



DAUPHIN CONSUMERS CO-OP



69TH ANNUAL MEETING

PRESIDENTS REPORT

The following was presented to the Members of Dauphin Co-op on April 16th, 2009.

This is our 69th annual meeting and it marks 70 years of operation for our co-operative. Seventy years ago, instead of going cap in hand to the financiers and oil companies in the East, some farmers in Dauphin pooled their meager resources, started our Co-op, and bought a few barrels of fuel, with no clear idea of how this enterprise would grow and develop or if it would survive at all. From those uncertain beginnings, Dauphin Co-op has grown to the point that in our 70th year it paid \$228,000.00 in real property taxes, attracted 467 new members for a year end total of 8,365, supported a payroll of over \$3.6 million dollars and solidified it's position as the biggest retailer in the district.



We had a very good year because we worked together in order to provide essential goods and services to our friends and neighbors. We invested our own money to do it and reaped the benefits both individually and collectively. We weren't dependent upon decisions made half a continent away. What we did depend on was each of our operating divisions rising to the challenges that were presented to them.

Building Materials



Our sales increased by 30% and the division became profitable. The department had been presented with a number of challenges including: the rebuilding and reorganization of our store in Ste. Rose, managing the relatively new undertaking of building RTMs and spec homes here in Dauphin, and making the enterprise profitable by achieving a critical mass of sales. Again, we are very pleased by the significant improvements in sales, profitability and customer satisfaction coming from the division. The hail storm certainly helped but all credit goes to our employees for turning the operations around.



President Eric Irwin Presents
Karen Davis of the Imagination Library
with a cheque for \$1000.



Meet Cooper our Co-op
Mascot with Employee
Tom Crozier.



Your Community Builder

Gas Bars

Perhaps the most eagerly awaited financial result, at least from my perspective, was the year end numbers from our new gas bar on Main Street South. Members should also be aware that the onset of the recession and the precipitous drop in petroleum prices in the Fall of 2008, decimated our profit margins in petroleum. For the last two or three months of the year we were making very little margin on our petroleum products; a reasonable sustained margin over the course of this entire next year will make a real difference in the results at year end. The staff have done a wonderful job at customer service in attracting and maintaining a significant new volume of business for the Co-op.



The success of the main street location posed a challenge for the 3rd Avenue Gas Bar Staff. This location is known for always do a great job of customer service. Despite depending on a large number of young people and students who regularly move on to bigger and better things, their jump to the pump attitude and service with a smile sets the standard for service in our community. Ironically, their reward, and a very significant challenge, was that the Co-operative built a large new facility which directly competes with them. To their great credit, they have maintained the business they have built up over the years and over the course of last year actually increased their sales by 8%. Petroleum volume dropped only slightly as a result of opening the new gas bar but the remodeling of the convenience store resulted in a double digit increase in confectionary sales.





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Agro Centres

The next challenge was the Agro Department. We started the year with the tragic loss of our manager, Jon Van Dongen. Historically unprecedented prices for farm inputs including fuel and fertilizer brought real challenges for our members and the abnormally wet growing season made the ordering and application of herbicide a very tricky business. The significant drop in fertilizer prices this fall presented problems for both our members and the department in planning fall fertilizer application. At the same time the division was dealing with making changes to our custom spraying services and planning and building expanded agro facilities here in Dauphin.

Again, our people responded to the challenge. The agro expansion is being completed, the facilities and rolling stock have been improved through the addition of three new 90,000 litre petroleum tanks at our tank farm by acquiring new NH3 nurse wagons and they completed a fence around the NH3 site in Dauphin. They did all of this while handling an extra 2.2 million litres of fuel and increasing their sales 25%.



Food Centre

The challenge for our food operation has been to continue to grow sales despite the fact that our market is fairly stagnant and our facilities are dated. Nonetheless, in 2008 the centre's sales increased by 4% to the highest amount ever. We continue to retain experienced and knowledgeable staff and attract new staff who are dedicated to member service. The staff continues to keep the store bright and clean and continue to focus marketing programs particularly on not-for-profits, child care providers, and youth centered activities which make a significant impact on the community in their own right. This focus attempts to attract young shoppers with families. In order to improve margin they continue to implement the new central pricing program and product signs.

Perhaps the biggest challenge for the food operation, however, is to assist in developing a plan for our new store. Our store is over 40 years old and it isn't big enough or efficient enough to provide optimum operational efficiency and service and selection to our members. Accordingly, last summer we purchased the Stylerite store which is currently subject to the Fields lease, and struck a committee of the Board and started reviewing our options with respect to a new facility.

Over the course of the next year, we hope to finalize plans and commence construction of a new town center facility which will be the best in the trading area and be able to compete effectively against any other new retail facilities planned for Dauphin. After having built a new gas bar, renovated our building centre in Ste. Rose and upgraded our agro departments, it is time to invest in ensuring that we have the best food facilities in the community and we are looking forward to discussing this exciting plan with you more in the future.



Final Remarks

After 70 years we must be mindful of the past but it is our responsibility to look to the future:

- 70 years ago we established presence in the community;
- 50 years ago the Co-op grew to make a relevant contribution;
- 25 years ago we were presented with the challenges of surviving 20% interest rates and reorganizing the association;
- 15 years ago we invested significantly in our agro facilities and upgraded the rest of the organization so that we could grow and prosper; and
- In the last five years alone, we have achieved over \$11 million dollars in savings.

In looking to the future, the Board just recently purchased the former Shell Bulk facilities across the road from our agro department, are currently reviewing the environmental assessment and anticipate closing the transaction in the next month or so. This will give us an opportunity to relocate our RTM home building facilities and give our crews ample room to work.



This evening I have touched on how our staff have successfully dealt with each of the challenges presented to them. I am confident that we will continue to serve our members and our community well if we continue to plan for the future and continue to rise to the occasion as we have in the past.

Respectfully submitted,
ERIC B. IRWIN
President
Dauphin Consumers Co-operative

