



Slocan Valley

THE SLOCAN VALLEY CO-OPERATIVE ASSOCIATION

GENERAL MANAGER'S REPORT

64th ANNUAL GENERAL MEETING
April 3rd, 2022



Last year can best be described as a roller coast ride of rapid changing highs and lows. Early on, we saw consumer habits from 2020 continue, whereby many living in the rural Valley region chose to make many of their everyday purchases from the Co-op, rather than going into nearby towns. This resulted in the highest sales ever recorded in Slocan Park in close to every commodity, with the exception of gas bar fuel. Certainly, with efforts to reduce the spread of Covid-19, less people commuting to town and reduced traveling overall meant fewer litres sold.

The winter weather conditions in 2020-to-21 played a factor, reducing our commercial litre volume from the Castlegar Petroleum department through the winter months. This did improve through the summer months; however, deliveries to the four Tempo resellers we are contracted to supply in Winlaw, Robson, Genelle, and Christina Lake were similar to that of our Slocan Park gas bar, ending up slightly below the year prior.

All of this considered, we closed the year at over \$17.28M in sales, and over 11.7M litres of petroleum sold; both figures representing the Co-op's second-highest sales next to 2019. Controls on expenses also provided our highest ever local earnings, or profits before Federated Co-operatives loyalty and member patronage rebate. This is important because in recent years, our Co-op was breaking even before the FCL rebate boosted our total net profits. This year, we earned just over \$171,000 – and I'll have more information on this during the presentation of our financial report.

There are mixed emotions when it comes to seeing figures like these, as our tremendous success is something many other businesses in the region were unable to appreciate for themselves during the same period. There have been significant challenges related to doing business amongst the changes to business requirements to accommodate the health and safety of our fantastic Team Members, the hundreds of daily consumers who walk through our doors each day, and the communities we serve. Covid-19 has made doing business anything but easy. More than just causing a strain on daily efforts, it placed a great burden on the Team Member's mental health and well-being. We looked to each other for strength, and some also took advantage of our Employee and Family Assistance Program benefits for additional professional guidance for their personal challenges. At the same time, we also took to heart the supportive comments from our guests, having expressed their sincere appreciation for being here for the community. There certainly has been a great deal of positivity shared with us; making it known just what it means to do what we do, and why. Tina Andersen, our Slocan Park Store Manager has been right there with her Team to lead them through each day. The success of the store over the recent years can be attributed to the exceptional work her and her Team have put in. Last year was certain proof of that for the added strain the Team endured.

A bit of help came at the beginning of our fiscal year, when the Co-op resumed the Appreciation Pay for all Team Members, which provided an additional \$2 per hour for as long as it was considered affordable through a period of 8 months. In total, amongst the 16 Co-op employees, the Appreciation Pay program provided Team Members over \$53,000 in additional wages, as well as additional benefits on top of this value.

When it comes to our earnings, or profits on our sales, 2021 was no less a challenge when compared to prior years. Profits in Slocan Park as a percentage of sales were unchanged as compared to the prior five years. Petroleum markets were volatile, with pricing increases and decreases that provided an average that was only slightly higher than the prior year. Profit margins remained at minimum levels throughout the year, which is typically between 5 and 6¢ per litre.

New investments were made in expanding the Oil & Lubricant commodity of our Castlegar Petroleum Department. With our present warehouse facility in Genelle, we only needed to invest in a delivery unit that would be capable of performing large-scale deliveries of pallet-load quantities of lubricants to our commercial members throughout the Kootenays. We surpassed our initial sales expectations last year and are presently exceeding them this year; and we are not done looking to take advantage of further opportunities in this commodity. The equity and cash back allocation on oil & lubricants in 2021 paid members back 6% of their purchase patronage. Juli Hussey, our Castlegar Petroleum Department Manager has been challenged with the inability to meet many of our new members face-to-face through the long months of Covid restrictions. Nonetheless, her and our Team of petroleum delivery drivers have made doing business on a personal level a welcomed experience for our members. We are regularly complimented for our excellent service standards and offering the right blend of satisfaction with cost control. We know we can always make cuts to save money, but it always comes at the expense of good service. We're not about to lower our standards any time soon, and Juli does a great job keeping the motivation of her Team high.

Our close relationship with Federated Co-operatives Limited, for which our Co-op is part owner, comes with it some responsibilities. To take full advantage of programs designed to help Co-op's in the Co-operative Retailing System, the CRS, there are supply agreements and loyalty programs that we are committed to. Just as our members do a great job of supporting their Co-op, the CRS members do the same for their Co-op, our primary wholesale supplier.

The major benefits of this relationship include significant operational and governance support at little-to-no cost, as their support is effectively spread out amongst the entire network of Co-ops. Certainly, the greatest benefit to our Co-op, as well as the entire CRS is the annual equity allocation and cash rebate on our purchases with FCL. This value is the biggest factor that enables our Co-op to share our profits with our members, make investments for the Co-op's future growth, and give back to the community through our donations and grants programs.

This relationship goes even further for the benefit of our Co-op in the future, for which I will share more information on shortly. For now, I'll express that this relationship has been the most significant factor in the success of our Co-op; both in how the CRS has trusted us by investing in our growth with project subsidies, and how we have been able to increase our commitment to being a builder of the community. You may be aware of our Fall Newsletter that expressed just some of the Co-op's community funding initiatives. Those programs and contributions will continue to grow with as we look toward new opportunities, taking full advantage of the Co-operative Retailing System's strength, "Co-op's working with Co-op's."

We have concluded nearly every year even stronger than where we began. This year, again, the overall value of our Co-op increased, there is zero debt on the books, and earnings continue to be positive. While it is true these earnings were also boosted a small amount with Federal subsidies, most of the value of that subsidy went toward the additional expenses related to our Covid-19 programs, such as the Team Member Appreciation Pay program.

Our Co-op Community Development program was poised to provide funding to the communities we operate in when there was a glimmer of hope to see some community reopening events planned after last Summer. The Co-op had advertised the desire to help fund events geared toward community gatherings. Unfortunately, with the rise in Covid cases in the region, and the return of some health restrictions, that was not meant to be. Nevertheless, the Co-op provided \$2,000 in bursaries to Mt. Sentinel and Stanley Humphries high school graduates, with a total of nearly \$7,000 in sponsorships and donations in 2021.

The start of our Member's Giving Program, whereby members can donate their patronage to community organizations in the region was off to a good start since March of 2021. Members offered their patronage to the tune of cash back rewards amounting to over \$670 in the 8 months it ran until our year end in October. That amount is going to be significantly higher this year. That program is designed for Co-op Members to share their profits with groups and organizations they support.

With the start of the Co-op's new Small Grants Program, whereby the Board of Directors will soon be reviewing applications to have up to four community organizations receive up to \$5,000 each to support their project or program, 2022 will be following up on the success of the last year in a big way.

It's taken a decade of successful growth to get our Co-op in the healthy position the members can be proud of. New initiatives are just the start. We will see additional opportunities to take advantage of.

With our Co-op's relationship among the Co-operative Retailing System, owners of Federated Co-operatives Limited, we are a part of investments being made that are designed to meet the goal of reducing greenhouse gas emissions by 40 percent below 2015 levels by 2030. There have been significant steps made in the recent years, such as the investment in the Co-op Ethanol Complex in Belle Plaine, Saskatchewan producing 150 million litres per day of ethanol that is also used in our fuel supply. FCL has secured a land option for a renewable diesel plant that will divert production of diesel from crude-oil-based supply to renewable content like locally grown canola to maintain production feedstock and enhancing Western Canadian agriculture demand. Finally, FCL recently announced the investment of \$500 million in carbon capture and storage at the Co-operative Refinery Complex in Regina and the Co-op Ethanol Complex in Belle Plaine.

Our region would directly benefit from these investments with supply of petroleum that is being produced with greater levels of renewable content from facilities that are further enhanced with new carbon-reduction technology in what is being recognized as important steps toward reducing carbon intensity of petroleum products in the transition to a low carbon economy. Our contribution comes from the increased output of lower-carbon petroleum in our region through our own gas bar, our bulk petroleum deliveries and cardlock facility, and the Tempo resellers we supply.

Beyond the environmental benefits of increasing renewable content in fuel, there is even greater effort to seeking supply of alternative products to work toward eliminating single-use plastics. The challenge has been to ensure consistent supply of the everyday in-store supplies we use, which; up to now, has not been entirely possible due to constant supply chain problems in our global-source environment. It was initially believed that our transition away from single-use plastic bags was going to be a significant change for our guests. In hindsight, it's a change that could have easily been made sooner. That's how we're choosing to look at some of the other areas where the reduction of single-use plastics can be made, with what is within our power to do effectively.

This year, there are also additional efforts in sustainability being made, with investments already completed with upgrades and enhancements to reduce energy consumption in our facilities, such as full conversion to LED lighting at our facilities.

For where we're sitting today as a Co-op, the close of our fiscal year for 2021 was a success in nearly every manner. We aim to continue that pattern of success with future investments designed to play on our strengths today to take advantage of opportunities to diversify tomorrow. It's clearly recognized that petroleum will not always be there as our most significant generator of revenue; however, there's enough research to show there can be confidence it will continue in the short term to be the source of revenue required to transition to investments that will add greater value for our members for the long-term sustainability of our Co-op.

So, here's to 2021 – and the hope that we have seen the worst of things as days gone by. Optimism ... if anything needs to be made popular again, it's that. The level of optimism shown by everyone, our Team and our guests alike, has been a remarkable display of resiliency during these recent stressful months and years. We will now be preparing to accommodate for what ever comes next, recognizing that people are just trying to get moving again. Even with that, the business of selling food and fuel is anything but predictable; certainly not easy. The current situation of escalating costs for everything being a primary example of how difficult it will be on everyone. We will continue to conduct business in a sound and responsible manner for the sake of all our member-owners' interests in the overall success of our Co-op.

Much appreciation and gratitude go out to the members and the efforts of our directors for their continued support. I'm proud of the fact that I have been able to close each year's annual report by saying that we appreciate being a part of our Co-op's annual success; and we can look forward to seeing through with the future of our Co-op together. Thank you all.

Chris Sapriken
General Manager
Slocan Valley Co-operative Association