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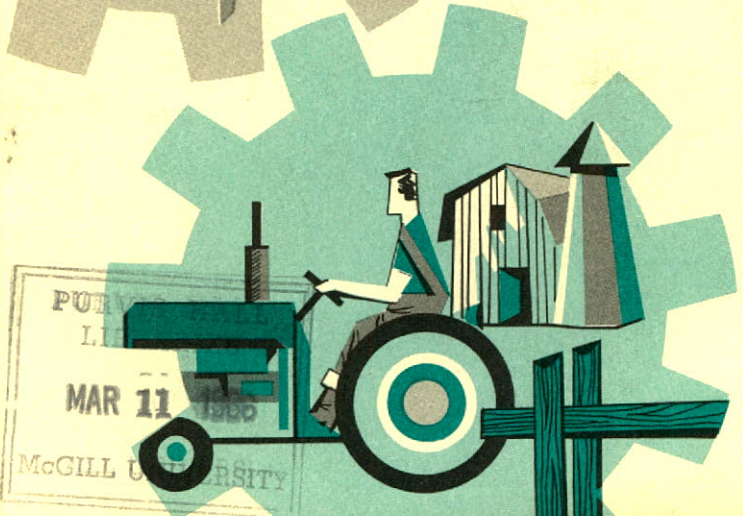


Co-operative fédérée de Québec



ANNUAL REPORT 1965

44th

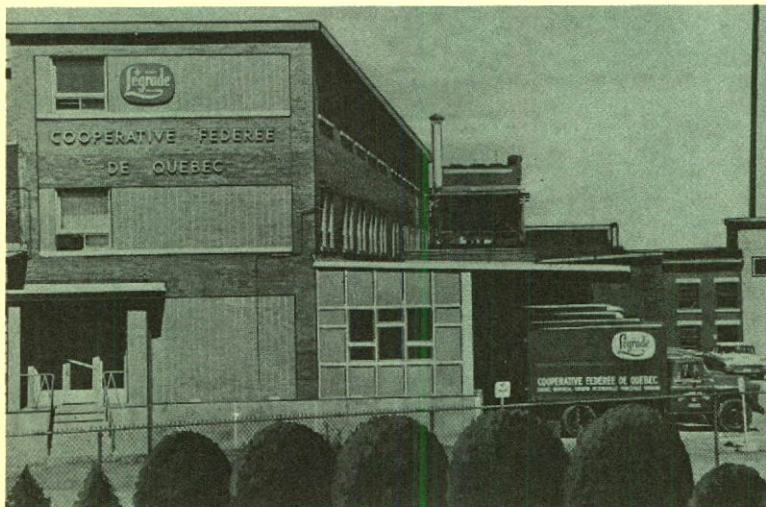




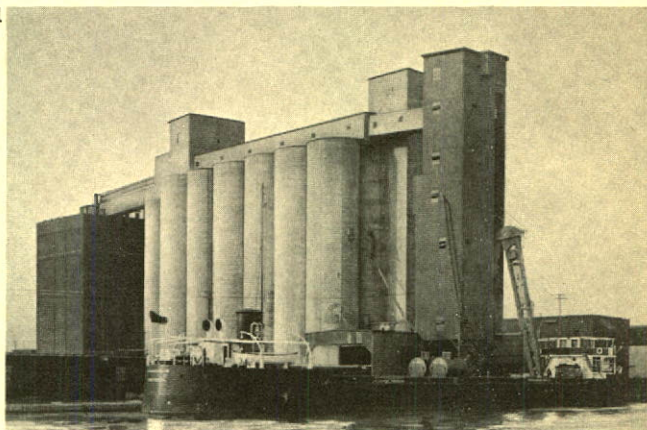
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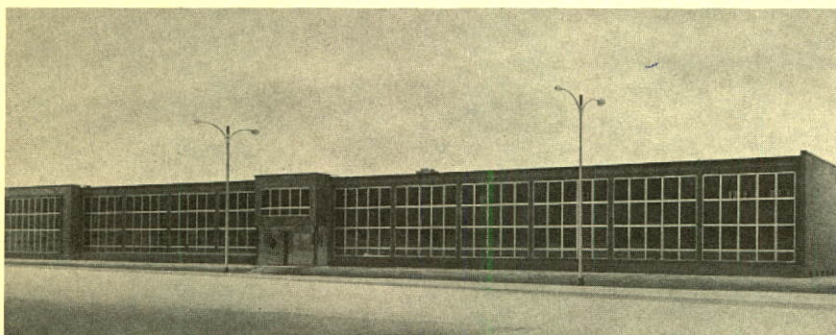
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1. Abattoir — Princeville
2. Poultry processing plant — Victoriaville
3. Meat packing plant — Montreal
4. Grain elevators — Montreal
5. Head office — Montreal
6. Eastern Abattoir — Montreal
7. Abattoir — Quebec

1965

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
J.-ARTHUR GUAY
JEAN-PAUL DINEL
ROLAND PIGEON
MÉDARD LASALLE
ANDRÉ POISSANT
JULES ST-GERMAIN

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 are encouraging. Our turnover and net earnings have reached unprecedented heights. This success, in our opinion, can be attributed to two factors: the reorganization of our Federation which is now beginning to show results, and the greater support received from member co-operatives and farmers.

Many factors compel your Management and Directors to be on the alert: keener competition and increasing operating costs which constantly tend to reduce earnings; the rapid evolution of commercial and industrial conditions force us to revise our methods of operation and to adapt to new functions; changes at the level of agricultural operations creating new needs which must be met as much as possible. Thus, it is a question of permanent adjustment to both agricultural and economic life rather than one of reorganization. The constant concern of adapting to, and especially anticipating new demands, must be kept in mind. This golden rule of dynamism applies as much to agricultural co-operatives, both at the federative and co-operative levels, as to all other forms of enterprises.

The support received from member co-operatives and farmers is the first step to success for such an organization as Coopérative Fédérée. Indeed, the very reason of our existence is the farmer's belief in agricultural co-operation. The co-operatives and the federation exist for him and because of him. If support and loyalty are not present at all levels, the economic power now necessary to serve him well will not be attained. Thus, the results for the last financial year are very encouraging for all who are concerned with the development of agricultural co-operative work.

However, our problems are not all solved. Although success has been achieved in most of our fields of activity, two divisions have yet to attain a desirable earning capacity. These sections are presently under study.

In our opinion, the efficiency of our operations can be further improved. The technology of food production is making rapid progress. Considerable investments will have to be made very shortly in our meat packing plants, to enable us to obtain an even more important share of the domestic market and to continue our expansion in foreign markets — a practical way to help Quebec agriculture extend its outlets.

During the last financial year, our Management has taken some measures to improve the quality of our products and to expand a number of our activities. Taking a membership in the CO-OP Research Farms for animal feeds was one of these measures. This group of experimental farms is owned by North American agricultural co-operatives. Experimental results carried out by these farms and placed at our disposal, insure the high quality of our feeds.

Our new venture, the manufacture of fertilizers, is another one of these measures. We had to reconsider the part played by co-operatives in this field. After serious study, we deemed it necessary to undertake decisive action. The support of the member co-operatives is greatly needed to enable our co-operative movement to become firmly established in the manufacture and sale of fertilizers.

The co-operators are well aware of the work done in the co-operative dairy industry during the last

two years, in close collaboration with the Coopérative Agricole de Granby and other interested co-operatives. The efforts of the dairy co-operatives are already showing results in some regions. In other areas, plans are underway to form regional dairy co-operatives to serve co-operative dairy farmers in all parts of the Province. The Coopérative Fédérée, on behalf of the agricultural co-operative federation, is happy to have filled the function of advisor and co-ordinator in this field, which is bringing about such positive results.

Several development projects are still at the study level. One of these, the construction of a seed-cleaning plant will be completed this year. Due to financial assistance received from the Provincial Government, our plant will be equipped with the most up-to-date machinery. Thus, the agricultural co-operatives will be better able to fulfill their needs. But these improvements require capital. The greatest possible share of net earnings must be reinvested in the enterprise. And, as was done last year, stocks will again be offered to the public. We rely on the collaboration of the co-operatives and their personnel to insure once again the success of this offer.

Last October and November, the members of your Executive Committee had the pleasure of meeting most of the directors and managers of Quebec agricultural co-operatives. At these regional meetings, some of our problems were discussed. The problems of the participants were also brought to our attention. These meetings gave us the opportunity to propose the formation of agricultural co-operative regional committees. Everywhere our proposal was well received. These committees will form an essential link in our structure. They will help to maintain a permanent contact between the federation and the co-operatives. Furthermore, they will be ideal to work with and to exchange ideas among agricultural co-operative representatives of the various regions. Everywhere, we met co-operators ready to accept their responsibilities, to take an active part in the consolidation and development of the movement and to do their utmost to find the best answers to the farmers' needs, which the co-operation can fill. It is expected that these good intentions of the

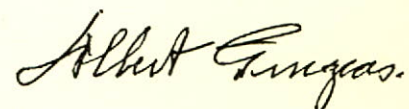
co-operators will materialize for the benefit of the farmers.

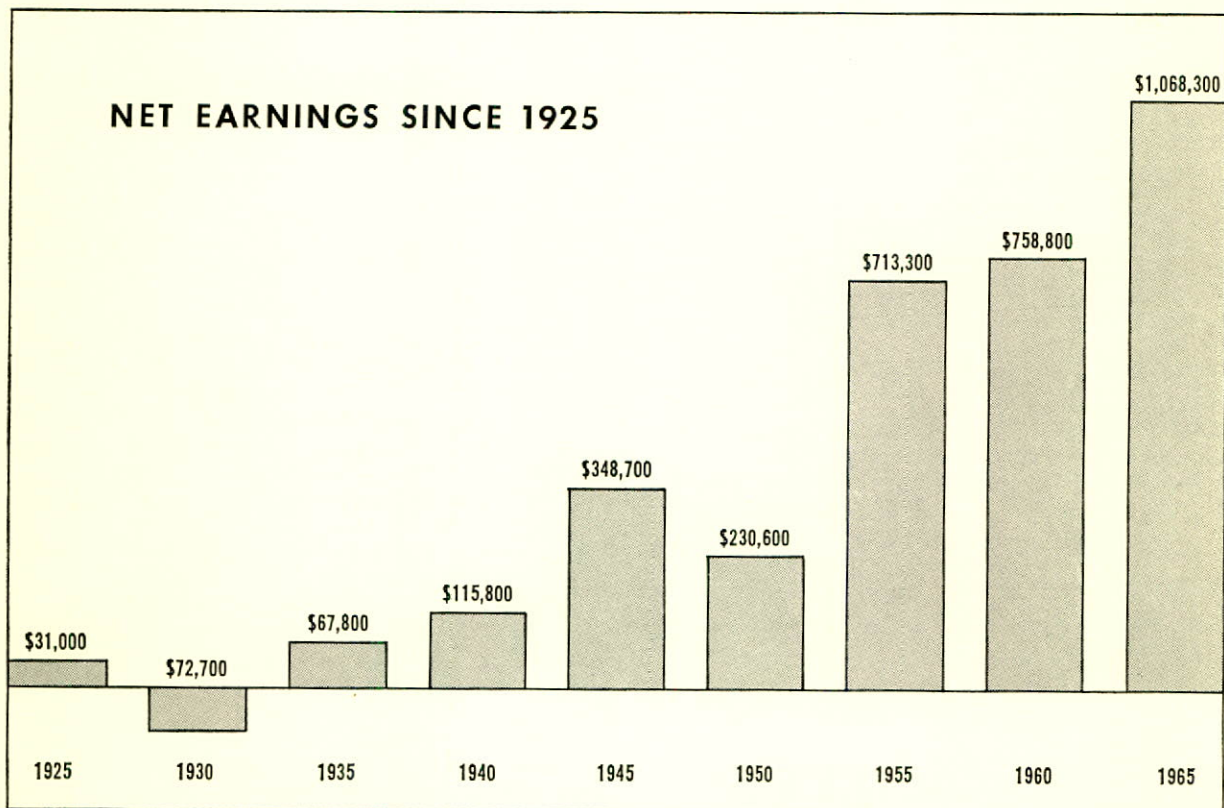
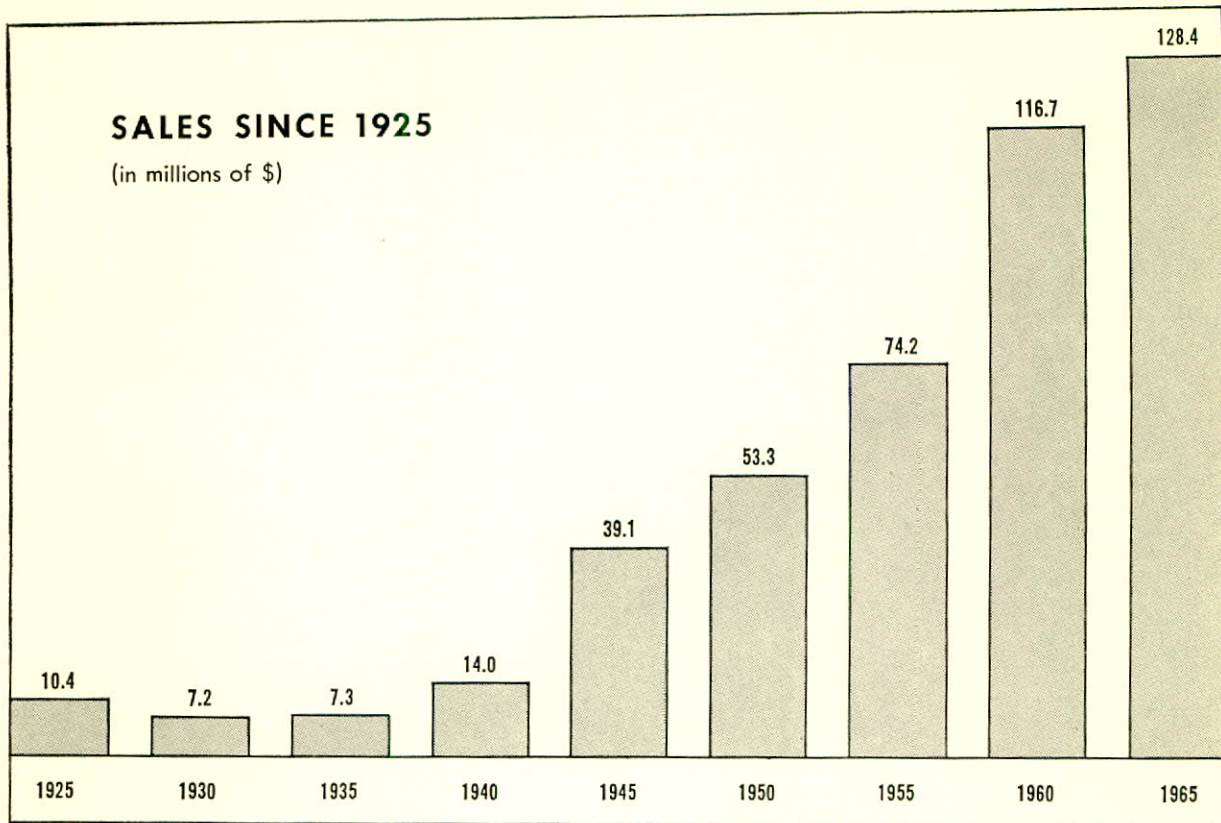
The Coopérative Fédérée has continued to support other agricultural organizations, provincial and national, which are promoting the general interests of our profession. We have been part of a large number of delegations who have made representations to both Federal and Provincial Governments. We have also continued participating in co-operative organizations concerned with the promotion and representation of co-operators. In order to benefit from the experience of others, we have sent study groups to Ontario and the United States. In other words, we have tried within our own limits to be present wherever the interest of co-operators and our enterprises needed us.

In the course of the last financial year, we all deplored the death of Mr. J. A. Courteau, who had been General Manager of the Fédérée for the past three years. When faced with serious difficulties, we were fortunate to benefit from his experience and knowledge. His death is deeply regretted by all his collaborators. As his successor, your Board of Directors has appointed Mr. G. E. Turcotte. An active member of our organization for a number of years, Mr. Turcotte's business experience, belief in co-operatives and knowledge of men and things, have made him fit for this job. We know he will be able to rely on everyone's collaboration in the fulfillment of a particularly difficult task.

In closing, I wish to thank my colleagues of the Board of Directors and the Executive Committee, officers and employees, the Managers' Advisory Committee, the directors and employees of the member co-operatives, as well as the Minister of Agriculture and employees of this Department. Our Achievements are due to the collaboration of a large number of people. We extend to all of them our thanks and our sincere appreciation.

President.





Gentlemen,



First, let us pay posthumous tribute to our late General Manager, Mr. J. A. Courteau. Returning to the *Fédérée* in 1962 under particularly difficult circumstances, he left his mark on our organization by his determination, his dynamism and his sense of devotion to duty. He reorganized a team whose capabilities are already showing enviable results. Those who carry on remember well.

Two major factors usually measure the progress of an enterprise: the turnover and the profits. When the enterprise is a co-operative society, it is also necessary to look into the life of the association that created it and the services it renders to its members. The *Coopérative Fédérée* is not exempt from this rule.

\$128 million in income and more than \$1 million in net earnings: two figures to remember since, in both cases, that set a record. The net earnings have increased approximately 50%. An aggressive sales policy, better control of inventories, constant supervision of accounts receivable, renewed confidence on the part of member co-operatives, dedication of personnel — these are the factors mainly responsible for such achievement.

A brief review of commercial and industrial activities of the *Fédérée* shows considerable progress in most of its divisions and departments, whether in the marketing of farm products or the sales of farm supplies.

FARM PRODUCTS

The Meat Packing Division, the first in importance, shows a substantial improvement. The *Fédérée's* abattoirs have handled an increased share of the Quebec productions of beef, veal and lamb. Our percentage of slaughtered hogs has remained fairly the same. These volumes have enabled your abattoirs to assume a strong position on the market resulting in better prices to the producers. The strongest element in trading power for products in a raw or semi-finished state, is still the existence for the producer of an alternative channel for marketing. For a producer, there is nothing like the possibility of selling his product via his own system to improve his share of the market. The *Fédérée's* abattoirs give him this opportunity.

The Dairy Products Division has increased 13%. However, it is not so much this increase which must

be kept in mind, but the potential that is growing with our move to centralization being realized under the regional co-operatives. Owing to the initiative of this division, combined with the financial aid of the Agricultural Department, last Summer, a group of English buyers visited our major Quebec dairies — most of them co-operatives. The visitors left convinced that Quebec cheese, labelled Canada No. 1 by the Federal Inspection Department, is equal in quality to the cheese from other Canadian sources, in spite of traditions and contrary to propaganda.

The turnover of the Poultry Section remains unchanged, but this section has not contributed to earnings during the last fiscal year. Leukemia, for which no definite remedy has yet been found, is mainly responsible.

In spite of an increase of nearly 20% in volume and a profitable operation, the Fruit and Vegetable Department is still far below its potential. Special efforts are being made to increase its share of the market.

FARM SUPPLIES

Only a year after its reorganization and coinciding with major investments in funds and in personnel, the Grains and Feeds Sub-division has reached an all-time high in sales as well as in net earnings. Increases were substantial in all categories: coarse grains, balanced feeds, concentrates, seeds. Let us also mention the franchise program of CO-OP balanced feeds which assures a more complete integration of the activities of the member co-operatives with the *Fédérée* and guarantees the farmers, in all parts of the Province, uniform and tested programs for feeds. Finally, let us mention a recent move, the joining of the *Coopérative Fédérée* to the Canada American CO-OP Research Farms, under the joint auspices of some 20 North American regional or provincial co-operatives. Agricultural science and techniques have become indispensable tools for our industrial agriculture. No longer is it just a product that the farmer buys from his co-operative, but rather a production program, which will include all related technical services, and often financial aid. On these grounds, our participation in CO-OP Research Farms becomes an investment of the first order and at the same time a guarantee of a more competent service.

The Agriculture Chemistry Department deserves special consideration because of a major decision taken last September. After many months of study and research, the Fédérée has taken a significant step and started the manufacture of fertilizers by purchasing a major share of William Houde Ltée of Laprairie. Thus it follows the example of Canadian and American co-operatives and achieves in this way a much greater integration between the source of primary goods and the supplying of fertilizers to farmers. Not satisfied with its role as broker, the Fédérée thus took a direct line, because it is the shortest way, and, in the long run, the line that leads most economically from the manufacturer to the members of the co-operatives. The enterprise will succeed if the co-operatives give us their support as we have a right to expect.

The Farm Equipment Department has done better than the preceding year in spite of a slight decrease in sales.

The Agricultural Accessories situation is normal, considering the competition faced by these products.

The Fuel Department shows a gain in volume of 9%. Due to good management as well as to the support of co-operatives, profits are substantial. The Department serves 500 rural communities and the ultimate objective is to distribute Fédérée petroleum products to all places.

GENERAL DEPARTMENT AND COMMITTEES

The Fédérée maintains General or Administrative Departments. They are necessary to assure the smooth running of all other departments. More and more, the member co-operatives make use of them for advice and direction. The help of our management advisers is more and more sought after and appreciated. The responsibility of managing a co-operative which has the size to meet the needs of 1966, requires the assistance of specialists. The era of small business is over.

Often considered as an elegant way to disperse responsibilities and slow down decisions, committees do not have a good reputation in many enterprises. However, the opposite applies to the Managers' Advisory Committee, which is made up of one representative from each of the 18 territorial divisions of the Fédérée. It aims to improve communications between the Fédérée and the local co-operatives at the operational level and at the project development level. Its action reflects in our results. In this committee, we see a positive factor which enables us to reduce the inherent inconveniences found in an autonomous organization. It is well integrated with Management and we expect much from it when the time comes to reevaluate our structure and adapt it to the changing needs in our field.

The problem of consolidating the dairy co-operative activities continues to be the subject of extensive studies by the Fédérée assisted by its specialists. This work has increased during the year and results are already apparent. A Provincial Dairy Industry Committee has been formed by the Fédérée Board of Directors to plan, channel and co-ordinate the production of dairy units. A master plan for consolidation and development of dairy co-operatives is almost completed. Management has taken an active part in this work.

At a certain age, man needs a check-up. So do enterprises when reaching a certain stage. For this reason, the previous year the Fédérée sought the services of a well-known firm of management consultants to revise its administrative structures and operational methods. The beneficial effects of their suggestions can be felt already and work will be continued until all their recommendations have been implemented. If we are to dread the creation of a technocratic republic within the co-operative enterprise, it is highly important that while favouring personal initiative and freedom of action, the tasks be clearly defined and responsibilities well established. We also need the services of industrial engineers to organize logically the operations of our various factories.

On the management operation level, the Fédérée maintains close relations with the co-operative organizations of other provinces. The giant size of commercial and industrial enterprises which co-operatives are called upon to measure up to calls for these meetings. The day is not far away when relations will be better integrated with other provincial co-operatives in fields of activities where the establishing of greater economic power will be required to assure better service to the Quebec farmer. Such integration exists in fact in the chemical products field through Interprovincial Co-operatives Ltd. of which the Fédérée is a member. It exists also in some of our other activities

THE AGRICULTURE AND CO-OPERATIVES NEW NEEDS

It is also necessary to look into the life of the association which created the co-operatives and the services it renders to its members, as was said earlier in this report. Agriculture changes constantly and the farmer is faced with new problems and needs. These needs are a result of trends affecting North American agriculture. Trends towards the enlargement of farms with a view to the better use of equipment. Trends to specialization in one or two main fields of activity. The search for the best productivity by man, by dollar invested, by acre of production, to be more competitive in a market, where, very often, barriers no longer exist because the door is open to large regions. These trends create new needs: a search for more and more competent technical services, the

need for more extensive commercial knowledge, the need to further reduce the operating costs per unit, the need for financial assistance at the production level. Unable to increase his earnings solely by better prices, the average farmer — especially the more prosperous one — endeavours to cut costs on the supplies necessary to his production. Hence the search for discounts or reductions for large volume buying. Hence the need to eliminate as much as possible the steps between the source of supplies and the farm, and the necessity of obtaining farm equipment giving the highest performance.

The evolution of the needs of modern agriculture has brought about a problem of adaptation for all enterprises serving agriculture. The co-operatives are no exception. The competition is keen among businessmen because all are on the lookout for a larger sales volume. A new dimension is necessary to compensate for the shrinking of the operating margins. Business no longer sets these margins, it is the customer. As sales are vital and competition keen, the manufacturer seeks therefore to simplify distribution channels and to reduce, if possible, the distribution costs. It is a question of profit maximization. Thus, we see now and will see even more in the future manufacturers of farm supplies going more and more directly to the final consumer of their products, just as we will see groups of buyers short-circuiting regular supply channels to go directly to the producer.

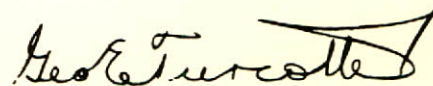
What is the stand, what is the new role of co-operatives in agriculture in the face of such giant strides? How will they make the necessary adaptations? How will they be able, within reasonable means, to place economic power in the hands of the farmers to counteract the power of those who, on the market and without their consent, decide of their fate?

These are the questions that the agricultural co-operative movement is presently asking itself, which clearly indicates its desire for rejuvenation and adaptation. The observations gathered on the recent tour of the Executive Committee show that the co-operative leaders are aware that these problems do exist. The concentrations which have started in the dairy field show also that greater efficiency is sought. And the trend will continue. The giants in business are powerful. We must develop organizations of a power and size equal to them. We have this power in our hands, if only we make use of the material and human resources on which our co-operative structure stands. In the field of processing agricultural products, little is missing to establish complete vertical integration. from the farm right up to the market, that is, an integration of all marketing elements placed under the farmer's authority. Competition certainly exists in business, but most often, it is the men who run the business who make all the difference. The Fédération Management is happy to apply this criterion to the management team who is largely responsible for the above-mentioned results.

The most materially successful co-operative enterprises are those which have succeeded in forming skillful employees, convinced participants, well informed members, active participants, and owners conscious of their affiliation to a society that is entirely at their service. Profit making and a sense of co-operation are therefore two complementary terms. It will be the task of the Agricultural Co-operatism Committee created by the Fédération's Board of Directors, as well as the task of study groups formed last November in the regions, to activate the development of participation renewal of the democracy in our local and regional organizations, as well as in the Federation. All co-operators are asked to examine themselves as well as their associations in this light.

"Today, and even more so to-morrow, the active co-operators are, and will be, men of research and study with before-hand knowledge. They must study planning, reason business forecasting, develop methods and structures. As a matter of fact, the present era necessitates that the co-operative movement proves itself, through the realism of its structural organization and efficiency of each and everyone of its enterprises, by showing the economic effects of its competitive establishment and its promotion of future development. But these active members must preserve the same ideal, the same human warmth, the same faith, the same patient enthusiasm, the same faculty of keeping open the door to hope, the same willpower to build a better future."

(E. H. Thomas).



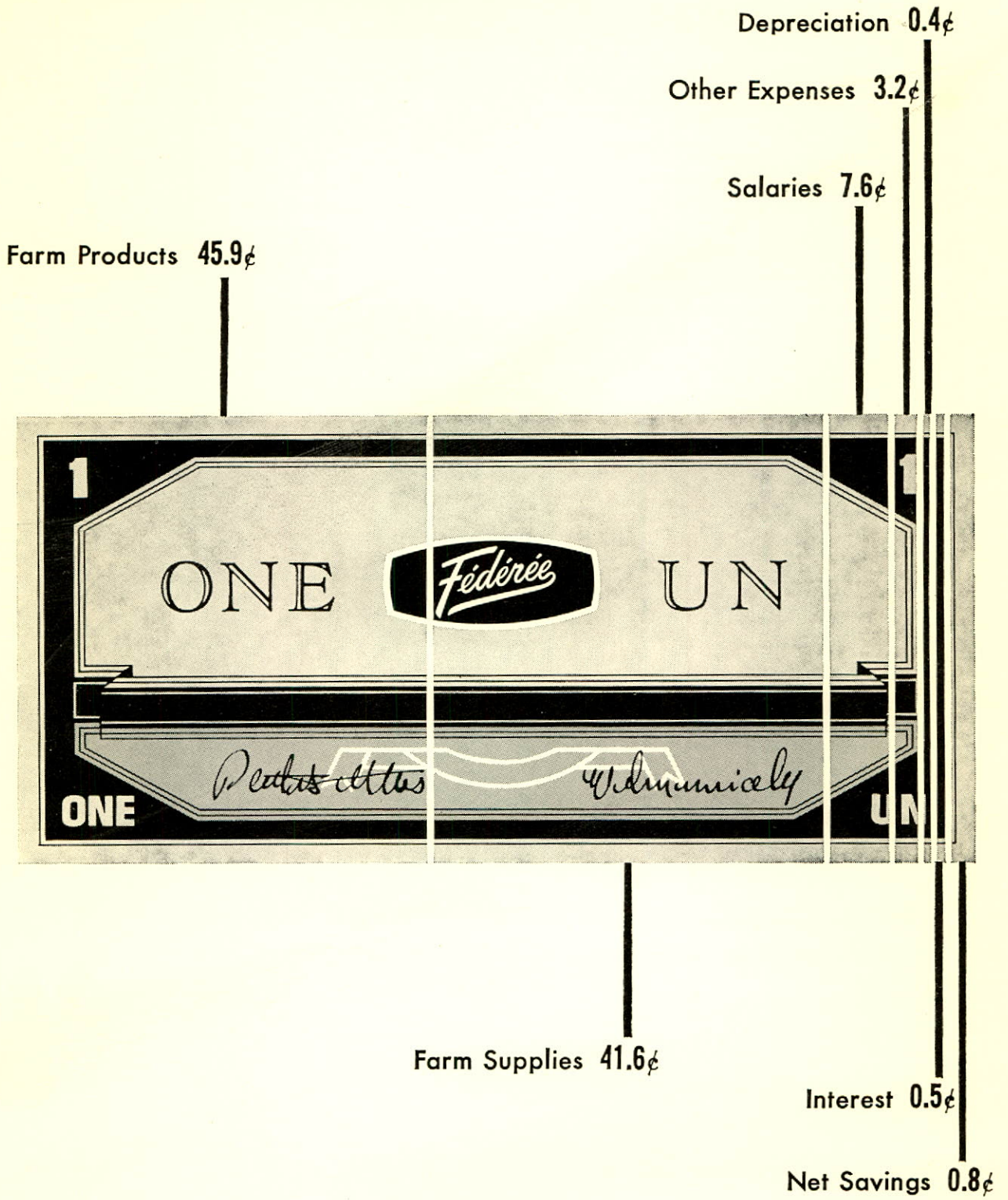
General Manager.

FINANCIAL HIGHLIGHTS

1964-1965

● All-time high of sales and other income	\$128,353,597
● Net earnings increase of 48% over 1964	\$ 1,068,310
● Increase in working capital	\$ 2,010,486
● Members' equity	\$ 9,426,002
● Cost of maintenance: buildings and equipment	\$ 438,580
● Depreciation on fixed assets	\$ 540,035
● Taxes	\$ 427,100
● Cost of services to member-cooperatives and farmers	\$ 484,833
● Average number of employees	2,059
● Number of member-cooperatives	310
● Number of shareholders (approximately)	50,000

BREAKDOWN OF THE SALES DOLLAR



COOPÉRATIVE FÉDÉRÉE DE QUÉBEC

CONSOLIDATED BALANCE SHEET

(With comparative figures)

— ASSETS —

	<u>1965</u>	<u>1964</u>
Current Assets		
Cash on hand and in bank.....	\$ 1,766,417	\$ 1,453,819
Accounts and notes receivable (Less allowance for doubtful accounts: 1965 \$716,912; 1964 \$737,090).....	9,816,450	8,309,639
Income taxes receivable.....	4,847	34,729
Inventories (Note 2).....	7,923,535	7,201,114
Deferred charges.....	634,594	546,006
	<u>\$20,145,843</u>	<u>\$17,545,307</u>
Investments (at cost)		
Shares, bonds, notes and deposits.....	\$ 305,306	\$ 379,947
Mortgages receivable.....	99,520	338,832
	<u>\$ 404,826</u>	<u>\$ 718,779</u>
Fixed Assets (Note 3)		
Lands, buildings, machinery, equipment, rolling stock and leasehold improvements, at cost.....	\$11,365,526	\$11,658,949
Accumulated depreciation.....	(5,789,090)	(5,621,363)
Appraisal increase.....	6,059,176	—
	<u>\$11,635,612</u>	<u>\$ 6,037,586</u>
Other Assets		
Goodwill.....	\$ 1	\$ 1
Unamortized bond discount.....	161,998	174,875
Excess of cost over book value of net assets of subsidiary companies, at the date of acquisition (note 6).....	—	2,144,092
	<u>\$ 161,999</u>	<u>\$ 2,318,968</u>
	<u>\$32,348,280</u>	<u>\$26,620,640</u>

Approved on Behalf of the Board

Albert Giguère

Rouie Larochelle

January 21, 1966

AND SUBSIDIARY COMPANIES

AS AT OCTOBER 30, 1965

(at October 31, 1964)

— LIABILITIES —

	<u>1965</u>	<u>1964</u>
Current Liabilities		
Bank loans (sections 86 and 88)	\$ 7,050,967	\$ 7,601,708
Accounts and notes payable	8,793,116	7,658,051
Trust funds	174,144	139,448
Accrued and other current liabilities	624,522	653,492
	<u>\$16,642,749</u>	<u>\$16,052,699</u>
 Long Term Debts (Note 4)		
Bonds outstanding		
Coopérative Fédérée de Québec		
1st mortgage — 4% — 1966	\$ 108,000	\$ 207,000
General mortgage sinking fund—		
5¾% — 1969	1,700,000	1,700,000
1st mortgage, serial and sinking fund—		
5½%, 5¾%, 6% — 1966 — 1971	1,200,000	1,300,000
Legrade Inc.		
1st mortgage, serial and sinking fund—		
4½%, 5%, 5½% — 1966 — 1972	1,067,500	1,199,500
	<u>\$ 4,075,500</u>	<u>\$ 4,406,500</u>
Patronage refunds — 5% — 1966 — 1969	720,148	872,653
Term notes — 4%, 4½%, 4¾%, 5¼% — 1966-1971	442,208	955,985
Mortgage loans — 4%	41,673	57,813
Debentures — 6% — 1971	1,000,000	—
	<u>\$ 6,279,529</u>	<u>\$ 6,292,951</u>
 Members' Equity		
Capital stock (note 5)	\$ 3,834,902	\$ 3,056,339
General surplus	1,676,016	1,218,651
Excess of appraised value of fixed assets over depreciated cost (note 6)	3,915,084	—
	<u>\$ 9,426,002</u>	<u>\$ 4,274,990</u>
	<u>\$32,348,280</u>	<u>\$26,620,640</u>
 Commitments (note 7)		

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
Chartered Accountants

COOPÉRATIVE FÉDÉRÉE DE QUÉBEC AND SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT OCTOBER 30, 1965

Note 1 — **Basis of Consolidation** — The accompanying consolidated financial statements as at October 30, 1965, include the accounts of the following concerns:

Coopérative Fédérée de Québec,
Legrade Inc.,
Eastern Abattoirs Limited,
Canadian Livestock Cooperative of Quebec Limited,
Fédérée Elevators Limited,
Mont-Joli Products Ltd.

All intercompany receivables and payables together with all intercompany transactions have been eliminated to arrive at consolidated figures.

Note 2 — **Valuation of Inventories** — Inventories are stated at the lower of cost or market value. Goods on consignment with customers are invoiced at usual terms of payment; profit is deferred to future financial periods and will be accounted for as per amounts received.

Note 3 — **Fixed Assets** —

a) **Appraisal** — On the basis of an appraisal by Mr. Eugène Thérien, d.s.p., m.a.i., as at October 30, 1965, "the estimated present value, or replacement cost less observed depreciation" is \$11,635,612.

Fixed assets are stated at this appraised value on the balance sheet and the excess of the estimated present value over net book value, an amount of \$6,059,176, was credited to "Excess of appraised value of fixed assets over depreciated cost".

b) **Depreciation** — Depreciation on fixed assets is provided by the diminishing balance method for all companies, except for "Fédérée Elevators Limited" where additions of the 1963 period have been depreciated by the straight-line method, and for "Legrade Inc." where the straight-line method is applied on depreciated original cost as at October 26, 1957, and on subsequent additions at cost. However, greater amounts have always been claimed for federal income tax purposes and consequently, the net book value of fixed assets exceeds their undepreciated capital cost by \$433,323. Therefore, future income taxes could be increased, should book depreciation exceed allowances that could then be claimed for income tax purposes.

Note 4 — **Long Term Debts** — Instalments on long term debts due within the next twelve months, after by-laws regulations authorising the Directors to capitalize part of the patronage refunds declared have been taken into consideration, amount to \$866,757, including the November 1st instalment of \$100,000 which was paid in advance in previous years. Consequently the balance of the general mortgage sinking fund 1969 did not change during the year.

Note 5 — **Capital Stock** — The outstanding capital stock is composed of the following:

Preferred Shares —

1960 Series: 71,587 shares at \$10.00	\$ 715,870	
1961 Series: 44,782 shares at \$10.00	447,820	
On account for shares to be issued	684,211	\$1,847,901

Common Shares —

Convertible: 2,469 shares at \$10.00	24,690	
Class "A" voting: 34,839 shares at \$25.00	870,975	
Class "B" non voting: 43,341 shares at \$25.00	1,083,525	
On account for shares to be issued	7,811	1,987,001

\$3,834,902

At their meeting of January 20, 1966, the Directors have resolved that patronage refunds amounting to \$681,318 and declared out of the net savings for the current year will be paid by a preferred shares issue. These capitalized net savings are disclosed in the accompanying statements and included in the Members' Equity under the caption "On account for preferred shares to be issued".

Note 6 — **Excess of Appraised Value of Fixed Assets over Depreciated Cost** — This surplus of \$6,059,176 arises from the excess of the estimated present value of fixed assets as at October 30, 1965, as appraised by Mr. Eugène Thérien, d.s.p., m.a.i., over their net book value and gives effect to a resolution by the Board of Directors.

According to another resolution by the Board of Directors, an amount of \$2,144,092 representing the excess of cost over net book value of subsidiary companies at acquisition date, has been written off against the surplus mentioned above, leaving a balance of \$3,915,084.

Note 7 — **Commitments** — Coopérative Fédérée de Québec has signed two long term leases with Greater Montreal Central Market Co. Ltd., one for a period of 30 years beginning May 1st, 1960, with minimum yearly rentals of \$172,200, the other for a period of 15 years, beginning December 1st, 1962, with yearly rentals of \$31,000.

Coopérative Fédérée de Québec has agreed to invest, when required, in Les Engrais Laprairie Ltée an amount of \$400,000 as follows: a \$50,000 subscription to capital stock and a long term loan of \$350,000.

Note 8 — **Net Savings for the year** — The net savings for the year amount to \$1,068,310 before providing for income taxes. On the basis of patronage refunds declared and unclaimed losses from previous years, income taxes for the current period should not exceed \$4,000.

Note 9 — **Grant** — A grant of \$125,000 has been received for the construction of a seed cleaning mill to be erected before October 1st, 1966.

Note 10 — **Patronage Refunds** — By virtue of the powers granted by the Act-Incorporating "Coopérative Fédérée de Québec" and its by-laws, the Board of Directors at their January 20, 1966, meeting have fixed at \$681,318 the amount of patronage refunds to be allotted to its member-associations out of the net savings for the current year.

COOPÉRATIVE FÉDÉRÉE DE QUÉBEC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF OPERATIONS

for the year ended October 30, 1965

(with comparative figures for 1964)

	<u>1965</u>	<u>1964</u>
SALES AND REVENUE	\$128,353,597	\$124,418,382
Less: transportation charges on sales		
1965	<u>1,994,992</u>	
1964	<u>2,008,369</u>	
COST OF GOODS SOLD	<u>112,300,357</u>	<u>109,327,077</u>
GROSS SAVINGS	<u>\$ 16,053,240</u>	<u>\$ 15,091,305</u>
EXPENSES		
Salaries, wages and employee benefits	\$ 9,548,868	\$ 9,306,678
Operating expenses	2,106,128	1,885,038
Distribution and selling expenses	982,482	859,099
General administrative expenses	1,107,079	1,008,428
Finance charges	700,338	795,935
Depreciation	<u>540,035</u>	<u>515,697</u>
Total expenses	<u>\$ 14,984,930</u>	<u>\$ 14,370,875</u>
NET SAVINGS RETAINED (note 8)	<u>\$ 1,068,310</u>	<u>\$ 720,430</u>

COOPÉRATIVE FÉDÉRÉE DE QUÉBEC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF GENERAL SURPLUS

for the year ended October 30, 1965

(with comparative figures for 1964)

	<u>1965</u>	<u>1964</u>
Balance at beginning of year.....	\$ 1,218,651	\$ 580,648
Add:		
Grant for construction (note 9).....	\$ 125,000	—
Profit on redemption of bonds and sales of investments.....	621	158
Net savings for the year.....	<u>1,068,310</u>	<u>720,430</u>
	<u>\$ 1,193,931</u>	<u>\$ 720,588</u>
Deduct:		
Loss on disposal of fixed assets.....	\$ 23,643	\$ 64,083
Income taxes for 1963 and 1964.....	18,727	—
Amortization of bond discount.....	12,878	18,502
Patronage refunds declared by the Directors (note 10).....	<u>681,318</u>	<u>—</u>
	<u>\$ 736,566</u>	<u>\$ 82,585</u>
Balance at end of year.....	<u>\$ 1,676,016</u>	<u>\$ 1,218,651</u>

COOPÉRATIVE FÉDÉRÉE DE QUÉBEC AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENTS OF SOURCE AND APPLICATION OF FUNDS

for the year ended October 30, 1965

(with comparative figures for 1964)

	<u>1965</u>	<u>1964</u>
WORKING CAPITAL AT BEGINNING OF YEAR	\$ 1,492,608	\$ 1,137,262
Source of funds		
Net savings for the year.....	\$ 1,068,310	\$ 720,430
Charges to operations not affecting working capital-depreciation.....	540,035	515,697
	<u>\$ 1,608,345</u>	<u>\$ 1,236,127</u>
Proceed from sale of investment.....	5,060	29,518
Receipts from mortgages receivable.....	38,297	93,419
Marketable securities transferred to current assets.....*	360,765	7,990
Sales of fixed assets.....	169,182	181,601
Prepaid rental transferred to current assets.....	21,798	—
Bond discount on redemption.....	621	—
Issuance of debentures.....	1,000,000	—
Grant for construction.....	125,000	—
Issuance of capital stock.....	138,794	—
	<u>\$ 3,467,862</u>	<u>\$ 1,548,655</u>
Application of funds		
Purchase of investments.....	\$ 25,169	\$ 72,629
Additions to fixed assets.....**	358,508	465,420
Redemption of bonds at maturity.....	331,000	454,500
Redemption of patronage refunds from members.....	152,505	76,768
Redemption of term notes.....	513,777	93,415
Mortgage payments.....	16,140	10,471
Redemption of capital stock.....	41,550	20,106
Income taxes.....	18,727	—
	<u>\$ 1,457,376</u>	<u>\$ 1,193,309</u>
INCREASE IN WORKING CAPITAL	\$ 2,010,486	\$ 355,346
WORKING CAPITAL AT END OF YEAR	\$ 3,503,094	\$ 1,492,608
Current assets.....	\$ 20,145,843	\$ 17,545,307
Current liabilities.....	16,642,749	16,052,699
	<u>\$ 3,503,094</u>	<u>\$ 1,492,608</u>

*In accordance with the trust deed, an amount of \$91,972 has been deposited with the trustee as part of the proceed from some of these sales.

**The \$91,972 deposit mentioned above and another previous deposit of \$44,500 were reimbursed by the trustee and used to pay some of these additions.

BOULANGER, FORTIER, RONDEAU & CIE
chartered accountants

AUDITORS' REPORT

To the Shareholders of Coopérative Fédérée de Québec,

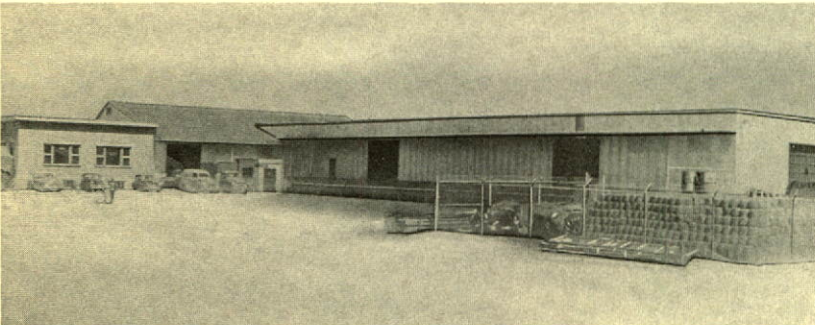
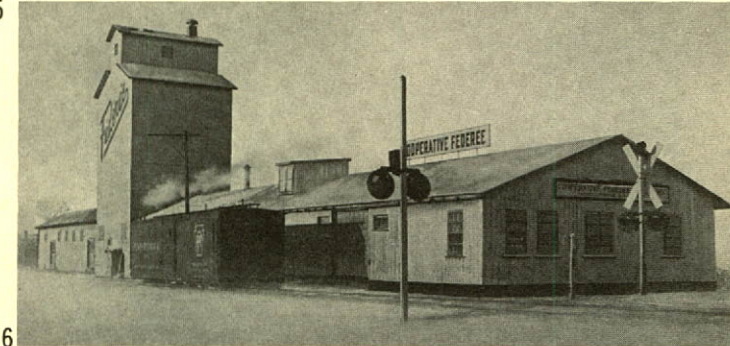
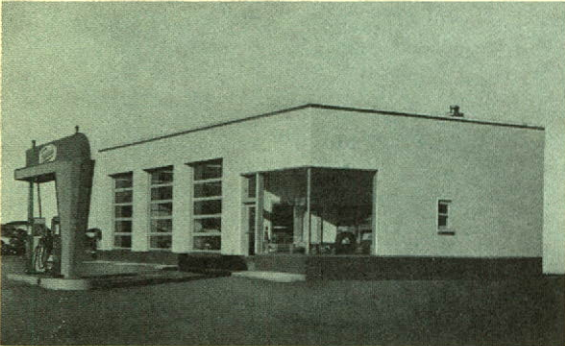
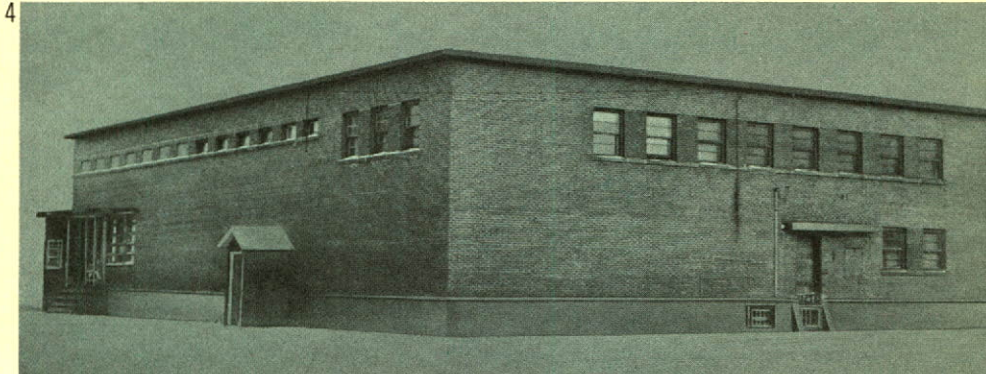
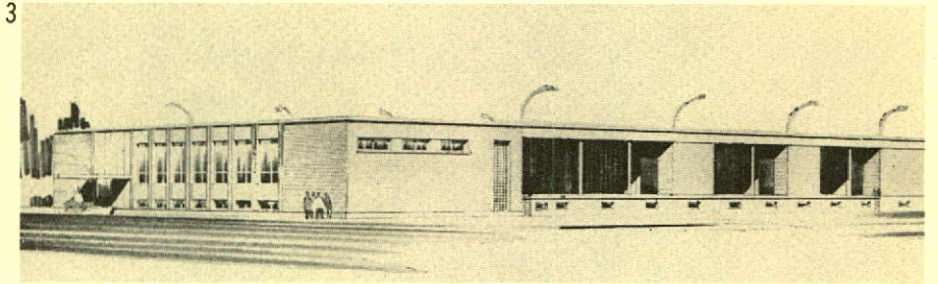
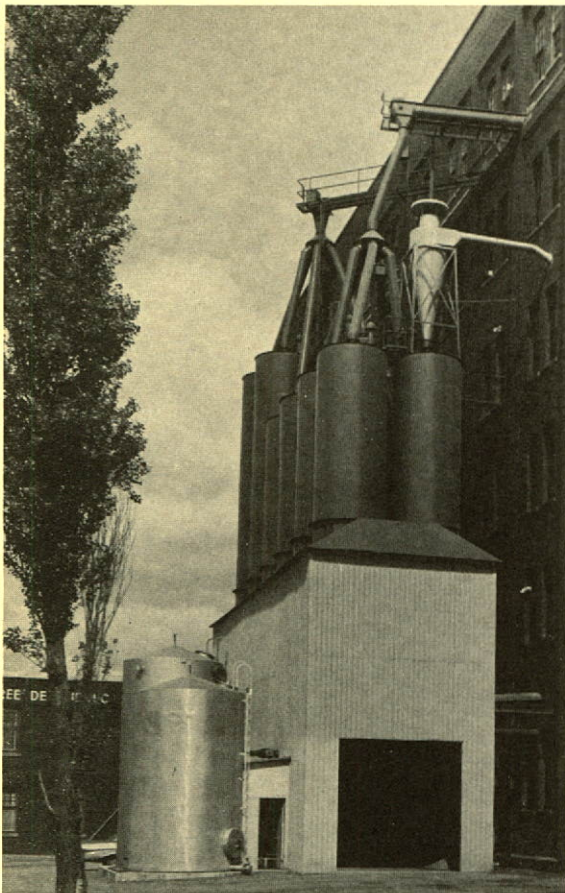
We have examined the consolidated balance sheet of Coopérative Fédérée de Québec and its subsidiaries as at October 30, 1965, and the consolidated statements of operations and general surplus for the period ended on that date and we have obtained all the information and explanations we have required. 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 30, 1965, 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.

Our examination also included accompanying consolidated statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and applications of funds of Coopérative Fédérée de Québec for the year ended October 30, 1965.

Boulanger, Fortier, Rondeau & Cie, C.A.

January 21, 1966.



1. Part of delivery fleet — Meat Division
2. Feed mill — Montreal
3. Metropolitan Cold Warehouse — Montreal
4. Cold warehouse — Quebec-West
5. Service station — Quebec
6. La Sarre branch
7. Quebec-West branch

