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16th. ANNUAL FINANCIAL STATEMENT
COOPERATIVE FEDEREE
DE QUEBEC

Established in: 1922

Reorganized in: 1930



ADDRESS BY THE PRESIDENT
ASSETS AND LIABILITIES
PROFIT AND LOSS ACCOUNT
REMARKS BY THE GENERAL MANAGER



*General Annual Meeting of the Shareholders held at
the Queen's Hotel, Montreal, 10th February, 1938.*

Board of Directors

J. N. BERARD, <i>President</i>	- - - - -	St-Nazaire d'Acton
LEON BEAUDRY, <i>Vice-President</i>	- - -	Neuville
OMER MILOT	- - - - -	Yamachiche
J. F. PRUD'HOMME	- - - - -	Ste-Philomene
PHIL. FERLAND	- - - - -	Normandin
REV. S. PELLETIER	- - - - -	L'Assomption
AUGUSTE BEAULIEU	- - - - -	Ste-Angele
PHILEAS BUREAU	- - - - -	Compton
GEO LALUMIERE	- - - - -	St-Bruno
J. D. FOURNIER, <i>Treasurer</i>	- - - -	Montreal



Executive Committee

J. F. DESMARAIS, *President and General Manager*

J. D. FOURNIER, *Secretary*

J. N. BERARD

REVD. S. PELLETIER

J. F. PRUD'HOMME

GENTLEMEN:-

As chairman of the "Cooperative Fedérée de Quebec", I have great pleasure in extending a hearty welcome to you all.

We may be justly proud of the satisfactory progress of our organization. During the year 1937 our Society has maintained its progressive pace and the annual turnover of \$11,488,119.87 shows an increase of more than \$2,000,000.00 over 1936.

I must congratulate and thank those who have contributed to our success, my colleagues on the Board of Directors—the heads of the Departments and all the employees of the Company. Special commendation is due to Mr. Desmarais—Chairman of the Executive and General Manager. Mr. Desmarais, we are glad to notice, is now fully recovered from his recent illness.

We understand that our success depends on the individual efforts of all those connected with our organization—as well as on the constant and true support of our affiliated Societies and the many independent farming producers dealing with us.

It is also my pleasing duty to acknowledge with gratitude the encouragement given us by well-informed men interested in our Province's agricultural progress. I refer to the sympathetic interest in our work which have shown some members of the Clergy, agriculturists, professional men and others. To all these I extend our sincere appreciation.

My colleagues on the Board of Directors have made the task of Chairmanship an easy one, thus giving eloquent proof of their devotion to our work. They have set an example which has been followed by every official and employee of the Society. Once again—I wish to express my thanks to all those associated with us in this undertaking.

During 1937, new societies have become affiliated with ours—the business volume of our branches has increased—proving that our farming community possesses growing interest in co-operative movements and has confidence in the trustworthiness of our Society.

In the course of the past year Mr. L. P. Deslongchamps retired from his official position with us. His distinguished and efficient collaboration has been of outstanding value to the Society. With appreciation of his excellent services, we sincerely regret his departure and wish him every success in his new undertakings.

The Board of Directors is negotiating at the present time with a true co-operator, and hope to conclude a satisfactory arrangement with him to fill the position vacated by Mr. Deslongchamps.

In accordance with the suggestion of Mr. Desmarais, member of the Conciliation Board — appointed with the purpose of finding a common basis satisfactory to all organized farmers in this Province — an investigation of our Society's operations was begun in May, 1937, by auditors appointed by the Provincial Government. Their report which has recently been made public, confirms our contentions in a very outstanding manner and points out definitely that La Cooperative Federee is sound and solvent—competent and capable of carrying on its work, without depending for assistance upon the Government or other organizations. No greater commendation could have been expected.

Therefore, it is our wish that, in the year 1938, the farmers of the Province may come to realize: firstly, the necessity of co-operation; secondly, the primary importance of a Central Society entirely devoted to the interests of the farmers, regardless of where they come from or what group they belong to; and furthermore, that they may have positive confidence in the integrity and capability of La Cooperative Federee.

For this meeting, the regular procedure will be followed: Reading of the minutes, Financial Report, Presentation of the Director's Report and Election of Officers for the coming year.

I ask all those present to follow the deliberations attentively and to feel perfectly at home. Any questions you may ask with reference to the business of our Society will receive our diligent attention and will be answered as accurately as possible.

PROFIT AND LOSS ACCOUNT

Profits, operations 1937, before depreciation and reserves		\$ 256,478.10
DEPRECIATIONS—on Equipment	\$ 50,000.00	
—on Real Estate	40,000.00	
RESERVES—on Accounts Receivable	25,000.00	
—on Contingencies (Inventory)	30,000.00	145,000.00
BALANCE TO SURPLUS ACCOUNT		111,478.10

SURPLUS ACCOUNT

Balance at December 31st, 1936		128,682.47
TO BE DEDUCTED:—		
Dividends for years 1934, 1935, 1936	34,539.00	
Adjustments	1,464.05	36,003.05
		92,679.42
TO BE ADDED:—		
Profits year 1937 from Profit & Loss Account		111,478.10
BALANCE at December 31st, 1937		\$ 204,157.52



COMPARISON OF SALES

Sales	1933	\$4,600,000.00
"	1934	5,450,000.00
"	1935	7,300,000.00
"	1936	9,500,000.00
"	1937	11,500,000.00

Outstanding Points of Statement and Summary of Main Events during 1937.

By J. F. DESMARAIS

President of the Executive Council and General Manager

The financial statement was submitted to your Board of Directors yesterday. The Board decided to pay the regular dividend on the preferred shares. They also agreed upon distributing to our member co-operatives the following patronage dividends:—

BUTTER:— $\frac{1}{8}$ cent PER POUND (as against $\frac{1}{16}$ cent in the previous year).

CHEESE:— $\frac{1}{16}$ cent PER POUND.

BALANCED RATIONS:—15 cents PER BAG (as against 10 cents in the previous year).

FERTILIZERS:—5% (as against 3% in the previous year).

SEEDS:—5%.

Dividends for seeds will be distributed only to member co-operatives which purchased seeds, not to the co-operatives engaged in the production of seed, no profits being realized in this branch except on the resale to farmers of grains and seeds that have to be bought outside of the Province.

Your Board of Directors also decided to offer non-member co-operatives who did business with us in 1937 a sum equivalent to 50% of the patronage dividends distributed among member co-operatives on the condition that the beneficiaries apply this sum as a partial payment against the shares they would be called upon to subscribe in order to become members.

The statement now in your hands shows that in 1937 our volume of business amounted to \$11,488,119.87, registering an increase of a little more than \$2,000,000.00 over the figures of the preceding year. This increase in dollar value is almost entirely accounted for by a greater activity in all departments. The total business of our live stock department recorded an expansion of \$789,599.50, or 64%, while business done by this department within the Province of Quebec alone progressed by \$653,461.15 or 71.3%. The following increases in volume handled were registered: BUTTER 15%; CHEESE 16%; FODDER 44%; FERTILIZERS 30%; INSECTICIDES and FUNGICIDES 25%; LIVE and DRESSED POULTRY 25%; SWINE 15%; the volume of slaughtered LAMBS, CALVES and CATTLE expanded but slightly.

The branches that progressed most satisfactorily during the year were the Canadian Live-Stock Co-Operative, which, as I already pointed out, increased its business by 64%, and five local branches where sales were higher by the following percentages: PRINCEVILLE 20%; ST. HENRI 45%; LEVIS 68%; AMOS 40%; LA SARRÉ 53% and RIMOUSKI 33%.

The Profit and Loss account discloses a net profit for the year of \$111,478.10, after due provision for Bad Debts and Depreciation on Buildings and Equipment. As the

accumulated surplus at the beginning of the year stood at \$92,679.42, the addition of the year's profit raises the total in this account to \$204,157.52 as of December 31st, 1937. From this amount we shall have to deduct \$11,557.80 for the payment of the regular dividends on the preferred shares and a further sum of approximately \$23,000 for the payment of the patronage dividends. Consequently we shall enter the next financial year with a surplus of about \$170,000.00.

You have undoubtedly heard about an inquiry being conducted by the Department of Agriculture into the affairs of the Federated Co-operative. As all kinds of rumours have been circulating among the public on that subject, I believe it is my duty to provide some explanations over the reasons that prompted the inquiry and the conclusions to draw from the inquiry itself:

During an interview I had with the Honourable Prime Minister and the Honourable Minister of Agriculture, at the beginning of January, 1937, the latter stated it was his intention to appoint a Committee for the purpose of "reporting to the Department on the measures deemed necessary to put this organization on a more efficient footing and especially to bring into satisfactory agreement the various agricultural societies of the Province of Quebec, having in view the utmost development of co-operation in the best interests of Agriculture."

In order to make the Committee's work easier, I took upon myself to suggest to the Prime Minister that he select auditors and entrust them with the task of ascertaining once for all the true financial position of the Co-operative. It was my conviction that to those who have heretofore been reluctant to become members of our organization lest they be called upon to assume liabilities incurred long ago, this audit would prove beyond dispute that their apprehensions were groundless and that the financial statements we had released since the Co-operative was reorganized in 1930 were reliable. The Honourable Prime Minister accepted my suggestion and Messrs. René de Cotret, Ferron & Co. were given charge of this inquiry. At the same time, the Honourable Minister of Agriculture appointed the Committee to which I already alluded. The members of the Committee are:

Messrs. S. J. Chagnon, Chief of the Extension Service of the Department of Agriculture;

Abel Marion, President of the Catholic Farmers' Union;

J. F. Desmarais, General Manager of the Quebec Federated Co-Operative.

Two meetings of the Committee were held during the Summer of 1937. As yet no conclusions have been reached and no recommendations made. Messrs de Cotret, Ferron & Co began their examination in May and brought it to an end in the last days of December. We received a copy of their report towards the middle of January, 1938. This report confirms all our declarations concerning our financial conditions and will provide a final rebuttal to aspersions cast upon the Federated Co-Operative.

The auditors at first ascertained the financial position of the Federated Co-Operative as of January 1st, 1930, when it emerged from reorganization. From that date forward they reconstructed themselves the year-end balance sheet for 1930, 1931, 1932, 1933,

1934, 1935, 1936 and the balance sheet at the close of the first six months of 1937. In the process they set up all the reserves they deemed necessary for bad debts as well as for depreciation on buildings, plant, equipment, etc. What was the outcome?

We had accumulated reserves of 50,625.74 against bad debts. The reserves arrived at by the auditors under this head stood at \$51,027.31, showing a difference of \$301.57 against our figures over a seven-year period.

The reserves set up by us for depreciation on buildings, plant, equipment, etc., amounted to \$273,254.53. The auditors figured this item at \$274,052.18, that is \$797.65 higher than our reckoning.

After making these changes, the auditors in their last balance sheet made up as of the close of the period running from January 1st to June 30th, 1937, altered the amount we showed as accumulated profits by \$11.08. In other words they allowed \$11.08 more profits than we figured in our own balance sheet at the same date. Whether we were wrong or not in our accounting practices, the resulting discrepancy, after a period of seven years, amounted to \$11.08 only.

There is another item to which I must draw your attention and concerning which I am forced to take exception to the auditors' manner of presenting the facts. On page 90 of the auditors' report it is stated that the Federated Co-operative received from the Federal and Provincial Departments of Agriculture, between January 1, 1931, and June 30, 1937, a total sum of \$1,046,536.34. It is only fair to point out that more than one-half of this amount, or \$560,639.97, was largely made up of refunds for payments we had effected at the Government's request in the interests of farmers established in various districts or to cover, on behalf of the Government which had assumed their payment, the anticipated deficits of certain organizations that will eventually become self-sustaining but of necessity proved unprofitable at the start. In other instances the Federated Co-operative merely took advantage of benefits which were made available to all. The amount in question consists of the following items:

Publicity	\$463,307.83
Journal of Agriculture	6,000.00
Buildings (Federal Cold Storage Grant)	23,100.00
Building grants	20,000.00
Cost of shipping butter and cheese to London, etc. (in order to make Quebec a shipping point for our cheese exports to England)	26,193.50
Deficits: La Sarre, Rimouski, Amos	9,352.09
Miscellaneous	12,686.55
	<hr/>
	\$560,639.97

Deducting \$560,639.97 from \$1,046,536.34 leaves a balance of \$485,896.37. This amount calls for some explanations. In January, 1930, it was evident that the Federated Co-operative showed a deficit which was then estimated to run close to half a million dollars. In 1937, the auditors, Messrs. De Cotret, Ferron & Co., computed the deficit of January 1, 1930, at \$645,068.55. In that same year (1930) the Government undertook

to make up for that deficit through an annual grant equal to 1% of our volume of business; later on that grant of 1% was figured only on the basis of our sales of agricultural products of Quebec origin.

There was paid a total sum of \$485,896.37 in pursuance of these various policies. During the whole of that period extending from 1930 to 1937 we endeavoured to re-establish the Federated Co-operative upon a sound commercial and financial basis and did not, for that, put the farmers to any contribution towards paying off the liabilities incurred in the past, because the proceeds of the 1% grant enabled us to do it gradually. On that account we still have to receive from the Government, in virtue of the agreement made in 1930, a balance of \$188,298.18, being the difference between \$645,068.55 and \$485,896.37. As, on the other hand, we had accumulated from 1930 to June 30, 1937, surpluses of \$203,920.48, it is readily seen that in the event of the present Government refusing to make good the pledge taken by its predecessors in office, which is highly improbable, the Federated Co-operative could carry on its activities unhampered. It would still be in a position to meet its liabilities in full. While, therefore, we are justified in stating that our financial position is safe and sound, we rely upon the continuance by the present Government of the support heretofore extended to our organization and expect that our development will not be slackened. These explanations are detailed enough to make plain to all unbiased readers the solvency of the Federated Co-operative and the ability of this organization to get along unassisted.

The Directors of the Federated Co-operative are pleased to avail themselves of the facts that were brought to light through this audit to impress authoritatively upon the public, once again, what rapid strides the Federated Co-operative made on the road to success since it was reorganized in 1930.

Our previous statements about the financial responsibility of this organization, the most powerful of the kind in the Province of Quebec, are thoroughly vindicated. The financial condition of the Federated Co-operative is sound. It is safe. Only prejudiced persons can fail to be convinced in that respect by the auditors' report.

We hope that, from now on, people who entertain doubts concerning our activities or our financial responsibility will come to us for information and will not run the risk of spreading through the press or at public meetings groundless criticisms that have no constructive counterpart and serve only to overthrow their object.

Since 1930 it had been our policy to resort to controversy only at the last extremity, but we proposed henceforth to preserve our rights and hold our ground. We will do so with all due moderation and in the courteous manner from which no gentleman should ever depart, but, for that, no less vigorously than the circumstances require.

In our opinion it was fair and imperative that these facts be brought to light.

We hope that the findings of this inquiry will help those who hold a public office and the people who favour the development of the co-operative form of economic activity in this Province to realize that the Federated Co-operative plays its part in the common effort towards agricultural progress and that, matters being cleared up, we will be able to pursue our work in peace and harmony.