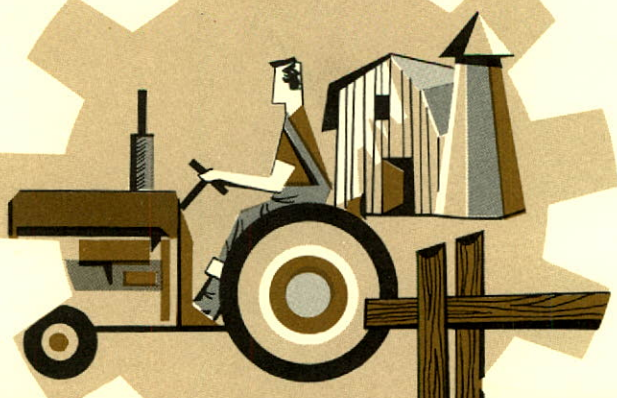


Stage C

Co-opératives fédérées
de Québec



1964
ANNUAL
REPORT

COMMERCE
LIBRARY
MCGILL UNIVERSITY

1964

board of directors

ALBERT GINGRAS, president

LOUIS LAROCHELLE, vice-president

ROLAND BELCOURT
YVON MARCHAND
J.-EUGÈNE BELZILE
LÉONCE BELZILE
GEORGES CHÉNARD
ISIDORE MARTIN
P.-E. ST-PIERRE
SIMON FORTIN

LOUIS-PHILIPPE GRONDIN
ALBERT LATENDRESSE
PAUL-ÉMILE MALTAIS
JEAN-PAUL DINEL
ROLAND PIGEON
MÉDARD LASALLE
ANDRÉ POISSANT
JULES ST-GERMAIN

GENERAL MANAGER

J.-ARTHUR COURTEAU

ASSISTANT GENERAL MANAGER

GEORGES-ÉTIENNE TURCOTTE

SECRETARY

LOUIS-PHILIPPE POULIN

TREASURER

PIERRE VÉZINA

executive committee

ALBERT GINGRAS, président

ROLAND PIGEON
LOUIS LAROCHELLE

JULES ST-GERMAIN
ROLAND BELCOURT

Gentlemen,

The results for the last financial year exceeded the progress recorded the year before. These results have not yet reached the level desired. However, compared to the three preceding financial years, they are very encouraging and reflect the efforts shown by everyone.

Even if the success in co-operation does not measure up only in turnover, we are pleased to report that the substantial increase in our business is a clear indication of a greater collaboration from co-operators and member co-operatives. The turnover registered during the last financial year represents a record for Coopérative Fédérée. However, continued increase in operation expenses and the market conditions of some agricultural products, plus a more intense competition, have reduced the earning capacity. Hence, the importance of an ever-increasing volume to assure the smooth functioning and the growth of an establishment such as ours.

We have just stated that the market conditions of some farm products have contributed to reduce our earnings. The farmers will surely understand this statement. If the farmers co-operators feel strongly the consequences of a narrowing margin between selling prices and costs, the same applies to their economic organizations. A falling market resulting, at the farm level, in a selling price equal or below the cost, will have similar consequences for the co-operative.

The farm price of milk for manufacturing, the increased proportion of fluid milk sold for other purposes, the slump of prices of some poultry products, the low level of prices for hogs during a rather long period, etc., show the agricultural uneasiness in black and white. On the other hand, prices of farm supplies of all kinds are firm or increasing. This, in short, is the ailment of the average Canadian farm.

Up to now, no action from the Government, on a national level, seems to have had the strength necessary to prevent the worst. The provincial

government's action on prices can only be expressed in the form of direct grants which can be justified by social conditions, but they do not remedy the basic economic problems. It is strongly desirable that the Federal Government no longer deceive the hopes of the farmers. It is normal to expect that a firm national action be taken on the price level of our main agricultural products.

Under the present conditions, the administration of member co-operatives and Coopérative Fédérée constitutes an excessively difficult task. Our duty is to protect the market of agricultural products in the best possible way and to improve as much as possible the trade of professional supplies. We have often noted that this double action produces difficult situations and affects the earning capacity of our operations. Such an action is not spectacular and hardly raises enthusiasm of the crowd. It is a daily concern reflected in attitudes which generally are more efficient when they are silent. But if such were not the case, what would happen? This is a question worth thinking over by the farmers.

Moreover, the Fédérée has been pleased to collaborate with other agricultural organizations to improve the agricultural situation. Either within the Canadian Federation of Agriculture or within the Dairy Farmers of Canada, or in close co-operation with U.C.C. or other agricultural associations, we have seen it necessary to take upon ourselves, or support, any initiative deemed necessary. Even if such an activity is not the first objective of agricultural co-operation, it must still be part of the concern of leaders of co-operatives whose aim, by their own means, is to work for the economic welfare of the farmers. In this capacity, we do not intend to take the place of anyone nor to diminish the merits of other organizations. We believe it is advisable to make distinctions and to respect the nature, the functions and the objectives of various organizations at the service of agriculture. However, we feel it would be wrong not to contribute our share when we are invited to do so and when we believe it to be useful.

Many agricultural co-operators are probably not aware of the amount of money and time spent by the Fédération in various contributions to organizations devoted to the promotion and the defense of agriculture and in actions of all kinds. Whether we like it or not, these expenses amount to tens of thousands of dollars per year and are a heavy burden on our commercial and industrial operations. Yet, our selling prices cannot be higher than those of the competitors whose aim is not to use their money for the same purpose. You will certainly understand why we believe it advisable to speak on this subject.

Even though your directors' interest is primarily concerned with the administration of your Federation and the agricultural situation, we are also aware of the necessity of adapting our agricultural co-operation to the new economic and social conditions of our society. Our time is marked by a rapid change in market requirements, the farmer's needs, the commercial and industrial organization, production and marketing techniques. This change affects co-operative enterprises as much as others. A mere look around suffices to see the problems facing all enterprises, whatever their nature, and the remedies being applied, to realize that agricultural co-operation will have to adapt itself to the new demands of its users and its markets.

Whatever it is in a new orientation of its action, in the revision of its structures, in the consolidation of its local units, in a new definition of its role and its place in the marketing of farm products, agricultural co-operation must not hesitate to adapt itself. It must always serve as best as possible all types of farms, because, contrary to other forms of enterprises, it is not free to choose. The co-operator therefore must be an open-minded man, a man available for exploration of new avenues. Our biggest fault would be to sleep in a false security. So it is in this frame of mind and with the desire to best serve you that the directors, the officers and some employees, in collaboration with representatives of member co-operatives, occupy themselves to study agricultural co-operatism. This research work will continue. Keeping in mind past experience, we will gradually try all together to better adapt our co-operative organizations to the present conditions and, if possible, to be leaders in progress rather than followers.

For example, it is with a view to the part we must play that, during this financial year, greater efforts

than ever have been spent to widen the market for Quebec agricultural products. We have sent representatives in foreign countries and have explored further possibilities on the North American market. Studies are being made on the development of new products and new processing methods. In the expansion of markets, it is expected that results will be quite slow. However, already in 1964, our foreign exports have shown a considerable increase, especially in the exports of cheese, meat and meat products. Our exports of meat and meat products have surpassed the fifteen million pound mark and have been sold in more than twenty countries.

Undoubtedly, co-operators have been happy with the decisions taken at the last General Congress of Co-operators and at the last annual meeting of the Co-operation Council. Co-operative Fédération is glad to be associated with other sectors of the co-operative movement to promote its influence in our society. Within a dynamic economy, in search of the best possible planning of the action of Governments and organizations, we believe that co-operatism has a major role to play. In agriculture as well as in other branches of the economic activity, co-operation gives to the people a means of participating, with his own capital and work, in the economic and social progress of individuals and communities. Co-operation allows everyone, especially the less fortunate, to take individually and collectively a real responsibility, an active part, in his own economic progress. Let us hope that Governments and the people will soon really understand that. Your directors have assured the Co-operation Council that the agricultural co-operatives will support its search for a better unification and co-ordination of the co-operative movement.

At the beginning, I mentioned the wonderful collaboration received from member co-operatives. This collaboration is essential in the pursuit of our objectives. High competition, the concentration movement of non-co-operative enterprises, the necessity of assuring constant supplies to markets becoming more and more demanding, all ask for a stronger cohesion than ever from co-operators and their organizations. We are happy to pay a well-deserved tribute to the members, the directors and the managers of member co-operatives who have not spared us their support. We appeal to others, inviting them to join in the common effort, in order to increase rather than weaken the work of co-operators of good will.

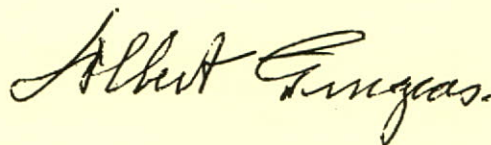
Again this year, death and illness have afflicted us several times. We have lost good collaborators, faithful employees. We express our deep sympathy to their families. At the beginning of the present financial year, our General Manager, Mr. J. A. Courteau, was taken seriously ill. It is the price paid for hard work at the service of farmers co-operators. Fortunately, our General Manager is rapidly regaining his health and will be back soon. We rejoice in his speedy recovery and take this opportunity to express to him our appreciation and admiration.

As President, I would like to mention the excellent collaboration I received from the Board of Directors and the Executive Board members, officers and employees, in the fulfillment of my difficult duties. I have always been able to rely on the support of my colleagues. Their trust, their spirit of teamwork, their

objectivity, have permitted us to work in a pleasant atmosphere and to solve calmly the difficult problems. To all, I say: Thank you!

Two years ago, I invited everyone of you to collaborate in the reorganization of our enterprise. Your management received a positive answer. Even if the biggest part of this work is accomplished, there is still a lot more to do. In conclusion, I wish to express my appreciation to all those who have close ranks around us and I ask them to continue.

The president,

A handwritten signature in cursive script, reading "Albert Gungas". The signature is written in dark ink and is positioned below the typed name "The president,".

Gentlemen,

It is with a feeling of optimism that the directors of the *Fédération* start the new year. They are conscious of the fact that the financial situation, as a whole, has continually improved during the financial year ending last October 31st. The accompanying financial statement shows a substantial increase of the turnover, over past years, with improved net earnings.

However, results obtained fall short of the fixed objective, because a large portion of our business, i.e. approximately one third, is transacted on a basis of brokerage with small returns. This is one more reason for increasing individual efforts as well as the efficiency of our operation standards in the new year.

All co-operators are certainly pleased with the fact that the work of consolidating their Federation is continuing successfully. Of course, it is expected that all these efforts will lead to a more realistic attitude on the part of some of our member co-operatives regarding their business volume with the *Fédération* whose efficiency, to a great extent, will always be dependent on the collaboration of its affiliated co-operatives.

As regards to the management personnel and operation methods, work on a large scale has already been started by a competent firm of management consultants. The reorganization is being pursued and we hope to get excellent results, as a consequence of a greater co-ordination of duties and a more precise definition of tasks, therefore of a better utilization of our human capital.

The Board of Directors has established a managers consulting committee for the following purposes: 1) to improve communications between the Federation and the member co-operatives at the level of operation management and development projects; 2) to avoid duplication of efforts and competition between co-operatives; 3) to raise the standards of service to members; and 4) to increase the spirit of co-operation. As a result of its activities and influence, we can anticipate a greater feeling of interdependence among our member co-operatives. The collaboration shown by the members of this committee justifies great expectations.

In modern economy, the Government takes an increasing part in matters of farm policies. We hope that this action will be exercised in a serious and constructive manner.

When the Government directs its action towards the consolidation of farms, we believe that this must be the object of a combined effort, not only by the Government itself, but by the organizations interested in the future of agriculture. This effort must also be exerted at the level of economic organizations, such as the co-operatives which should also reach the required standards. Only then will they be able to give an efficient service for farm supplies and the sale of agricultural products on markets where competition, specialization and economic power are a requisite.

On account of the precarious situation of agriculture and its economic importance, provincial as well as national, it is advisable to expect from our governments some measure of renovation that will demand the active collaboration of farmers. Acting for agricultural co-operatives, the *Fédération* offers its help to restore our farm economy on a more profitable basis.

It is not a question of surrendering on the part of our agricultural co-operatives in the face of the organization problems of the farm and the marketing of its products. It is neither a question of refusing to collaborate in the realization of other methods of marketing, when after thorough and objective studies, these methods prove to be an obvious solution.

However, any interference is to be avoided regarding the existence and the authority of processing co-operatives, which would thus deprive our agriculture of a desirable element of efficiency and of healthy competition in the marketing of farm products. There is no other means to assure the producer a fair share in the profits of processing, no other means for the producer to keep control of his product until it reaches the consumer's table. It is only in this view, if we give words their true meaning, that we can truly speak of the taking in hand of our agricultural economy by the farmers themselves.

In conclusion, we wish to assure you of our optimism in the face of the great changes taking place in agriculture and especially in the face of the new interest taken in the agricultural sector within a dynamic Quebec economy.

General Manager



AUDITORS' REPORT

To the Shareholders of Coopérative Fédérée de Québec,

We have examined the consolidated balance sheet of Coopérative Fédérée de Québec and its subsidiaries as at October 31, 1964, and the consolidated statements of operations and surplus for the period ended on that date and have obtained all the information and explanations we have required. 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.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of operations and surplus, supplemented by the notes thereto, present fairly the financial position of Coopérative Fédérée de Québec and its subsidiaries as at October 31, 1964, 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.

Quebec, January 22, 1965.

COOPÉRATIVE FÉDÉRÉE DE QUÉBEC

CONSOLIDATED

— ASSETS —

	October 31 <u>1964</u>	October 26 <u>1963</u>
<i>Current Assets</i>		
Cash on hand and in bank	\$ 1,453,818.76	\$ 1,452,980.58
Accounts and notes receivable (Less allowance for doubtful accounts: 1964 \$737,090.95; 1963 \$899,405.73)	8,309,639.14	8,076,966.17
Income taxes recoverable	34,728.66	115,759.77
Inventories (Note 2)	7,201,113.53	7,862,163.72
Deferred charges	<u>546,006.44</u>	<u>527,814.75</u>
	<u>17,545,306.53</u>	<u>18,035,684.99</u>
<i>Investments</i> (at cost)		
Shares, bonds, notes and deposits	379,947.45	344,668.53
Mortgages receivable	<u>338,831.64</u>	<u>432,250.87</u>
	<u>718,779.09</u>	<u>776,919.40</u>
<i>Fixed Assets</i> (Note 3)		
Lands, buildings, machinery, equipment, rolling stock and improvements on leased properties, at cost	11,658,949.59	11,739,791.25
Less: Accumulated depreciation	<u>5,621,363.40</u>	<u>5,406,244.19</u>
	<u>6,037,586.19</u>	<u>6,333,547.06</u>
(Appraised depreciated cost of replacement as at September 30, 1964: \$12,470,580.00)		
<i>Other Assets</i>		
Goodwill	1.00	1.00
Unamortized discount on bonds	174,875.00	193,377.38
Excess of cost over book value of net assets of subsidiary companies, at the date of acquisition	<u>2,144,092.11</u>	<u>2,144,092.11</u>
	<u>2,318,968.11</u>	<u>2,337,470.49</u>
	<u>\$26,620,639.92</u>	<u>\$27,483,621.94</u>

AND SUBSIDIARY COMPANIES

BALANCE SHEET

— LIABILITIES —

	October 31 1964	October 26 1963
<i>Current Liabilities</i>		
Bank loans (sections 86 and 88)	\$ 7,601,707.87	\$ 8,653,203.21
Accounts and notes payable	7,658,051.22	7,536,366.99
Trust funds and deposits	139,447.51	77,079.21
Accrued and other current liabilities (Note 4)	653,492.40	631,774.15
	<u>16,052,699.00</u>	<u>16,898,423.56</u>
<i>Long Term Debts</i> (Note 5)		
Bonds outstanding —		
Coopérative Fédérée de Québec		
1st mortgage — 4% — 1965-1966	207,000.00	331,000.00
General mortgage sinking fund —		
5¾% — 1969	1,700,000.00	1,800,000.00
1st mortgage, serial and sinking fund —		
5½%, 5¾%, 6% — 1965-1971	1,300,000.00	1,400,000.00
Legrade Inc.		
1st mortgage, serial and sinking fund —		
4½%, 5%, 5½% — 1965-1972	1,199,500.00	1,330,000.00
	<u>4,406,500.00</u>	<u>4,861,000.00</u>
Patronage refunds — 5% — 1965-1969	872,653.20	949,421.27
Term notes — 4%, 4½%, 4¾%, 5¼% — 1965-1971	955,984.69	1,049,399.21
Mortgage loans — 4%, 6%	57,813.12	68,284.59
	<u>6,292,951.01</u>	<u>6,928,105.07</u>
MEMBERS' EQUITY		
<i>Capital stock</i> (Note 6)		
Preferred shares	1,177,930.00	1,192,420.00
Common shares	1,867,415.00	1,884,025.00
Partially paid shares	10,994.13	
	<u>3,056,339.13</u>	<u>3,076,445.00</u>
SURPLUS	1,218,650.78	580,648.31
	<u>4,274,989.91</u>	<u>3,657,093.31</u>
	<u>\$26,620,639.92</u>	<u>\$27,483,621.94</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.

QUEBEC, January 22, 1965.

COOPÉRATIVE FÉDÉRÉE DE QUÉBEC
NOTES RELATING TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT OCTOBER 31, 1964

Note 1 — **Basis of consolidation** — The accompanying consolidated financial statements as at October 31, 1964, 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 Ltd.

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 — **Valuation of Inventories** — The merchandise inventories are valued at the lower of cost or market value. Contrary to the preceding fiscal year, goods on consignment with customers included then in the inventories of merchandise are now invoiced, and usual terms of payment are granted; the profit is carried forward to future financial years and will be accounted for as per amounts received.

Note 3 — **Fixed Assets** — The depreciation of fixed assets has been calculated on the residual value in all the companies, except in Fédérée Elevators Limited where additions of the 1963 financial year 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. for Federal income tax purposes, has always claimed the maximum depreciation allowed, and, consequently, the book value of the fixed assets exceeds by \$533,707.01 the net value. Therefore, income taxes could be increased in the coming years, should the provision for depreciation set up on books exceed the amounts that could then be claimed for income tax purposes.

The improvements on leased properties on which depreciated value amounts to \$166,053.40, are included in the fixed assets.

According to an appraisal made by Canadian Appraisal Company Limited for insurance purposes, a preliminary valuation of fixed assets has set the cost of replacement of fixed assets as of September 30, 1964, at \$16,300,018.00 on which an allowance of \$3,289,438.00 for accrued depreciation should be deducted to bring the depreciated replacement cost at \$12,470,580.00.

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.

Note 4 — **Accrued and other current liabilities** — The present financial statements do not include a provision for employees' holidays and the expense will be recorded in the accounts at the time of the disbursement.

Note 5 — **Long Term Debts** — The instalments due within the next twelve months on the long term debts amount to \$952,936.78, after deduction of the November 1, 1964 instalment of \$100,000.00 paid in advance. In this figure, \$498,310.27 of term notes are presently in process of renewal for a six-year period.

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

Preferred Shares:

1960 Series: 72,517 shares of \$10.00	\$ 725,170.00	
1961 Series: 45,276 shares of \$10.00	452,760.00	
Partially paid shares	3,023.62	\$1,180,953.62

Common Shares:

Convertible: 2,469 shares of \$10.00	\$ 24,690.00	
Class "A" voting: 29,703 shares of \$25.00	742,575.00	
Class "B" non voting: 44,006 shares of \$25.00	1,100,150.00	
Partially paid shares	7,970.51	1,875,385.51
		\$3,056,339.13

The balance of paid-in-surplus account previously shown in the short term liabilities is now shown under the capital stock.

Note 7 — **Net Savings for the Financial Year** — The net savings for the financial year amount to \$720,430.36 before income taxes. For the current year and as a consequence of previous years' non recuperated losses, income taxes should not be in excess of \$15,000.00. The unrecovered loss applicable to future savings exceeds \$300,000.00.

Note 8 — **Bond Discount** — The yearly amortization of bond discount was, in 1963, included in the statement of operations.

Note 9 — **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 yearly rentals of \$172,200.00, the other for a period of 15 years, beginning December 1st, 1962, with yearly rentals of \$31,000.00.

COOPÉRATIVE FÉDÉRÉE DE QUÉBEC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF OPERATIONS — SUMMARY

	<u>1964</u>	<u>1963</u>
Income	<u>\$124,418,381.70</u>	<u>\$117,248,811.77</u>
Cost of merchandise sold and operating expenses	116,433,716.40	108,998,937.18
Selling and administrative expenses	6,748,538.24	7,334,616.50
Depreciation	<u>515,696.70</u>	<u>506,308.44</u>
	<u>123,697,951.34</u>	<u>116,839,862.12</u>
Net savings carried forward to surplus (Note 7)	<u>\$ 720,430.36</u>	<u>\$ 408,949.65</u>

STATEMENT OF CONSOLIDATED SURPLUS

Balance at beginning of year	<u>\$ 580,648.31</u>	<u>\$ 233,741.15</u>
Add:		
Profit on purchase and sale of investments	157.50	307.50
Adjustment of income tax in respect of prior years		1,454.21
Net savings for the year	<u>720,430.36</u>	<u>408,949.65</u>
	<u>720,587.86</u>	<u>410,711.36</u>
Balance	\$ 1,301,236.17	\$ 644,452.51
Deduct:		
Loss on disposal of fixed assets	64,083.01	59,768.88
To note the demolition of part of the buildings situated in Quebec-West		1.00
Adjustments applicable to previous years		4,034.32
Amortization of bond discount (Note 8)	<u>18,502.38</u>	
	<u>82,585.39</u>	<u>63,804.20</u>
Balance at end of year	<u>\$ 1,218,650.78</u>	<u>\$ 580,648.31</u>

Fédérée