERT GINGRAS, president

ROLAND PIGEON
LOUIS LAROCHELLE

JULES ST-GERMAIN
HENRI MIREAULT

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,

9 am pleased to submit the 42nd annual report of the Cooperative Fédérée de Québec.

This report reflects the first result of concerted efforts by the management, the administration and the personnel of your Central in resolving the serious difficulties of which you are aware. But this work would not have produced good results so quickly had it not been for the collaboration of a large number of farm co-operators and affiliated groups. The spirit of decision and teamwork of some, the loyalty of others, have enabled us, we believe, to overcome the worst of our tribulations and head resolutely toward new progress.

During the last term, we carried through with the reorganization work of your Central. Management and the administration put forth continuous efforts to better co-ordinate and further integrate the activities of all departments. Certain administrative methods have been revised. We have tried to endow the enterprise with the best staff possible. Already, certain measures have shown an increased efficiency and a considerable reduction in our operation costs, two results that constitute our immediate objectives at the administrative level.

The permanent search for new sources of professional supplies, the clarification of new commercial policies and the establishment of prices as competitive as possible figure among the main considerations of all those who bear the responsibility of offering to affiliated co-operatives a wide range of high quality products. We perhaps have not yet attained all the results we desire, but the evidence at hand enables us to believe we are on the right track. Thus, for example, some purchases made abroad have turned out profitably for our members, either by enabling us to offer excellent products at better prices or helping us to get better prices from our Canadian suppliers. In one case as in the other, our affiliated co-operatives and their members have derived immediate benefits.

Concerning the sale of farm products, the collaboration of the co-operatives and producers, added to various administrative reforms, have given us good results. But there remains a lot to be done. Quebec farmers are owners of excellent means of marketing farm products. It lies only with themselves to give them still greater efficiency in supplying them with greater volume. And, here, permit me to launch an appeal to all directors and managers of affiliated co-operatives so that they will develop among their members an abiding sense of loyalty toward their

institutions. We are disposed to pardon . . . as well as be pardoned for our past sins . . . but still we must all take the firm resolution not to sin again.

The development of our technical services of animal production by the addition of a group of technicians to our grains department shows our desire to provide co-operators with competent technical advisers to help them derive more profit from their animal production. Another step showing our desire to encourage livestock development was the organization of our hog production centre, that is to say hogs that are free of certain specific viruses, with a view to obtaining sound breeding subjects for our producers. In Quebec, the Fédérée is far ahead on this point. Perhaps we exceed our role. But the responsibility of an organization like ours has induced us to do something that would eventually show a big improvement in hog production.

The opening of a cold storage plant, built close to our head office, adds to services we already render in the marketing of farm products. Located in a very strategic area, this very modern plant is used for the storage and distribution of meat and butter. I strongly urge the co-operative creameries to avail themselves of our sales and storage facilities.

The development of co-operation in the dairy industry and the consolidation of dairy co-operatives have continued to hold the attention of management and the administration. In collaboration with the Granby Agricultural Co-operative, we have tried to find the best solution possible to the difficulties that were experienced by several co-operatives in the south part of Quebec and in Beauce. We were equally concerned about the situation existing in other regions, particularly in the Lower St. Lawrence. The problems that affect several dairy co-operatives demonstrate well the consequences of the economic and technical evolution in this industry. We must accept this evolution and respond to its needs if we want to keep the biggest possible share of Quebec's dairy industry in co-operation. To attain this objective we will have to modify some of our traditional ideas. We feel confident the co-operators will surmount the problems that are facing them and that the co-operative dairy industry will become very dynamic.

I have wanted to mention a few initiatives to show that not only have we been trying to resolve administrative problems as well as possible, but also to break new ground in assuring the development of farm co-operation and the Central. We know that the success of our efforts lies in the collaboration that

will exist between the farm co-operatives and their federation. We want this collaboration to be closer and more efficient. To this end management is studying the best way of maintaining contact between the general administration and its affiliated co-operatives. Perhaps there has been a certain laxity in this matter. We will make an effort to correct the situation. A report on it will be submitted to this meeting.

If the economic and trade problems absorb a large part of the attention of management and the administration, the Fédérée must continue to play its role as a federation of farm co-operatives grouping tens of thousands of farmers. Thus, for example, we have taken the necessary steps to express the viewpoint and represent the interests of farm co-operatives before the public bills committee of the Legislative Assembly when co-operative legislation and the Quebec's Farm Products marketing Act were being studied. The new co-operative legislation constitutes a notable advance that should greatly favor the growth of co-operation. It is still too early to foresee in any certain way the consequences of the numerous amendments brought to the law regarding farm markets.

We have taken an active part in the defence of co-operatives in relation to income tax. The campaign to tax co-operatives is being resumed with greater vigor than ever. To accept the pretensions of our opponents would be the equivalent to sabotaging the fundamental character of our co-operatives and of co-operation. The co-operatives have submitted a long brief to the Carter Commission. We are also preparing a brief to be submitted to the Belanger Commission, a provincial board that is studying the whole taxation problem. We must pursue the campaign on two fronts. In close collaboration with the Quebec Co-operation Council we are following the situation closely and intend to carry on the fight to the end.

In collaboration with the Union Catholique des Cultivateurs (Catholic Farmers Union), the Fédérée has played an active role in the defence of farming in the East and in finding a solution to the problem of supply and price of feed grains. We have not yet obtained all the results we desire, but we feel convinced we have taken part in steps essential to the future of Quebec farming.

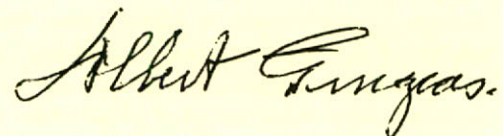
We have continued our participation in the work of national farm organizations, of different committees set up by the State to study farm problems, of co-operative groups, etc. In assuring the presence of farm co-operatives within these groups, we believe we are well serving the interests of our affiliates and their members.

Farming is going through a difficult period. The margin of net profit for the producers is low. We must consider a solution for several problems of adaptation. Your co-operative groups and your Central are suffering the consequences of this situation. We must face the challenges that lie ahead. But we will succeed in overcoming all our difficulties if we know how to combine our efforts, if the spirit of collaboration inspires our relations and our work in common. This is the very essence of co-operation. Today and tomorrow, even as yesterday, co-operation provides us with an excellent means of helping ourselves. Let us not deceive ourselves.

During the last fiscal period, the orientation and administration of your Central have made many demands on management and the administration staff. The increased number of meetings held by the board of directors and the executive council, the frequent presence of directors at the head office, representations of all kinds, etc, have made many demands on the directors' time. I want to thank each and everyone of them for their splendid collaboration. My thanks go out also to the administrators and staff of all the departments. The close collaboration that exists between management and the administration is an excellent assurance of progress.

In closing, I pray Divine Providence to shed light on our deliberations and in the search for the best solutions to our problems.

The president,



Gentlemen,

7he financial report for the fiscal year ending October 26 last shows a surplus. Compared to the considerable deficit incurred the previous year, the result shows much progress. And even if this progress is less than we had wished, it will certainly bring much satisfaction to all who, at the Central and in the affiliated co-operatives, had devoted themselves to correcting an extremely difficult situation.

The spread between the surplus earned in the last fiscal period and the deficit of the period before reflects the ground covered during the year. Knowing that financial reports present a situation as truly as possible, this quick return to a profit picture in operations by your Central gives rise for optimism. Certainly, the work is not finished. And the problems are many and complex. But results as quickly as these indicate that the Federation and its affiliated co-operatives are handling human and material resources of great value.

In close collaboration with members of the board, the administration continued the study of operations in all its departments. After a judicious analysis of operations, we took steps to improve the quality of service, while trying to reduce costs as much as possible. We will continue with both these objectives.

The results achieved by the farm products division, more particularly by the abbatoirs, are satisfactory. We registered an increase in livestock receptions. We don't believe, however, we had our fair share of livestock shipments from Quebec. Last year, in our message to the general meeting, we strongly urged farmers to benefit from the unique protection that their co-operative abbatoirs provide for them and, especially, to maintain and help build institutions that have no other object than to serve the interests of livestock breeders. The producers have not all responded to our appeal.

Yet, when we urge you to ship your livestock to your co-operative abbatoirs, we ask you first to build an economic force essential to the defence of your interests in the market. The final answer is yours. We are not trying to impose anything. We would like, however, to see that all the producers

share the belief that in this area as in many others, they will never be so well served as by themselves. The old saying still holds. Also, we should constantly try to make known to those about us the real facts about the problem of marketing livestock and urge producers to conform to the requirements of their own interests.

Study of the financial report discloses the early results of the application of new administrative measures and new trading policies. It would take too long to list all the decisions taken in these areas. Further, several of them will be told and explained to the meeting during deliberations. We had to make many decisions. Only one motive inspired us — to bring about the best possible operation of every facet of the enterprise and thus seek maximum efficiency. The results obtained to date encourage us to keep heading in this direction.

Sickness, death and other unforeseen events last year have added to the burden of management and the administration. We have been sorely tried by sickness and death. The hazards of life have delayed application of various stages of our reorganization program and, at certain moments, rendered more difficult the administration of the enterprise.

For almost two years, the difficulties experienced by your Central have made a heavy demand on management and the administration. Each of us has had to carry his share of the load. Also do we wish to express our appreciation to the members of the board of directors and of the executive council for the help and collaboration they have given us. We also want to thank all the members of the staff. The collaboration of one and all is essential to the progress of the Fédérée and of farm co-operation. Let us continue working together for the greater good of the movement. We all have, more than ever, faith in the future of the Cooperative Fédérée de Quebec.

Administrator

J. Bouteau

Gentlemen,

The financial situation of the Fédérée has improved considerably during the 1962-63 fiscal period. From last year's deficit, operations this time show a surplus. Sales and gross revenue have increased by about \$1,700,000 and \$250,000 has been added to surplus account. I am pleased to say that these results were obtained while providing the local co-operatives with prices and services that were really competitive, notwithstanding difficulties encountered during the reorganization period. These improvements deserve to be signalled out and enable us to look forward to a better future.

Measures taken to stem the drain on resources have borne fruit. We should, however, in the immediate future take steps in order to bring more liquidity by reducing the terms of our accounts receivable. This situation has unfortunately contributed to restrain the growth of the enterprise. Our members will understand that we must at all cost strengthen this important item of our assets and very soon reach a decision in the matter. It will be in the best interest of the members as well as the Fédérée. Hence we will immediately take the necessary steps to speed up collection and finance our operations with the means presently available.

After having received a thorough study on the receivable situation by an internal committee set up for the purpose, your Board of Directors has grasped the urgency of the situation. It has decided, in the best interest of the farm co-operative movement, to institute a firm credit policy. This policy will appear rigid enough perhaps, to the co-operatives and to our other customers that have benefited so far from a wide tolerance on the part of the Fédérée in this respect.

In establishing this new collection policy, your directors and staff have taken into consideration the

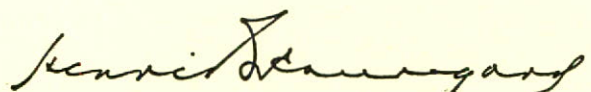
nature of the transactions as well as the usual business methods in these matters. They believe this policy will be equally effective in improving the financial situation of the Locals. To apply it we will have to increase the staff of our Department of Advisors to Local Co-Operatives so as to provide the latter with the organization, the control and the appropriate technical services. This Department will have as its main concern the task of informing co-operatives on available sources of low cost credit and helping them establish a better financial structure.

I wish to repeat that the Fédérée must assume these responsibilities if it wants to render the type of services members expect from it. That is why I have insisted so much on the problem of credit which, incidentally, is not specific to the co-operative movement. This problem stems from the reduction in the margin of operations on the farms as well as from difficulties experienced by farmers in the low income areas.

During the year we have closed a few branches in order to bring more efficiency in our operations. For the same reason, we have reduced our staff in other branches without any effect to our sales volume. These measures were in line with the reorganization program that we have been applying for more than a year.

My task the past year has been greatly helped by the collaboration I received from members of the Board of Directors, the officers and all the employees. They spared no effort and I am sincerely thankful to them. I expect much from them in the future in bringing our reorganization to a successful conclusion.

General manager and treasurer.



AUDITORS' REPORT

To the Members 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 26, 1963, and the consolidated statements of operations and surplus for the period ended on that date. Our examination included a general review of the accounting procedures and such tests 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 26, 1963, and the consolidated result of their operations for the period 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.,

DESLIERRES, ARCAND & ASSOCIÉS, C.A.

Montreal, January 22, 1964.

COOPÉRATIVE FÉDÉRÉE DE QUÉBEC

CONSOLIDATED

— ASSETS —

	October 26 1963	October 31 1962
<i>Current Assets</i>		
Cash on hand and in Bank	\$1,452,980.58	\$ 327,887.29
Accounts and Notes Receivable (Note 2) (doubtful accounts deducted)	8,076,966.17	7,830,037.80
Income Taxes recoverable	115,759.77	132,309.28
Inventories (Note 3)	7,862,163.72	7,975,132.67
Deferred charges	527,814.75	388,036.90
	<u>18,035,684.99</u>	<u>16,653,403.94</u>
<i>Investments</i>		
Shares, bonds, notes and deposits	344,668.53	389,942.41
Mortgages receivable	432,250.87	387,680.74
	<u>776,919.40</u>	<u>777,623.15</u>
<i>Fixed Assets</i> (Note 4)		
Lands, buildings, machinery, equipment, rolling stock, at cost	11,553,241.40	11,726,447.53
Less: Accumulated depreciation	5,386,284.69	5,117,852.72
	<u>6,166,956.71</u>	<u>6,608,594.81</u>
<i>Other Assets</i>		
Goodwill	1.00	1.00
Discount on Bonds (unamortized balance)	193,377.38	211,304.76
Improvements on leased properties (unamortized balance)	166,590.35	
Excess of cost over book value of net Assets of subsidiary companies, at the date of acquisition	2,144,092.11	2,144,092.11
	<u>2,504,060.84</u>	<u>2,355,397.87</u>
	<u>27,483,621.94</u>	<u>26,395,019.77</u>

AND SUBSIDIARY COMPANIES

BALANCE SHEET

— LIABILITIES —

	October 26 <u>1963</u>	October 31 <u>1962</u>
Current Liabilities		
Bank loans (sections 86 & 88)	\$ 8,653,203.21	7,899,310.11
Accounts and Notes payable	7,536,366.99	6,862,433.47
Trust funds and deposits	77,079.21	279,926.12
Accrued and other current liabilities	631,774.15	372,560.27
	<u>16,898,423.56</u>	<u>15,414,229.97</u>
Long Term Debts (Note 5)		
Bonds outstanding —		
Coopérative Fédérée de Québec		
1st mortgage — 4% — 1964-1966	331,000.00	452,000.00
General Mortgage (Sinking Fund)		
5¾% — 1969	1,800,000.00	1,900,000.00
1st Mortgage, Serial and Sinking Fund		
5½%, 5¾%, 6% — 1964-1971	1,400,000.00	1,500,000.00
Legrade Inc.		
1st Mortgage, Serial and Sinking Fund		
4%, 4½%, 5%, 5½% — 1964-1972	1,330,000.00	1,459,000.00
	<u>4,861,000.00</u>	<u>5,311,000.00</u>
Patronage refunds — 5% — 1964-1969	949,421.27	1,073,283.93
Term Notes — 3½% — 5¼% — 1964-1971	1,049,399.21	1,139,306.73
Mortgage loans — 4% — 6%	68,284.59	70,832.99
	<u>6,928,105.07</u>	<u>7,594,423.65</u>

MEMBERS' EQUITY

Capital stock (Note 6)		
Common shares	1,884,025.00	1,934,595.00
Preferred shares	1,192,420.00	1,218,030.00
	<u>3,076,445.00</u>	<u>3,152,625.00</u>
SURPLUS — see attached schedule	580,648.31	233,741.15
	<u>3,657,093.31</u>	<u>3,386,366.15</u>
	<u>\$27,483,621.94</u>	<u>\$26,395,019.77</u>

See the explanatory notes herewith, which are an integral part of the above consolidated Balance Sheet.

Verified and certified according to our attached report.

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

DESLIERRES, ARCAND & ASSOCIES, C.A.

Montreal, January 22, 1964.

COOPÉRATIVE FÉDÉRÉE DE QUÉBEC AND SUBSIDIARY COMPANIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT OCTOBER 26th, 1963**

Note 1 — **Basis of consolidation** — The accompanying consolidated statements as at October 26th., 1963 include the accounts of the following concerns:

Coopérative Fédérée de Québec
Legrade Inc.
Eastern Abattoirs Limited
Canadian Livestock Co-Operative of Quebec Limited
Fédérée Elevators Limited
Mont-Joli Products Limited

All amounts due by the above-mentioned consolidated companies between themselves, together with all intercompany transactions, have been eliminated to arrive at consolidated figures.

Note 2 — **Accounts and Notes receivable** — Money advanced on Stock in transit, amounting to \$238,497.32, is included with accounts receivable.
The Provision for Doubtful accounts deducted from the Accounts and Notes receivable as at October 26th., 1963, amounted to \$899,405.73.

Note 3 — **Valuation of Inventories** — The inventories of merchandise are valued at the lower of cost or market value.

Note 4 — **Fixed assets** — The depreciation of fixed assets has been determined on the residual value in all the companies, except in Fédérée Elevators Limited, where new additions have been amortized according to the straight line method; and except in 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 \$508,734.34 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 — **Long Term Debts** — The instalments due within the next twelve months on the Long Term Debts, amount to \$540,582.00 including \$100,000.00 due on November 1st., 1963, part of which has been paid in advance and the other part of which is included in the Current Liabilities.

Note 6 — **Capital Stock** — The outstanding Capital Stock is composed of the following:

Preferred Shares		
1960 Series: 73,318 shares of \$10.00	\$ 733,180.00	
1961 Series: 45,924 shares of \$10.00	<u>459,240.00</u>	\$1,192,420.00
Common Shares		
Convertible: 2,260 shares of \$10.00	22,600.00	
Class "A" — voting: 29,978 shares of \$25.00	749,450.00	
Class "B" — non voting: 44,479 shares of \$25.00	<u>1,111,975.00</u>	<u>1,884,025.00</u>
		<u>\$3,076,445.00</u>

Note 7 — **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.

Legrade Inc. has undertaken by contract to purchase and install machinery at an approximate cost of \$135,000.00: a deposit of \$15,246.00 has already been made and the amount is included in the accounts receivable.

Coopérative Fédérée de Québec has signed an option for the sale of its property situated at 408-410 Saint-Vincent, in Montreal; Fédérée Elevators Limited has signed an option for the sale of its property situated at 105 Saint-Paul, in Montreal; in order to be exercised by the purchaser, the two options will have to be executed at the same time before May 1st., 1965 and for a total price of \$85,000.00.

COOPÉRATIVE FÉDÉRÉE DE QUÉBEC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF OPERATIONS — SUMMARY

	From November 1, 1962 to October 26, 1963	From November 1, 1961 to October 31, 1962
Income	<u>\$117,248,811.77</u>	<u>\$115,511,835.21</u>
Cost of merchandise sold and operating expenses	108,998,937.18	109,361,388.48
Selling and administrative expenses	7,334,616.50	6,137,192.98
Depreciation	<u>506,308.44</u>	<u>558,262.53</u>
	<u>116,839,862.12</u>	<u>116,056,843.99</u>
Net Savings (or Loss) before the following provisions	408,949.65	<u>(545,008.78)</u>
Provisions:		
For depreciation of inventories		419,406.87
For doubtful receivables		<u>783,372.12</u>
		<u>1,202,778.99</u>
Net Savings (or Loss) carried forward to surplus account	<u>408,949.65</u>	<u>(1,747,787.77)</u>

STATEMENT OF CONSOLIDATED SURPLUS

Balance at beginning of period	<u>233,741.15</u>	<u>2,377,477.90</u>
Add:		
Profit on purchase of bonds for sinking fund purpose	307.50	875.00
Adjustment of income tax in respect of prior years	1,454.21	(59,498.78)
Net Savings (or loss) for the period	<u>408,949.65</u>	<u>(1,747,787.77)</u>
	<u>410,711.36</u>	<u>(1,806,411.55)</u>
Balance	<u>644,452.51</u>	<u>571,066.35</u>
Deduct:		
Loss (or profit) on disposal of fixed assets	59,768.88	(26,869.20)
To note the demolition of part of the buildings situated in Quebec-West	1.00	
Adjustments applicable to previous years	4,034.32	243,898.30
Reduction since date of purchase in surplus of subsidiary companies which were not consolidated		<u>120,296.10</u>
	<u>63,804.20</u>	<u>337,325.20</u>
Credit balance, at end of period	<u>580,648.31</u>	<u>233,741.15</u>

