



Slocan Valley

THE SLOCAN VALLEY CO-OPERATIVE ASSOCIATION

PRESIDENT'S REPORT

62nd ANNUAL GENERAL MEETING
September 20th, 2020



Officially this AGM reports on the results of our year ending October 31st 2019. That seems so far away. We will be providing a brief summary of the Co-op performance in that year, as well as an update of how the current year is going and what we are planning for the future. Before getting into my report, I would like to open by saying how grateful many of us have been over the last six months that we have had a reliable, safe and friendly store from which we meet many of our essential needs. I think this was especially important in March and April as we were beset by a extreme level of uncertainty and anxiety.

For the year ending October 2019, we had a very good financial performance, with few operational changes. For the second straight year we had net earnings in excess of \$1 million. We paid off almost all our previously large debt that was incurred by upgrading our gas bar in 2006 and purchasing and constructing our bulk fuel and cardlock facilities in Castlegar in 2015. A huge part of our profitability comes from our relationship with Federated Cooperatives (FCL), a cooperative of 170 individual co-ops across western Canada. FCL owns a large refinery which generates significant profits which have been distributed to its member co-ops as patronage. For the year 2019, we distributed \$466,000 in patronage, over 50% of which was in cash given to 1,378 members. The other 50% came in the form of shares in the co-op. We also welcomed 127 new members in 2019.

During 2019, the board spent significant time engaging in defining strategic directions. Good progress was made, though a lot more work remains to be done. There was general agreement among the board that we are committed to the following priorities:

Diversification of our business model over the longer term, lessening our dependence on fuel products.

An investment focus on the communities in the West Kootenays, especially in the triangle formed by Slocan Park, Castlegar and Nelson.

Making our Slocan Park store more cost competitive on key products that are consumed by our members. However, it was recognized that we are not a "food store" that can compete with super markets in the nearby towns.

Begin to explore possibilities for investments in the Slocan Park site. To this end, we initiated the purchase of the land immediately behind the store. Because the land is in the Agricultural Lan Reserve, completing the purchase has been a long process that should be completed in the next few weeks.

As we all know, the current year (2020) has proven to be very challenging, not only because of Covid but also because of oil and price wars both globally and locally. I am happy to report that financially we appear to be managing a small profit, which is not a bad result considering the situation. Operationally, there have major challenges in keeping our store open and a safe place for our members to shop. There has been a lot of stress on staff and sometimes on customers. But our co-op staff have performed wonderfully and we owe a huge thanks to them all.

Part of our relatively positive financial performance is a result of a new arrangement with Federated Cooperatives whereby they make a "loyalty" payment which in effect takes a significant portion of what would have been patronage paid to us shortly after year end and instead pays out monthly instalments based on fuel sales. This year FCL's loyalty program was based on 4 cents per litre of our fuel purchases and this has kept us in a net profit situation. We do not have to wait as anxiously to see what patronage we will get at the end of the year. That said, FCL is having a very poor year financially and we are not certain if we will get any "additional" patronage from FCL at the end of our current financial year.

Looking ahead to the coming year, the board will focus on developing a growth strategy that addresses the following issues:

- Business growth and development that provides diversification away from fuel – as a long-term commitment and sustainability strategy.
- Exploration of short to medium term opportunities in fuel that leverage our large investment in our Castlegar facilities.
- Exploration of further development of our Slocan Park site.
- Development of member and community engagement activities in new directions and with additional resources.

Derek Murphy
President of the Board of Directors
Slocan Valley Co-operative Association