



**agropur**

**agropur coopérative  
agro-alimentaire**

**forty-fourth  
annual report  
1981-82**





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Cover: At the new Control and Research Centre, a technician injects a substance into a high-pressure liquid chromatograph. This highly sophisticated equipment enables the technician to determine rapidly and accurately the composition of ingredients such as sugars, vitamins, peptide proteins, antibiotics, organic acids, and amino acids, among others.

Below: Cheddar type cheeses, semi soft cheeses, soft cheeses, specialty cheeses, butter and milk are six of the product groups which have won Agropur a Canada-wide reputation for excellence. During the past fiscal year, cheese production totalled 33,266,121 kilograms, representing 33 per cent of Industrial Milk Division business volume.



# Highlights

## Net sales (in \$ thousands)

Industrial milk

**\$430,847**

Fluid milk

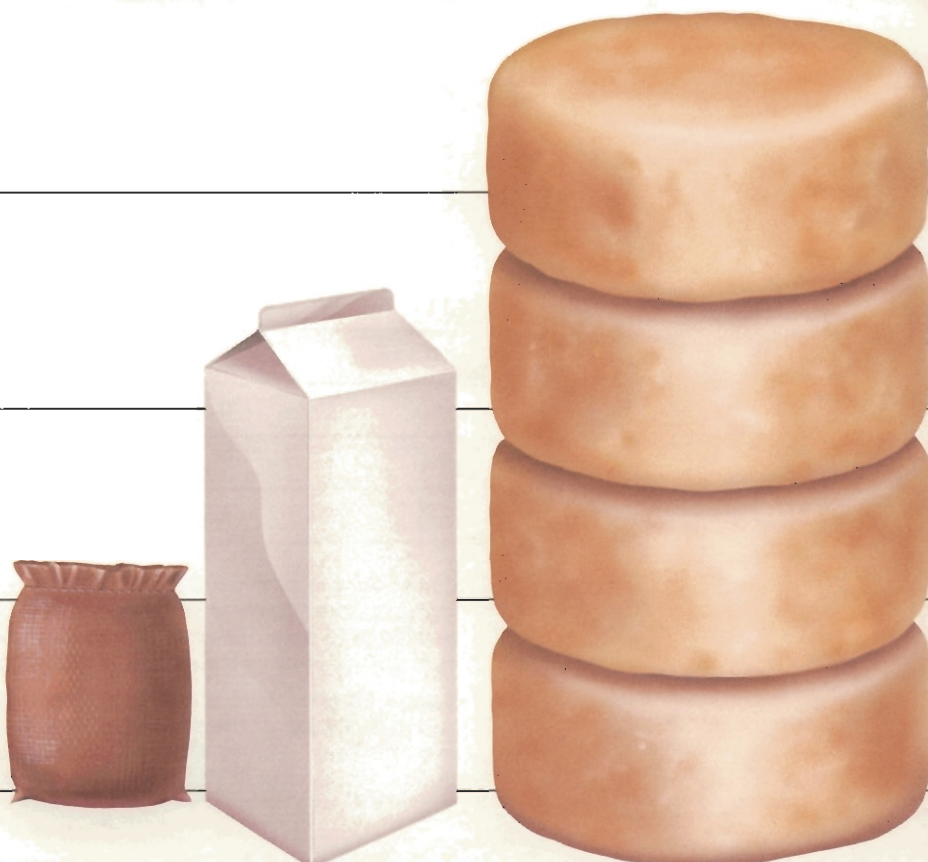
**\$177,858**

Farm supply

**\$ 22,906**

Total

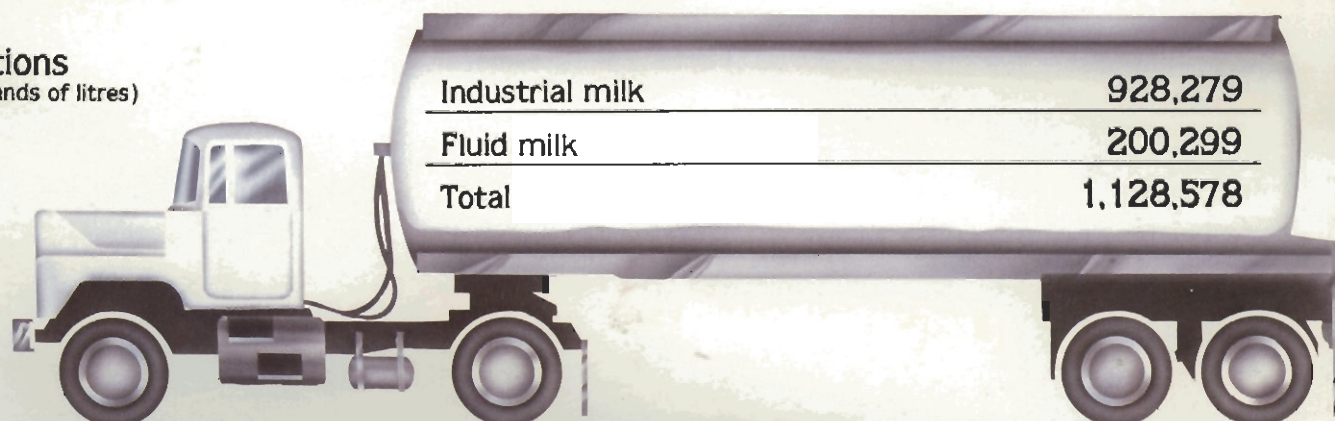
**\$631,611**



Due to the fact that transactions between Divisions have been included, the total shown is higher than the consolidated business volume of the Coopération, which amounted to **\$616,834,000**.

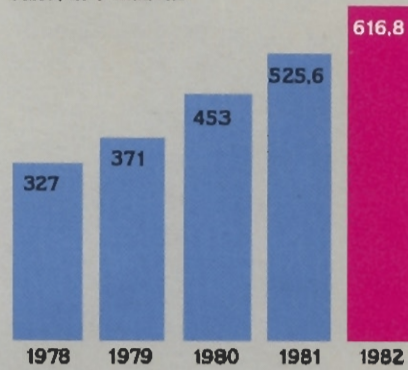
**Number of employees: 2,184**

## Milk Collections (in thousands of litres)

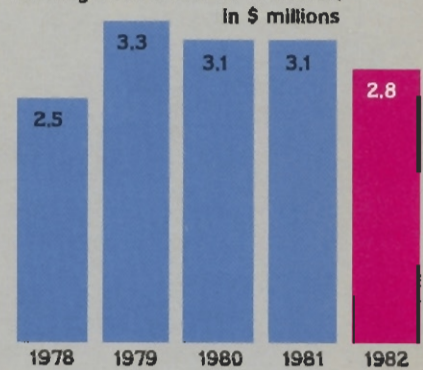


# Last five years at a glance

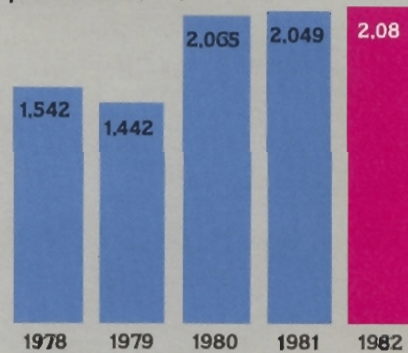
Sales, in \$ millions



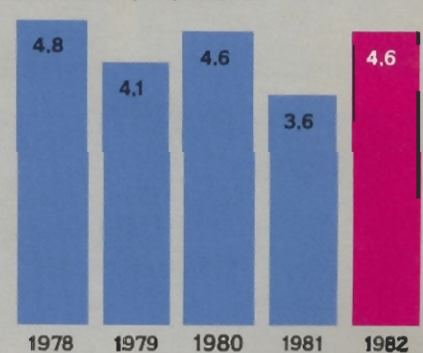
Earnings distributed to members, in \$ millions



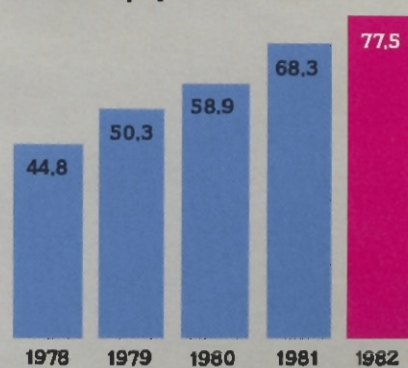
Average price complements per hectolitre, in \$



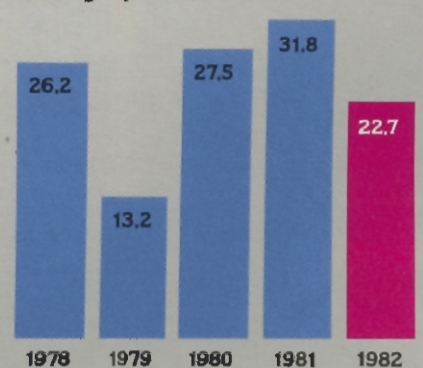
Net earnings after price complements to members, in \$ millions



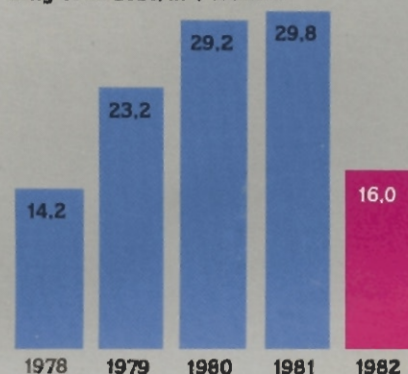
Members' equity, in \$ millions



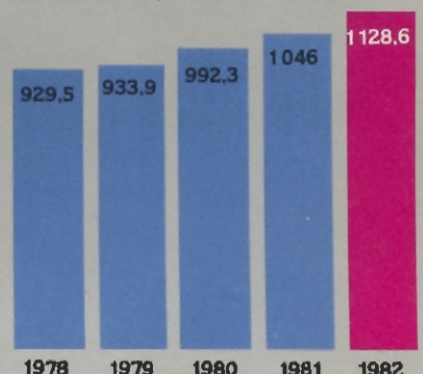
Working capital, in \$ millions



Long-term debt, in \$ millions



Milk collections, in millions of litres



# Board of Directors

**Michel Lemire\***  
President

**Lauréat Michaud\***  
Vice-President

**Roger Beaudry\***



**Guy Gaudet\***

**Raymond St-Cyr\***

**Roger Béliveau**



**Jules Bellemare**

**Michel Bourgeault**

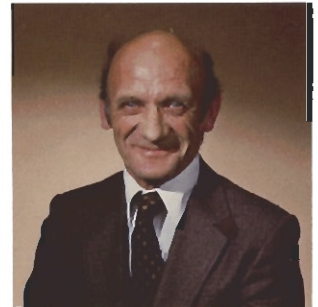
**Harold Crochet**



**Clément Favreau**

**Jean-Paul Guimond**

**Paul-Henri Leduc**



**Jean-Maurice Robert**

**Adrien Roy**

**Philippe Véronneau**



• Member of the Executive Committee

# Administrative Committee

**Raynald Giroux**  
General Manager

**Raoul A. Blouin**  
Manager,  
Membership Relations

**Roger Bourgault**  
Manager,  
Human Resources



**Reynald Charest**  
Manager,  
Industrial Milk Division

**Guy Duguay**  
Treasurer

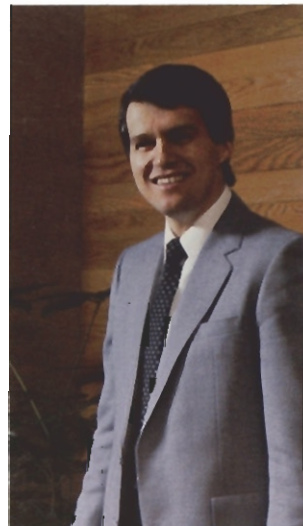
**André Gauthier**  
Corporate Secretary



**Jean Hupé**  
Manager,  
Fluid Milk Division

**François Maheu**  
Manager,  
Farm Supply Division

**Claude Ménard**  
Manager,  
Financial Services



# AUTOFINANCEMENT

## Self-financing, the Key to Growth

The current economic situation creates new challenges which every agricultural marketing enterprise must meet and master.

Inflation eats away at the assets of cooperatives, and increases their financing needs. By itself, the reinvestment of earnings is not sufficient to maintain the net value of members' capital and ensure the cooperatives of adequate financing.

In view of high interest rates and the increasingly stiff competition that we must face, there is now an urgent, and vital, need to reinforce the financial structures of the cooperatives.

The continued existence and growth of any entity in the agri-food industry is dependent upon the implementation and use of efficient self-financing procedures, adapted to today's realities.

The adoption of these methods is the key which will allow producers to retain in their own hands the tools for growth and economic survival.

**Yes, more and more, self-financing is the key to growth for our marketing enterprises.**

The Data Processing Centre is gradually taking over all the accounting operations of the Cooperative: while continuing to handle milk payments to members, inventory control, billing, and so on. Once the Centre is fully programmed for its new responsibilities, we will be able to obtain a monthly statement of all our financial activities. In this way, the Centre will prove an invaluable tool for ensuring the Cooperative complete autonomy and greater financial independence.







## Message from the President

Dear Members:

Last year at this time I ended my message by telling you that our Coopérative is a powerful and useful tool for economic survival and that, by supporting one another, its members find ways to overcome every crisis. The fiscal year that ended October 31 last confirmed just how close to the truth that remark was.

Like many other enterprises, we felt the repercussions of a particularly difficult economic situation. However, by closing our ranks and helping each other even more than usual, the members of our Coopérative succeeded in minimizing the negative effects of the current recession.

As well as sparing their families from the hardships that always follow a drop in purchasing power, the solidarity and mutual assistance which our members displayed during this painful period had other happy results. In particular, they allowed our employees to retain their jobs, and made it possible for all those who depend upon our Coopérative in one way or another to come through these troubled times more easily.

### The Social Role of Agropur

To give you a better illustration of the positive steps taken by your Coopérative to support each of its members, we have added a new section "The Social Role of Agropur" to this year's Annual Report. The objective is to explain how the Coopérative fulfills its social, educational and economic responsibilities towards its member-producers and employees. In addition, this section demonstrates how our enterprise makes an effective contribution to the well-being of the communities in which it is established, and to the advancement of the cooperative principle in general.

### Board of Directors

Members of the Board of Directors had an especially busy calendar during the year now ended, devoting an enormous amount of energy to the various tasks which they were asked to handle.

In addition to attending 17 meetings of the Board, they also worked closely with various committees and conventions directly connected with agriculture and the co-operative movement. Since our movement is based on democratic participation — one of the most obvious examples being the Animators' meetings — the Directors were also required to take part in numerous regular meetings.

The work accomplished by our Directors this past year merits special recognition. But I would be remiss if I did not also mention the additional responsibilities shouldered by the Directors and members of the Administrative Committee by taking part in the various consultative committees under the Board's jurisdiction. For example, members of the Farm Supply Committee and the Solidarity Committee devoted nine and five days, respectively, to more specific studies of various aspects of the Coopérative's activities.

Our Directors and our principal management people also played an active role in the dairy cooperatives' annual Congress, held this past year in Québec City, on the theme of "Self-financing of the Dairy Cooperatives".

### Société Coopérative Agricole des Maîtres Producteurs Laitiers du Québec

As mentioned during last year's Annual Meeting, we acquired the assets of the Société Coopérative Agricole des Maîtres Producteurs Laitiers du Québec at the beginning of the current fiscal year.

The two pasteurization plants added to our facilities as a result of this purchase are already back in operation, and the results are very encouraging.

As it turned out, our fears regarding the Brossard plant were well founded. The outcome confirmed what we have always said: it is impossible to manage a co-operative efficiently if we are unable to count on a constant and regular supply of milk from the members.

Nevertheless, the acquisition of the establishment gave us more than just the opportunity to respect our commitments to Société Coopérative Agricole des Maîtres Producteurs Laitiers du Québec. We also now have the means to process all the milk we receive, particularly during peak production periods, as well as on holidays and weekends.

### Members' Capital

Another matter that was studied in depth during the year now ended was the question of contributions to members' capital.

As you undoubtedly are aware, a revision was imperative.

It had become necessary to increase the Coopérative's permanent capital by means of greater financial commitments on the part of the members. Some elements of the solution have already been in place for some two years.

To encourage participation in financing the Coopérative, it was decided that new members wishing to buy from Farm Supply Division branches would first have to subscribe \$1,000 in the form of ordinary capital.

Following numerous information and consultation meetings, the Board of Directors came up with a formula which offers a number of advantages.

Since November 1, 1981, members have been contributing more to the Coopérative's permanent capital by way of an annual subscription of 25 cents per hectolitre of milk. This money, deducted directly from the declared price complements, is converted into Series "B" preferred capital.

Thanks to this new procedure, the producers strengthen the financial base of their Coopérative in keeping with the objectives we have set for ourselves. In addition, this decision conforms with the findings and orientations agreed upon at the 1982 Congress of the dairy cooperatives.

During the year, your Directors also amended the provisions for redeeming the capital of resigning members.

The new code, which will come into effect on April 1, 1983, sets the redemption conditions in the case of a simple sale, or incorporation as a farm operating company or enterprise. This new by-law is designed especially to ensure better protection of the active members' cooperative capital. It should be noted here that, even though the number of our members decreased from 7,760 to 7,400 during the year, the volume of milk delivered increased by more than five per cent.

This situation could involve certain risks, in the long run. That is why it is crucially important for us, as members, to remain vigilant to ensure that we keep the economic levers of our enterprise in our own hands. In that way alone, can we be sure that we will always be able to manage our affairs to meet the needs of our agricultural producers.

### **Control and Research Centre**

It was also with the goal of ensuring that we are more completely the masters of our own destiny that the Board of Directors approved the necessary investment for the Control and Research Centre, which was officially opened on October 26 last.

This new laboratory provides Agropur and the dairy industry as a whole with an even more complete research tool. Ultra-modern and marvellously well equipped, it allows

us to remain in the vanguard of progress in the milk processing industry and further increase the quality and diversity of our products.

Also with the objective of ensuring more efficient operations, Agropur introduced the concept of milk payments to all members, as of August 1 last.

### **Farm Machinery**

If there is one activity where the current economic crisis has hit us hard, that is in farm machinery sales.

Along with a substantial slowdown in agricultural activities and a shrinking market, we also have had to contend with what we consider to be extremely unfair competition.

Some manufacturers who want to reduce their high inventories have not hesitated to offer their tractors and farm implements at lower than cost prices.

If this practice should continue for long, it is quite obvious that it could create even greater difficulties for us in this sector.

Nevertheless, we believe that these problems are only temporary. They should not keep us from remaining very active in this sector, which is of such fundamental importance to farm equipment manufacturers.

To do otherwise would be to act contrary to the important objectives which underly all our decisions. That would be of great disservice to all our members, present and future.

### **Dairy Equipment**

So that producers will be able to operate their farms even more efficiently, the Board of Directors also negotiated a new dairy equipment agreement with the Coopérative Fédérée de Québec.

By signing this agreement with the Fédérée, we not only strengthened the links of inter-cooperation, but also ensured ourselves the services of some truly experienced agricultural specialists.

Addition of the Mueller and Universal brand names to our line of Zero products allowed us to offer our members a wider choice of material and further improve the quality of the services we make available to them.

### **Kik Cola**

During the past year Agropur, Coopérative agro-alimentaire, also acquired Kik Cola through one of its subsidiaries, Laiterie Léveillé Inc.

For some time now, your Board of Directors has been considering the idea of owning a bottling plant and distribution network.

We have great hopes for the end results of this purchase. It can provide the springboard for the efficient marketing of a new line of products now under study.

### **Inter-cooperative Action**

In the interest of its members, your Coopérative has also worked closely with other cooperatives or farm-related organizations during the year.

Management has linked its efforts with those of other regional cooperatives to prepare and launch an advertising campaign for the dairy cooperatives during the 1983 Canada Winter Games to be held in the Saguenay/Lac St-Jean region.

In conjunction with the Coopérative Fédérée they took part in discussions aimed at convincing the Federal government to alter its decisions on the subject of grain transportation.

In the past, Federal government policies have always been aimed at guaranteeing a certain equilibrium between producers in eastern and western Canada.

We regret to say that we view the Gilson Report as putting this delicate balance in jeopardy. Implementation of these findings would deal a hard blow to the aspirations of Quebec farmers.

### **Administrative Regions**

In order to encourage greater participation by members in the administration of the Coopérative, and after consultations with the Animators, your Directors adopted a plan to redraw the boundaries of the various regions in our milk collection basin.

Instead of the present eight divisions, there will be 15 under the new redistribution. Each will be smaller in area, and include fewer member-producers.

This will allow members to work more closely in the management of their Coopérative. The new and better balanced geographical redistribution will also encourage healthier and more democratic participation.

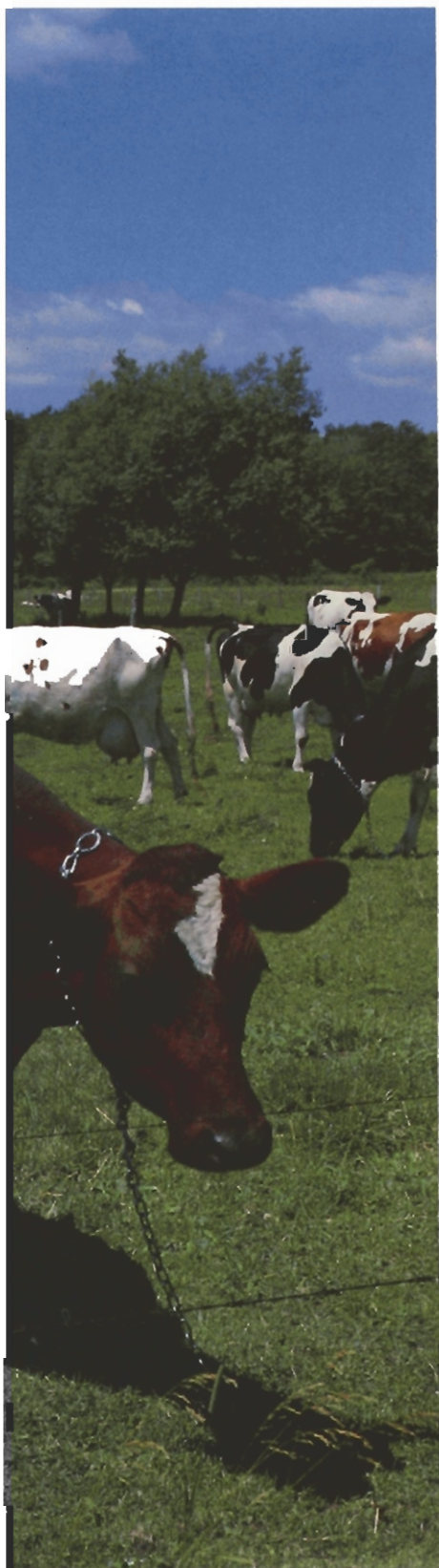
During the current fiscal year, the procedure for electing Directors will also be revised to facilitate the decision-making process by producers.

I would not want to conclude this chapter on cooperative life in action without calling attention to an important event: the 60th anniversary of the Coopérative Fédérée de Québec, which took place in 1982.

Milk collections increased by 5.35% this past year, reaching a record high of 1,128,578,510 litres. Fluid milk accounted for almost 20% of this volume. The remainder was used to manufacture dairy products increasingly in demand by consumers: cheeses, yogurt, butter, skim milk powder, and many others.

Sound self-financing methods adapted to its needs allow a cooperative to provide itself with up-to-the-minute equipment and latest technology. Agropur's cheese manufacturing installations are regarded as being among the most modern of their kind anywhere. Studies are now underway to speed up the cheese aging cycle, while retaining the characteristic flavour of the individual cheeses.

Some of the trophies and awards won by Agropur during the past year for the excellence and quality of its products are shown here. Among them were: three "Monde Sélection" Gold Médals for Oka, Vaudreuil Camembert and Vaudreuil Brie cheeses; a "Lys d'Or" for Yoplait yogurt; another "Lys d'Or" for Québon vanilla ice cream; and two "Monde Sélection" Gold Medals for Crino evaporated milk.



The history buffs among you will remember that the Coopérative Fédérée came into being on December 29, 1922, following the merger of three province-wide cooperatives: Cooperative Centrale des Agriculteurs du Québec, Comptoir coopératif de Montréal, and the Cooperative des Producteurs de Semences. Over the years since then, Cooperative Fédérée has engaged in many fields of activities, always with success.

I feel that our meeting today is an ideal time to recall that one of the major keys to the success of this organization is the deep sense of belonging felt by each of the member-cooperatives of the Fédérée.

Just as we see is the case among Agropur members, contributing to the common cause has created solid links which defy time and testify to the vigour of our movement.

The sustained growth and strength of the Fédérée after 60 years of existence serves as a constantly bright example for members of all cooperatives, whether in the dairy industry or elsewhere.

So let us celebrate together the anniversary of the Cooperative Fédérée by offering them the best of all gifts: our loyal support and an increased sense of togetherness. In the final analysis, we all will be the big winners.

### **Dairy cooperatives — Farm unions**

In a period of recession, the Directors of companies such as ours must be even more active, better informed and more vigilant than ever to safeguard the interests of the member-producers and defend the rights won at such cost by the processing and marketing cooperatives.

This brief survey of the principal events of the year would not be complete if we failed to mention a rather thorny matter, which I have left till the end: relations between the dairy cooperatives and the farm unions.

Throughout the year we worked openly and with no ulterior motives to achieve a fair and honest agreement, on an impartial basis and with the strictest respect for the agreements concluded on December 21, 1979, between the cooperative movement and the farm unions.

For almost 12 months, the Conseil de la Coopération laitière representatives on the Consultation Committee worked steadily to find some common ground for an agreement with the representatives of the Office des Producteurs de Lait, hoping to reach a solution acceptable to both parties.

Intensive negotiations followed the preliminary understanding arrived at on April 6, 1982. Furthermore, in a last-ditch effort to reach a permanent agreement, a generous offer, which seemed to be acceptable to both parties, was made on July 20.

We were both surprised and disappointed when the Office representatives unilaterally decided to transpose the not yet negotiated agreements into legislation. This manoeuvre demolished the agreements concluded in good faith, and wiped out all the progress made since December, 1979.

If we had ever suspected for one instant that the only result of all our loyal cooperation and our fair and honest attitude would be to sever the vital links between the producer and his cooperative, we obviously would have adopted an unyielding position from the start.

As members of Agropur, we categorically refuse to see the heritage handed down to us by our predecessors deliberately destroyed by placing our Coopérative under the tutelage of an Office de Producteurs managed by the farm union movement.

Accordingly, the Directors of Agropur, Cooperative agro alimentaire, have sent telegrams to the members of the National Assembly urging them to reject any amendment to Section 2 of the law regulating the marketing of agricultural products. By acting without consultation, the provincial government risks taking some truly regrettable actions that will place our collective heritage in jeopardy.

Our members — and Quebec society as a whole — cannot allow themselves to be the victims of such a vast loss.


### **Conclusion**

In closing, I wish to remind you that a cooperative is first and foremost the end result of the cooperation and mutual assistance displayed by all those who take part in the collective effort.

The fact that Agropur, Coopérative agro-alimentaire, achieved very good financial results this past year, despite the prevailing economic conditions, is due above all to our 7,400 members, our 2,200 employees, and our Directors. Their devotion, constant loyalty and professional awareness were the foundations on which the year's successes were built. My thanks go out to all of them.

On behalf of our Board of Directors, I would also like to thank our General Manager, Mr. Raynald Giroux, and his entire team for the excellent work they have done for us once again this year. Considering the present economic context, the results announced today by our Cooperative constitute a veritable **tour de force**.

The past is the guarantee of the future, and we will build that future, together. Together, we can overcome any crisis, of that I am sure.

  
Michel Lemire,  
President



**Financial  
Report  
1981-82**

**Consolidated Balance Sheet**  
as at October 31, 1982

	1982	1981
<b>Assets</b>		
<b>Current</b>		
Cash and short-term investments	\$ 76,650	\$ 4,701,452
Accounts receivable (including members \$2,038,347; 1981 — \$3,049,603)	37,780,385	27,744,546
Grants receivable	1,016,650	1,933,400
Income taxes recoverable	269,511	167,222
Inventories (Note 1)	33,070,534	38,120,024
Prepaid expenses	659,980	564,400
	<b>72,873,710</b>	73,231,044
Investments (Note 2)	2,717,012	2,590,140
<b>Fixed (Note 3)</b>		
Land, buildings, machinery and equipment	117,515,503	106,302,827
Accumulated depreciation	(54,026,076)	(48,460,704)
	<b>63,489,427</b>	57,842,123
Goodwill and other assets less accumulated amortization	6,357,123	7,266,555
	<b>\$ 145,437,272</b>	\$ 140,929,862

On behalf of the Board

*Michel Lemire* \_\_\_\_\_, Director

*Laurie's Michard* \_\_\_\_\_, Director

See accompanying notes.

**Consolidated Balance Sheet  
as at October 31, 1982**

	1982	1981
<b>Liabilities</b>		
<b>Current</b>		
Bank loan	\$ 3,509,715	\$ 261,955
Accounts payable (including members \$ 16,841,080; 1981 — \$6,674,241)	45,765,993	36,904,495
Current portion of long-term debt	942,876	4,227,431
	50,218,584	41,393,881
Long-term debt (Note 4)	16,009,170	29,803,168
Deferred income taxes	1,754,978	1,440,211
	<b>67,982,732</b>	72,637,260
<b>Members' Equity</b>		
Members' capital (Note 5)	65,977,400	58,505,007
Unappropriated earnings	4,496,378	3,538,581
General reserve	6,980,762	6,249,014
	77,454,540	68,292,602
	<b>\$ 145,437,272</b>	\$ 140,929,862

See accompanying notes.

**Consolidated Statement of Earnings**  
for the year ended October 31, 1982

	1982	1981
Sales and other operating income	<b>\$ 616,834,391</b>	\$ 525,647,650
Cost of goods sold	<b>548,072,271</b>	465,039,267
Gross margin	<b>68,762,120</b>	60,608,383
Selling expense	<b>31,602,248</b>	26,512,055
Administrative expense	<b>8,917,524</b>	7,904,656
Interest on long-term debt	<b>4,876,940</b>	5,742,719
Interest income and other income, net	<b>(1,334,595)</b>	(1,223,969)
	<b>44,062,117</b>	38,935,461
Earnings from operations	<b>24,700,003</b>	21,672,922
Gain on disposal of fixed assets	<b>90,784</b>	60,912
Amortization of goodwill	<b>(1,710,483)</b>	(754,515)
Earnings before the following items	<b>23,080,304</b>	20,979,319
Price complements to members	<b>17,385,661</b>	16,392,343
Earnings before income taxes	<b>5,694,643</b>	4,586,976
Income taxes of subsidiaries	<b>1,098,097</b>	1,018,714
<b>Net earnings for the year</b>	<b>\$ 4,596,546</b>	\$ 3,568,262

See accompanying notes.



**Consolidated Statement of Unappropriated Earnings  
for the year ended October 31, 1982**

	<b>1982</b>	1981
Balance at beginning of year	<b>\$ 3,538,581</b>	\$ 6,604,000
Net earnings for the year	<b>4,596,546</b>	3,568,262
Transfer of the excess of appraised value of fixed assets over cost	—	279,685
	<b>8,135,127</b>	10,451,947
Transfer to general reserve of prior year's unappropriated earnings of the Coopérative	<b>3,638,749</b>	3,379,199
Transfer to general reserve, of unappropriated earnings of Québec-Lait Inc.	—	3,534,167
	<b>3,638,749</b>	6,913,366
<b>Balance at end of year</b>	<b>\$ 4,496,378</b>	\$ 3,538,581

See accompanying notes.

**Consolidated Statement of General Reserve  
for the year ended October 31, 1982**

	1982	1981
Transfer of prior year's unappropriated earnings of the Coopérative	<b>\$ 3,638,749</b>	\$ 3,379,199
Patronage refunds	<b>(2,798,270)</b>	(3,111,992)
	<b>840,479</b>	267,207
Deferred income taxes	<b>(108,731)</b>	40,548
Net transfer to general reserve	<b>731,748</b>	307,755
Transfer of unappropriated earnings of Québec-Lait Inc.	—	3,534,167
Balance at beginning of year	<b>6,249,014</b>	2,407,092
<b>Balance at end of year</b>	<b>\$ 6,980,762</b>	\$ 6,249,014

See accompanying notes.

**Consolidated Statement of Changes in Financial Position  
for the year ended October 31, 1982**

	1982	1981
<b>Source of funds</b>		
Operations		
Net earnings for the year	\$ 4,596,546	\$ 3,568,262
Items not involving funds		
Depreciation of fixed assets	7,423,415	6,295,458
Amortization of other assets	1,761,822	804,953
Deferred income taxes	60,959	74,984
Gain on disposal of fixed assets	(90,784)	(60,912)
	13,751,958	10,682,745
Net increase in members' capital	7,472,393	8,842,240
Long-term debt	—	350,230
Proceeds on disposal of fixed assets	887,971	328,719
Investments	—	222,338
Grants	—	1,933,400
	22,112,322	22,359,672
<b>Application of funds</b>		
Fixed assets	11,880,053	12,516,800
Patronage refunds	2,798,270	3,111,992
Long-term debt	13,970,374	—
Goodwill and other assets	216,549	694,856
Investments	120,360	—
Investment in a subsidiary (Note 6)		
Acquisition cost	\$ 2,381,354	
Working capital	72,601	1,669,499
	2,308,753	
	31,294,359	17,993,147
<b>Working capital</b>		
(Decrease) increase during the year	(9,182,037)	4,366,525
Balance at beginning of year	31,837,163	27,470,638
<b>Balance at end of year</b>	<b>\$ 22,655,126</b>	<b>\$ 31,837,163</b>

See accompanying notes.

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**Summary of significant accounting policies**

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**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 credits related to fixed assets of the Coopérative. Depreciation is calculated on the diminishing balance method over the estimated useful life for the assets concerned except for the building and production equipment of the cheese plant in Granby and the production equipment of the feed mill in Granby on which depreciation is calculated using the straight-line method.

**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 of the Coopérative cannot be finally determined before approval of the patronage refunds at the annual general meeting of members. Therefore, income taxes on the unappropriated earnings of the Coopérative are accounted for after the approval of the patronage refunds and reported in the statement of general reserve.

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.

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**Other notes to consolidated financial statements**

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**1. Inventories**

	1982	1981
Dairy products		
Raw materials and products in process	\$ 6,594,710	\$ 5,505,991
Finished products	20,866,262	26,125,175
	<b>27,460,972</b>	31,631,166
Farm equipment and supplies	4,205,511	5,149,252
Maintenance supplies and other inventories	1,404,051	1,339,606
	<b>\$33,070,534</b>	\$38,120,024

**2. Investments**

	1982	1981
Cooperative Fedérée de Québec — at cost	\$ 2,484,427	\$ 2,364,220
Deposits with trustees for redemption of bonds and debentures	—	260,000
Mortgage, 10%, maturing August 1, 1986	90,759	108,432
Other	169,310	145,959
	<b>2,744,496</b>	2,878,611
Portion maturing within one year	<b>(27,484)</b>	(288,471)
	<b>\$ 2,717,012</b>	\$ 2,590,140

**Notes to Consolidated Financial Statements** (continued)  
**October 31, 1982**

**3. Fixed assets**

	Rate	1982		1981	
		Book Value	Accumulated Depreciation	Book Value	Accumulated Depreciation
Land	—	\$ 3,337,497	\$ —	\$ 2,840,514	\$ —
Buildings	5%	40,281,760	10,953,365	33,579,687	9,016,121
Production equipment	10% et 20%	59,840,443	35,365,623	53,930,543	32,136,028
Sales equipment	20%	621,719	538,466	2,050,287	1,230,484
Transportation equipment	30%	9,613,258	6,071,380	8,370,833	5,108,409
Office furniture and equipment	20%	1,587,356	1,075,911	1,357,975	969,662
Computer equipment	20%	106,654	21,331	—	—
Work in progress	—	2,126,816	—	4,172,988	—
		<b>\$ 117,515,503</b>	<b>\$ 54,026,076</b>	<b>\$ 106,302,827</b>	<b>\$ 48,460,704</b>

**Notes to Consolidated Financial Statements (continued)**  
**October 31, 1982**

**4. Long-term debt**

	Maturities	1982	1981
<b>Agropur, Coopérative Agro-Alimentaire</b>			
Loan at prime rate plus ¾%	(A)	\$ 9,000,000	\$ —
Bank loans secured (B), at prime rate or prime rate plus ½%	1991	—	26,350,000
Serial debentures, 8¼%	1988	1,722,000	2,259,000
First mortgage bond, Series B, 8¼%	1981	—	473,000
Notes payable, unsecured, 9¾% or prime bank rate plus 1%	1986	412,515	1,042,943
Balance on purchases of shares of subsidiaries, 9½% and prime bank rate less 2½%	1996	2,016,000	2,224,007
Other loans, 8% to 11%	1991	840,053	1,015,264
<b>Subsidiaries of Agropur, Coopérative Agro-Alimentaire</b>			
Bank loans, secured, prime rate	1998	2,621,246	277,302
Mortgage bond, Series A, 12.636%	1987	251,625	301,125
Other loans, 8% to 13¾%	1991	88,607	87,958
		<b>16,952,046</b>	34,030,599
Portion maturing within one year		<b>(942,876)</b>	(4,227,431)
		<b>\$ 16,009,170</b>	\$ 29,803,168

(A) This loan is contracted under a Revolving Loan Agreement for an authorized amount of \$35,000,000 in Canadian currency for a two-year period, renewable annually thereafter for one year on April 1.

(B) Bank loans included an amount of \$17,000,000 which was 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 Coopérative.

**Repayments of principal:**

1983 — \$942,875; 1984 — \$876,117; 1985 — \$978,911; 1986 — \$911,190;  
 1987 — \$826,135; subsequently — \$12,416,818.

Refer to Note 9 "Subsequent event".

**5. 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:

	1982	1981
Ordinary capital	<b>\$ 2,528,697</b>	\$ 2,616,943
Preferred capital, Series A	<b>55,456,363</b>	50,114,067
Preferred capital, Series B	<b>6,887,027</b>	4,662,553
Preferred capital, Series C	<b>1,105,313</b>	1,111,444
	<b>\$65,977,400</b>	\$58,505,007

**6. Investment in a subsidiary**

The Cooperative acquired, effective December 15, 1981, all the shares of Laiterie Samoïsette Limitée for a consideration of \$2,381,354.

This acquisition, which can be summarized as follows, has been accounted for on the purchase method:

Investments	\$ 6,512
Fixed assets	1,987,853
Other assets	35,841
Working capital	72,601
	2,102,807
Long-term debt	(176,376)
Deferred income taxes	(145,077)
	1,781,354
Goodwill from acquisition	600,000
	<b>\$ 2,381,354</b>

Operating results are included in the consolidated financial statements since the effective date of acquisition.



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**7. Contractual commitments and contingency**

Lease commitments aggregated \$1,515,513 at October 31, 1982 (1981 — \$1,728,965). The lease expense for the year ending October 31, 1983 will be approximately \$834,395.

On August 24, 1981 Agropur, Coopérative Agro-Alimentaire received from the Commission de la Santé et de la Sécurité du Travail du Québec an assessment for the years 1978, 1979 and 1980 in the amount of \$300,290. An appeal to the notice of assessment was addressed to the *Direction des services financiers* of the Commission. No provision has been made in the financial statements for this assessment.

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**8. Investment tax credit**

The Coopérative is eligible for an investment tax credit of approximately \$2,225,000 which can be used until 1987.

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**9. Subsequent event**

On November 15, 1982, a trust deed was entered into between the Coopérative and Fiducie du Québec providing for the creation of new bonds as follows:

- a) \$1,722,000 principal amount of 8¼%, Series A, bonds, maturing \$287,000 annually on April 15, 1983 to 1988 inclusively which have been issued on that date in exchange for the same amount of 8¼% serial debentures having similar maturities;
- b) \$35,000,000 principal amount of Series B, bonds, bearing interest at the preferred rate and maturing upon demand, which have been issued on that date and pledged under the terms of pledge agreements, the purpose of which is to secure borrowings of the Coopérative contracted or to be contracted under the terms of Revolving Loan Agreements entered into between one chartered bank and other financial institutions. Under these pledge agreements, it may occur that the principal amount of bonds pledged be in excess of the amount borrowed and, if this is the case, the right of the borrowers in the pledged bonds is limited to the actual amount of the loan; and
- c) \$5,000,000 principal amount of 14¼%, Series C, bonds, maturing on November 15, 1987; these bonds have been issued and sold to institutional investors on that date, at their nominal value, and the proceeds, have been added to the general funds of the Coopérative.

This new trust deed includes certain undertakings of the Coopérative in connection with the issue of additional bonds, certain financial tests and a negative covenant which prevents the Coopérative from pledging its assets.

The first mortgage bonds and the serial debentures of the Coopérative outstanding on November 15, 1982 and the trust deeds governing these bonds and debentures have all been cancelled on that date.

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**10. Comparative figures**

Certain figures in the consolidated statement of earnings have been reclassified to conform to the new basis of presentation adopted in 1982.

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**Supplementary Information**  
**October 31, 1982**  
(in thousands of dollars)

<b>Earnings by Division</b>	<b>Industrial Milk Division</b>	
	<b>1982</b>	<b>1981</b>
Sales and other operating income	<b>\$ 430,847</b>	\$ 363,230
Cost of goods sold	<b>394,149</b>	329,403
Gross margin	<b>36,698</b>	33,827
Selling expense	<b>10,768</b>	8,575
Administrative expense	<b>4,169</b>	4,025
Interest on long-term debt	<b>3,496</b>	4,200
Inter-division interests	<b>(3,104)</b>	(2,620)
Interest income and other income, net	<b>(485)</b>	(157)
	<b>14,844</b>	14,023
Earnings (loss) from operations	<b>21,854</b>	19,804
Gain (loss) on disposal of fixed assets	<b>157</b>	(70)
Amortization of goodwill	<b>(1,139)</b>	(254)
Earnings (loss) before the following items	<b>20,872</b>	19,480
Price complements to members	<b>17,386</b>	16,392
Earnings (loss) before income taxes	<b>3,486</b>	3,088
Income taxes of subsidiaries	<b>151</b>	134
<b>Net earnings (loss) for the year</b>	<b>\$ 3,335</b>	\$ 2,954

Fluid Milk Division		Farm Supply Division		Elimination of inter-division transactions		Consolidated	
1982	1981	1982	1981	1982	1981	1982	1981
\$ 177,858	\$ 145,951	\$ 22,906	\$ 25,848	\$ 14,777	\$ 9,381	\$ 616,834	\$ 525,648
149,065	122,319	19,635	22,698	(14,777)	(9,381)	548,072	465,039
28,793	23,632	3,271	3,150	—	—	68,762	60,609
18,426	15,874	2,408	2,063	—	—	31,602	26,512
4,229	3,339	519	541	—	—	8,917	7,905
1,381	1,543	—	—	—	—	4,877	5,743
1,555	1,255	1,549	1,365	—	—	—	—
(615)	(600)	(234)	(467)	—	—	(1,334)	(1,224)
24,976	21,411	4,242	3,502	—	—	44,062	38,936
3,817	2,221	(971)	(352)	—	—	24,700	21,673
(66)	131	—	—	—	—	91	61
(572)	(501)	—	—	—	—	(1,711)	(755)
3,179	1,851	(971)	(352)	—	—	23,080	20,979
—	—	—	—	—	—	17,386	16,392
3,179	1,851	(971)	(352)	—	—	5,694	4,587
947	885	—	—	—	—	1,098	1,019
\$ 2,232	\$ 966	(\$ 971)	(\$ 352)	\$ —	\$ —	\$ 4,596	\$ 3,568

The Members,  
Agropur, Coopérative Agro-Alimentaire

We have examined the consolidated balance sheet of Agropur, Coopérative Agro-Alimentaire as at October 31, 1982 and the consolidated statements of earnings, unappropriated earnings, general reserve and changes in financial position 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, 1982 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.

*Chauette, Fortier, Sawey & Cie*  
*Touche Ross & Cie*

Chartered Accountants

Montreal, Quebec  
January 7, 1983



## Report by the General Manager

Mr. President, Members of the Board of Directors, Fellow Members and Associates.

This past year, once again, was one of remarkable growth for Agropur, Coopérative agro-alimentaire. The results would certainly have been even more spectacular if economic conditions had been more favourable. Nevertheless, we have every reason to be proud and happy about the giant strides we took during the 1981-82 fiscal year.

Agropur displayed extraordinary vitality, despite the far from stimulating economic climate which affected all countries around the world. This vitality is ample proof that enterprises which have a solid financial base, employ competent people, use the most advanced techniques, know how to adapt to market conditions, and offer quality products at competitive prices, can succeed in weathering the crises that confront them, and come out of it all stronger.

### Consolidated Results

Consolidated sales took an impressive leap during the latest 12-month fiscal period. They rose by more than \$90 million, or nearly 18%, to reach \$617 million.

This places us right up there with the giants of the Canadian economy. The influential U.S. magazine "Business Week" recently listed us among the 100 largest independent manufacturing companies in Canada.

We have certainly come a long way since the founding of the Coopérative agricole du canton de Granby, in 1938!

This striking success is not only convincing evidence of our Coopérative's dynamism: it is also living proof of the energy and vision that Agropur members have possessed for the past 44 years.

Consolidated earnings before price complements to members passed the previous record set two years ago. They totalled \$23,080,304, which was \$961,177 more than the 1980 figure, and a 10% increase over 1981 earnings.

There are several reasons for this encouraging growth. Lower interest rates must be given the first credit, as they dropped from the 20% high that they reached in fiscal 1980-81 down to 13¾% at the end of this past year. This factor is of vital importance to an enterprise the size of ours.

Mention should also be made of the increases in milk collections and volume

of milk processed. These two factors contributed substantially to the favourable financial results we achieved once again this past year.

The restructuring of members' capital is another factor that played a part. The new by-law made it possible for our Treasury Service to obtain financing at much more favourable terms.

Finally, we exercised constant vigilance to improve the profitability of our production facilities. We also reduced operating costs to the greatest possible extent, and maintained extremely strict controls over inventories of finished products, as well as accounts receivable.

The happy blending of all these factors made it possible for the Coopérative to scale new financial peaks in 1982.

In the area of capital investments, we completed or continued work on three major projects during the fiscal year now ended.

First in overall importance was the new Control and Research Centre, built at a cost of \$1,200,000 and officially opened on October 26, 1982.

This ultra-modern laboratory with its avant-garde technology makes it possible for us to improve the quality and diversity of our production even more, and to increase the profitability of our operations.

Once again, Agropur blazes new trails by providing itself with such advanced equipment and procedures.

We also completed work on the Oka plant expansion project. From now on we will be able to add two new varieties — Gouda and Edam — to our already impressive range of fine cheeses. This decision is part of our marketing strategy aimed at increasing our share of the Canadian cheese market.

Finally, work advanced rapidly on construction of a waste water purification system at the Notre-Dame du Bon-Conseil plant. This project, which should be completed by the spring of 1983, represents an investment of \$1.7 million, which is certainly an appreciable sum. However, this new system employs a revolutionary new technology that makes it possible to recuperate vast quantities of energy, which will be used to lower the plant's operating costs.

Now, let us review the activities of our three main Divisions and our auxiliary services.

## Industrial Milk Division

Industrial Milk Division sales rose to \$431 million during the year just ended, compared with \$363 million the previous year, representing an increase of 18.7%.

Inflation and higher milk collections were the two reasons for this increase. Industrial milk collections during the year totalled 928 million litres, compared with 866 million litres the previous year.

It should be noted here that milk collections from our members were up by 44.2 million litres, or 5.35%, while our purchases of milk from outside sources rose by 58%, to 58.5 million litres compared with 37 million litres the previous year. Bulk milk sales have decreased, but this has brought about a 12% increase in the net volume of processed milk. This is most encouraging.

## Production

If we examine production figures in detail, we note that the recession has affected cheese, our principal manufactured product. In monetary terms, production of firm cheeses decreased by about 5% compared with the previous year, while volume was down by 15%.

In view of this decrease in the cheese sector and the greater volume of milk available to be processed, we increased our production of butter and skim milk powder this past year.

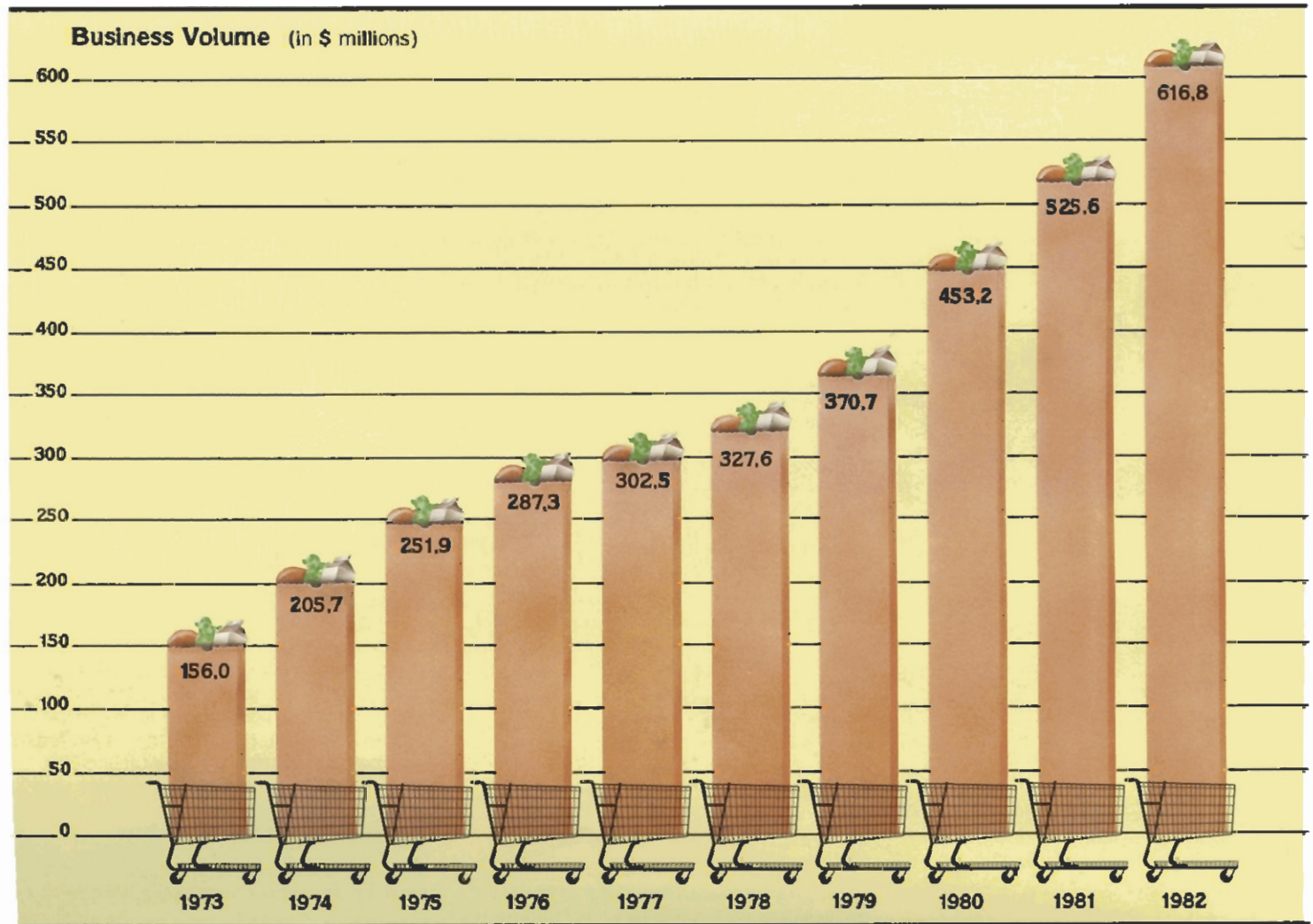
It was an excellent year for yogourt, however, with sales showing a spectacular 25% increase. This was all the more remarkable since the yogourt market was extremely stable everywhere in the country during the past year. As a result of this sales jump, we can now proudly state that Yoplait is the No. 1 yogourt in Canada.

Production of evaporated milk for export also grew substantially, increasing to 2,284,783 cases, in comparison with 1,840,000 cases the previous year.

Environmental protection requirements are placing an increasingly heavy burden on our dairy plants. During the year, we hired an environmental technician for full-time supervision of the waste water purification systems in our various plants. Our engineers also worked steadily during the year on large-scale projects aimed at using more electricity and other alternative sources of energy, such as forest industry waste, in order to reduce operating expenses.

## Research and Development

The research and development project that received the most attention was that dealing with the recuperation and re-use of rennet and other protease coagulants



Technician examines an electrophoresis film, a revolutionary process for separating the various proteins or proteic fractions in a mixture. A sample is suspended in a buffer solution floating on a gel. When subjected to an electrical current, the proteins migrate at different speeds, according to their molecular weights. They are then dyed, and the constituent elements can be identified precisely by their locations. Among other things, this procedure is used to determine the composition of ingredients in a milk sample, and evaluate the degree of maturity of cheese.



in milk. This study was launched on April 1, 1981, as part of the industrial research assistance programme. The results have been most promising up to the present, and we are studying the profitability of this new technology.

In other areas, research has been done on methods to speed up the cheese aging process. Considering the still high interest rates that affect storage costs, it would be quite advantageous to be able to shorten the aging time, while still retaining the characteristic flavour of the cheeses.

Research has also been done on ways to increase the output from the cheese manufacturing process. Among others, studies were made on the effects of thermal treatment of the milk during different manufacturing stages, and analyses of the physical aspect of curds in the cheese aging tanks.

After several months of experimentation at our Louiseville plant, we are at present considering the possibility of signing an agreement with Abbott Laboratories to manufacture infant formula under the Similac label.

Such an agreement would be very interesting, since it would open the door to non-conventional uses of our production facilities and provide exciting new market possibilities.

For the purpose of lowering general expenditures, the accounting work which was previously done in Oka and Toronto is now being handled at Granby head office.

Finally, I should not neglect mentioning the excellent cooperation of Division personnel.

Aware of the gravity of the economic crisis, the employees have made considerable efforts to increase productivity at the plants. This positive attitude contributed to the good results recorded by the Industrial Milk Division during the year.

### Fluid Milk Division

Operating results of the Fluid Milk Division confirmed the soundness of the Agropur Directors' decision to diversify the Coöperative's production.

This Division's net earnings from operations are extremely encouraging, in fact. They climbed to \$2,232,000, an appreciable increase over the previous year's figure.

Total assets of the Division also increased. They now stand at \$46,000,000, while working capital now totals \$4,026,000.

During the past fiscal year, this Division acquired the Société Coöperative Agricole des Maitres Producteurs Laitiers du Québec. These consisted of the shares of Laiterie Samoisette Itée, the assets of Laiterie des Producteurs de Joliette inc., and the assets of the Coöperative des Maitres Producteurs de Lait de Montréal.

This purchase permitted us to increase our share of the fluid milk market substantially.

### Sales and Marketing

Net consolidated sales of the Division rose to \$177,858,000, compared with \$145,951,000 the previous year, for an increase of 21.8%. This was remarkable progress in a market where fluid milk sales were generally stable and ice cream sales even decreased by four per cent. Our success is due mainly to the acquisition previously mentioned; better penetration of the grocery stores market; and maintenance of our sales volume in the food services sector.

Expressed in litres, sales volume of fluid milk and by-products was up by 11.5%, and ice cream volume by 4.6%. These are both remarkable performances when compared with general market trends.

### Distribution

Our Distribution Service continued to concentrate on milk and ice cream routes, and the positive effects of this rationalization are beginning to be felt.

### Production

Milk collections increased by 11%, rising from 180,439,819 litres in fiscal 1980-81 to 200,298,772 litres in the year ended October 31, 1982.

Production of hard ice cream continued to climb at an even faster pace than in the previous year, reaching a new record peak of 26,558,944 litres, which represents a 6% increase.

During this past year, the Division's specialists installed a new and more efficient system for planning ice cream production. As a result, we were able to reduce operating costs while maintaining inventories which correspond more to the needs of our customers and the capacity of our storage facilities.

During the past 12 months, we also increased the production capacity of our storage and homogenization systems. We are now able to process more than 900,000 litres of milk daily in our Ville Saint-Laurent plant.

Increased sales of the two-litre size milk cartons obliged us to replace one of our bottling lines, which had a capacity of only 30 two-litre containers per minute, with much faster equipment able to fill 70 containers per minute. This new and highly efficient equipment can also handle all sizes of milk containers.

At our Saint-Laurent plant, we achieved positive results by hiring a firm of management consultants, who were given the mandate to analyze the work load at different production stations and study the output of our processing equipment. Among other things, this allowed us to increase worker productivity and processing equipment efficiency. The financial results of these improvements will be felt more and more during fiscal 1982-83.

Several staff training meetings were also organized at our Lebeau St. and Albert-Hudon St. plants to motivate our employees to place even greater importance on quality production.

The year's major event for the Fluid Milk Division was undoubtedly the setting up of new administrative and marketing offices at our Lebeau St. plant in Ville Saint-Laurent.

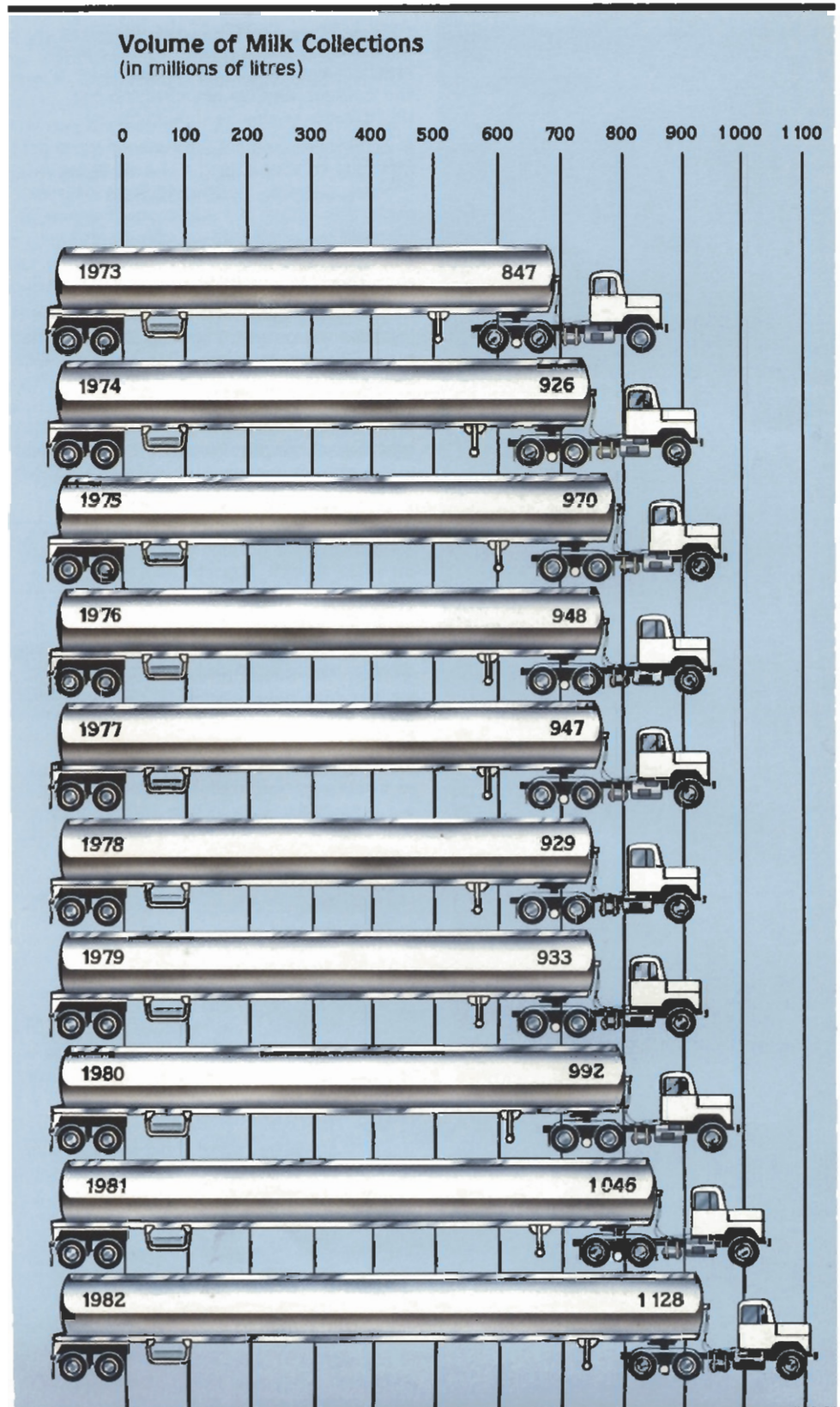
With more than 1,700 square metres (18,300 sq. ft.) of space, these new quarters make it possible to place all administrative, marketing and production services under one roof. The integration permits stricter control over all the Division's operations and facilitates communications between the different services, thus creating better team spirit.

The year's financial results were severely affected by the decision of the Régie des marchés agricoles not to allow compensation for the increased costs recorded over the past 13 months. The provincial government's refusal to grant the dairies permission for the 2 cents per litre price increase awarded to producers on December 1, 1982, also increased our difficulties.

These decisions will have negative repercussions on the efficiency of our operations if they force us to delay some expansion and modernization projects.

### Advertising and Marketing for the two dairy divisions

In order to give you an overall view of our activities in this field, we will summarize the principal achievements of the two divisions as a whole.





The current market situation justifies the use of direct and dynamic strategies to persuade the consumer to buy.

A good example is the advertising campaign, based on product quality, that we launched for Québon ice cream.

This campaign was so effective that our sales of ice cream in the two-litre format increased by more than 20%, while one-litre format sales rose by more than 5%. We accomplished all this during a period when ice cream sales in the market as a whole were declining.

We were so pleased with these results that we also launched a support campaign for Québon brand in Trois-Rivières, and for Purdélise brand in Joliette.

Yoplait has also been the target of a great deal of attention in recent months, with conventional media used to reach the general public.

In addition, our message has been aimed at select target groups through promotions such as "Relève-Yoplait", for students in the province's primary and secondary schools, and the "Jogging-Agropur" programme, produced with the help of TVSQ cable television station. These marketing campaigns are the result of a mutually profitable association with the Quebec Track and Field Federation.

In order to stimulate the sales of Crino products and our fine cheeses, we retained the culinary talents and services of two television stars: Mrs. Juliette Huot and Mrs. Suzanne Lapointe.

We also had an active role in the advertising campaign for the new butter brand, Savourin. Finally, we should mention our participation in numerous salons or exhibitions related to the agri-food industry. Some of the major ones were: Salon de l'Épicerie; Salon International de l'Agriculture et de l'Alimentation; agri-food exhibitions in Sherbrooke and Trois-Rivières; Salon de l'Hôtellerie et de la Restauration.

There is no doubt whatsoever about the quality of our products. Agropur regularly wins awards and other distinctions testifying to that in a tangible way. This past year was no exception.

Among other recognitions during fiscal 1982, Agropur received the coveted "Cheese-maker of the Year" distinction at the annual Congress of the dairy cooperatives; five gold medals at the "Monde-Sélection" competition — one each for the quality of Vaudreuil Camembert, Vaudreuil Brie, Oka

cheese, Crino 2% evaporated milk, and Crino 7.8% evaporated milk; two first prizes at the Royal Winter Fair, one for butter and the other for St-André d'Oka cheese; and two "Lys d'Or" for Yoplait yogourt and Québon ice cream.

Finally, it should be noted that the Coopérative has been selected to distribute the internationally famed Weight Watchers products.

### Farm Supply Division

The current recession has had a severe impact on this Division's operations.

Even though interest rates were lower than in the previous fiscal year, their relatively high levels throughout the 12-month period continued to be a major handicap for sales. These high rates also affected our members' incomes, creating a climate of uncertainty and slowing down sales of farm machinery and equipment.

As a result, for the second year in a row the Farm Supply Division made a negative contribution to Coopérative earnings from operations. Despite that, we feel that this situation is only temporary.

However, there were encouraging signs of progress in most other services during the last few months of the fiscal year. We believe that the joint efforts of members and staff will accelerate the recovery of the Farm Supply Division, and that it will soon report profitable results.

### Feed and Fertilizer Service

Feed mill volume decreased by 21.5% during the year. This was due, on the one hand, to lower prices for grain and protein supplements used in manufacturing feed, and on the other, to a drop in overall sales. The poultry feeds sector was the one most affected by these factors.

Sales of fertilizers delivered to members' farms remained at about the same level as in the previous fiscal year. Bulk fertilizers accounted for 60% of total volume, compared with 55% the year before.

### Veterinary and Livestock Service

Volume rose by 75% in 1981-82. The two main reasons for this favourable result were: the Service marketed 30,340 hogs, a 62% increase over the previous year; and a 37% increase in the sales of veterinary drugs.

Higher pork prices, combined with lower feed grain costs, allowed this Service to report a positive contribution for the first time in four years.

### Farm Machinery Service

If there is one sector where there is every reason to speak of crisis, that is certainly the farm machinery business. Farm Machinery Service volume was down by 19% overall in the past fiscal year. Sales of farm machinery delivered to members slumped and there was a decrease in labour hours billed by the service garages. Parts sector volume, however, was comparable with that reported in 1980-81.

This depressed business volume was also accompanied by a reduction in profit margins. The well publicized difficulties of certain manufacturers of tractors and farm implements, the bankruptcies of some dealers, and the numerous farm auctions, substantially weakened the prices of new and used machinery.

### Farm Accessories Service

This Service saw its business volume decrease by 9% during the year. On the whole, operations have been rationalized, inventories made leaner and healthier, and special approaches made to suppliers in an effort to improve our competitive position and gross margin.

Results for the 1982-83 fiscal year should be more encouraging, as a result.

### Membership Relations Service

Agropur and its Directors at all times work to facilitate and intensify relations between members and their Coopérative.

Consequently, the cooperative consultants team was particularly active once again during the year. It continued to assist members in numerous fields, notably by explaining new legislation, showing continued interest in the agricultural team, putting complex reports into everyday language, and giving technical advice on the production of clean, healthful milk, among other things.

Agropur cooperative consultants talked with 6,822 visitors during the year, made 3,765 visits to members' farms and received 18,239 telephone calls. That is excellent proof of their energy and dedication.

### Communications Service

During the past year, the Communications Service intensified its efforts in the areas of information and cooperative training for members. With the help of the Animators,

they were the catalysts in such activities as the territorial revision of our milk collection basin and amendments to the members' capital by-law.

Prominent among the events they were involved in were the meeting of Animators at the Oka cheese plant, and the two "open door" days at the La Perade plant, which attracted 5,500 visitors. They also played an important role in planning the official opening ceremonies at the Control and Research Centre in Granby, and the Agropur participation in the Salor, International de l'Agriculture et de l'Alimentation.

Among their other 1981-82 accomplishments well worth mentioning are the encouragement they offered the agricultural team and the technical training in animation they provided. With the help of Télé-Université, they also developed a cooperative training course for youthful employees of the Farm Supply Division.

### Milk Collection Service

In spite of current economic conditions, milk deliveries to the Coopérative have increased slightly, enabling the Milk Collection Service to improve the efficiency of its operations.

As a result of the 81 contracts negotiated during the past fiscal year, the Coopérative now is able to provide service directly to the farm, by means of its six trucks.

The cooperative counsellors worked with the head of the Service to redraw the boundaries of milk collection zones so as to reduce the distances to be travelled and the costs of fuel and supplies. They had to display a great deal of diplomacy to get some producers to accept milk collections every two days, even during the winter.

This tightening up of the collection cycle, to meet the needs of the fluid milk market, will nonetheless have a favourable effect on the quality of industrial milk products.

### Dairy Equipment Service

The end of fiscal 1982 saw an upsurge in this Service's activities. Following an agreement reached with the Coopérative Fédérée, Agropur has been distributing Universal and Mueller brands of equipment in the south-central part of its territory since August, 1982. Six new technician-representatives were added to the existing personnel, and they are now offering their services and products to dairy producers. However, the results of this expanded activity will become obvious only during 1983.

### Human Resources Service

In our Coopérative, as in numerous other enterprises, the recession will end up having a positive effect: the employees will be made more aware of their responsibilities. Nine collective agreements, covering 475 salaried employees in our three Divisions, were renewed during the year. Settlement procedures had to be used in only one case, following a brief work stoppage. On the whole, agreements negotiated with our employees were in line with market trends and the economy in general.

One of the reasons for this healthier labour climate is certainly the dedication of the Human Resources Service staff. They have put an enormous amount of effort and energy into the task of explaining to the workers all the details of the Federal government's voluntary six-and five per cent wage restraint programme, and enlightening them on the reasons.

The Service also continued to pay special attention to the quality of life in the workplace during the past year. This preoccupation with employee well-being is a key part of the social objectives Agropur has set for itself. As well as displaying an immense respect for the individual, improvement of the environment and working conditions greatly improves the human atmosphere in the plants and shops. It generally results in higher production and better quality.

### Treasury Service

The Treasury Service began changing the long-term capital loans structure during the year.

It also developed and began using a unique new loan fiduciary certificate. This replaces all the loan agreements currently in effect, at both the Coopérative and affiliates levels.

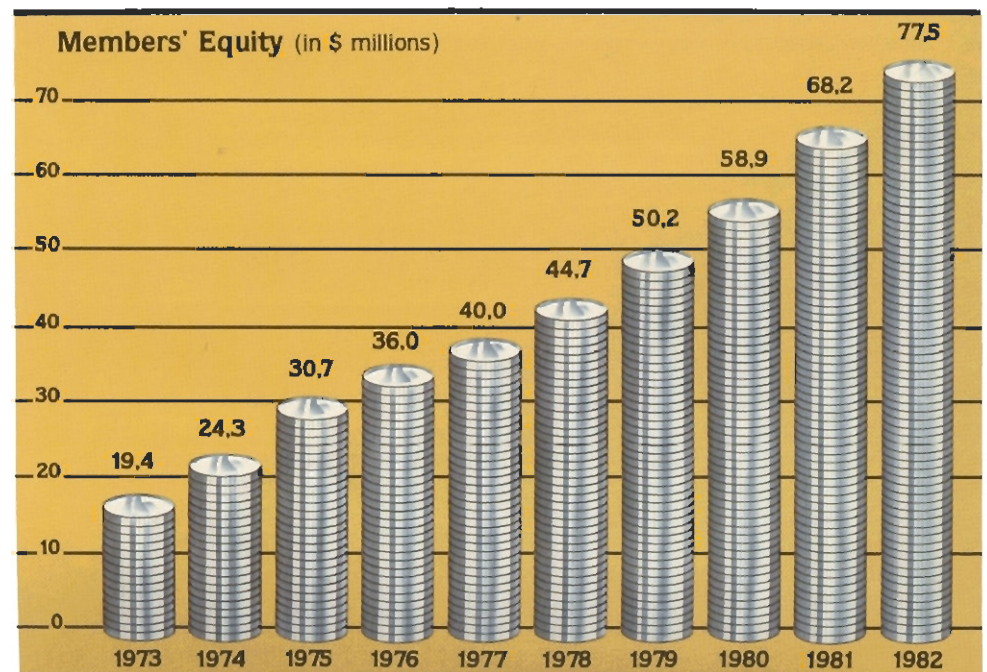
This new fiduciary certificate will greatly facilitate financial transactions. In addition, it will ensure the Coopérative a much greater margin for manoeuvre, and make it possible to obtain loans at a lower cost than under the now obsolete conventions.

The Service also redeemed Series "A" preferred capital during the year under a more rational procedure: taking three separate financial reports into consideration. This has proved to be an extremely objective method, and the Board of Directors intends to continue using it in the future.

Before concluding, we wish to tell you that, in addition to continuing transactions with our usual banking institution, we are now also doing business with the Caisse centrale Desjardins. We are proud and happy to call this tangible gesture of inter-cooperation to your attention.

### Conclusion

This review of the activities of our Coopérative during the 1981-82 fiscal year provides the opportunity to make some significant observations.



Its more than 7,400 farmer producer-members form the true bedrock upon which the Cooperative is built. Their loyalty and sense of belonging provide Agropur with its lasting strength and vigour. Consolidated earnings from operations distributed to members this past year exceeded \$20 million.

To begin with, all of us at Agropur, employees and members alike, should consider ourselves lucky. We are lucky and privileged to be associated with an organization with such solid financial foundations that it can move onward and upward, despite the menacing forces that assail our economy.

It is fortunate for us that the pioneer founders of Agropur chose the cooperative formula for processing and marketing their agricultural products.

An accolade is also due to their successors, who persistently followed this path, and who had the vision and will to provide themselves with the necessary human, financial and technical resources to build a dynamic and trend-setting organization.

We belong to the generation which is harvesting the fruits of all the efforts invested over the years in the countless battles, and hard-earned victories.

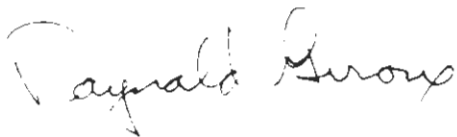
Since we are so favoured, there is no question whatsoever that we must make up our minds to assume our responsibilities. We must not shrink from any effort demanded of us to keep the Cooperative growing and ensure the well-being of all its members.

We must shoulder these responsibilities in full, by handling our daily tasks with all the competence that we possess. We must constantly live up to the great principles of the cooperative movement, which is based essentially on mutual help. And we must educate those who, through ignorance, would try to change the mechanisms which have long proved their worth.

The cooperative movement is an extremely efficient economic tool. Agropur, Coopérative agro-alimentaire, is living proof of that.

Boistered by the solidarity of its members and its employees, Agropur will continue to display its vigour in this new year that lies before us.

Thank you all sincerely for your most appreciated support.



RAYNALD GIROUX, Agronomist  
General Manager



# The Social Role of Agropur

In keeping with the scope and importance of its economic activities, Agropur plays a major social role in our society. Focal point for the daily concerns of nearly 10,000 members and employees, it is an integral part of the Quebec community, particularly in rural areas.

The members' strong sense of belonging and the employees' professional competence have always been the foundations for its continuing success. This feeling of pride and success also springs from another source: the constant concern to ensure that all members of the team share equitably in the financial fruits of the enterprise, in the true cooperative spirit of full social justice.

To that end, \$45 million in wages and fringe benefits were paid to more than 2,000 employees in fiscal 1981-82. Surplus earnings totalling more than \$20 million were shared among 7,403 Agropur members, and almost \$10 million went to the carriers who collect the milk.

The social role of Agropur is also defined by the nature of its activities and relations with its members, employees and consumers.

Members enjoy a privileged relationship with the Coöperative, because they are its owner-users. The cooperative counsellors who serve them play a vital role by making the members' daily cooperative life more dynamic and intensely meaningful.

Once again this past year, as every year since the Coöperative came into being, these dedicated people were consulted often on the broad orientations of the enterprise. They had an active part in shaping such important decisions as those on members' capital reforms and the restructuring of administrative regions.

This dynamic spirit is never lacking at Agropur. During the past three years we have seen it again and again, as members and employees alike turned out en masse for such events, among others, as official openings and plant visits.

Constantly aware of its social responsibilities, the Coöperative also helps its members in many other areas. For example, it offers a special programme of reduced prices on new equipment to those members who are victims of fire. A mobile emergency service is available in the event of fires on the farm.

No discussion about the social role of Agropur would be complete without mentioning the measures adopted to improve the quality of life for its personnel. The Coöperative encourages employees to take

part in sports and leisure activities at the workplace, and to join social clubs and volunteer organizations with humanitarian goals.

Agropur has set up Safety and Welfare Committees for its employees, and has its Francization certificate. All these things vouch for the clearly expressed willingness of the Coöperative Directors to comply with the province's laws, and to adapt to changes of any kind desired by society and required by government.

In this respect, it should also be noted that Agropur has made substantial alterations to some of its plants to comply with the numerous regulations regarding pollution that have come into force during the past ten years. Since environmental protection standards have become more and more strict, this has required increasingly heavy investments. Nevertheless, the Mercure Award received by Agropur testifies to the success of our efforts to control pollution and enhance environmental quality.

With plants located in various Quebec municipalities, Agropur is a socio-economic motor of vital importance to each of those communities. In order to stimulate regional pride and bring its members and employees closer together, the Coöperative makes a point of identifying its plants with the individual localities. Also, as part of its decentralization policy, Agropur lets members in each of its administrative regions decide how to distribute part of the donations which are made each year to various organizations and causes.

Agropur plays a pioneering role for the cooperative movement among young people looking for careers in the agri-food industry. The Coöperative annually awards two scholarships to second year students of merit at the agricultural technology institutes in La Pocatière and St. Hyacinthe, and a third scholarship to a Laval University student. The Coöperative has also given a summer job to a trainee from the Chair of Cooperatives at the University of Sherbrooke.

Showing its close interest in the agricultural family, the Coöperative provides financial support for Young Breeders' Clubs by giving an annual \$100 award to each of the 42 clubs which organize local exhibitions of dairy heifers.

In similar displays of support for community activities, Agropur participates annually in certain agricultural fairs and exhibitions, and in the "Festival du Lait" at Coaticook. It also gives financial support to various

non-profit organizations in the educational, cultural, health and recreation fields.

In yet another aspect of community involvement, it can be noted that Mr. Raynald Giroux, the Agropur General Manager, has been named Chairman of the 1981-82 fund-raising campaign for the University of Sherbrooke.

In the sports field, the Agropur philosophy is to orient its marketing programmes in such a way that adults and young people will be encouraged to take part in sports and be more active. This was the objective of "Jogging Agropur", aimed at the public in general, and "Releve-Agropur", for our youth. These programmes were developed and launched in cooperation with various sports organizations.

When it comes to consumers, Agropur adheres to extremely high standards of social responsibility. It does so by means of rigorous milk quality controls, a constant striving for excellence in all its products, and by maintaining prices at competitive levels.

The results achieved this past fiscal year prove just how successfully these challenges have been met. Our efforts on behalf of consumers were recognized by several awards of excellence on the provincial, national and international levels.

The Agropur cooperative philosophy is one of its most important assets. Ranking right beside that is the spirit of solidarity with the entire cooperative movement. Agropur is one of the most active collaborators with all the agricultural cooperatives, and with the Conseil de la Coöperation Laitière. It also provides financial support for the Institut de Recherche et d'Enseignement pour les Coöperatives de l'Université de Sherbrooke (IRECUS).

Justifiably proud of its social role, Agropur attaches primary importance to the harmonious human development and economic well-being of its member-producers and employees. The results achieved in the past, as well as being guarantees for the future, bear witness to the dedicated efforts of those in charge of these important social programmes, and the vast amount of energy devoted to achieving these noble objectives.

On October 26 last, Agropur officially opened its new Control and Research Centre. Built at a cost of \$1.2 million, this ultra-modern laboratory makes it possible to improve productivity, perfect new manufacturing processes, and launch new products on the market.

Shown here in front row, from left to right: Abbe Richard Côté, Curé of St-Eugene de Granby Parish; Raynald Giroux, Agropur General Manager; Hon. Gilbert Paquette, Quebec's Deputy Minister for Science and Technology; Mayor Paul-O. Trepanier of Granby; Marcel Dionne, Member of Parliament for Chicoutimi and Parliamentary Secretary to the Hon. Eugene Whelan, Canada's Minister of Agriculture; Mrs. Marcel Dionne; Michel Lemire, President of Agropur; Roger Béliveau and Philippe Véronneau, both Agropur Directors.

Agropur members can attend demonstrations of farm machinery and admire experimental plots of land seeded, fertilized and maintained with their Cooopérative's products. "Stable Days" are also organized for those who are particularly interested in animal husbandry.



# New Territorial Division

Your Board of Directors this past year adopted a new territorial division of our milk collection basin, in order to regroup members in regions of more equal sizes. The objective is to encourage members to participate in their regional meetings and become more interested in the democratic management of their Cooperative's operations.

Instead of only eight administrative regions, as previously, there are now 15 under the new arrangement. They are listed below, with the number of members in each.



Regions	Number of Members	Plants	Branches
1- Salaberry	395	1- Granby (Head Office, fromagerie, yogurt plant, research centre, feed mill, fertilizer depot, farm machinery and farm accessories services, dairy equipment services, warehouses)	13- Sherbrooke
2- Lanaudière	488	2- Bon-Conseil	14- Joliette
3- La Mauricie	532	3- La Pérade	15- Trois-Rivières
4- Ste-Anne	492	4- Plessisville	16- St-Jean
5- Des Seigneuries	453	5- Weedon	17- St-Bruno
6- De l'Érable	467	6- Louiseville	18- Ste-Thérèse
7- Lac St-Pierre	451	7- Lawrenceville	19- Coaticook
8- Bois Francs	489	8- Fromagerie de Beaujeu	20- Iberville
9- Des Appalaches	451	9- Fromagerie d'Oka	21- St-Germain
10- Estrie	432	10- Brossard	22- Henryville
11- Haut-Richelieu	561	11- St-Laurent	23- Marieville
12- Granby	553	12- Montréal-Nord	
13- Acton	596		
14- Des Montréalaises	557		
15- Yamaska	452		



