

C



agropur

Coopérative
agro-alimentaire

Forty-second
Annual Report 1979/1980



Board of Directors

R. Beaudry	H.P. Maillette
R. Béliveau	F. Masson
J. Bellemare	L. Michaud
H. Crochet	J.M. Robert
G. Gaudet	A. Roy
J.P. Guimond	R. St-Cyr
P.H. Leduc	P. Véronneau
M. Lemire	

Officers

Président	Michel Lemire
Vice-président	Lauréat Michaud
Directeur général	Raynald Giroux
Secrétaire	André Gauthier
Trésorier	Guy Duguay

Regions

	Members	Delegates
Salaberry	466	47
Granby	2429	241
Etrie	784	80
Lac St-Pierre	1218	128
Bois Francs	863	84
De l'Érable	739	75
Lanaudière-Grandpré	842	86
La Pérade	845	86
	<hr/>	<hr/>
	8186	827

Table of Contents

	Page
Highlights	3
Board of Directors	4
Administrative Committee	5
Message from the President	7
Report by the General Manager	11
Organization chart	18
New divisional structure	19
Financial statements	20
Notes	25
Cooperative life in action	28



Cover: Impressive control centre at the new Fromagerie de Granby is strikingly typical of the avant-garde philosophy of Agropur, Coopérative agro-alimentaire, one of Canada's largest milk processors.



Highlights

NET SALES	
Industrial milk	\$304,730,564
Fluid milk	122,658,758
Farm supply	25,890,851
	\$453,280,173
MILK COLLECTIONS(in litres)	
Industrial milk	820,295,768
Fluid milk	172,018,707
	992,314,475
NUMBER OF EMPLOYEES: 1,981	

Last five years at a glance

YEAR	1980	1979	1978	1977	1976
Sales, in \$ millions:	453	371	327	302	287
Annual change, %:	22	13	8	5	14
Earnings distributed to members, in \$ millions:	3.1	3.3	2.5	2.5	2.4
Average price complements per hectolitre, in \$:	2.0652	1.4421	1.5420	1.2653	1.1111
Net earnings after price complements to members, in \$ millions:	4.6	4.1	4.8	3.3	2.9
Members' equity, in \$ millions:	58.9	50.3	44.8	40.0	26.7
Working capital, in \$ millions:	27.5	13.2	26.2	24.1	18.6
Long-term debt, in \$ millions:	29.2	23.2	14.2	12.3	11.3
Milk collections in millions of litres:	992.3	933.9	929.5	947.1	973.6
Number of members:	8,186	8,357	8,833	9,002	9,189

Board of Directors



M. Lemire
*Président



L. Michaud
*Vice-President



*R. Beaudry



*J.M. Robert



*R. St-Cyr



R. Béliveau



J. Bellemare



H. Crochet



G. Gaudet



J.P. Guimond



P.H. Leduc



H.P. Maillette



F. Masson



A. Roy



P. Véronneau

*Members of the Executive Committee

Administrative Committee



Raynald Giroux
General Manager



André Gauthier
Corporate Secretary



Guy Duguay
Treasurer



Reynald Charest
Manager
Industrial Milk
Division



Jean Hupé
Manager
Fluid Milk
Division



François Maheir
Manager
Farm Supply
Division



Raoul A. Blouin
Manager
Membership
Relations



Ken McCaughey
Manager
Marketing



Roger Bourgault
Manager
Human Resources

Its Role

The Administrative Committee, presided over by the General Manager, includes eight representatives from the top management echelons directly under its authority: the Directors of each of the three Agropur Divisions; the Corporate Secretary; the Treasurer; and the Directors of the following three Services: Membership Relations, Marketing, and Human Resources.

The role of this Committee is to define the management policies of the enterprise and to ensure that they are efficiently implemented. Its members set up the necessary mechanisms to achieve the long-term objectives determined and approved by the members and the Board of Directors. In addition, they study and analyze the policies suggested by the different Services and specify the measures to be taken to achieve the short-term objectives of the enterprise. The Administrative Committee generally meets once a month.

New Fromagerie de Granby

The new Agropur cheese plant in the Granby Industrial Park, built at a cost of \$30 million, is considered by experts to be the most technologically advanced of its kind in Canada. The modern Granby plant can process 315 million litres of milk annually, for a total production of 21 million kilograms of cheese a year.



Message from the President



Dear Members:

We are here today to examine the results achieved by our Coopérative during the fiscal year ended October 31 last.

This meeting in which you are participating today is without doubt the most important any of you has attended during the past twelve months.

Today above all days, the principle of democratic participation is tangibly affirmed, and the idea of the owner-users, the distinctive characteristic of each member of the Coopérative, takes on the deepest significance. It is as owner-users, participating democratically in the management of your enterprise, that you express your needs and take the appropriate measures to satisfy them. One of those measures, obviously, is the election of your Directors.

As you are well aware, your Coopérative has grown into an organization of considerable size. As a result, every action you take as a member assumes even greater importance.

Your position as co-owner of one of the largest dairy processing enterprises in Canada carries heavy responsibilities with it. It demands that you give very close attention to everything you undertake.

The decisions you made last year were fully in line with these responsibilities, and were the end result of deep thought and much consultation. They produced concrete benefits in the form of increased volume for your Coopérative and improved conditions for you, the farm producer.

I would now like to outline some more notable events of the year just ended. Several had profound repercussions on the Coopérative's activities and, consequently, upon each of you.

During the past fiscal year, your Directors played an active role in achieving the objectives set by Agropur members as a whole. As an example, they attended 15 full

meetings of the Board of Directors, nine meetings of the Farm Supply Committee, four meetings of the Solidarity Committee, and two meetings of the Board's Executive Committee.

They also took part in several meetings of the Conseil de la Coopération Laitière, as well as attending a general meeting and a special general meeting. Displaying the same enthusiasm and team spirit characteristic of our Coopérative that many of you have shown on these occasions, the Directors have also participated in numerous regular meetings of the Animators.

During the year, your Directors also took refresher training in the role and functions of the Board of Directors. Their decision to follow these courses demonstrates once again your Directors' keen desire to continue acquiring knowledge so they can work even more efficiently for you.

Agropur welcomed 408 new members during the past fiscal year, while 579 resigned, bringing total membership to 8,186 as of October 31, 1980.

The new Fromagerie de Granby, a project approved during the special general meeting on August 9, 1977, was officially opened during the year. This ceremony was the occasion for a remarkable and extremely profitable public relations operation.

More than 12,000 people, Coopérative members and employees alike, accompanied by their families, responded to the invitation to tour the new cheese plant last September 6 and 7. It goes without saying that the visitors were most impressed by the sophisticated technology and up-to-the-minute installations in this plant. Once operating at full capacity, it will eventually produce 21 million kilograms of cheese annually to satisfy the growing national market demand

for specialty cheeses. The visit to this modern plant not only helped improve the Agropur corporate image, but it also proved once again the strength, vitality and intense pride of our big cooperative family.

Right here and now, I would like to express my warm thanks to all Agropur personnel who took part in one way or another in the organization of this memorable day. This visit was so successful from every viewpoint that we plan to hold even more "open house" operations of this kind.

During their annual summer meeting on September 9 last, the Animators attended the official opening of the Fromagerie. Guests of honour for the occasion were the Honorable Yvon Pinard, federal Member of Parliament for Drummond, President of the Privy Council and government leader in the House of commons, and the Honorable Jean Garon, member of the Québec National Assembly for Lévis and Ministre de l'Agriculture, des Pêcheries et de l'Alimentation du Québec, along with numerous other personalities.

At this time I would also like to express my sincere thanks, on behalf of all Agropur members, to the media people from newspapers, trade magazines, radio and television who gave our Coopérative such excellent coverage on this occasion.

September 9 is a notable date for us for yet another reason. The official opening of our new Granby plant coincided with a special general meeting called to authorize the merger of Agropur, Coopérative agro-alimentaire, and Québec-Lait Inc., its principal subsidiary.

From every viewpoint it seems that this was not only an inevitable, but also a logical development. It helps bring about better administrative efficiency. Furthermore, it must be remembered that this merger responds to the wishes of members as frequently expressed at general and regional meetings.

I should not neglect to mention the contribution that your Coopérative has made to the federal programme for converting to the international metric system units. For example, our Dairy Equipment Service supervised the operation to convert bulk storage tank calibrations to metric for all dairy cooperatives in Québec.

Following adoption of our new corporate name last year, several members took advantage of the excellent opportunity to identify their farms with the Agropur col-

ours and their Coopérative's new name and symbol. As a result, a total of 379 identification boards and 782 mailboxes in the Agropur red, blue and white can now be seen throughout the areas we serve. This is a development which we are following with great interest.

Our programme to encourage agricultural training among young people, now in its third year, continues to arouse enormous enthusiasm. Last year, 41 rural youth groups each received a bursary of \$100 after holding a local exhibition of dairy heifers.

I also wish to remind you that your Coopérative offers you an extremely important social programme, including such measures as assistance to members who have been victims of fires. Several of our members have already benefited from this timely aid.

In order to offer an even more complete range of services to members served by your Farm Supply Division, Agropur in the spring of 1981 will be opening an extremely efficient feed mill with the most modern and advanced equipment.

Designed according to an entirely new concept, the new mill will be able to meet our members' needs by producing livestock and poultry feed in cubes, granules and milled



form. Those relying on it for their feed supplies will be more self-sufficient than ever, with ready access to individual feeds of superior quality for their farm animals.

Your Coopérative this year will also open its own data processing centre which will offer the possibility of providing you with computerized milk payments service, among others. As well as being super-fast, this new system will also provide more detailed and complete information on the decisions and economic activities of your Coopérative.

Perfection of this data centre operation is most important for us, as yet another step towards our total independence of action as a cooperative.

Finally, I would like to say a few words on the subject of the cooperatives and the farm union movement. I am happy to report that the dispute between the cooperative movement and the farm unions, which has existed for several years and aroused all sorts of passions, is now well on the way to an amicable settlement.

A first agreement was signed on December 21, 1979, by the organizations taking part in the Trudeau Committee negotiations. Prior to that, your representatives took an active part in the work of this Committee, which had been set up to determine the fields of activities of both parties. Finally, on June 6 last, we were one of the co-signers of a new plan which now regulates the activities of Québec milk producers.

During the meetings of this committee, supporters of the cooperative movement defended their positions with firmness and conviction. Your representatives insisted on obtaining all the advantages possible. Regardless of what has come to pass already, it is premature to say that this struggle for influence has been settled to the

complete satisfaction of the Agropur Board of Directors. However, I believe that we can be relatively happy with the results achieved to date, and that the new agreement marks a great step forward for our movement.

As well as ending a sterile and exhausting struggle which was of no benefit to producers in general, and members in particular, the new agreement allows an industrial milk producer also to produce fluid milk for consumer use while remaining a member of the Coopérative. This was not possible, previously. This agreement will not only forge closer links between members and their Coopérative, it also offers producers the possibility of better prices and better market conditions. That is progress we can only be thankful for.

It should also be noted that under this new plan the cooperatives retain the possibility of making their own milk collections from their members, integrated or not, as well as maintaining control of transportation, management and milk payments. That is a remarkable advantage in itself.

Quite obviously, there is still much to be accomplished before we achieve the ideal situation for which we have been working: an equal price for milk of equal quality. That is one of the objectives we continue to pursue, tirelessly. It would be fair for all producers, and we are convinced that through hard work, perseverance and constant effort we will reach that goal one day.

The second dairy cooperative congress was held last fall at the Hotel Méridien-Montreal. Theme of the meeting was communications. The members of your Board of Directors and your top management people, especially those in charge of communications with members, collaborated ardently in this congress. We are firmly convinced that annual meetings of this kind benefit all cooperatives belonging to the Conseil de la

coopération laitière, and the producers who are members of these bodies.

I would not wish to end this message without thanking Mr. Raynald Giroux for his careful stewardship, and would like to thank him publicly for the high honour awarded him in June 1980.

Our General Manager received the Ordre du Mérite agronomique, the highest distinction awarded annually by the Ordre des Agronomes du Québec. This decoration is a fitting tribute to his professional career and the support Mr. Giroux has always given to the science of agronomy.

In conclusion, I think it can safely be said that on the whole, 1980 was an excellent year for Agropur, Coopérative agro-alimentaire.

As a business enterprise, we continued to expand to reach new summits. As a cooperative, we continued to defend the interests of our members as we worked to ensure them an even more flourishing and promising future.

Thanks to all the work we have done together during this past year, and thanks to the fair and equitable decisions that we have adopted in common, for the benefit of all, we can look to the future with confidence. I fully expect 1981 to be another year of achievements and further success!

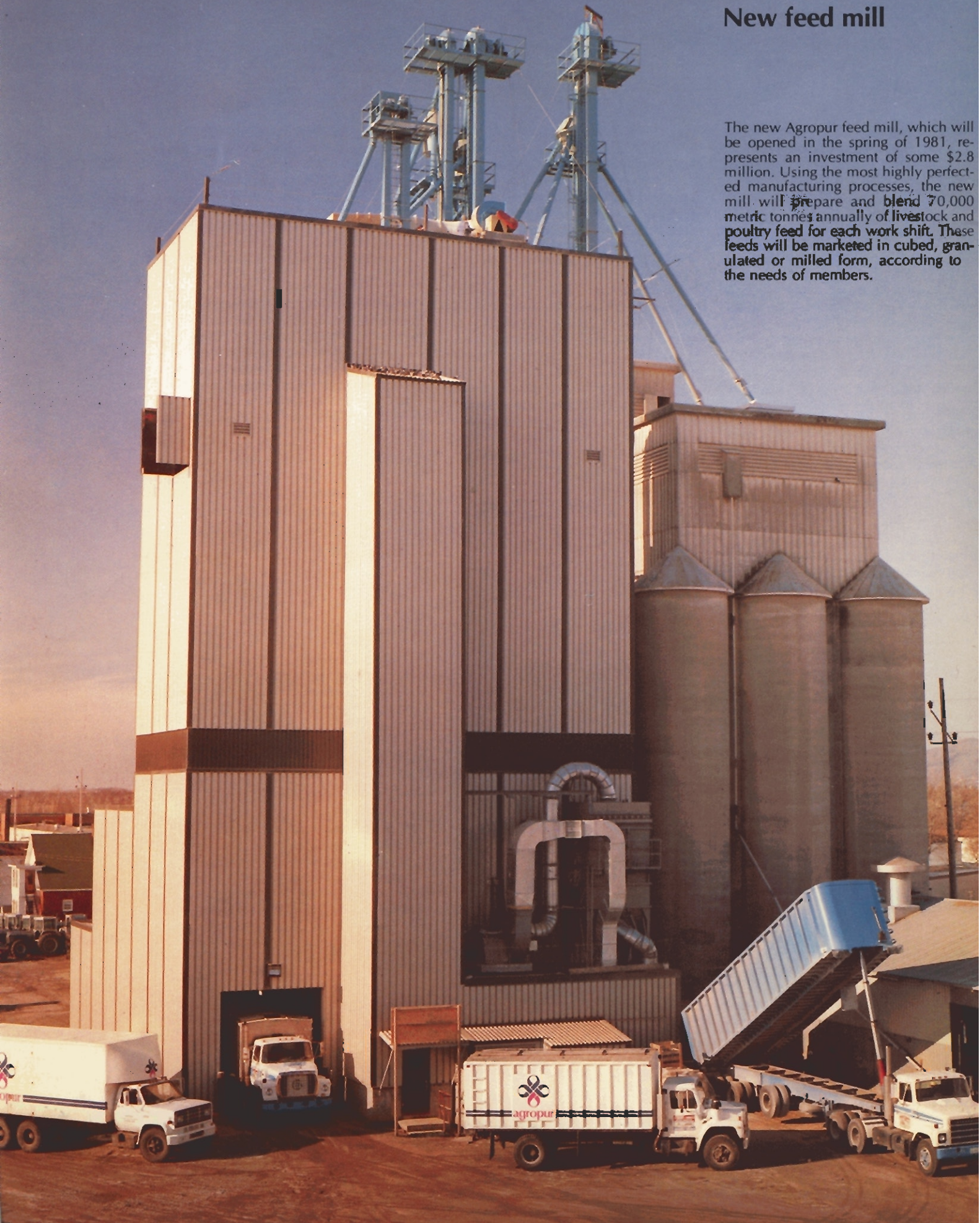
My personal thanks to each of you.



Michel Lemire
President

New feed mill

The new Agropur feed mill, which will be opened in the spring of 1981, represents an investment of some \$2.8 million. Using the most highly perfected manufacturing processes, the new mill will prepare and blend 70,000 metric tonnes annually of livestock and poultry feed for each work shift. These feeds will be marketed in cubed, granulated or milled form, according to the needs of members.



Report by the General Manager



Dear Members:

Results of the 1979-1980 fiscal year were extremely encouraging, on the whole, with a substantial increase in business volume reported by Agropur, Coopérative agro-alimentaire. The new Fromagerie de Granby, a key instrument in our future growth, is already operating at full capacity. Each of the Agropur divisions grew at a most satisfactory rate during the year. Last but not least, the merger of the Coopérative with one of its subsidiaries, Québec-Lait, Inc., will permit us to achieve several of the main objectives which we have set for ourselves over the past few years.

AGROPUR, COOPÉRATIVE AGRO-ALIMENTAIRE

First, let us look at some of the more notable results of this past year.

Agropur sales reached record heights, growing from \$370 million the previous year to more than \$453 million this year. That represents an increase of \$82.5 million, or 22.3%. Industrial milk sales climbed to \$305 million, an increase of \$55 million over the previous year.

Fluid milk sales for the consumer market also showed a quite spectacular leap, from \$99 million last year to more than \$123 million in the twelve months just ended.

The Farm Supply Division also showed continued steady progress, with an impressive total of \$26 million in transactions, compared with \$22 million the year before.

Taking a look at the consolidated balance sheets, we see that total assets are now \$122,590,802, compared with \$113,627,692 for the preceding fiscal year, which is an increase of some \$9 million.

Total current assets have grown from \$52,154,051 last year to \$60,588,814 at the close of the 1979-1980 fiscal period. Current liabilities, by contrast, were down by almost \$6 million, from the previous year's \$38,995,369 to \$33,118,176 this year.

Collections of industrial milk from our members totalled 789,769,114 litres, representing a 3.5% increase for the year. Total milk receipts for all our operations, including those of our subsidiaries, amounted to 992,314,475 litres.

Examining the various payments made to members, it becomes obvious just how profitable it is for a dairy farmer to belong to a cooperative.

Over the past ten years, for example, the sound management of your Coopérative has generated some impressive surpluses. In the dairy sector alone, these total \$129,544,228, which has been distributed to members as price complements, supplementary payments and patronage refunds. To date, you have already received \$89,051,670, or 68.75% of this total amount, in the form of cash payments. In addition, your assets have grown from \$21,724,000 to \$122,590,000 over the decade, with a substantial amount of this belonging to each and every one of you in the form of members' capital and equity.

In addition to the initial payments, you will also be interested in seeing how the operating surplus has been distributed to members. Figures in the table below indicate the average annual amounts paid per hectolitre of milk, calculated over the past two years. The patronage refund shown for this year is the amount recommended by your Board of Directors.

	<u>79-80</u>	<u>78-79</u>
Price complement	\$2.06	\$1.44
Efficiency complement	—	.57
Winter milk supplement	.06	.06
Patronage refunds	.35	.32
Total	<u>\$2.47/hl</u>	<u>\$2.39/hl</u>

Winter Milk Supplements

The news on this subject is quite interesting. Following the drop in production in the winter of 1976-77, as a result of the reduced quotas imposed in 1976, we note that winter milk production has been increasing steadily. We fervently hope that this trend will continue, in the interests of our members and the dairy industry as a whole. Steady milk production throughout all 12 months of the year allows better utilization of our processing facilities, and also eliminates the supply difficulties encountered by our processing plants during the winter months.

Industrial Milk Division

The outstanding event of the year for this Division was undoubtedly the startup of our new Fromagerie de Granby. Production began on March 17, 1980, at this extremely sophisticated operation, the most modern plant of its kind in Canada, which is now processing 45,360 litres of milk an hour. Although it was originally conceived to manufacture specialty cheeses such as Brick, Mozzarella, Colby, Havarti and Cottage, among others, we are now making Cheddar cheese here also, to meet market demand. Cheddar consumption in Canada has actually increased by more than 25% in the past two years.

As always, cheese accounts for the major part of Agropur production, and 60% of all industrial milk collected last year was used for cheese making. Our production of cheddar increased by 17.4% in 1979-80 over the previous year. Our total production of all firm cheeses increased by 10% last year, and by 64% over the past five years. We are understandably proud of these results.

At the same time, our production of soft cheeses such as Camembert, Brie and Campagnard at our St. Polycarpe plant has also increased substantially, by 30% in fact, compared with the previous year.

Our production of evaporated milk for the domestic market increased by only 1.2% for the 7.8% butterfat type, and by 8.2% for 2% butterfat type. By contrast, production of evaporated milk for export reached 1,500,000 cases this past year, a truly substantial increase of 139% over the previous year.

Butter production was down by 30%, however, and skim milk powder output by 14%. These lower levels reflect the efforts to diversify production being made by your Coopérative, as well as changing consumer habits.

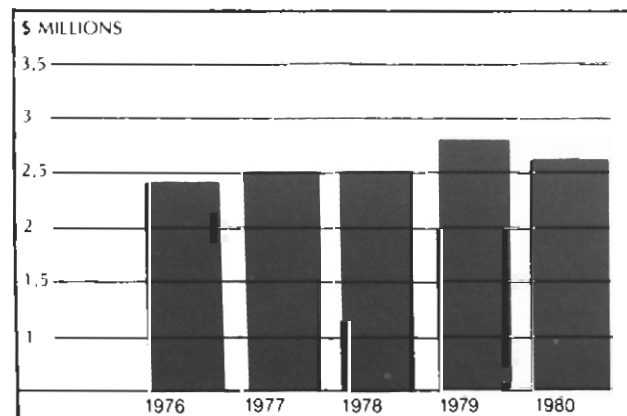
As for Yoplait yogurt, we have made some technical advances in our manufacturing process which have improved its flavour and consistency even more. Results of these changes were quickly noted: Yoplait production increased by 12% in just one year. This achievement is all the more significant when you realize that Canadian yogurt consumption remained stable during this period. Last fall, we also renewed for another ten years our agreement with Sodima to manufacture Yoplait yogurt under licence.

Last September, we combined the distribution of some of our fine cheeses with that of yogurt. This has resulted in quite substantial savings in our distribution costs, along with increased sales volume.

Finally, I am pleased to tell you that last November, Agropur was honoured at the Royal Winter Fair in Toronto by winning the Canadian Championship Quality Award for our cheddar cheese made at the Notre-Dame du Bon Conseil plant. In addition, butter made at our Plessisville creamery received the provincial Quality Award, and Camembert from our Beaujeu plant captured the first prize for quality at Toronto's Canadian National Exhibition. Finally, our Laiterie Mont St-Bruno subsidiary won the coveted Lys d'Or award for the quality of its ice cream.

Our **Technical Service** has been busy with several projects during this past year. Among those worthy of note are: the manufacture of milk powder with nisine; a process to hydrolyze the lactose in skim milk so as to produce powder suitable for sale in countries where people cannot digest lactose; research for new formulas or packaging ideas to increase butter consumption; and projects to make more profitable use of whey from the cheese making process.

PATRONAGE REFUNDS DISTRIBUTED TO MEMBERS



The **Engineering Service** is kept busy supervising new construction equipment. This year, in addition, it has hired a new engineer who will be responsible for all projects related to environmental protection and energy conservation. He will handle the important duties of satisfying increasingly rigorous government requirements, as well as ensuring that we keep up-to-date on the latest developments in this sensitive field.

To conclude this brief look at the activities of the Industrial Milk Division, the following table shows the percentages of milk used in our major production sectors.

Products	Quantity
Cheeses	60%
Butter and skim milk powder	20%
Evaporated milk	10%
Fresh milk	8%
Yogurt & miscellaneous	2%

Québec-Lait Inc. and its Subsidiaries

The officers of our subsidiaries devoted considerable time and energy this past year to improve the productivity and efficiency of our operations. They also standardized various accounting procedures, particularly ledger keeping, accounts payable and invoicing systems.

Consolidated net sales rose to \$122,858,675 from the previous year's \$98,987,618, for an increase of \$23,871,057 or 24.1%. Our share of the fluid milk consumer market in Québec is now about 29%, a substantial increase over the 24% share we held at the end of fiscal 1979. Ice cream market share, however, remained steady at 33%.

Average daily fluid milk production at our four dairy plants is now 700,000 litres, compared with 500,000 litres during the 1978-79 fiscal period.

Québon brand ice cream sales were up by 20%. In order to profit from today's consumer trends we have asked our Marketing Service to study the possibility of introducing a deluxe style ice cream.

During the past year we launched two new ice cream flavours under the Québon label: "Royal Delight" and "Chocolate Chips", as well as two new frozen specialties, "Cream Pop" and "Pop Junior". All these products had excellent consumer acceptance.

Production of ice cream and frozen specialties increased slightly over the previous year, to 24,958,599 litres, although the market overall is shrinking. During the year we took several steps to improve our ice cream quality, setting up more rigorous quality control standards for the product itself, as well as for raw materials, the fruits and other ingredients we obtain from our suppliers.

A packaging machine to handle cartons from 200 ml to 2 litres was installed during the fiscal year at our Sherbrooke plant, resulting in a 25% increase in capacity. We are now able to satisfy the needs of this regional market.

Eight new "Maitre Glacier" milk bar franchises were also awarded during the year, bringing their number to 22. Our objective is to have 50 such milk bars two years from now.

A major portion of the purchases of raw materials and containers made by Laiterie Mont St-Bruno Inc. and Laiterie Léveillé Inc. were integrated with those of Québec-Lait Inc. during the year. This allowed us to achieve worthwhile economies of scale.

The savings expected from computerization of our pasteurization and homogenization procedures have not yet materialized. However, the break-in period is now over and there is every indication that we should soon achieve our objectives.

Finally, an important decision was taken at the end of this past fiscal year on the corporate restructuring of the Coopérative and its subsidiaries. On December 19 last, the Lieutenant-Governor-in-Council approved a private bill permitting the merger of Agropur, Coopérative agro-alimentaire and its subsidiary, Québec-Lait Inc. This was the result of the expressed wishes of members over the past few years, and adoption of a resolution to this effect during a special general meeting on September 9 last.

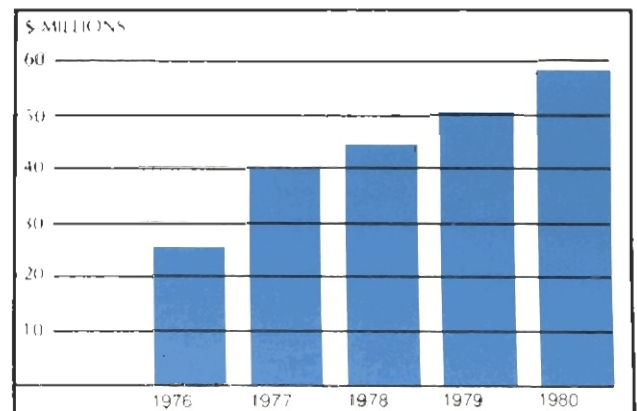
Farm Supply Division

This latest fiscal year was marked by a number of important changes, both on the personnel level and as regards the equipment available to members.

Nine new members were added to the management team during the year, to replace employees who resigned or retired, as well as to fill positions left vacant through the divisional reorganization commenced in 1979. Recruiting of



MEMBERS' EQUITY



competent staff is of primordial importance if we wish to attain our growth and sales objectives.

Total volume of feed deliveries to farms increased by 5% during the year, to reach 68,000 metric tonnes. Average feed prices were unchanged from 1979.

Construction of the new feed mill was the centre of interest for **Feed and Fertilizer Service** staff this past year, and progress on this project is very encouraging. The break-in period is now over, and manufacture of hog and poultry feeds should begin no later than May of this year.

Sales of the **Chemical Fertilizers Service** decreased by 18% during the year. Increased retail costs, along with the substantial drop in corn prices, were the main reasons for greatly reduced applications of fertilizers last spring.

The **Hog Raising Service** marketed 24,000 hogs during the fiscal year, or 7% fewer than in the previous year. As had been forecast, this service operated at a deficit. During the first half of the year we were selling hogs at an average price of \$53 per 100 pounds, while we had to pay higher than usual prices for piglets. However, since feed prices were lower than forecast, we were able to end the year with a smaller deficit than would otherwise have been the case.

Hardware Service business volume was up this past year, due primarily to higher prices resulting from inflation and the addition to the balance sheet of transactions made at the Marieville branch.

At this branch, volume of transactions with members has exceeded all forecasts. Even though the Hardware Service has not yet reached the profitability stage, we are extremely hopeful that the restructuring now underway will turn this situation around during the coming fiscal year.

The **Farm Machinery Repair Service** will prove profitable for members as a result of the construction or re-equipping of the shops at Granby and St. Germain, as well as reorganization of hardware facilities at the latter location.

Membership Relations

Highlight of the 1979-80 fiscal year for many members will undoubtedly be the possibilities opened up for them for integration into the fluid milk sector. The agreement signed on December 21, 1979, between representatives of the farm unions and the cooperative movement allowed 1,066 members to produce fluid milk for the consumer market, while remaining members of their cooperative. However, this agreement obviously involved increased work for all personnel of the Membership Relations Service.

They were also extremely busy during the year in another area. Conversion to the international metric system as of January 1, 1980, resulted in numerous meetings and discussions with members to explain the subtleties of the new system and to supply details on new milk payment procedures.

Just as an example, during the past 12 months, the 11 cooperative advisers made 4,595 home visits and had members visit their offices on 7,882 occasions. The **Communications Service**, for its part, held 43 meetings with the Animators, attended by a total of 2,672 persons. Along with its other activities, it also continued to publish the monthly "AGROPUR NOUVELLES" as well as an interesting leaflet entitled "Democratic Participation".

During the first few months of 1980 the **Milk Collection Service** negotiated 82 milk transport contracts. Meetings were subsequently held at regular intervals to resolve differences arising from higher fuel costs and route changes resulting from the integration of more than 20% of our member-suppliers into the fluid milk sector.

Total business volume of the **Milk Equipment Service** rose an astonishing 87.1% over the previous year, to reach \$2,451,592 for fiscal 1979-80.

Several management people of our Coopérative have benefited from refresher training programs offered by the **Human Resources Service**.

In order to encourage employees to continue improving their job skills even more, the Agropur Directors have decided to approve even larger budgets for such training in the year ahead.

The past year was also an excellent one from the standpoint of labour-management relations, with no labour disputes whatever to mar the picture. We hope that this extremely favourable climate will be maintained throughout the coming year. This will benefit our customers as much as it will our members and our employees.

The health and safety of our personnel continues to be one of the major preoccupations of the Coöperative. Accident prevention programmes have been implemented, and employees are constantly being made aware of the importance of safety procedures in all work places.

Marketing Service

The officials of this service have put a great deal of effort into providing even more attractive packaging for several of our products, which are now offered to consumers in more than 800 different formats. The image-freshening operation this year has involved cottage cheese, sour cream, evaporated milk and butter, among others.

Several new products were introduced to the public during the past year. These included Québon brand butter in individual portions, two new flavours of Québon ice cream and a new frozen specialty, "Snack & 1/2". It should also be noted that we launched two new private brand mini-pats of butter. In addition, in cooperation with a large Montréal food broker, we set up a new pre-order system for Yoplait yogurt. Reaction to these innovations has been most positive, resulting in strong sales increases.

Painting of our fleet of trucks and other vehicles in the new Agropur colours continued during the past year. This operation is now well on the way to completion, with only 20% of our vehicles still carrying the old identification.

We also hired new advertising agencies to help us better orchestrate our advertising and promotional campaigns. We also organized various promotions in the form of temporary discounts and taste tests at the point of sale. In the sports field, we have signed an important agreement with Jacqueline Gareau, who is the world's No. 2 woman marathon runner. Miss Gareau will now speak for Yoplait in our advertising and promotional campaigns.

Continuing our practice of previous years, we continued to offer cash donations to numerous social and cultural organizations requesting assistance. Our contributions this past year totalled more than \$50,000. Donations such as these improve the institutional image of Agropur and have an important though indirect benefit.

Several other Marketing Service activities during this past year also deserve mention. They include qualitative and quantitative studies designed to gain a better understanding of consumer needs. An experiment in a new dairy products distribution method was also made during the opening of a new "Maitre Glacier" dairy bar in Granby. Although it is still too early to draw any definite conclusions from this initiative, the results have been encouraging.



Treasury Service

Considering the fact that our buying and selling prices are regulated and that business volume is now close to one-half billion dollars annually, it is more than ever vital to adopt every possible measure to maintain our profit margins.

The Treasury Service is now setting up a new and extremely precise internal audit system. This very detailed accounting system will permit us to maintain constant vigilance over operating expenses, and eliminate unnecessary expenses which can lower returns.

In cooperation with our firm of auditors, this service is constantly studying the possibilities for financing all our projects, and makes every effort to obtain the maximum amount of assistance from various governments. As a result, over the past fiscal year we have received \$5,302,079 in the form of subsidies or grants.

Secretariat

After consulting the Animators, the Secretariat this past year helped draw up a new group life insurance programme for Coopérative members. As a result, 1,046 members who were already insured have benefited from this new plan which raises their coverage to \$5,000. In addition, 382 other members joined our group insurance programme for the first time, bringing to 4,750 the number now insured under the Agropur plan.

New Divisional Structure

Our Coopérative has grown considerably over the past few years, and we now occupy an extremely enviable place in the ranks of large Canadian enterprises.

This sustained growth demanded the establishment of a new administrative structure, better suited to the changed conditions and needs imposed by the vast territories now served by Agropur.

That is why your Board of Directors adopted a new administrative structure for the Coopérative, and have grouped its activities in three main divisions.

This new structure which came into effect on September 1, 1980, groups similar activities in a single division, a procedure which speeds decision making and allows greater delegation of authority within each division.

A decade full of promise

I would not want to conclude this message to our members without expressing my views on the future prospects for farmers in general, and Québec's dairy farmers, in particular.

I am profoundly convinced that the decade of the 1980s will not be the decade of energy or electronics, as is said so often. Instead, I believe it will be a decade devoted to something even more fundamental: food.

For one thing, the Third World population is growing at an extremely rapid rate. The green revolution which aroused such great hopes at the beginning of the 1970s, has far from fulfilled its promises. Today, food production in many countries is not increasing. Rather, it is decreasing.

Neither should it be forgotten that the socialist and communist countries, because of their rigid economic systems, seem incapable of attaining even the strict minimum level of self-sufficiency in food production. They are thus forced to import ever greater quantities of foods each year.

On the other hand, the eating habits of people in developed countries are becoming increasingly sophisticated. Smaller families, the increasing trend to food in individual portions, the growing number of meals eaten outside the home, have all created new and greater demands on both the producers and processors of food products.

Added to this is the fact that countries such as Japan and the Arab nations which have now achieved greater prosperity are rapidly adopting our western food habits, which are far from frugal!

All this leads us to one inevitable conclusion: demand for food products of all kinds will grow at an unprecedented rate during the years ahead.

As dynamic farm producers, owners of your own businesses, you can look to the future with confidence, because you truly are in a privileged position. As owner of your farm, you own the ground the food is grown in. As a member of the Coopérative, you are part of the most efficient structure there is to increase the profitability of your operation to the maximum, and to market your production to your greater advantage.

More than any other group, therefore, you are in a better position to satisfy the increasingly urgent demands for food needed to supply the entire world in the future.

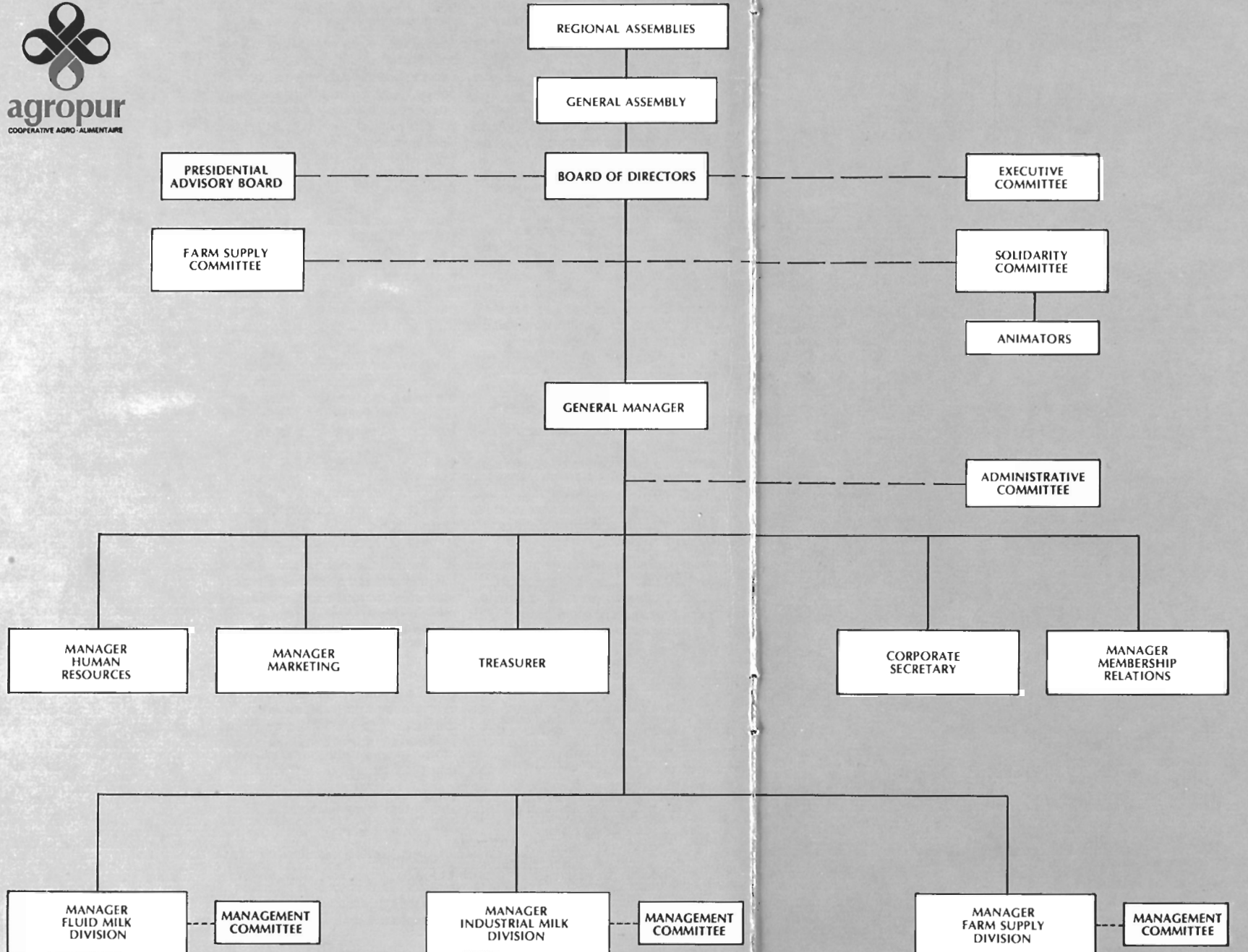
My report would certainly not be complete if I failed to extend my sincere thanks to all members of the Board of Directors, and especially to our President, Mr. Michel Lemire. Without their wise counsel, without the time they have so generously devoted to establish forward-looking policies for our Coopérative, it would not have been possible to achieve the success we know today in our various spheres of activity and financial administration.

I also wish to thank the entire top management team, all members of middle management, and each and every one of our employees for their continued loyal support in maintaining the excellence of the services provided by our Coopérative. Together, we are achieving ever greater things because you are helping us to satisfy new needs and bring the promises and hopes of the future to fruition. My sincere thanks to all of you.



Raynald Giroux
General Manager

Organization Chart



New Divisional Structure

The diversification of our activities, the launching of new products and the conquest of new markets have forced us to revise our organizational structure to adapt to these new needs and realities. Specifically, in order to face the future with increased efficiency, it became imperative for us to adopt a more decentralized structure.

In view of these facts, your Board of Directors decided to regroup all Agropur operations in three main Divisions:

- Industrial Milk Division (cheeses, milk powders, butter, evaporated milk, yogurt, etc.)
- Fluid Milk Division (fluid milk, ice cream, and by-products)
- Farm Supply Division (farm machinery, hardware, feed mills, veterinary and hog raising services)

This new organizational structure, proposed and approved by your Board of Directors, came into effect on September 1, 1980. Its major objectives are to classify Coopérative activities rationally by the appropriate Divisions; to bring the decision making centres closer to the scene of the activities; to accelerate the implementation of projects to be carried out; and, finally, to permit greater decentralization by delegating authority within each of the three Divisions.

These changes have been favourably received by our management people. We are convinced that this new structure will have positive effects on the future performance of our Coopérative.

Consolidated balance sheet as at October 31, 1980

	1980	1979
ASSETS		
Current		
Cash and short-term investments	\$ 5,294,282	\$ 7,125,140
Accounts receivable (including members \$3,152,696; 1979 - \$3,109,166)	24,359,580	21,038,139
Grants receivable within one year	916,750	—
Income taxes recoverable	325,601	—
Inventories (Note 1)	29,127,979	23,491,280
Prepaid expenses	564,622	499,492
	60,588,814	52,154,051
Investments (Note 2)	2,812,467	2,969,656
Grants receivable (Note 3)	1,933,400	—
Fixed (Note 4)		
Land, buildings, machinery and equipment	92,621,086	89,323,915
Accumulated depreciation	(41,837,439)	(36,859,635)
	50,783,647	52,464,280
Goodwill less accumulated amortization	6,472,474	6,039,705
	\$122,590,802	\$113,627,692

On behalf of the Board

Michel Lemire

Director

Laurie Michaud

Director

See accompanying notes to consolidated financial statements

	1980	1979
LIABILITIES		
Current		
Bank loan, secured	\$ 915,000	\$ 861,100
Accounts payable (including members \$4,971,908; 1979 - \$9,693,919)	29,141,185	33,495,179
Current portion of long-term debt	2,936,897	4,438,403
Income taxes payable	125,094	200,687
	33,118,176	38,995,369
Long-term debt (Note 5)	29,166,749	23,224,091
Deferred income taxes	1,352,333	1,117,470
	63,637,258	63,336,930
Contractual commitments (Note 7)		
MEMBERS' EQUITY		
Members' capital (Note 6)	49,662,767	42,561,348
Excess of appraised value of fixed assets over cost	279,685	297,594
General reserve	2,407,092	1,920,344
Unappropriated earnings	6,604,000	5,511,476
	58,953,544	50,290,762
	\$122,590,802	\$113,627,692

See accompanying notes to consolidated financial statements

Consolidated statement of earnings for the year ended October 31, 1980

	1980	1979
Sales and other operating income	\$453,280,173	\$370,747,058
Cost of goods sold	400,064,013	327,973,793
Gross margin	53,216,160	42,773,265
Selling expense	21,489,894	18,382,984
Administrative expense	7,067,249	6,314,642
Interest on long-term debt, net of amounts assumed by a government agency (\$17,290 in 1980 and \$42,600 in 1979)	3,929,912	3,003,711
Interest income and other income	(1,711,228)	(1,784,624)
	30,775,827	25,916,713
Earnings from operations	22,440,333	16,856,552
(Gain) loss on disposal of fixed assets	(281,798)	445,120
Amortization of goodwill	603,004	554,755
Earnings before following items	22,119,127	15,856,677
Price complements to members	16,138,320	10,999,872
Earnings before income taxes	5,980,807	4,856,805
Income taxes (Note 8)	1,369,719	716,428
Net earnings for the year	\$ 4,611,088	\$ 4,140,377

See accompanying notes to consolidated financial statements.

Consolidated statement of unappropriated earnings for the year ended October 31, 1980

	1980	1979
Balance at beginning of year	\$ 5,511,476	\$4,742,367
Net earnings for the year	4,611,088	4,140,377
Amortization of excess of appraised value of fixed assets over cost	17,909	21,593
	10,140,473	8,904,337
Adjustment of prior years' income taxes	110,959	—
Transfer to general reserve of prior year's unappropriated earnings of the Coopérative	3,425,514	3,392,861
	3,536,473	3,392,861
Balance at end of year	\$ 6,604,000	\$5,511,476

Statement of general reserve for the year ended October 31, 1980

	1980	1979
Transfer of prior year's unappropriated earnings of the Coopérative	\$ 3,425,514	\$ 3,392,861
Patronage refunds	(3,081,597)	(3,355,170)
	343,917	37,691
Adjustment of income taxes	142,831	—
Net transfer to general reserve	486,748	37,691
Balance at beginning of year	1,920,344	1,882,653
Balance at end of year	\$ 2,407,092	\$ 1,920,344

See accompanying notes to consolidated financial statements.

Consolidated statement of changes in financial position for the year ended October 31, 1980

	1980	1979
Source of funds		
Operations		
Net earnings for the year	\$ 4,611,088	\$ 4,140,377
Items not involving funds		
Depreciation of fixed assets	5,505,338	3,720,398
Amortization of other assets	619,075	569,429
Deferred income taxes	319,653	(564,456)
(Gain) loss on disposal of fixed assets	(281,799)	446,781
	10,773,355	8,312,529
Net increase in capital stock	7,101,419	4,718,226
Long-term debt	5,942,658	8,407,095
Proceeds of disposal of fixed assets	408,065	696,251
Investments	157,189	277,006
	24,382,686	22,411,107
Application of funds		
Fixed assets	3,950,971	22,904,490
Patronage refunds	3,081,597	3,355,170
Grants receivable	1,933,400	—
Goodwill	1,051,844	1,600,000
Income taxes	52,918	—
Acquisition of subsidiaries	—	7,562,309
	10,070,730	35,421,969
Working capital		
Increase (decrease) during year	14,311,956	(13,010,862)
Balance at beginning of year	13,158,682	26,169,544
Balance at end of year	\$ 27,470,638	\$ 13,158,682

See accompanying notes to consolidated financial statements.

Summary of significant accounting policies

Consolidation

The consolidated financial statements include the accounts of Agropur, Coopérative Agro-Alimentaire and its subsidiaries.

Inventories

Inventories are recorded at the lower of cost and net realizable value.

Fixed assets

Fixed assets are recorded at cost net of applicable government grants and investment tax credit related to fixed assets of the Coopérative, except for fixed assets of a subsidiary which were revalued at replacement cost in 1962 and 1965. Depreciation is calculated on the diminishing balance method over the estimated useful life of the assets concerned except for the building and production equipment of the new plant in Granby on which depreciation is calculated using the straight-line method. Depreciation is not charged on new assets until they become operative.

Goodwill

Goodwill includes the excess of cost of investment in subsidiaries over their fair value at dates of acquisition as well as purchased goodwill which is amortized on a straight-line basis over a ten year period. It also includes the cost of dairy rounds which is amortized on the diminishing balance method at the rate of 10% applied to the cost price less a 50% residual value.

Income taxes

Income taxes are recorded on the tax allocation basis. Deferred income taxes arise principally from the fact that depreciation claimed for tax purposes exceeds that recorded in the accounts. Income taxes are recorded net of realized investment tax credits related to fixed assets of subsidiaries.

Other notes to consolidated financial statements

1. Inventories

	1980	1979
Dairy products		
Raw materials and products in process	\$ 4,128,480	\$ 3,467,231
Finished products	20,441,397	14,983,762
	24,569,877	18,450,993
Farm equipment and supplies	3,690,185	4,130,940
Maintenance supplies and other inventories	867,917	909,347
	\$ 29,127,979	\$ 23,491,280

2. Investments

	1980	1979
Coopérative associations		
Investments at cost		
Coopérative Fédérée de Québec	\$ 2,148,875	\$ 1,999,406
Centres Agricoles du Québec Inc.	35,000	35,000
	2,183,875	2,034,406
Other investments at cost		
Deposits with trustees for redemption of bonds and debentures	654,100	938,515
Mortgage, 10% maturing August 1, 1986	124,461	139,001
Other	124,860	129,073
	903,421	1,206,589
Portion maturing within one year	(274,829)	(271,339)
	628,592	935,250
	\$ 2,812,467	\$ 2,969,656

3. Grants receivable

The Coopérative received and will receive during the next two years grants from the Department of Agriculture (Québec) and from the Department of Regional Economic Expansion (Canada) for the financing of its new plant in Granby subject to certain conditions such as the maintenance of a minimum capital of \$35,000,000. The total grants amounting to \$9,667,000 have been credited to fixed assets. Of this amount \$1,833,500 was received in 1979, \$4,983,350 in 1980, \$916,750 will be received in 1981 and \$1,933,400 in 1982.

4. Fixed Assets

	Rate	1980		1979	
		Book Value	Accumulated Depreciation	Book Value	Accumulated Depreciation
Land	---	\$ 2,435,629	\$ —	\$ 2,234,480	\$ —
Buildings	5%	29,249,634	7,479,344	19,549,546	6,341,525
Production and transformation equipment	10% 20%	47,838,432	28,408,509	35,391,049	25,231,374
Sales equipment	20%	2,006,441	1,190,417	2,081,407	1,186,078
Transportation equipment	30%	6,268,250	3,857,410	5,551,277	3,275,676
Office furniture and equipment	20%	1,271,425	901,759	1,149,478	825,032
Work in progress		3,551,275	—	21,367,678	—
		\$ 92,621,086	\$ 41,837,439	\$ 89,324,915	\$ 36,859,635

5. Long-term debt

	Maturities	1980	1979
Coopérative agricole de Granby			
Bank loans, secured prime rate plus ½% (A)		\$ 19,210,000	\$ 12,470,000
Serial debentures, 8%	1981	500,000	750,000
First mortgage bond Series "B", 8¼%	1981	925,000	1,343,000
Mortgage, no interest	1981	228,100	456,200
Other loans, 7½% to 11%	1991	381,997	497,402
		21,245,097	15,516,602
Québec-Lait inc. and its subsidiaries			
Bank loans, secured, prime rate	1984/89	5,600,000	6,500,000
Secured debentures, 8¼%, Series "A"	1988	2,296,000	2,583,000
Note payable, unsecured, prime bank rate plus 1%	1984	717,500	922,500
Secured loan, 11¼%	1980	—	215,985
Mortgage bond Series "A", 12.636%	1987	350,625	400,125
Balance on purchase of shares of Laiterie Léveillé inc., 9½%, unsecured	1989	1,152,000	1,280,000
Other loans, 6½% to 12%	1990	742,424	244,282
		10,858,549	12,145,892
		32,103,646	27,662,494
Portion maturing within one year		2,936,897	4,438,403
		\$ 29,166,749	\$ 23,224,091

Repayments of principal:

1981: \$2,936,897; 1982: \$3,730,401; 1983: \$3,984,438;
1984: \$3,829,227; 1985: \$3,227,172; subsequently: \$14,395,511

(A) Bank loans include an amount of \$17,000,000 which is secured by a first issue of 12% first mortgage bonds, Series "C" of a principal amount of \$30,000,000 secured by a floating charge on all the assets of the Cooperative. No portion of this bank loan is included in the portion maturing within one year. The terms of repayments are in the process of being negotiated.

6. Members' capital

The members' capital of the Cooperative is variable and unlimited as to the amount which may be issued.

Voting rights are restricted to holders of ordinary capital and such rights are limited to one vote per member.

The ordinary capital and the preferred capital Series "B" are not redeemable but are convertible into preferred capital which may be redeemed under certain conditions. The preferred capital Series "A" is redeemable by resolution of the Board of Directors and the preferred capital Series "C" is redeemable no later than 10 years after issuance.

At year-end the members' capital issued and fully paid was as follows:

	1980	1979
Ordinary capital	\$ 3,160,933	\$ 3,268,771
Preferred capital - Series "A"	41,424,114	34,329,695
Preferred capital - Series "B"	4,113,660	4,264,697
Preferred capital - Series "C"	964,060	698,185
	\$ 49,662,767	\$ 42,561,348

7. Contractual commitments

As at October 31, 1980, the Cooperative had contractual commitments for purchases of fixed assets totalling \$573,700 (1979 - \$4,670,000).

Lease commitments aggregated \$1,735,000 at October 31, 1980 (1979 - \$1,026,000).

8. Income taxes

The income taxes of the Coopérative cannot be finally determined before approval of the patronage refunds at the annual general meeting of members. Therefore the Board of Directors has decided that for the year ended October 31, 1980 and subsequent years income taxes on the unappropriated earnings will be accounted for after the approval of the patronage refunds and reported in the statement of general reserve. Income taxes reported in the statement of earnings in the amount of \$1,369,719 represent income taxes of subsidiary companies.

9. Investment tax credit

The Coopérative is eligible for an investment tax credit of approximately \$2,055,000 which can be used until 1985.

10. Post balance sheet event

A private bill relating principally to the amalgamation, on November 1, 1980, of Agropur, Coopérative Agro-Alimentaire and Québec-Lait Inc., its wholly-owned subsidiary, was enacted on December 19, 1980 by the Assemblée nationale du Québec.

**The Members,
Agropur, Coopérative Agro-Alimentaire.**

We have examined the consolidated balance sheet of Agropur, Coopérative Agro-Alimentaire as at October 31, 1980 and the consolidated statements of earnings, unappropriated earnings and changes in financial position and the statement of general reserve for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Coopérative as at October 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Charrette, Fother Harvey & Cie
Touche Ross & Cie

Chartered Accountants

Montreal, Quebec, January 15, 1981.

Cooperative Life in Action

Agropur members not only give their Coopérative an economic mandate: they also entrust it with numerous responsibilities on the social level.

The Coopérative's social mandate consists of offering each member the training methods and necessary information to allow him to become his own socio-economic development agent.

Furthermore, it is the members collectively who make the decisions within their Coopérative. The adoption of these resolutions according to the soundest democratic precepts obviously demands that all involved have the opportunity to become fully informed, and through mutual consultations, come to know the aspirations of the group as a whole.

In this respect, the members of Agropur, Coopérative agro-alimentaire, have the finest of all information tools. As a result, they have the opportunity to achieve true economic independence and to participate actively at all times in their Coopérative's democratic decision making process.

As an example, for almost 40 years there has existed an original consultation procedure which completes the already broad range of information methods made available to members. Key to this system is the fact that the opinions of members must be obtained before any of the organization's statutory resolutions can be approved. This vigorous structure is the team of Animators, made up of members active in their individual sectors, who work voluntarily as advisers to the Board of Directors.



Members are provided with information both individually and collectively. Through the monthly "AGROPUR NOUVELLES" each has access to a wealth of up-to-date information on Coopérative activities and services. They are also kept abreast of events of all kinds which affect farm producers in one way or another. In addition, in each region, a team of Cooperative Advisers provides members with ideas and techniques, suggesting ways that members can get the maximum profitability from their individual operations.

These Advisers also participate in an extensive information programme conducted for members, generally in groups at the parish level. Organization of study sessions allows these local members to gain a greater understanding of the way their Coopérative works, so they can make even better use of the extremely efficient management tools available to them.

During the fiscal year just ended, these information sessions have allowed a great many members to familiarize themselves with the intricacies of the international metric system of measures, their milk payment code, and the complexities of milk production quotas. This new knowledge has made it possible for several participants to establish their own quota system in their operations.

Members in the Granby Region, who have easy access to the advantages offered by the Farm Supply Division, are able to attend demonstrations of farm machinery and admire parcels of land which have been seeded, fertilized and maintained by means of products offered by their own Coopérative. "Barn Days" have also been organized for members particularly interested in livestock raising.

During each meeting with the members, either in groups or individually, the Animators pay special attention to the needs expressed by each member. These comments are then added to others collected during numerous meetings of the Animators themselves

(43 last year alone). Together, this constitutes a rich mine of information for the Solidarity Committee, which helps the Board of Directors reach decisions which meet the members' wishes in every way.

It is worth pointing out here that the Solidarity Committee, made up of the President and a Director from each of the eight regional bodies, is mandated to study all questions which have a particular relation to the human and social preoccupations of Coopérative members.

Finally, even though democratic participation is an essential characteristic of a movement such as ours, it can only truly reach its highest level during the statutory meetings of the Coopérative. In preparation for these general assemblies, meetings are first held for members in each region. The regional members who attend elect delegates, in the proportion of one delegate for each ten members, to represent them at all regular and special general meetings to be held during the coming year.

The final statutory meeting of the year is the general annual assembly, held during the three months following the end of the fiscal year. At this general assembly, the delegates elect the 15 members of the Coopérative Board of Directors. Acting on behalf of all members, they give the Directors the mandate to work to satisfy the needs of the membership as a whole.

So there is no secret about the key factors in the continued growth and success of Agropur, Coopérative agro-alimentaire. They are: efficient information, serious consultation, and democratic participation by all members.

