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Coopérative Fédérée de Québec

Annual Report 1974

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MCGILL UNIVERSITY



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A Decade of Progress	

**Year at a glance**

	<b>1974</b>	1973
	Dollars in thousands	
Sales	<b>422,127</b>	301,533
Depreciation	<b>1,594</b>	1,386
Net earnings*	<b>9,029</b>	8,063
Additions to fixed assets	<b>3,172</b>	2,899
Current assets	<b>66,646</b>	41,633
Current liabilities*	<b>45,934</b>	26,464
Working capital*	<b>20,712</b>	15,169
Fixed assets, at cost	<b>20,595</b>	17,712
Fixed assets, net	<b>11,232</b>	9,560
Long-term debt	<b>9,393</b>	7,372
Total assets	<b>84,369</b>	57,070
Members' equity*	<b>28,364</b>	22,794

\*Before patronage refunds and income taxes

## Board of Directors

- \* Roland Pigeon, President  
and Chairman of the Board  
Verchères
- \* Jean-Paul Diné, 1st Vice-president  
Chéneville
- \* Paul-Emile St-Pierre, 2nd Vice-president  
Laurierville
- \* J.-Arthur Guay  
St-Félicien
- \* Alphonse-Roger Pelletier  
La Pocatière
- Théodore Alain  
La Sarre
- † Roger Bilodeau  
Bromptonville
- Rosario Bourassa  
Ste-Anne de la Rochelle
- † Hubert Bousquet  
La Présentation
- Fernand Dionne  
St-Arsène
- Fernand Gonthier  
Amqui
- Yves-Henri Jacques  
St-Joseph
- † Michel Lemire  
St-Zéphirin
- Paul Massicotte  
Champlain
- Raynald Villemaire  
St-Esprit

- \* Members of the Executive Committee
- † Directors at large

## The Management

- Georges-Etienne Turcotte  
General Manager
- Louis-Philippe Poulin  
Secretary
- Pierre Vézina  
Treasurer
- Richard Newberry  
Controller
- Jean-Paul Cadieux  
Manager, Human Resources
- Paul Tremblay  
Manager, Légrade division
- Philippe Pariseault  
Manager, Dairy division
- Maurice Lavallée  
Manager, Feeds and Fertilizers division
- Raoul Lebailly  
Manager, Farm supplies division

Only farmers, directors of affiliated co-operatives  
may be elected to the Board.



## President's Report

The Quebec farm cooperative movement continues its onward march. Its real growth always exceeds the annual growth of agriculture and of inflation. The results of the financial year ended October 31, 1974, indicate that Coopérative Fédérée continued its penetration into the farm supply market, that it increased its share of marketing of dairy products, and that it maintained its position in meat packing and poultry.

These results do not mean that it was easy going for everybody. The farmers' income has been reduced by a substantial increase in the cost of farm inputs and an insufficient increase in milk prices, together with a reduction in the prices of hogs, calves and beef. The management of cooperatives and their Federation had to use all its resourcefulness in order to find sufficient supply of goods and farm equipment and to cope with generally increasing costs. In short, we had our worries and our disappointments.

### The Cost of Inputs

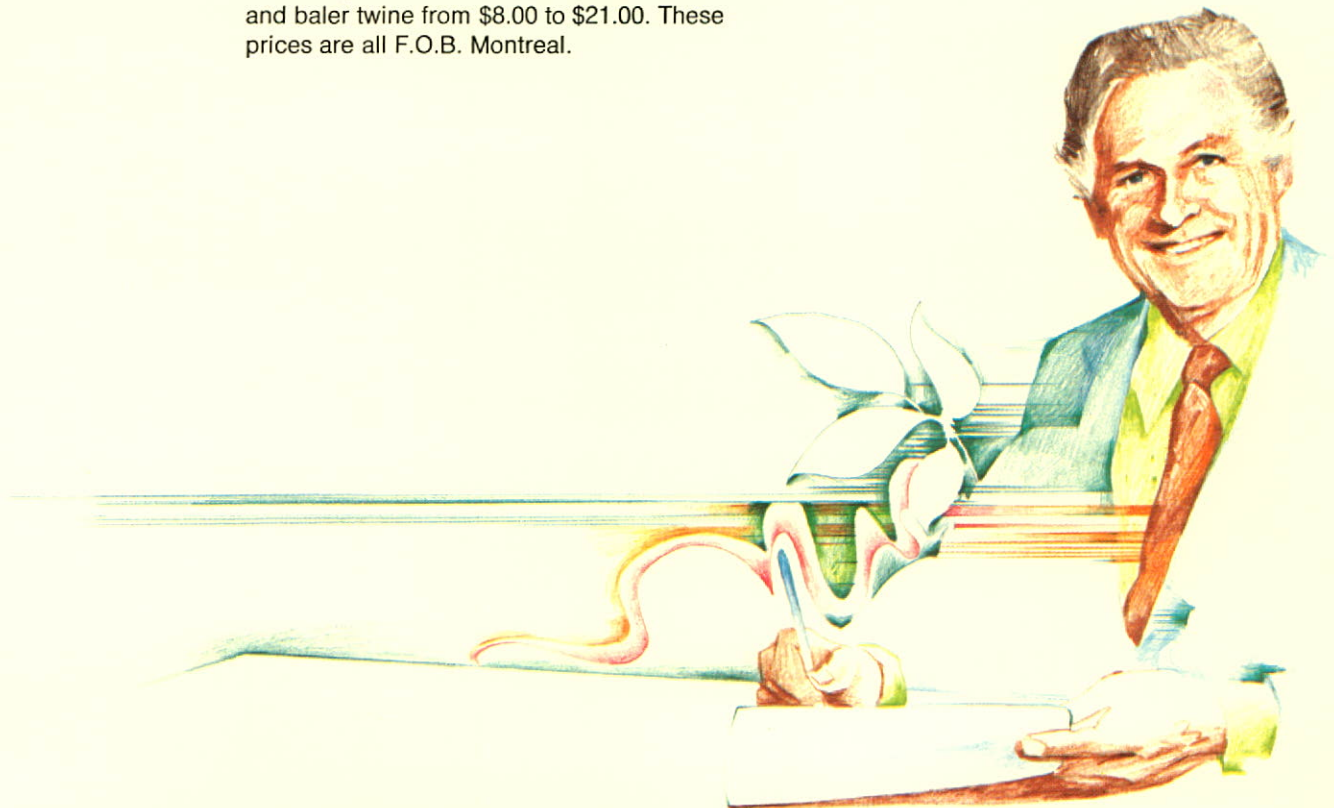
Shortages and cost of inputs remained our main concerns. To illustrate the situation, let us look at a few figures. During our financial year (from November 1, 1973, to October 31, 1974) the cost of 16% dairy ration increased from \$6.10 to \$7.90, 16% hog grower feed from \$6.80 to \$8.30, 19% broiler finisher feed from \$8.10 to \$9.63, fertilizer grade 10-10-10 from \$96.00 to \$152.00, and baler twine from \$8.00 to \$21.00. These prices are all F.O.B. Montreal.

Farm equipment price increases ranged from 26.6% to 37.5%. The highest prices for feed grains during the months of November 1973 and October 1974 were respectively \$4.80 and \$7.25 for oats, \$6.23 and \$7.55 for wheat, \$5.00 and \$7.15 for barley, and \$5.64 and \$7.91 for corn.

Hogs sold for \$58.20 per hundredweight on December 5, 1973, and fell to \$38.50 in early June 1974. The market has since improved, but not enough to compensate for the rise in costs. Prices for beef and calves have made so many headlines that it is not necessary to quote them here. For the public at large, these facts should be enough to explain the attitude of farmers and their organizations.

### Shortages

Farm input costs result not only from inflation but from real shortages as well. For instance, serious shortages of ingredients used in the manufacture of fertilizers are causing spectacular cost increases. According to information available, such shortages of many raw materials used in agriculture will last for several more years. We shall therefore have to administer our personal and cooperative enterprises under difficult supply conditions.





At farmers' meetings, the role or the attitude of Coopérative Fédérée and its member co-operatives has been questioned in regard to shortages and the cost of certain inputs and went so far as accusing us of creating artificial shortages of goods such as baler twine, in order to improve profit margins. The facts and figures mentioned at these meetings reveal a serious misunderstanding of the market, including the international market for sisal, the raw material used to manufacture baler twine.

All farm input markets are affected by technical, political or economic international conditions that are too powerful to be influenced even to a small degree by the Quebec economy. Once again, we must acknowledge that it is impossible to isolate the Quebec farming economy from the general economy of the Western world. Moreover, to affirm or imply that cooperatives as such have an interest in speculating on these markets is mere demagoguery. Members know as owner-users that they will sooner or later receive their share of the earnings of Fédérée and of its member cooperatives.

### Feed Grains

Producers are asking themselves what has been the outcome of the new policy for Western feed grains, in effect since August 1, 1974. Such questions are natural considering grain prices and the efforts made at solving this problem of supply. At Coopérative Fédérée, we are keeping an eye on the evolution of the off-quota Prairie market for feed grains. We must try to make all we can out of this new policy due to our importance as a supplier of feed grains in Quebec. Up to now, we have not been able to correctly measure its effects as supplies of cereals on the free market were either non-existent or insufficient and the law of supply and demand has not yet come into play.

The Canadian Livestock Feed Board has been building up strategic reserves of feed grains at the Lakehead in case difficult grain handling operations in the Prairies might create a tight

supply situation in the East and encourage artificial price increases. Assuming we get the most from our resources, we are all industrialists whose standard of living depends on the margin we realize on the sale of our products. And since our movement markets our products and supplies our inputs, farm cooperatives must obviously be concerned with all farm markets and policies.

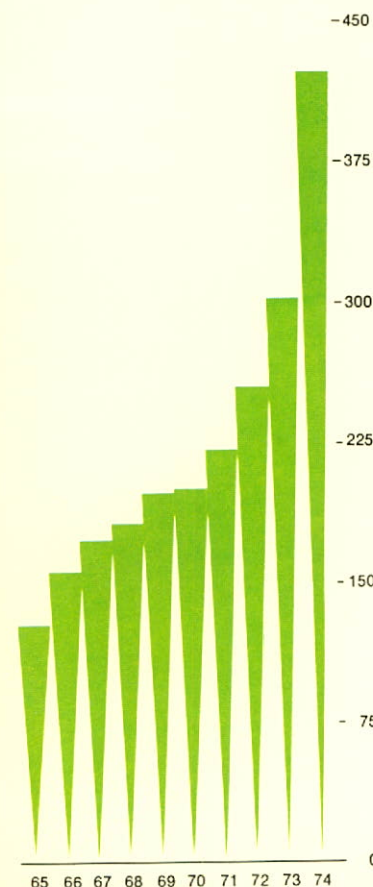
### Agricultural Policy

In such a difficult situation, Government intervention seems essential. When agriculture is powerless to alter the costs and prices dictated by large international economic forces, the Government must come to the rescue to avoid disasters that could affect the whole of society. All farm organizations increasing demands are aimed at getting the farmer a normal return in relation to his costs. Fédérée supports such an attitude.

For the past two years, Dairy Farmers of Canada has been perfecting a formula whereby milk prices would be automatically adjusted to costs of production. The DFC has submitted the formula to the Government and we hope it will be accepted. The situation in the dairy industry during 1974 proves that such formulas are needed for the most important farm productions. Although two dairy policy revisions obtained during the year gave milk producers a price increase slightly more than \$2.00 per hundred-weight, it was not enough to compensate for higher production costs.

The need of a fair ratio between guaranteed floor prices and production costs has been recognized a few months ago when a guaranteed price policy for hogs came into effect. This policy is different from the one proposed for the dairy industry because hog production is not subject to a supply management program, but the objectives and principle involved are the same. We hope all official policies pertaining to agricultural prices will increasingly respect this principle of equity.

Sales (\$ in millions)





### Dairy Cooperatives

The General Manager and his colleagues will report on our commercial and industrial activities. Here, we would simply like to express our satisfaction, as a producer, at the new development achieved by dairy cooperatives. In the manufacturing milk sector, the dairy cooperatives, with the help of Coopérative Fédérée, purchased Vermette & Fils Ltée, while Coopérative Agricole de Granby launched Québec-Lait in the fluid milk sector. These two events confirm that the Quebec farm cooperative movement is close to achieving the goal set some ten years ago, namely the conquest of Québec's main farm production.

### The Agri-Food Industry

During the year, the Quebec Department of Agriculture announced its intention to develop a progressive, efficient and dynamic agri-food industry. We support such a move by the Government. Obviously, within the agri-food economy of North America, the real impetus for agricultural progress and development becomes the consumer market with all its industrial and commercial organization. Cooperative members have long understood this and have made every effort to build an agri-food industry tied to the interests of their farms and the milieu. As this new orientation given by the Government coincides with one of our movement's main objectives, we, as producers, can only rejoice and offer our entire cooperation.

### Farm Equipment

In this report we refer to the 25th anniversary of the farm equipment department. The Board of Directors of Coopérative Fédérée decided to set up this department in 1950 as many times requested at annual meetings of Fédérée and cooperatives. Looking back at the period from 1940 to 1950, it is easy to understand the pressures put on Fédérée to organize a cooperative farm equipment department.

But on the other hand, the Federation had serious reasons to hesitate, for in both Canada and the United States the cooperatives had little or no experience in this field. Coopérative Fédérée's directors and management were well aware that they would be pioneers in this venture.

Here, as in other fields, the concepts of need and of service were the basis for cooperative action. The difficulties were numerous, and it took some time for this venture to become economically viable, for it is not easy to manage a farm equipment distribution system, a repair shop and a spare parts service. This activity is now firmly established and its growth is steady. We would like to express our appreciation to all those at all levels who have helped us give 25 years of exceptional farm equipment service.

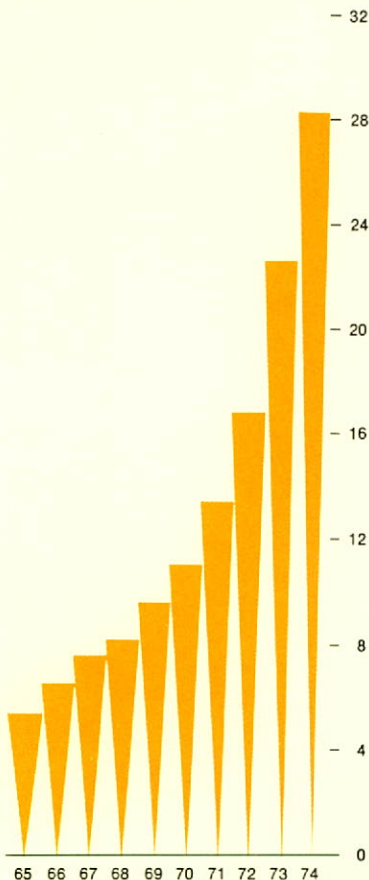
### Planning

Our movement's planning efforts are now ended and we have before us a considerable number of reports. We questioned several aspects of our activities and our presence in several fields. We explored our markets, evaluated our resources, defined and measured our strengths and weaknesses, examined our operating mechanisms, analyzed all possible choices, etc. The task was difficult but fascinating for all those who took part in it. Now it is up to the Board in association with management to select and implement in proper stages the numerous recommendations covering the commercial and industrial activities of our farm cooperative movement and all facets of our corporate life. Certain recommendations have already become reality. Others will be implemented soon. But even if we cannot implement all of them, this planning operation will have supplied us with a more enlightened view of the future.

In concluding, I would like to express my appreciation and thanks to all — members, directors, managers — for their splendid cooperation during the past year.

Roland PIGEON  
President

Members' equity (\$ in millions)







Manufacturing livestock feeds remains the basic activity of the farm supply cooperatives. The feedmills of three large farm cooperatives, members of Fédérée, are shown on this page. From the top, the feedmills of the Société Coopérative Agricole de St-Damase and the Meunerie Coopérative de Joliette and, on the right, the Coopérative Agricole du Bas St-Laurent. The presence of over a hundred similar establishments in rural Québec shows the importance achieved in this field by cooperatives.





The need for cooperatives to process increasing volumes of data in more details, became obvious to Fédérée and led management, early in 1973, to develop a uniform computer system that would help them in all phases of their data processing. The system is being developed in close cooperation with the cooperatives. The initial phase of the project, comprising sales analyses, monthly statements and aging reports of receivables, became operational in February 1974.

The "Computer System for Agricultural Cooperatives (Système d'Informatique pour Coopératives Agricoles) (S.I.C.A.) also offers, a payroll system and a Feed Formulation Least Cost program.

S.I.C.A. takes advantage of the latest computer technology using cathode-ray tubes and remote printers connected to Fédérée's IBM 370-145 central computer by telephone lines. This method of communication enables enrolled cooperatives, through equipment at their site, to enter and up-date information on their own files stored in the central computer and to retrieve the status of any accounts in a matter of seconds. A parallel "manual system" using a courier service is also available for cooperatives with lesser volumes of data.



# Management Report

*"Bad news is great — it tells you you're still here surviving.  
But good news is confusing — it tells you what you are missing".*

Marshall McLuhan

The 1973-74 financial year can be considered a good one even if we were confronted with problems of all kinds. All people associated with the farm cooperative movement were kept alert by problems such as shortages of supplies, inflationary pressures, the energy crisis, labor unrests, uncertain markets, and unseasonal weather conditions throughout the world. But on the whole, our results were excellent.

Fédérée reached a new peak with sales of \$422 million and net earnings from operations of \$9.5 million. Due to the high rate of inflation, emphasis cannot be placed upon the 40% increase in dollar volume. In quantitative terms, real growth averaged between 7% and 10%, while it was as high as 20% in some product lines. It is difficult to analyse a cooperative as a separate economic unit because, like farming, it exhibits a mosaic of interwoven activities. Furthermore its objective to serve the owner-user, rather than to maximize profits, imposes certain constraints which must be respected. Nevertheless, Fédérée met its overall business objectives by generating earnings without which it could not exercise its leadership, let alone justify its role of supporting the economic activities of member cooperatives.

Fédérée maintained its sound financial structure through medium and long term reinvestment of member earnings. This revised policy, approved during the last financial year, provides lenders with the guarantees they need to support the development of a dynamic Quebec enterprise. Members' equity now represents 34% of total assets, despite a slight decrease in the percentage of earnings in 1974. A double threat now confronts us. The first consists in overplaying a role which is not ours, that of a banker for our member cooperatives, and secondly the euphoria generated by an ever-increasing volume of business. Inventories and accounts receivable have become the two main items on the balance sheets of cooperatives. If they had not increased more rapidly than sales during the last year, members' equity at year-end would represent 38% of total assets. For the benefit of the farm cooperative movement, an effort must be made to improve the financial situation of several cooperatives now facing problems of cash flow and economic viability.

## The Dairy Division

This year, the Dairy Division occupied a privileged position among Fédérée's activities. Its sales increased by 50% to reach \$148 million, its volume by 22%, and its contribution by 67%. Not much can be added to underline this great performance, somewhat favored by circumstances, except to note the high degree of competence of management. It must also be emphasized that Quebec's foremost agricultural industry (dairy farming) is becoming more and more the business of the cooperatives and their members, not only at the primary level but also at the processing





and marketing levels. In this regard, an important development took place in 1974. Vermette & Fils Ltée was acquired by Coopérative Agricole de Granby, la Coopérative Laitière du Sud de Québec and la Coopérative Agricole de la Côte Sud, with the Fiducie du Québec acting as trustee and Coopérative Fédérée as money-lender. This transaction must be considered as part of the overall plan established some years ago by Fédérée and the Coopérative Agricole de Granby to consolidate the cooperative dairy industry. This event will lead to a more rational delimitation of milk sheds among the dairy cooperatives, while assuring, for milk pick-up alone, an estimated annual savings of \$400,000 for the farmers of that region. In accordance with an agreement reached by the participating cooperatives, plans are being worked out to equitably integrate the acquired firm with the existing cooperative dairy sector.

The milk producers of the Saguenay-Lac-St-Jean region have taken another step towards unity with the conclusion of an agreement between the Association Coopérative Laitière, la Chaîne Coopérative du Saguenay and Coopérative Fédérée.

In all cases we must appreciate the Quebec Department of Agriculture assistance in all these developments by promoting the regrouping of dairy plants, which is the only way for producers to get the best value from potential markets. Through these mergers a cooperative consortium has been created under the guidance of Coopérative Fédérée to strengthen the dairyman's economic power, as well as providing a pattern for the integration of other agricultural activities.

#### The Meat Packing Division

To accelerate our development, we purchased in February 1974 Edmond Sylvain Limitée, long established in Quebec City. It was a wise decision for it provided access to a market not yet covered by Legrade and the overall results were encouraging. Unexpectedly we were confronted with a labor dispute in August 1974 when the CNTU commenced a campaign to form a united front aimed at the cooperatives. To achieve their objective, the unionized employees casually slowed down operations. These slow downs reached a climax at our main plant in Princeville where, for two weeks, the employees collectively failed to maintain a normal output. On August 23, 1974, to avoid greater losses, the management

of Legrade had no choice but to stop all operations. On September 11, an interlocutory injunction, to be effective until judgment, was requested aimed at forcing Fédérée to reopen the Princeville plant. On October 2, after five days of hearings, the court ruled that the CNTU's request was ill-founded and therefore was rejected.

As this judgment had seriously weakened the position of the united front, management and trade union representatives commenced negotiations and soon settled for a two-year contract. Operations resumed after a ten week shut-down. All concerned incurred a substantial loss. Legrade, which had projected a profit, suffered a \$250 thousand loss, without considering the impact on future results. Let us hope that this experience will teach wisdom to all.

#### The Poultry Division

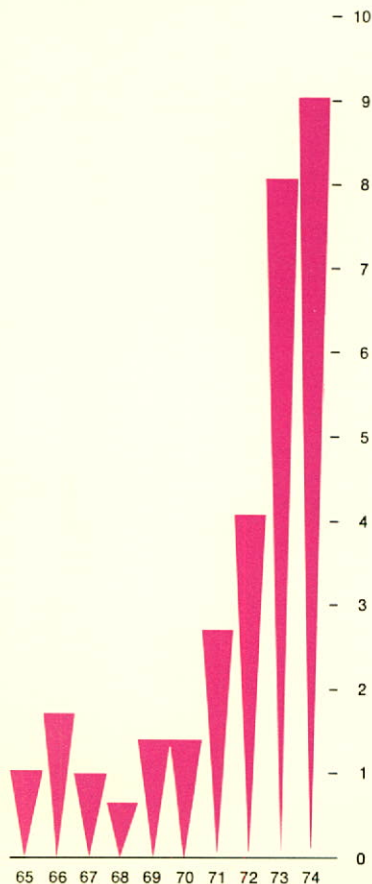
In contrast to a prosperous year in 1973, the poultry department barely broke even in 1974, due to greatly reduced margins. The processors are in a difficult position as they are squeezed between producers, who rightly demand a fair price, and a market that is very sensitive, especially when supplies exceed demand. In an attempt to correct the situation, the Federation of Poultry Producers reduced production quotas substantially. If our neighboring province does not consider a similar move, better times may be a long way off. The poultry industry is in an unhealthy state, and both processors and producers will not be able to continue for long under existing unprofitable conditions.

In 1974, to improve its profitability, Fédérée spent some \$1.5 million to increase the efficiency of its plants at St-Félix and Marieville and closed the Victoriaville plant. As usual, higher costs were incurred by operating the Marieville plant during construction. Poultry operations were also affected by an eleven week strike at St-Félix.

#### The Farm Supply Division

The two farm supply divisions are still providing Fédérée with most of its lifeblood, since they contribute 50% of our volume and 80% of our earnings. This fact indicates that these activities must not be neglected if we wish to keep the system strong. Increasing sales,

Net earnings (\$ in millions)





especially in grains, feeds and fertilizers, have helped the Feed and Fertilizer Division to increase its volume by 5% to 10%. Its record contribution to Fédérée's earnings was enhanced by inflation and tight control over expenses. During the year, there was considerable competition in the dairy feeds trade, a bastion of the cooperatives. The difficult situation prevailing in poultry farming will not reduce this competition, as enterprises strive to maintain their total volume of feeds. We have confidence, however, in the resilience of agricultural cooperation.

The most prospective event of the year was undoubtedly Fédérée's decision to join CF Industries, a basic fertilizer manufacturer owned jointly by 19 North American cooperatives. Fédérée also participated in Canadian Fertilizers Limited of Medicine Hat (Alberta), in association with our partners in Ontario, Western Canada and the United States. These events are a step towards the integration of our fertilizer distribution system. In time, our association with these groups will assure the Quebec cooperatives security of supply of raw materials and the benefits of manufacturing activities. They will also aid us to realize more rapidly our blender plants development program to better serve the farmers.

Again this year, the Feeds Department was the leader, making up  $\frac{3}{4}$  of the division's contribution. The Fertilizers Department came next. Poultry and hog production relied heavily on our Integrated Production Department that shares the good and bad fortunes of producers. Sales of the Seed Department have been slightly reduced because of unseasonal Spring weather conditions.

In today's industrialized farming, sales volume is now concentrated in the hands of a decreasing number of farmers whose needs correspond to service units better equipped with resources of all kinds. As a result, Fédérée's business relies increasingly on a smaller number of cooperatives, which in turn rely on a reduced number of farmers. To avoid the wasting of resources, we must plan for the concentration of manufacturing units. We are working to that end.

The Agricultural Supplies Division showed remarkable vitality; each department having recorded an increased volume of sales. With an

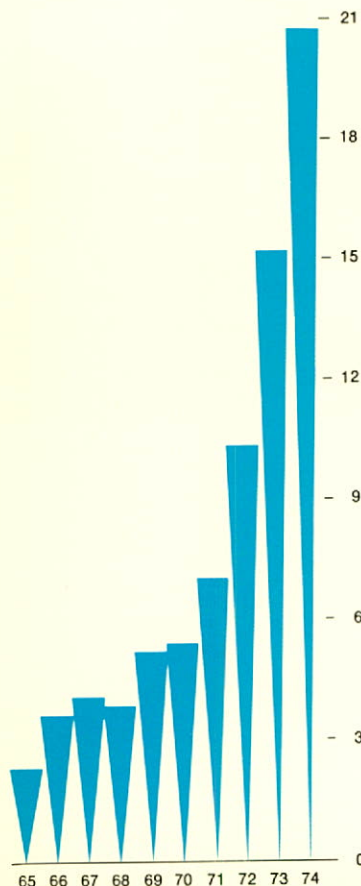
increase in sales volume of 23%, the Farm Equipment Department had the best year of its 25 year history. The concentration of its distribution outlets, which began a few years ago, is producing the expected results. Through this distribution system, Fédérée offers first-class professional services which Quebec agriculture could not give up without serious inconvenience. Due to inflation, the Farm Supply Department doubled its sales volume, while recording a 20% increase in volume. Its 17% contribution to total earnings is extremely important as it compensates for the misfortunes that always occur in a diversified enterprise like Fédérée.

In spite of an 8% growth in volume, the Petroleum Department showed a loss for the first time in many years. Everybody is aware of the energy crisis that took place at the end of 1973. To ease the pressure created by the oil producing countries and ensure a constant supply to its members, Fédérée in January 1974 bought a cargo of crude oil on the Middle-East free market. The high cost of this transaction drained the department's normal profits. At times, this is the price that one has to pay for his own security. To obviate such similar future action, Fédérée is presently working out supply and distribution arrangements to produce profitable results for both itself and its member cooperatives.

### The Challenges

Obvious progress has been made during the past year. In spite of unforeseeable circumstances, Fédérée fulfils its role as an efficient provider of services to its members. It refunds surplus earnings to them in proportion to their volume of business, and thus respects the owner-user concept of cooperation. Together with its member cooperatives, Fédérée is part of a voluntary system, integrating the supply and marketing functions of agriculture. Fédérée's success in any one of its diversified activities is not always duplicated in others, but this diversity is one of its cornerstone strength in Quebec agriculture.

Working capital (\$ in millions)





The main development in live-stock feeding during the 1973-74 financial year was the marketing of a liquid protein supplement by Coopérative Fédérée. The picture shows the LPS tanks and a delivery truck. These tanks are located at Ste-Rosalie, and in the background is the feedmill of Société Coopérative Agricole de Ste-Rosalie.



During the year, the Québec farm cooperative movement, through Fédérée, joined CF Industries, a basic fertilizer manufacturer owned jointly by 19 North American cooperatives or federations of farm cooperatives. The main objective of this partnership is to integrate the Québec farm cooperative movement to the manufacturing and marketing of basic ingredients used in the manufacture of fertilizers. The above photo shows the diammonium phosphate complex situated at Bartow in Florida. This complex has a capacity of one million tons per year. A pollution control program has been implemented and an increase in production capacity is foreseen for the future.



Legrade Inc., a wholly-owned subsidiary of Coopérative Fédérée, acquired Edmond Sylvain Ltée, a meat packing firm distributing meat and poultry products. This is an old Québec firm whose brand CLOS-JOLI is a popular one among consumers in Québec City.





Its importance as well as its *raison d'être* imposes upon *Fédérée* a role of leadership. The challenge confronting *Fédérée* and the entire farm cooperative movement is therefore one of adapting to the changing context of agriculture and the agri-food industry, which bring unequal forces into play and call upon all the available resources. In short, the challenge is to boost its presence in the secondary agricultural sector, for farm inputs as well as for farm outputs, this being the only way for the farmer to share in the profits of this sector, and also the only way he can learn the risks. The classic example in marketing is shown by the dairy cooperatives, especially *Coopérative Agricole de Granby*, while *Fédérée's* participation in *CF Industries* shows the way to become basic in farm supplies. The challenge is also to offer reciprocal cooperation to other agricultural sectors, notably to other agricultural groups and to public authorities, without neglecting members' interests and priorities. Apart from the general or specialized farm associations, few other organizations are as well rooted in the milieu or have as much responsibility towards the farmer as the agricultural cooperative movement.

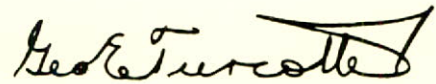
As an organization grouping 188 cooperatives, *Fédérée* acts as leader among them, playing the double role of a catalyst and a coordinator of their activities. A leader must look ahead, and see further afield than others. This is what *Fédérée* has been doing during the past two years by its planning operations. Briefly, a multidisciplinary team of directors, officers and specialists in the farm cooperative field, with the aid of consultants, has been considering *Fédérée's* *raison d'être*, establishing its objectives, analyzing its strengths and weaknesses, setting priorities, searching the agricultural horizons, re-examining its operating and organizational structures, and planning its future development.

The conclusions of this research are summarized later on in this annual report. Nevertheless, it is worth emphasizing some of the highlights;

firstly, the expression of a strong preference for the federated type structure of the farm cooperative movement, which means the sharing of powers and jurisdictions, and the broad rule of consensus, and secondly, the management's acute awareness of the need for cooperatives to present a united front in order to meet the challenges of the last half of the seventies. Another important conclusion is to slightly modify the administrative structure, which would mean (a) a closer association between directors and management, and (b) the setting-up of a regional institutional structure which, through authorized representatives, would work closely with the Managers Advisory Committee and *Fédérée's* Board of Directors for better coordination and greater efficiency.

If we do not promise wonders, it is because in cooperation as in farming, time and external forces must be respected. The big changes, if there are any, will be in people. The farm cooperative movement will prosper in the federated system it has chosen, if at all levels we believe in an integrated system, and in a concept of organization crystallizing energies around common objectives. Our federated agricultural cooperative movement is able of great possibilities, but it requires men of virtue. We must be more virtuous than ever.

At the end of this prosperous year, we would like to thank all those who closely cooperated with management for their valuable contribution; the Board of Directors for their clear-sighted and understanding leadership; and all our fellow-cooperators whose actions are very often forgotten.



Georges-Etienne TURCOTTE  
General Manager



## 1950-1975

### THE HISTORICAL NOTES OF FARM EQUIPMENT AT THE COOPÉRATIVE FÉDÉRÉE DE QUÉBEC

After World War II, farmers of Quebec asked their Federation to establish a department for the sale of Farm machinery.

1949 — A decision is made to distribute 'Oliver' products in Quebec.

1950 — The first Oliver machines are imported and sold to farmers by their co-operatives. Ever since, a policy of 10% cash discount goes into effect to encourage farmers to buy Oliver products. This forces the competitors to lower their prices. Consequently, cooperative action influences the farm machinery business and produces results.

1953 — To improve the early organization, the province is divided into regions, and five managers are appointed.

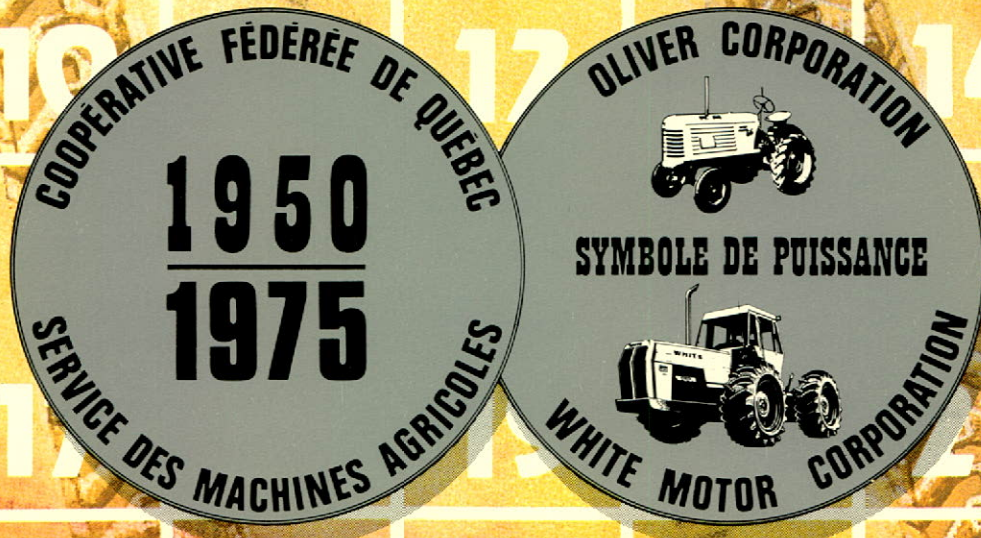
1954 — With the introduction of new lines of farm tractors by Oliver (Models: Super 55, 66, 77, 88, and 99), the 1954 sales reach a record. A strong market penetration is achieved.

1955 — Oliver introduces the Model 50 Twine Baler.

1956 — This is the year for consolidation. A number of garages are being built and marketing is being oriented towards better profits. Business turnover reaches 3 million dollars.

1958 — A new line of Oliver tractors are introduced: Models 550, 660, 770, 880, 990 and 995.

1960 — Since its beginning, the head office of the Farm Machinery Department has been located at 105 St-Paul Street, and the warehouse at 330 Bridge Street, Montreal. In 1960, both the offices and the warehouse moved to 1055 Marché Central Street, Montreal.



1964 — Until 1964, the Department was hardly profitable. Management undertakes the in-depth study of this section and suggests drastic means to insure its profitability. Great strides have been made since then. A new trend appears in our organization, showing more profitable dealerships and greater efficiency at all levels.

1966 — The sale of Dairy Equipment is organized through mobile units.

1967 — From the results of a market survey on silos, the Fédérée decides to become involved in this market.

1970 — Tractor sales are set on cash basis and special prices are offered to farmers for pre-season orders. As a result, the market penetration for tractors jumps 12 to 25%.

1971 — A special program is launched for 4 wheel drive tractors. Programs are made for the exclusive distribution of Hesston products in Quebec by the Fédérée.

1972 — Exclusive distribution is granted to Co-Op Fédérée for Dion products. The same year, two manufacturers of manure spreaders, Killbery and Cobey, give us exclusive distribution.

During its 25 years, the Department has sold over 150 million dollars worth of farm machinery in Quebec. This achievement has been made possible through the steady co-operation of our dealers and the expertise of those responsible for sales and service.



# QUEBEC FARM CO-OPERATORS HAVE GIVEN THEMSELVES



**NEW 4-180 FIELD BOSS — 210 ENGINE H.P.**, super power to better serve modern and large scale farming.



**NEW 2-150 FIELD BOSS 145 PTO H.P.**, new engineering concept including high output working features.



**4-150 FIELD BOSS — 152 PTO H.P.**, by all means a reliable power source.



**FIELD BOSS 2-105, 105 PTO H.P.**, reflecting the White family's functional styling.



**THE 7300 HARVEST BOSS — COMBINE**, a highly productive machine for corn and mixed grains harvesting. Made in Canada by experienced craftsmen.



**THE 5400 PLANT AIRE PLANTER**, the White exclusive Planter puts three common elements



# POWERFUL AND COMPLETE SERVICE OF FARM EQUIPMENT



Even for lawn and gardening, WHITE offers you a full line of garden products.



HESSTON PULL-TYPE WINDROWER MODEL PT-10, the only windrower on the market which 'Hesstonizes' hay.



HESSTON 5600 ROUND-ER, first with a better way to handle and harvest your hay economically.

HESSTON PULL-TYPE FORAGE HARVESTER, MODEL 7020, one of the three harvesters by Hesston with the 'Heart of Steel' beating.



HESSTON HYDRO-STATIC WINDROWER, MODEL 6400, a lot of windrower in a lot of crops. Can be efficiently used for hay or grain harvesting.



RENAULT 651-4, 4 wheel drive tractor. An old acquaintance with a new, dynamic and modern look.



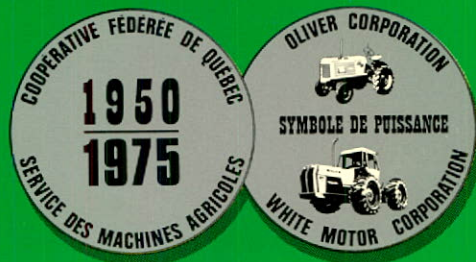
## A tribute to the faithful users of Oliver Tractors and Farm Equipment

*This year the Farm Machinery Department of the Coopérative Fédérée de Québec is celebrating its 25th Anniversary. To mark the occasion, the Department wishes to pay a special tribute to farmers who have been faithful to Oliver Products for the past 25 years.*

*The Farm Machinery Department first introduced Oliver Products in Quebec in 1950 to provide expanded service to Quebec farmers and to help them increase the efficiency of their operations. A major obstacle faced by the Department was to win the buyer's confidence in their products. Indeed, a large number of farmers have been, year after year, investing in the Oliver brand name. After 25 years, farmers continue to show preference for the Oliver Products which are constantly being improved to meet the requirements of modern farming methods.*

*The satisfaction expressed by the pioneers in the daily use of Oliver quality products laid the foundations for the achievements and successes the Department enjoys today.*

*To all those who, year after year, have placed their confidence in Oliver Products, and to all the Farm Cooperatives engaged in WHITE-OLIVER sales and service, we wish to pay a well-deserved tribute on the occasion of our Silver Anniversary. To these people, we would like to express our gratitude and sincere thanks for their contribution to our efforts.*





# Planning of the Agricultural Cooperative Movement

In 1972, Coopérative Fédérée de Québec initiated an overall planning program of the Quebec farm cooperative movement. The research was directed by a Steering Committee composed of three owner-users, members of the Board of Directors, three managers of member cooperatives and three executive officers of Coopérative Fédérée. Presidents and managers of fifteen typical cooperatives acted as advisors to the Steering Committee. The Chief Executive supervised the planning operation within the framework of the general program approved by the Board of Directors and/or the Executive Committee.

During the planning process, reports were submitted for counsel to the Board and Managers Advisory Committee. A summary of the main conclusions embodied in sixteen reports covering the movement's activities was submitted to the Board and received approval on January 16, 1975. The following is a brief summary of the main conclusions.

## **Raison d'être and objectives**

The report defines the main purpose of the farm cooperative movement as being a collective effort to improve the economic situation of farmers, owner-users of services provided by cooperatives. Member cooperatives and their farmer members together with the Federation, constitute an integrated system through which the farmer obtains his inputs and markets his products. Thus, on both the input and output side of the farm, a certain number of individual and collective enterprises are associated with the economic activities of producing foods thereby constituting a vertical integrated farm cooperative system.

The objectives, fundamental potential choices, priorities, etc., were looked at with this concept in mind because within such a cooperative system, the members democratically share the ownership, powers and results of the cooperative enterprise functioning in a given milieu. The Quebec farm cooperative movement, organized by farmers, is essentially devoted to their interests. It embodies a type of economic organization of agriculture substantially contributing to the betterment of the local economy.

Because of its *raison d'être* and its consequent role, the farm cooperative movement must accept a certain number of objectives, some of them capable of being instrumental to cooperative action. Here are a few of them:

- a — In association with the Government and other farm organizations, it must guide the development of agriculture and farm cooperatives in sectors where chances of success are the best;
- b — Endow Quebec agriculture with a network of large, competitive, efficient and progressive agri-food enterprises that will be well rooted in the milieu to better serve the owner-user;
- c — Provide its members at lowest cost possible, high-quality farm supplies well adapted to the needs of modern farming;
- d — Help the farmer to improve the management of his operation so that he may achieve maximum productivity, taking into account constraints inherent to our natural and economic environment;
- e — Rationalize plant and livestock production by offering complete production programs based on the latest technical and market information available;
- f — Explore potential markets accessible to Quebec agriculture, to provide members with the resulting earnings;



g — In conformity with the cooperative concept, encourage by all means available a more dynamic member participation in organizing and implementing activities to develop agriculture and to increase farmers' income;

h — Contribute to the training of owner-users and employees in management techniques and economics, in a spirit of service to agriculture and to the farming community.

### **The present situation**

On the whole, the situation of the Quebec farm cooperative movement is a healthy one, and it serves the Quebec farmer well. Of course, its present situation reveals both strengths and weaknesses, but it has the wherewithal to accentuate its strengths and correct its weaknesses. Its average annual growth is definitely higher than the average annual growth of Quebec agriculture, which is indicative of the movement's vitality at both levels.

The Quebec farm cooperative movement works within an agri-food industry that is part of the North American economy. This growing industry offers both possibilities and threats and certain of its trends are creating new challenges but the movement can successfully meet all its new challenges.

### **Structure**

One of the main reasons for launching an overall program was the need to question the movement's federated type structure that it had since Coopérative Fédérée was founded in 1922. The two objectives were: (a) to ensure the presence of the owner-user where decisions on the nature and quality of services he required from his cooperative had to be taken, and (b) to ensure a flexible and efficient functioning of the movement's components and, at the same time, achieve a high degree of unity, coordination and integration of decisions and programs.

The main recommendations are the following:

a — The federated type system should be maintained;

b — Within this structure and according to needs, set up decision-making mechanisms that would associate directors and executive officers of the Federation, to whom may be added directors and executive officers of member cooperatives;

c — Fédérée's Board of Directors may create sectorial decision-making mechanisms and define their mandates and composition. Such mechanisms will in practice constitute specialized instruments of the Board;

d — The Federation's general management will act as the coordinator for member cooperatives activities, as the liaison officer between all the components of the movement, and as the guardian of the movement's general policies. At the Federation's management level, the general manager has final authority and constitutes the link between the Board and the staff;

e — In carrying out his duties, the general manager is assisted by two advisory bodies: The Managers Advisory Committee and the Management Advisory Committee. The status of these committees is maintained.

### **Farm supplies**

In order to improve farm supply services, there should be a better integration of the distribution system to increase its efficiency and unity. Possibly, it might be necessary to organize a sectorial decision-making mechanism dealing with supply activities. The Federation's Board of Directors will indicate when there is a need to create such a body. Other elements concerning supplies are as follows:

a — Because of continuous growth of other cooperative activities, general management may become unable to assume responsibility of coordinating the two farm supply divisions. He would then consider the advisability of organizing, under his authority, a specialized department that would integrate both divisions of feeds and fertilizers and of farm supplies;



### **The typical cooperatives**

*The planning program provided for a study and consultation of a certain number of cooperatives that typically represented the commercial and industrial farm cooperative activities, as well as the various aspects of agriculture and the various types and economic dimensions of basic units, etc. The purpose of this research was to define and measure the strengths and weaknesses of Quebec's farm cooperative movement, to determine the main management and orientation problem of cooperatives, and to get their opinions about Coopérative Fédérée's role, the movement's structure of representation and the relationship that should exist between the Federation and member cooperatives. The data gathered is a very important part of the report on the present situation of the farm cooperative movement in Quebec. Hereunder are listed the fifteen typical cooperatives consulted:*

- Coopérative Agricole du Bas St-Laurent
- Société Coopérative Agricole de Disraéli
- Coopérative des Pomiculteurs du Québec
- Coopérative Agricole de Granby
- Société Coopérative Agricole de Laurierville
- Coopérative Agricole du Lac St-Pierre
- Chaîne Coopérative du Saguenay
- Meunerie Coopérative Agricole de St-Charles
- Coopérative Laitière du Sud de Québec
- Société Coopérative Agricole de St-Damase
- Société Coopérative Agricole de St-Ferdinand d'Halifax
- Meunerie Coopérative de Montcalm
- Société Coopérative Agricole de St-Joseph
- Société Coopérative Agricole de Sherrington
- Meunerie Coopérative Agricole de Victoriaville

b — The appointment of regional managers to represent the Federation's supply department at the level of member cooperatives. Until the nomination of a manager of the new integrated supply department, the regional managers will be accountable to the general manager. They would work closely with members of the Managers Advisory Committee, especially in their role of promoting, planning and coordinating farm cooperative activities and establishing close relations between member cooperatives.

### **The dairy industry**

The present situation of dairy cooperatives shows the success of the movement in Quebec's predominant farm production. In this field, we have only to continue the consolidation of the manufacturing milk sector, which is already near completion, but have to make a more important breakthrough in the fluid milk sector. One suggestion already implemented was to transform the Cooperative Dairy Advisory Committee into a Cooperative Dairy Board, which should be an efficient sectorial decision-making body, acting within a mandate given by the Board of Directors. At the Federation level, there is no need to modify the structure of the Dairy Division.

### **Other agricultural industries**

To achieve its fundamental objective of obtaining better income for its owner-user, the farm cooperative movement must explore and take the best advantage of all the possibilities of the food market. The cooperative dairy industry already achieved this objective and the time has now come for the movement to develop new food markets. Its present situation, aside from the dairy industry, reveals that the movement has made a good start in meat and poultry processing and marketing. It is therefore worthwhile pursuing present efforts to improve and develop these activities along the lines proposed.

The Board appointed to manage the meat packing operations (Legrade Inc.) can rightly be considered a sectorial decision-making body, providing that the direct liaison between Fédérée's Board of Directors and the Board of Legrade remains as close as it has been to date.

In the case of poultry operations, poultry growers are individual members of Coopérative Fédérée, and the Advisory Board of Poultry Growers is already a viable body in this sector. With regard to the liaison between them and Fédérée's Board, the situation is quite similar to that prevailing in the meat packing division.

For the time being, meat packing, poultry processing and fruit and vegetable operations should not be altered before a forthcoming major step is taken.

However, the following long-term measures are proposed:

a — To create a sectorial board whose mandate would be the marketing and distribution of agricultural and food products. Members of this



## Reports by sector of activity

The main conclusions of planning operations are presented in a summary report. To this summary are appended sixteen reports, by sector, dealing more explicitly with certain aspects of the farm cooperative movement or with particular economic activities. The following list gives an idea of the fields covered during the planning process:

1. Definition of the *raison d'être* and objectives of the farm cooperative movement.
2. The environment of the farm cooperative movement.
3. The present situation of the farm cooperative movement.
4. The structure of the farm cooperative movement and study of organizational concepts.
5. The choices facing the farm cooperative movement.
6. The orientation of cooperative activities in the livestock production sector.
7. The orientation of the farm supply sector.
8. The orientation of the petroleum sector.
9. The orientation of the farm equipment sector.
10. Cooperation in the dairy industry.
11. Cooperation in meat packing and processing operations (the Legrade Division).
12. Cooperation in poultry operations.
13. The financial resources of the farm cooperative movement.
14. The priorities of the farm cooperative movement.
15. The program for implementing recommendations.
16. The farm cooperative movement in the United States.

board would be directors and managers from the Federation and the cooperatives, and Fédérée's Board of Directors would entrust it with the task of elaborating and coordinating marketing policies for agri-food products;

b — To integrate meat packing, poultry and fruit and vegetable activities under a manager of food products who would report directly to the Federation's general management and whose function would be to implement the approved processing and marketing programs of agri-food products.

### Resources

Farm cooperatives are weak in management of human resources and they must now work out an overall program for their development. This program would include regular updating of human resources available within the movement, development of recruiting policies, training programs for key personnel, development of the concept of management by objectives, application of the principle of rotating personnel from one cooperative to another and from the member cooperatives to the Federation and vice-versa, etc.

Large sums will be needed to carry out the programs established for each of the sectorial activities. The Federation and member cooperatives will obviously need a strong financial policy.

Among the many financial recommendations, the Federation's share capital structure must be strengthened by issuing a higher proportion of long-term capital out of net earnings, profitability goals must be based on an agreed return on investment for each particular activity, and management consulting services must be developed to help member cooperatives to improve their accounting systems and procedures and their financial planning.

### Planning

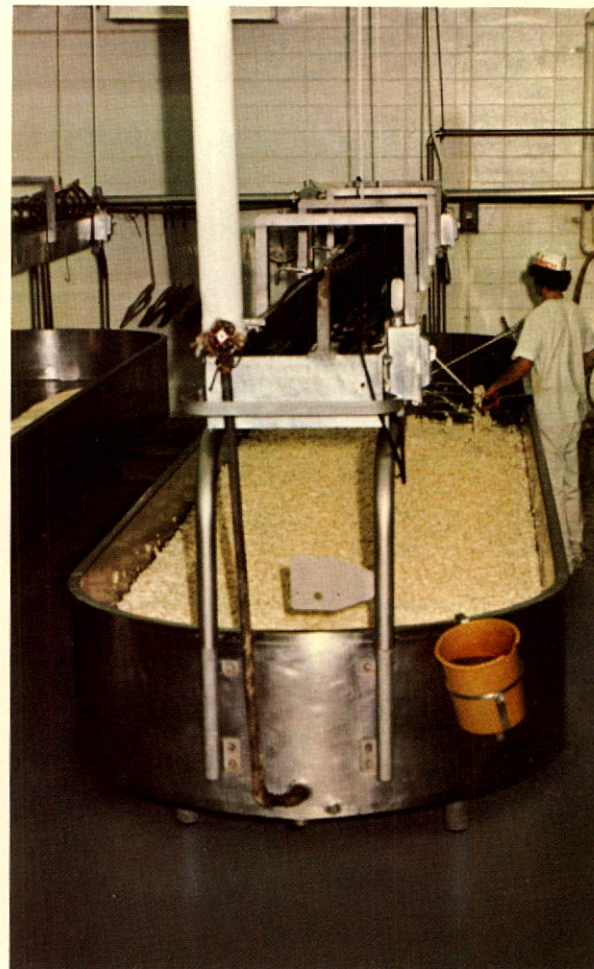
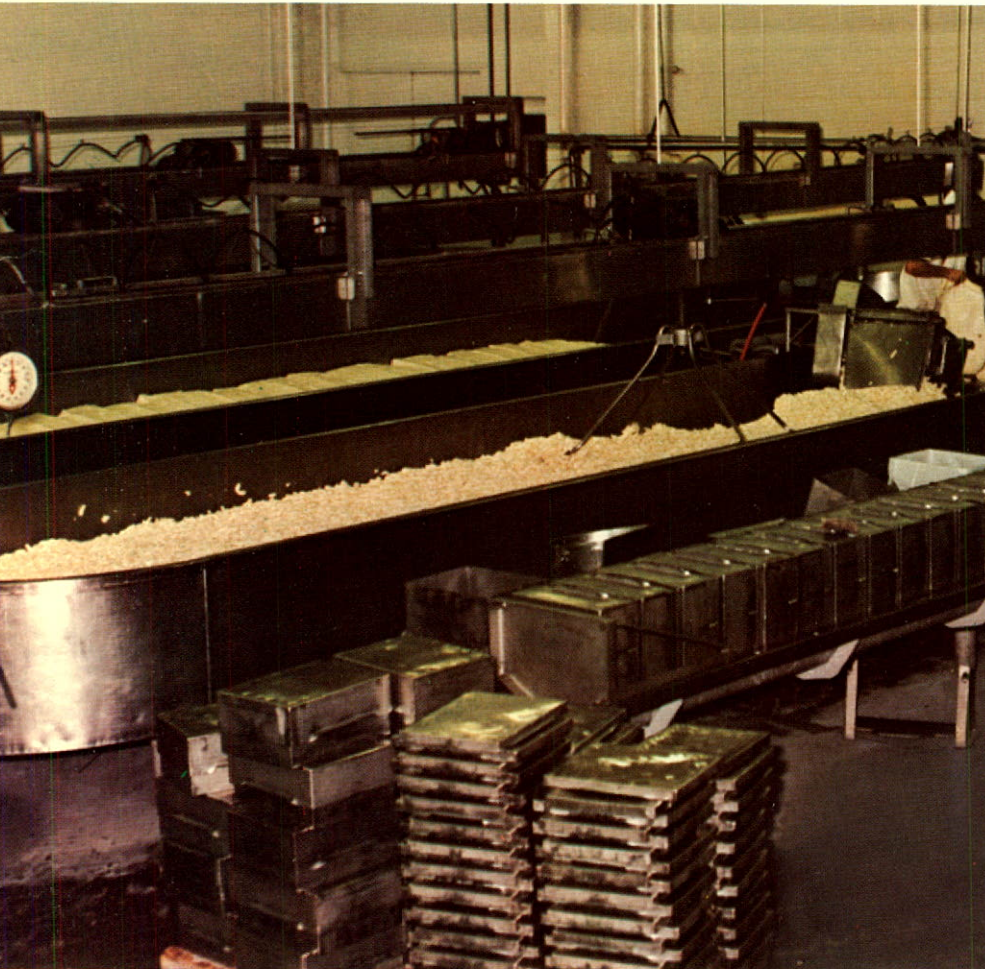
The degree of development achieved by the farm cooperative movement increases the need to regularly plan its development. In an ever changing economy, the movement, like any other network of enterprises, always finds itself in the obligation to make fundamental choices and to redefine and revise its priorities. Planning therefore becomes an essential instrument of sound management.

It was therefore recommended that a permanent planning mechanism should be created at the Federation level, with sufficient resources to effect the necessary research, to maintain a continuous consulting process within the movement, to encourage management contribution at both levels of the Federation and member cooperatives in research and reflection, to outline development programs, etc. In short, the movement's degree of development justifies its own planning activity.

### Conclusion

The planning operation, apart from providing the movement with numerous reports, especially in regard to sectorial planning, had the great advantage of making many directors and managers aware of the difficulties, as well as of the immense possibilities that await a well organized cooperative activity within the important Quebec agri-food industry. The in-depth analysis of the cooperative movement shows that it is going in the right direction and that no great upheaval is required at the moment. We only need to accelerate the development and progress of the movement.





Dairy cooperatives process and market about 90% of Québec annual production of manufacturing milk, and in recent years they have made considerable inroads into the fluid milk market. Most dairy plants are owned by large regional cooperatives, but Coopérative Fédérée owns and operates a large regional dairy plant at La Durantaye (Bellechasse), since it bought O. Couture & Fils Inc. During the year, major improvements increased cheese production capacity from 100,000 to 400,000 pounds per day. Types of cheese being made are CHEDDAR, MOZARELLA, BRICK and COLBEY. The photos on this page show the new cheese finishing tables.

# Consolidated Statement of Operations

for the year ended October 31, 1974

	1974	1973
<b>Sales and other income</b>	<b>\$422,127,316</b>	\$301,533,081
<b>Costs and expenses</b>		
Costs of goods sold	<b>\$385,200,159</b>	\$269,830,915
Salaries, wages and employee benefits	<b>13,455,170</b>	11,876,329
Other operating expenses	<b>3,648,854</b>	3,080,052
Distribution and selling expenses	<b>4,737,692</b>	4,224,629
General administrative expenses	<b>1,786,395</b>	1,608,700
Interest on long-term debt	<b>818,156</b>	753,328
Other interests	<b>1,327,668</b>	422,447
Depreciation	<b>1,594,537</b>	1,385,955
	<b>\$412,568,631</b>	\$293,182,355
<b>Net earnings from operations</b>	<b>\$ 9,558,685</b>	\$ 8,350,726
Loss on disposal of fixed assets	<b>(202,647)</b>	22,837
Amortization of excess of cost of shares in subsidiaries over net book value at dates of acquisition	<b>(327,312)</b>	(310,403)
<b>Net earnings before patronage refunds and income taxes</b>	<b>\$ 9,028,726</b>	\$ 8,063,160



# Consolidated Statement of General Reserve

for the year ended October 31, 1974

	1974	1973
<b>Balance at Beginning of Year</b>		
As previously reported	\$ 9,780,931	\$ 6,508,653
Prior years' adjustments:		
Deferred income taxes	—	249,711
Additional income taxes	4,407	134,130
<b>As restated</b>	<b>\$ 9,776,524</b>	<b>\$ 6,124,812</b>
Net earnings before patronage refunds and income taxes	9,028,726	8,063,160
	<b>\$ 18,805,250</b>	<b>\$ 14,187,972</b>
Patronage refunds from the preceding year earnings	\$ 6,600,000	\$ 4,000,000
Income taxes	645,999	220,670
Deferred income taxes	226,133	190,778
	<b>\$ 7,472,132</b>	<b>\$ 4,411,448</b>
<b>Balance at End of Year</b>	<b>\$ 11,333,118</b>	<b>\$ 9,776,524</b>

# Coopérative Fédérée de Québec and its subsidiaries

## Consolidated Balance Sheet

as at October 31, 1974

<b>ASSETS</b>	<b>1974</b>	<b>1973</b>
<b>Current assets</b>		
Accounts receivable, less allowance for doubtful accounts: 1974 — \$1,653,718; 1973 — \$1,118,976	<b>\$ 37,055,389</b>	\$ 24,842,214
Subscriptions to capital stock	<b>26,300</b>	24,100
Prepayment of income taxes (note 8)	<b>616,201</b>	—
Inventories, at lower of cost or net realizable value	<b>25,492,683</b>	15,797,553
Prepaid expenses	<b>1,095,731</b>	813,954
Short-term deposit and interest	<b>2,224,075</b>	—
Investments — current portion	<b>135,571</b>	154,894
	<b>\$ 66,645,950</b>	\$ 41,632,715
<b>Deferred accounts receivable</b> , less allowance for doubtful accounts: 1974 — \$10,120; 1973 — \$113,403	<b>\$ 412,478</b>	\$ 241,450
<b>Subscriptions to capital stock</b>	<b>\$ 60,200</b>	\$ 51,000
<b>Investments (at cost)</b>		
Shares and advances in 50% owned companies (note 2)	<b>\$ 470,000</b>	\$ 470,000
Shares and bonds	<b>1,655,745</b>	983,239
Mortgages receivable	<b>1,025,942</b>	1,115,500
	<b>\$ 3,151,687</b>	\$ 2,568,739
<b>Less: Current portion</b>	<b>135,571</b>	154,894
	<b>\$ 3,016,116</b>	\$ 2,413,845
<b>Fixed assets</b>		
Land, buildings, machinery and equipment, automotive equipment, leasehold improvements, at cost	<b>\$ 20,595,031</b>	\$ 17,712,355
Less: Accumulated depreciation (note 3)	<b>(9,362,792)</b>	(8,152,287)
	<b>\$ 11,232,239</b>	\$ 9,560,068
<b>Other assets</b>		
Goodwill	<b>\$ 1</b>	\$ 1
Deferred charges	<b>366,468</b>	377,595
Excess of cost of shares in subsidiaries over net book value at dates of acquisition (note 4)	<b>2,635,407</b>	2,793,628
	<b>\$ 3,001,876</b>	\$ 3,171,224
	<b>\$ 84,368,859</b>	\$ 57,070,302

On behalf of the Board  
Roland Pigeon, President  
Jean-Paul Diné, Vice-president.

<b>LIABILITIES</b>	1974	1973
<b>Current liabilities</b>		
Outstanding cheques, less cash	\$ 2,282,316	\$ 3,966,282
Bank advances	7,600,000	3,706,000
Accounts payable and accrued liabilities	20,348,819	14,817,914
Short-term notes	14,418,650	2,550,000
Current portion of long-term debt	1,284,686	1,423,422
	<b>\$ 45,934,471</b>	<b>\$ 26,463,618</b>
<b>Deferred income taxes</b>	<b>\$ 676,714</b>	<b>\$ 440,489</b>
<b>Long-term debt (note 6)</b>		
First mortgage sinking fund bonds — 7½% — 1987	\$ 975,000	\$ 1,050,000
Debentures, series "A", sinking fund — 7% — 1976	352,500	418,000
Debentures, series "B", — 9½% — 1975-1976	1,187,400	1,999,900
Debentures, series "B", — 8¼% — 1975-1977	1,238,700	1,496,800
Debentures, series "B", — 7¾% — 1977-1978	1,956,800	1,970,500
Debentures, series "B", — 7¾% — 1979	744,700	968,900
Debentures, series "B", — 9% — 1976-1979	3,354,100	—
Debentures, series "C", sinking fund — 7½% — 1979	381,500	448,000
Mortgages payable — 6%, 7%, 8% — 1975-1983	391,812	183,000
Other loans	95,583	260,453
	<b>\$ 10,678,095</b>	<b>\$ 8,795,553</b>
Less: Current portion	1,284,686	1,423,422
	<b>\$ 9,393,409</b>	<b>\$ 7,372,131</b>
<b>Members' equity</b>		
Capital stock (note 7)	\$ 17,031,147	\$ 13,017,540
General reserve (note 8)	11,333,118	9,776,524
	<b>\$ 28,364,265</b>	<b>\$ 22,794,064</b>
	<b>\$ 84,368,859</b>	<b>\$ 57,070,302</b>

**Commitments** (note 9)

The accompanying notes are an integral part of the financial statements.



## Consolidated Statement of Changes in Financial Position

for the year ended October 31, 1974

	1974	1973
<b>Working capital at Beginning of Year</b>	<b>\$ 15,169,097</b>	\$ 10,313,031
<b>Source of funds</b>		
Net earnings from operations	\$ 9,558,685	\$ 8,350,726
Charges not requiring an outlay of funds	1,650,486	1,436,107
Funds from operations	\$ 11,209,171	\$ 9,786,833
Proceeds from investments	129,739	307,692
Investments maturing within one year	135,571	154,894
Sale of fixed assets	199,787	173,675
Long-term debt	3,381,643	1,163,441
Issue of shares	4,880,553	2,844,397
	<b>\$ 19,936,464</b>	<b>\$ 14,430,932</b>
<b>Use of funds</b>		
Increase in deferred receivables and subscriptions to capital stock	\$ 180,228	\$ (34,054)
Increase in investments	867,581	17,832
Additions to fixed assets	3,171,958	2,899,369
Acquisition of a subsidiary, net of working capital (note 5)	396,184	—
Increase in other assets	44,822	348,980
Decrease in long-term debt	1,620,365	1,701,022
Patronage refunds from the preceding year earnings	6,600,000	4,000,000
Income taxes	645,999	354,800
Redemption of shares	866,945	286,917
	<b>\$ 14,394,082</b>	<b>\$ 9,574,866</b>
<b>Increase in working capital</b>	<b>\$ 5,542,382</b>	<b>\$ 4,856,066</b>
<b>Working capital at End of Year</b>	<b>\$ 20,711,479</b>	<b>\$ 15,169,097</b>



# Notes to Consolidated Financial Statements

as at October 31, 1974

## Note 1 — Principles of consolidation

The consolidated financial statements include the accounts of Coopérative Fédérée de Québec and those of its wholly-owned subsidiaries, namely:

Legrade Inc.  
 Eastern Abattoirs Limited  
 Fédérée Elevators Limited  
 Canadian Livestock Cooperative of Quebec Limited  
 Mont-Joli Products Ltd.  
 Quebec Seed Ltd.  
 O. Couture & Fils Inc.  
 Edmond Sylvain Limitée 1954

Operations of Edmond Sylvain Limitée 1954 are consolidated since January 1, 1974, the effective date of acquisition.

## Note 2 — Investments in 50% owned companies

These investments are shown at cost and the book value according to their balance sheet for the year ended in 1974 is as follows:

	Cost	Book value
Les Engrais Laprairie Ltée		
1,500 preferred shares of \$100 each, non participating, 6% non cumulative dividend	\$ 150,000	\$ 150,000
500 common shares of \$100 each	50,000	161,575
Advances	200,000	200,000
Centres Agricoles du Québec Inc.		
2,000 preferred shares of \$25 each, non participating, 7% non cumulative dividend	50,000	50,000
2,000 common shares of \$10 each	20,000	88,227
	<u>\$ 470,000</u>	<u>\$ 649,802</u>

## Note 3 — Fixed assets

Fixed assets are depreciated on the reducing balance basis at the main following rates:

Buildings 5% and 10%  
 Machinery and equipment 20%  
 Automotive equipment 30%

Assets acquired or sold during the year were depreciated at the same rates, proportionately to the number of months they were used.

## Note 4 — Other assets

The excess of cost of shares in subsidiaries over the net book value at dates of acquisition is being amortized on a straight-line basis over a period of ten years.

## Note 5 — Acquisition of a subsidiary

Non-fund assets and liabilities arising from the acquisition of Edmond Sylvain Limitée 1954 are as follows:

### Assets

Fixed assets — net book value	\$ 497,184
Excess of cost of shares over their book value at date of acquisition	169,092
	<u>\$ 666,276</u>

### Liabilities

Deferred income taxes	\$ 10,092
Long-term debt	260,000
	<u>\$ 270,092</u>

Decrease of funds by acquisition

\$ 396,184

## Note 6 — Long-term debt

Payments required in the next five years to meet long-term debt instalments and sinking fund provisions are: 1975 — \$1,284,686; 1976 — \$2,294,743; 1977 — \$2,719,036; 1978 — \$1,837,782; 1979 — \$1,776,905.

## Note 7 — Capital stock

According to section 5 of the Act incorporating Coopérative Fédérée de Québec, the capital stock is composed of the common shares subscribed by the members and of the preferred shares issued by it. Such capital stock is variable. Common and preferred shares may be redeemed by resolution of the Board of Directors in as much as the provisions of the trust deeds dealing with redemption of capital stock are complied with. They may be reissued.

### Issued and fully paid

Preferred shares, of \$10 each:

1961 series "A", redeemable at no set date	\$ 397,230
1966 series "B", redeemable at the latest in 1986	621,270
1967 series, redeemable at the latest in 1987	678,770
1968 series, redeemable at the latest in 1988	768,370
1969 series, redeemable at the latest in 1989	555,890
1970 series, redeemable at the latest in 1990	1,361,870
1971 series, redeemable at the latest in 1986	1,394,140
1972 series, redeemable at the latest in 1987	2,006,850
1973 series, redeemable at no set date	221,880
1974 series, redeemable at the latest in 1984	2,816,070
	<u>\$10,822,340</u>



<b>Common shares:</b>	
Qualifying shares of \$10 or \$25 each, convertible in preferred shares	\$ 24,735
Qualifying shares, class "A", of \$25 each	1,198,575
Class "B", of \$25 each	285,675
Class "C", of \$10 each	2,581,560
Class "D", of \$10 each	1,963,350
	<u>\$ 6,053,895</u>

**Partially paid**

A balance of \$11,241 for non-assessable preferred shares and of \$12,671 for non-assessable common shares, resulting from the allotment of shares in payment of patronage refunds remains credited to members as the individual amounts allotted are insufficient to equal the par value of these shares

\$ 23,912

**Subscriptions by poultry growers**

Qualifying common shares, class "A", of \$25 each

\$ 131,000

\$17,031,147

**Redemption of capital stock**

At their meeting held on January 16, 1975, the Directors resolved to redeem during fiscal year 1974-1975, \$398,193 of preferred shares, series "A", issued in 1961, still outstanding.

**Note 8 — General reserve**

**a) Patronage refunds**

In accordance with the terms of the Act incorporating Coopérative Fédérée de Québec, the Directors, at their meeting held on January 16, 1975, declared, out of net earnings for the current year, a patronage refund of \$7,600,000. They also resolved that this refund be paid in cash for \$2,641,807 and the balance of \$4,958,193 be allocated to members by issuing \$2,678,193 in preferred shares redeemable in 1985 and \$2,280,000 in common shares, class "D".

**b) Income taxes**

No provision for income taxes has been recorded with respect to the current year earnings as patronage refunds had not been declared as at October 31, 1974. However, according to the distribution of net earnings allocated by the Directors at their meeting held on January 16, 1975, income taxes should not exceed \$600,000.

**Note 9 — Commitments**

a) Coopérative Fédérée de Québec, holding more than 30% of the common stock of Greater Montreal Central Market Co. Ltd., has signed with the latter two lease agreements: the first with a minimum annual rental of \$172,200 expires May 1, 1990, the second with a minimum annual rental of \$31,000 expires December 1, 1977. In addition, the lessee must pay the expenses related to the leased properties. The leases are renewable under certain conditions for successive terms of ten years.

b) Coopérative Fédérée de Québec has guaranteed to the extent of \$2,500,000, a bank loan granted to a 50% owned company. As at October 31, 1974, a loan of \$160,000 was outstanding and was fully secured under the provisions of section 88 of the Bank Act.

c) **Pension plan** — Changes in the pension plan have resulted in a liability for past services estimated at \$350,000 as at October 31, 1974. Coopérative Fédérée de Québec intends to amortize that amount over a period not exceeding six years.

## Auditors' Report

To the members of Coopérative Fédérée de Québec,

We have examined the consolidated balance sheet of Coopérative Fédérée de Québec and its subsidiaries as at October 31, 1974 and the consolidated statements of operations, general reserve and changes in financial position for the year then ended 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 accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us, and as shown by the books of Coopérative Fédérée de Québec and its subsidiaries, these consolidated financial statements are drawn up so as to exhibit a true and correct view of the state of the affairs of Coopérative Fédérée de Québec and its subsidiaries as at October 31, 1974 and the results of their operations and changes in their financial position for the year then ended in accordance with generally accepted accounting principles, except as explained in note 8b, applied on a basis consistent with that of the preceding year.

Boulangier, Fortier, Rondeau & Cie,  
Chartered Accountants.

January 16, 1975.

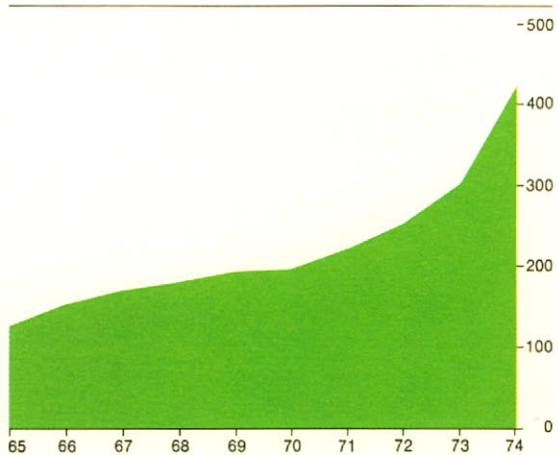


# Coopérative Fédérée de Québec and its subsidiaries

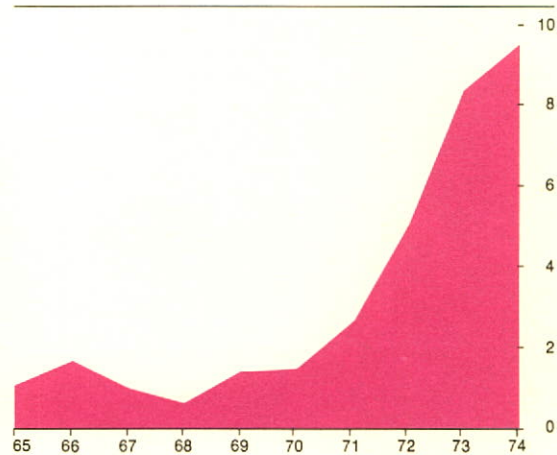
## A decade of progress

(\$ in millions)

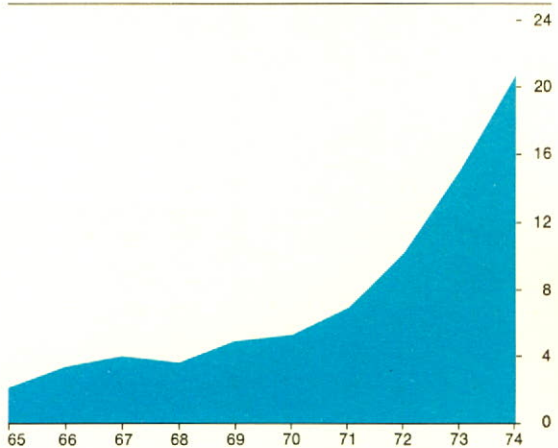
Sales



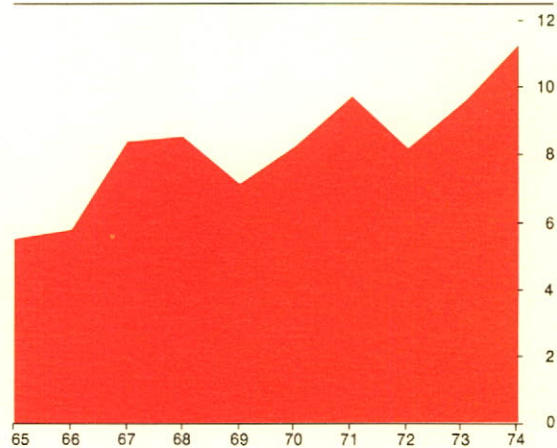
Net earnings  
from operations



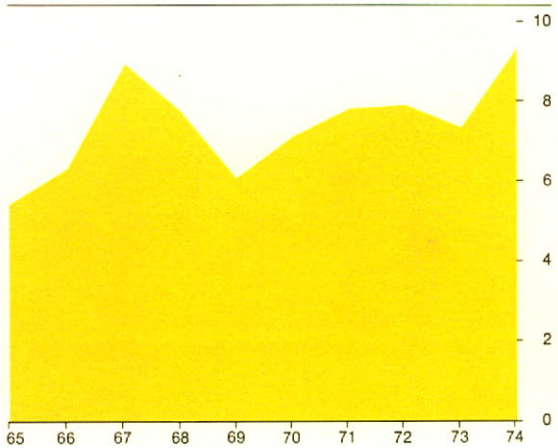
Working  
capital\*



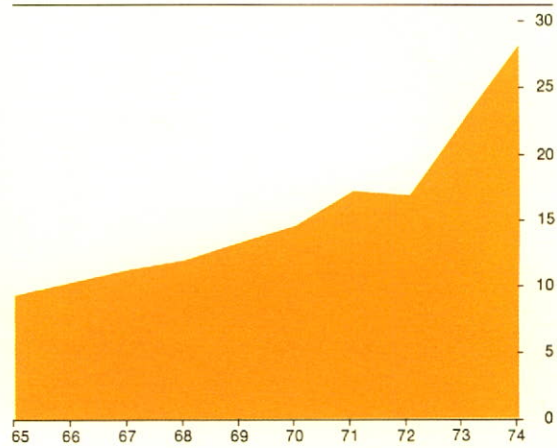
Fixed  
assets (net)



Long-term  
debt



Members'  
equity\*



\*Before patronage  
refunds and income taxes



