

**SOUTH COUNTRY CO-OP LIMITED**



# ANNUAL REPORT 2020



**South Country**

## OUR VALUES

Excellence | Community | Integrity | People

## VISION STATEMENT

Setting the standard through Co-operative Excellence, we will be the preferred retail destination in the communities we serve.

## MISSION STATEMENT

We will be the leader in providing value to our customers through exceptional service and quality products, while sharing our profits with our members.

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## Agenda

- |                                      |  |
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| <b>1.</b> "Oh Canada"                | <b>8.</b> Auditors & Financial Report  |
| <b>2.</b> Call to Order              | <b>9.</b> Appointment of 2020 Auditors |
| <b>3.</b> Adoption of Agenda         | <b>10.</b> Resolutions                 |
| <b>4.</b> Approval of 2019 Minutes   | <b>11.</b> Director Elections          |
| <b>4.</b> Introduction of Guests     | <b>12.</b> Question Period             |
| <b>5.</b> Board of Directors' Report | <b>13.</b> New Business                |
| <b>6.</b> CEO's Report               | <b>14.</b> Adjournment                 |
| <b>7.</b> FCL Report (Russell Wolf)  |  |

# SOUTH COUNTRY CO-OP

## At a Glance

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### ADMIN/CORPORATE OFFICE

Once the site of the Medicine Hat Agro centre, the building was renovated and opened in 2017 to bring the entire Admin team together at one location.

3

### PHARMACIES

Your local Co-op Pharmacy is committed to the total health of our members and guests. Ask about the benefits of being a Co-op member at our pharmacies.

4

### FOOD STORES

Co-op food stores offer quality products at competitive prices, professional meat cutters, local produce, and our own Private Label brand products.

5

### BULK PETROLEUM SITES

Co-op offers bulk delivery of fuel, DEF, and lubricants, and can supply any type of agricultural, commercial, or industrial enterprise.

19

### COMMUNITIES

South Country Co-op is in 19 communities across southern Alberta, each being served in different ways, dependent on the needs of the members there. However, the products and services we provide serve many more in surrounding areas. It doesn't matter where you're from, however, because at South Country Co-op "You're at Home Here".

- |               |            |            |               |          |
|---------------|------------|------------|---------------|----------|
| ACADIA VALLEY | BROOKS     | FOREMOST   | LOMOND        | REDCLIFF |
| BARONS        | CLARESHOLM | HAYS       | MEDICINE HAT  | TABER    |
| BASSANO       | DUCHESS    | HIGH RIVER | OYEN          | VAUXHALL |
| BOW ISLAND    | DUNMORE    | LETHBRIDGE | PICTURE BUTTE |          |

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### LIQUOR STORES

Superior customer service and a commitment to stocking a wide selection of beers, wines, & spirits makes our stores a memorable experience.

10

### AGRO/FERTILIZER SITES

Our Agro centres carry a surprising range of products, from farm supplies to bins & augers, to agronomy services to ensure our members needs are met.

12

### GAS BARS

All South Country gas bars offer full service, along with an excellent selection of convenience items, Co-operative Coffee, and touchless car washes at select locations.

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### CARDLOCKS

South Country's cardlocks are part of a network of over 280 cardlock fuel stops, with various amenities for your convenience.

## A lifetime of giving back

Co-ops are different.

They're not a government firm, despite being governed by a democratically-elected board. They're not privately held by investors, even though they can generate wealth for members, and rely on chain of supply and demand to meet the needs of guests. And they're not a community organization like a charity, although you'll often see a co-op supporting important local causes in a myriad of ways.

Co-ops are different because of YOU. Because, at one time, a group of people with a common need or interest acted on it instead of waiting for someone else to provide it for them. Because like-minded people coming together to control their goods, their services, their capital, their money, and their own decisions is empowering and transformative.

In 1956, 300 people paid \$50 each (\$467 in 2020) to form Medicine Hat Co-op that started with a small grocery store downtown; within four years a bulk petroleum station and Agro centre were added to meet the growing needs of their members.

In 1961, Vauxhall Co-op Petroleum Limited was incorporated, requiring members to hold two \$35 shares (\$304 each in 2020). In their first year they made \$8,433.96 in sales, and sold 31,298 gallons of fuel. To put that into perspective, it only takes South Country about 5.5 hours to sell the same amount from our bulk plants and cardlocks.

After almost 60 years of growth between the two co-ops, we amalgamated as South Country Co-op Limited. Together we've become the third largest co-op in the Co-operative Retailing System (CRS), with 62,000 proud member-owners spread across 84,000kms<sup>2</sup> of beautiful southern Alberta prairie, and commodities in 19 communities that serve members in almost 150 hamlets, towns, villages, municipalities, and more.

We've paid back over \$60 million in cash to our member-owners in the past five years in patronage refunds, and members over 65 have the option to cash out their equity. The more you support your local co-op, the more you can look forward to being

returned to you each year—and your community! South Country Co-op believes in investing in our people, products and services for our members and guests, and pitching in whenever we're needed.

South Country Co-op is different because of the 62,000 other member-owners who also love local products, exceptional service, and being a patron of a company that cares deeply for the success of those around us.

It only costs \$5 (in 2020) to become part of a forward-thinking company that understands tradition, and membership lasts a lifetime.

Sometimes, being different is exactly what you need!



## Board of Directors 2019



**RICHARD POTTER**  
President



**CRAIG WEICH**  
Vice President



**JEFF UNRAU**  
Secretary



**WAYNE BROST**  
Director



**SUE EDWARDS**  
Director



**SIMON NEIGUM**  
Director



**BILL RESSLER**  
Director



**MARCEL VANDEN  
DUNGEN**  
Director



**ROBERT WEISGERBER**  
Director

## President's Report 2019

For a second year in a row, South Country Co-op has exceeded \$500 million dollars in sales. Sale volumes provides a measure of the commitment our members and customers have towards the cooperative system. Economists have indicated southern Alberta is a shrinking market, resulting in lower sales volumes. There are a number of factors that directly impact South Country Co-op, including the Oil and Gas sector and the farming industries. The low price of natural gas, changes to government regulations and the ability to transport product have resulted in a reduced energy services sector. Negative factors on our agro business unit include the weather, global demand for the product and new retailers entering the market.

The weather in 2019 proved to be another challenge for the farmers in Southern Alberta. Some regions in southern Alberta are contending with one-in-50-year lows of precipitation accumulation. A news headline from CBC reads "Alberta's new normal could be a 'constant state' of drought: expert". Low precipitation was recorded across the majority of our retail area, with crops and livestock being impacted; lower yields and lower quality. In September, southern Alberta received an early taste of winter. With some areas receiving 60cm of snow, crops on the field were impacted. In addition to the snow, the cold weather created havoc for the sugar beet industry. In November, Rogers announced that they were forced to discontinue the sugar beet harvest, leaving approximately 45% of the crop in the ground.

Prior to 2019, Canada exported 40% of the canola produced to China. In March 2019, China blocked the import of canola from Canada, citing pest concerns. With canola having one of the highest input costs, and price falling almost 38%, farmers changed to alternative crops. The Agro division initially acquired the seed, chemical and sprays to support the canola that farmers had indicated would be seeded in the spring.

Throughout 2019, your Board of Directors and senior management continued to review the Agro business unit. Using a continuous improvement methodology, the review team looked at all areas of the business and recommended changes that could be made to improve our service to our customers, reducing expenses and increasing operational efficiencies. These changes are

being made to ensure the long term viability of the agro sector and ensuring we remain competitive in the market. Our Agro team, in conjunction with the Federative Cooperative Limited (FCL) Agro team, have increased our product offerings in the generic chemical market. The increased offerings are based on the requests and feedback from our customers.

In August, Calgary Co-op announced they would start purchasing grocery products from Save On Foods starting in April 2020. South Country Co-op is committed to remaining with FCL, supplying the private label merchandise, including; Co-op Gold, Co-op Gold Pure and Co-op Market Town products. FCL and management from retail Co-op's spent a number of months evaluating the impact. As a result, FCL announced in November 2019 that the food distribution warehouse in Calgary would be closed. South Country Co-op would be migrated over to the Edmonton distribution warehouse, which occurred in February. The focus of both FCL and South Country Co-op is to minimize the impact to customer, provide our members and customers with the same great products and services you expect, and remain profitable and competitive in our markets.

For years, a focus of the Cooperative Retail System (CRS) has been to build a brand. Shopping at a co-op store anywhere in western Canada meant you would get the same high quality products, service and competitive pricing in any of our retail sites. Now, we need to ensure our members and customers understand the change Calgary Co-op has made is not the entire CRS, and South Country Co-op remains committed to the federation, FCL and the CRS.

South Country Co-op is committed to the environment and operating in an environmentally sustainable footprint. To support this effort, the Board of Directors implemented a policy to work towards eliminating food waste in our facilities. Food waste has a negative impact on the bottom line, reducing our patronage allocation to members. Supporting local food banks is one method used to support this initiative. Late in 2019, management started to explore different options available and determined the Loop Resource – Food Reclamation Program would augment our current reduction initiatives. The Loop program provides a series of initiatives to eliminate in-store waste. The first

# President's Report 2019 con't

step is source reduction; attempt to reduce the amount of waste produced. The remainder of the program is based on handling the food products that does not meet our high standards for retail. The ultimate goal of the program is to stop the food from entering the landfills. Priority is given to feeding people and feeding animals, followed up by generating bio-energy and composting.

In October 2019, South Country Co-op moved towards reducing the number of plastic bags used in our grocery stores. To encourage consumers to utilize reusable bags, a fee for plastic bags and a donation for each reusable bag used was implemented. Over 250,000 less plastic bags were used in the first 3 months of the program, and over \$3,000 has been generated for local charities.

A number of capital projects were completed in 2019, including the Strachan Road gas bar, convenience store and liquor store and the upgrades to the 13th Avenue food store and pharmacy. Due to permitting delays, construction at the Agro 120 fertilizer facility will begin in 2020.

The minor upgrade at the Taber food store was delayed, to provide management an opportunity to look at alternatives. As a result, a major upgrade to this facility will be performed. Our South Country Co-op team is committed to minimize the impact during renovations and ensure the store remains operational during construction.

Claresholm will see the addition of a new cardlock facility, to the south of the existing Agro facility. This new facility will support South Country Co-op's balanced growth agenda, expanding our product offerings in Claresholm and surrounding areas.

Financial results in 2019 were mixed, consequently, a local operating loss occurred. FCL patronage allocation in

the amount of \$31,632,093 provided an operating net profit of \$27,611,267. Patronage allocations from FCL are largely based on the price of crude oil and the cost to refine petroleum products, commonly referred to as Crack Spread in the industry. The lack of capacity in pipelines drives the price of Canadian oil down compared to the West Texas Index (WTI). In the 2nd half of 2018 and the 1st half of 2019, a larger crack spread produced higher returns. This resulted in a larger than average patronage allocation from FCL.

To support the growth of South Country Co-op, the Board of Directors approved a patronage allocation of \$16,353,220 with a cash payout of \$12,416,240. The remaining \$7,731,000 was allocated to the general reserve with \$257,047 in retained savings.

The Board of Directors and management team of South Country Co-op continue to work towards improving our local savings through operational efficiencies and ensuring our customers receive the best quality service. Balanced growth and strategic planning remain a constant focus.

In 2019, the Board of Directors received a total compensation of \$144,794.08.

Thank you for your continued support of South Country Co-op, FCL and the CRS.

Respectfully submitted on behalf of the Board of Directors.

**Richard Potter**

President, South Country Co-op Limited



**South Country Co-op is committed to the environment and operating in an environmentally sustainable footprint.**

# South Country Co-op in the Community



# Leadership Team



**PAUL HAYNES**  
Chief Executive Officer



**DARREN ANDRES**  
Food Division Manager



**BRAD KLASSEN**  
Gas Bar Division  
Manager



**MIKE MUELLER**  
Agro Division Manager



**DEAN SHROPSHIRE**  
Operations Manager  
Consumer Division



**BRUCE BUCKINGHAM**  
Operations Manager  
Agro Division



**BRAD DEWING**  
Controller



**MONICA MILLER**  
Liquor Division Manager



**ANNA TORKELSON**  
Petroleum Division  
Manager



**DEAN WICKHAM**  
Petroleum Division  
Manager



**SHERILYNN BEBEAU**  
Human Resources  
Manager



**CARMEN HUDSON**  
Marketing & Community  
Relations Manager



**CLAUDETTE HOFFART**  
Pharmacy Division Manager



**RICK BOLEN**  
Project Development  
Manager



**MARC CAYER**  
Asset Protection  
Manager



**HEATHER SMITH-  
SCHENKEY**  
Health, Safety &  
Environment Manager

# CEO'S Report 2019

*It is my pleasure to provide a recap of some exciting accomplishments South Country Co-op Limited achieved in 2019, as well as a brief update on where we're going in 2020.*

Currently, South Country Co-op serves 58 locations in 19 communities across southern Alberta, with incredibly diverse commodity offerings. Our sites include: 4 food stores, 3 pharmacies, 12 gas bars, 8 liquor stores, 10 agro sites, 5 bulk petroleum sites and 14 card locks.

South Country Co-op reached sales of \$515,431,182, which is down about 4.5% from 2019. This is attributable to deflation in the bulk fuel and gas bar divisions, as well as lower-than-anticipated agro sales.

Like 2018, 2019 was a challenging year in the Agro Division, due to a lack of moisture in the critical growing months of June and July. Weather continued to have significant effects on harvest time, affecting the beet and potato crops. Yields in southern Alberta are down 26% from the 10-year average, and in many areas, a large percent of crops remain in the fields.

Our Food Division faced the addition of a new competitor in May. The opening of Save On Foods had minimal effects on store volume, however there have been some ripples in the continued growth of this division since their arrival in our market.

In Liquor, we've faced fierce competition from ACE Liquor due to their buy-out and conversion of Liquor Depot stores. Since March 2019, they've been heavily promoting aggressive pricing in our marketplace. To ensure we remain competitive and maintain sales, our margins have been affected by approximately 2.0%.

The Pharmacy Division has faced their own challenges, in light of several government regulation changes in the past year. The Pan Canadian Alliance has decreased generic drug pricing, resulting in pressure on the financial bottom line of companies that provide our medications. We will continue to work through these challenges in 2020, as drug shortages become a more prevalent issue in Canada. Currently, supply isn't keeping up with demand, which means we need to continually search for alternate therapies for our patients, members, and guests.

Energy was truly the story-maker of the year, as our

Gas Bar and Bulk Petroleum Divisions increased profitability by 156% over 2018, thanks mainly to strong local margins. The Petroleum Division increased their litre sales by \$12,192,604, or 4.64% over the previous year. This is a huge accomplishment in a market that remains very competitive.

Even with disappointing results in Agro, we were still able to achieve a positive net savings of 5.3% of total sales. Earnings before interest, taxes, and depreciation (EBITDA) came in at 7.1% on a budget of 6.0%.

Moving to the good news and toward the future, South Country Co-op will pay back over \$16.3 million dollars in cash and equity this year! The cheques were mailed out March 20<sup>th</sup>, and you will see them in your mailboxes soon.

**South Country Co-op  
will pay back over  
\$16.3 million dollars  
in cash and equity this**

In 2020, we want to be proactive with our strategic business plan by engaging in more activities that support our goals. Management will put concentrated effort into improving local savings, with the introduction of several Best Practices in all commodities, and some steps have already begun.

A detailed business review of the Agro Division was completed in 2019, and several initiatives have been developed to benefit the Division moving forward. While unpredictable weather has been part of challenges in the Agro Division, we're also focusing on our new and previously-acquired sites that require more attention to turn their profitability around. Management is committed to working closely with all Team Leaders in this area to ensure improvements are made moving forward.

A new Customer Experience (CX) Program was introduced this year, to propel and align efforts towards operation excellence and deliver a program that will differentiate Co-op from its competitors. The new CX

# CEO'S Report 2019 con't

Program will also position Co-op with a competitive advantage in the market, ensuring longevity and prosperity. We look forward to working closely with Federated Co-operatives Limited (FCL) to roll out this program that will be an incredible benefit to our members and guests.

South Country Co-op also implemented a new Talent Insight Solutions program this year, which enables us to apply new technological applications for more effective reporting and business tools. A new electronic payroll system (Kronos) has given management the necessary tools to manage our workforce (almost 700 strong!) effectively, and make informed business decisions while standardizing workflow processes for improved efficiency and service.

We will continue to keep South Country Co-op focused on the myriad of changes we're facing in an increasingly competitive retail environment. Our plans for 2020 will keep our Board of Directors, Management, Team Leaders, and Team Members busy as we work toward our objectives.

One of the Core Values we hold as a company is to care for and provide support to our local communities by continuously supporting local teams, clubs, businesses, and community initiatives. In 2019, South Country Co-op donated in excess of \$120,000 to these groups and organizations. We will continue to hold this Core Value as a top priority in 2020.

We're proud of our Co-op and remain committed to providing our members with the very best products and services that sustain our business practices and support the communities in which we live, work, and play.

**We will continue to  
keep South Country  
focused on the myriad  
of changes we're facing  
in an increasingly  
competitive retail  
environment.**

One thing we must remember moving forward is that change is inevitable and continuous, and our competition is changing and making improvements to their operations, too. Adapting and enhancing our capabilities, paired with addressing some intense cultural and organizational barriers will ensure that we deliver a compelling, competitive, and profitable customer experience.

I would like to thank everyone for their continued support, and I look forward to another successful year at South Country Co-op!

**Paul Haynes**  
South Country Co-op Limited  
Chief Executive Officer



# South Country Co-op Giving Back



# 2019 AGM Minutes

Chairman Richard Potter welcomed all those present and called the meeting to order at 7:45pm with 187 members and 21 guests.

### Housekeeping Information

Chairman Richard Potter shared the housekeeping requests.

### Introductions

Chairman Richard Potter introduced the current Board of Directors, former directors present and special guest Russell Wolf, FCL Director, District 6.

### Agenda

Tim Vander Hoek, moved the acceptance of the meeting agenda, seconded by John Hamil. CD.

### Minutes from 2018 AGM

Simon Neigum, moved the acceptance of the Meeting Minutes from the 2018 AGM, seconded by Norm Rubbelke. CD.

### Report of the Board of Directors

Chairman Richard Potter presented the Board of Directors report for the fiscal year ended November 30, 2018.

- Member allocation was more than \$17 million
- Cash back to members exceeded \$12.6 million

As a result of a successful year your Board approved membership allocation of \$17,648,371 and dividend rates of:

- Pumps & Clear Gasoline/Diesel Fuel at 5.2% of corresponding patronage
  - Dyed Gasoline/Dyed Diesel at 6.0% of corresponding patronage
  - Oil & Grease at 10.0% of corresponding patronage
  - Propane at 10.0% of corresponding patronage
  - Crop Services at 2.0% of corresponding patronage
  - Fertilizer at 0.5% of corresponding patronage
  - Tires at 2.0% of corresponding patronage
  - Hardware & Agro Equipment at 2.0% of corresponding patronage
  - Pharmacy at 8.0% of corresponding patronage
  - Food and Confectionery at 3.0% of corresponding patronage
  - Wine and Spirits at 2.0% of corresponding patronage
- The \$12.6 million in dividend cheques were mailed to all members on Friday March 22, 2019.

The successes of 2018 were shared and membership, management and employees were thanked for their support through-out the year from Richard Potter, on behalf of the Board of Directors.

Moved for acceptance by Marvin Fischer, seconded by Jan Bennen. CD

### CEO's Report

Chairman Richard Potter called on Paul Haynes CEO (Interim) of South Country Co-op Limited to present the CEO Report.

CEO (Interim) Paul Haynes, reviewed a number of positive changes and milestones to our Co-op.

Moved for acceptance by Mary Wallace, seconded by Bob Thompson. CD.

### FCL Report

Chairman Richard Potter introduced Russell Wolf, FCL Director, District 6 to present the FCL Report.

### Auditor's Report

Chairman Richard Potter introduced Delayne Sackman and invited her up to present the audit report.

The audit report and financial statements dated March 25, 2019 were reviewed by Delayne Sackman, with MNP, LLP.

Chairman Richard Potter introduced Brad Dewing, Controller to present the Financial Report.

Moved for acceptance by Herb Durda, seconded by Gary Lentz. CD.

### Appointment of Auditors (Richard Potter)

Moved by Jan Bennen, seconded by Donna Van Hal, to appoint MNP LLP as auditors for the year ending November 30, 2019. CD.

### Resolutions

Richard Potter presented the Resolutions for Bylaw changes. There were 5 proposed changes to the following Bylaws:

#### R1- Bylaw 2.02 Application for Membership

Moved by Tim Vander Hoek, seconded by Marvin Fischer to approve the proposed change to Bylaw 2.02, Application for Membership as presented. CD

#### R2- Bylaw 4.10 Allow Electronic Voting for Directors

Moved by Shelley Cooper, seconded by Ben Janz to approve the proposed change to Bylaw 4.10, Allow Electronic Voting for Directors as presented.

A request from the floor from Norm Rubbelke to move the vote to ballot and not show of hands.

After a ballot vote was held the results were 144 in favour and 24 not in favour. The approval for R2- Bylaw 4.10 Allow Electronic Voting for Directors was complete. CD

Moved by Shelley Cooper, seconded by Jenn Ashcroft to destroy all the ballots. CD

#### R3- Bylaw 5.05 Financing Arrangements

Moved by Richard Sauer, seconded by Earl Hemmaway to approve the proposed change to Bylaw 5.05, Financing Arrangements as presented. CD

#### R4- Bylaw 7.04 Nomination Procedure

Moved by Dirk Geerligns, seconded by Debra PettyJohn to approve the proposed change to Bylaw 7.04 Nomination Procedure as presented. CD

#### R5- Bylaw 9.08 Dissent

Moved by Jared Sundquist, seconded by Christine Hoytos to approve the proposed change to Bylaw 9.08 Dissent as presented. CD

### Nomination Report

Richard Potter invited Craig Weich up to lead the Nomination Report, being the Chairperson of the Nominating Committee that also included Jeff Unrau, Herb Durda and Richard Potter (Ex-officio).

Each candidate presented a brief biography (3-minute maximum speaking time) about oneself. There are 11 candidates running and they are as follows: James Cooper, Sue Edwards, John Hamil, Tim Heeg, Earl Hemmaway, Gary Lentz, Charles Maclean, Simon Neigum, William (Bill) Ressler, Rodger Vizbar and Robert Weisgerber.

Craig Weich wished to thank everyone and declared the successful candidates were,

Simon Neigum, Robert Weisgerber and William (Bill) Ressler for a three-year term each and Sue Edwards for a two-year term. Congratulations!

Moved by Herb Durda, seconded by Norm Rubbelke to destroy all the ballots. CD

### New Business

No new business brought forward and discussed.

### Question Period

Questions were asked and answered.

### Adjournment

Robert Thompson moved to adjourn at 10:25PM



## Sustainability Highlights

South Country Co-op is committed to making environmental sustainability a priority. It is a major factor in our decision making process and has resulted in a number of new initiatives. These include reducing the use of single-use plastic bags and Loop program.

In October 2019, South Country Co-op Food Stores introduced a 5 cent plastic bag fee in anticipation of government mandated ban on single use plastics as of 2021. When customers use reusable bags, South Country Co-op donates 3 cents per bag to local charities. In just the first three months of the program, our food stores have required 250,000 fewer plastic bags than what we would normally use. This has resulted in savings to South Country Co-op and a growing donation pool for our designated charities. To date, approximately \$3,000 has been set aside to be donated proportionally to the Vauxhall Public Library, the Taber and District Health Foundation, and the Medicine Hat Ronald McDonald House. This is an encouraging start and we will continue to look for more ways to reduce our use of single use plastics.

A second initiative within our food stores is a policy to reduce and potentially eliminate food and organic waste. Approved in 2019, the Loop program will be launched in the first half of 2020. Our food store teams will be focused on diverting food waste from the land fill. At highest priority is food that may be blemished or near its best-before date, but certainly fit for human consumption. This will be continued to be directed into organizations like food banks and soup kitchens. Organic waste deemed substandard for human consumption will be distributed through a network of local farms to be used as feed, bio-fuel or composting material.

The Loop program is another program that supports the Board of Directors long range commitment to sustainability and the elimination of food waste, strengthening our local economy, improving our communities as a whole and respecting the environment.

South Country Co-op continues to invest in our farmer and producer network utilizing the Grown With Purpose program, a set of best management practices to help producers ensure their operations are economically, socially, and environmentally responsible. The continued success of South Country Co-op depends on our members success, so we want you to be as successful

as possible and we're going to help get you there!

Finally, South Country Co-op construction projects are planned, tendered, and completed with sustainability in mind. South Country Co-op is dedicated and proud to hire as many local contractors for our projects as we can, further solidifying our commitment to the communities we serve.

Renovations and capital projects in 2019 included the installation of LED lighting at our stores and cardlocks. The 13th Avenue Food Store renovation and new Pharmacy build were completed with energy efficient refrigerators, medical equipment, and HVAC systems. Energy efficient lighting and equipment reduce the consumption of electricity, reducing operating expenses and improving our carbon emissions. Future projects will be designed to maximise the use of energy efficient technologies and techniques.

The 2017 renovation of our Northlands Food Store is proof of the benefits from our efforts; an 11th hour decision saw the interior fluorescent lighting switched out for LED. The decrease in maintenance costs on the fluorescent bulbs was almost immediate, and there's been a long-term decrease in utility bills, too.

The Board of Directors and management team at South Country Co-op will continue to make decisions that keep environmental suitability a priority. Our focus is to leave the world a better place for members—both current and future.

*Loop helps close the loop on organic waste disposal in the food supply industry, taking food from the end of the line at the store, back to the beginning as feed and compost at local farms.*

## Consumer Division Highlights

**2019 was an exciting year in the Consumer Division.**

The completion of the 13<sup>th</sup> Avenue Food Store modernization was a huge success; we received positive feedback from our members, and maintained sales, despite a new competitor opening. New programs in the Deli department offer more variety for our guests, such as Market Town Fried Chicken, and an expanded home meal replacement (HMR) selection. The entire retail space was renovated, featuring updated décor, new product tables for the Produce and Bakery departments, expanded Floral offerings, and no-wax vinyl flooring.

Moving forward, the Food Division will be completing a modernization of the Taber Food Centre. The new interior upgrade will mirror what was completed at our Northlands and 13th Avenue food centres.

The Liquor Division saw several changes in 2019, including the opening of Strachan Liquor. This flagship as legalized in the fall of 2018, we have been conscious of the impact this market has on liquor sales. We will continue to present a consistent brand at all locations, with a focus on being well-stocked, well-merchandised, and competitively priced.

The Pharmacy division had an exciting 2019. Government cutbacks that pharmacy was subjected to in 2018 have subsided some, but were not completely eliminated, as a few more generic price reductions were introduced late in 2019. In positive news, our 13<sup>th</sup> Avenue Pharmacy got a much-needed upgrade, and moved to a bigger space directly across from the grocery store in the fall. Members and guests will benefit from improved convenience and a larger selection of over-the-counter products, as well as more room to shop. We added an extra drop off counter, two more pick up stations, and another counselling room to improve privacy and alleviate line-ups. The larger dispensary gives our team room to work more efficiently, and the addition of a blister-packing robot called Synmed has also helped shift some focus to strengthening our Customer Experience. We're also looking forward to being able to create prescribed medications unique to individual patients, thanks to a state-of-the-art compounding room.

The Gas Bar Division continued to expand, with the opening of our new Strachan Road location in Medicine Hat. It features 16 pumps across 8 lanes, a touchless car wash, and spacious convenience store serving Co-operative Coffee (including cappuccino from fresh ground beans), Big Chill slushes, soft ice cream, in-store made sandwiches, Vern's Pizza by the slice, and hot foods to go. Additionally, as part of our commitment to sustainability, we've launched a free water bottle filling station at the Strachan Road location for guests. Looking forward to 2020, the car wash at our Maple Avenue gas bar in Medicine Hat will receive a replacement unit to continue providing quality car washes at that site.

**Dean Shropshire**

South Country Co-op Limited Operations Manager  
Consumer Division



# AGRO Division Highlights

To the members of South Country Co-op, thank you for your continued patronage, support, and trust. It is through your support that our Agro and Petroleum Divisions were able to achieve sales of \$329 million dollars. This achievement in sales was produced from 10 Agro centres, 5 bulk petroleum locations, and 14 Cardlock locations. South Country Co-op's trading area spans over 8,450,000 seeded acres distributed across 19 separate and unique communities in southern Alberta.

Sales in 2019 included a number of significant achievements:

- \$66 million in crop protection
- \$46 million fertilizer, which was moved using 4,100 tractor trailer units, helping to support our local trucking industry
- 201 million liters of petroleum, which was moved using over 3,350 super-b tractor trailer units
- \$9 million in agricultural equipment and grain handling bins
- 1.6 million litres of bulk oil and DEF was delivered our members in 2019

Over the past eight years, the Agro division has grown from \$15 million to \$144 million in sales. In that time, South Country Co-op has invested over \$22 million in capital projects through acquisitions and facility improvements. These investments have generated rapid growth and expansion in South Country Co-op. Due to the continued support from our members, we are committed to providing local market expansions that will continue to strengthen agriculture in our communities, southern Alberta, southwest Saskatchewan and beyond.

The winter of 2018/19 produced below average precipitation, followed up with a dry spring and summer, that resulted in drought-like conditions in a number of communities within our trading area. Seed germination was affected in a number of areas where rains were absent. Precipitation for the remainder of the growing season was below average, resulting in another dryer than normal growing season. These weather cycles, coupled with uncertainty in canola markets, resulted in a reduction in farm income.

This crop year has been complicated by many varied weather events in Alberta. While the south and eastern areas experienced a lack of rainfall, the opposite was true for much of the rest of the province, which battled too much moisture. The fall season saw cold temperatures, untimely snow and excess moisture resulting in much



frustration for producers. Harvest operations started and stopped numerous times and many areas were taking off tough and damp grain just to get it off the field. As a result, increased time and input costs for drying grain, moving grain from bin to bin, or piling it on the ground is common along the foothills and northern areas of the province.

The combined purchasing power enabled the acquisition of talented individuals, with extraordinary skills, to position our service offerings for today and into the future. Our Petroleum and Agro Division Team consists of 149 dedicated individuals. These positions include: division managers, petroleum managers, Agro managers, agronomists, technicians, sales specialists and courteous frontline clerks. We are very proud of our dedicated Agro and Petroleum Teams, and South Country Co-op.

**Bruce Buckingham**

South Country Co-op Limited Operations Manager  
Agro Division



# 2019 Project Highlights



## 13<sup>th</sup> Avenue Food Store Renovation

- New flooring
- Energy efficient equipment & lights
- New produce tables & bunks

## 13<sup>th</sup> Avenue Pharmacy Relocation

- Pharmacy relocated to south side of mall, across from Food Store in newly renovated space.
- Increase square footage from 2,144 sq' to 4,788 sq'
- Larger over-the-counter floor plan.
- Added Synmed Ultra-High Capacity Blister Card Production Machine.
- Two new compounding rooms.
- Three new consultation rooms.
- LED lighting throughout.
- Additional pick-up and drop-off windows.

## Airport Cardlock Upgrade

- Removed above ground storage tanks.
- Installed four new 100,000 Litre double wall underground storage tanks.
- Upgraded all lighting to LED fixtures.
- Added Diesel Exhaust Fluid dispensing system.

## Bow Island Cardlock DEF

- Added Diesel Exhaust Fluid dispensing system.

## Lomond Agro

- New 200 TPH X 95' bucket elevator.
- New Flat Chain Incline Conveyor.
- New 100' x 11' truck scale.

## Strachan Road Gas Bar

- New 2,890 sq' Convenience Store
- 16 fuel pumps over 8 lanes
- New single bay automatic car wash capable of washing 8 vehicles per hour
- High efficiency HVAC and lighting throughout.
- U24-rating insulation through all buildings.
- All petroleum underground equipment is of the highest industry standard.
- Auto and bottle fill propane system.

## Strachan Road Liquor Store

- Total Building area is 8,493 sq'
- Retail space is 4,305 sq'.
- Tasting Bar & Growler Bar.
- High efficiency HVAC, and lighting throughout.
- U24-rating insulation.

## 2020 Projects

- Taber Food Store Renovation
- Claresholm Cardlock (Greenfield)
- Cypress Fertilizer Blending Facility
- Baba Cluck Restaurant (Redcliff Gas Bar Tenant Space)
- Shear Creationz Hair and Body Salon (formerly Kanada Trading in the 13<sup>th</sup> Avenue Mall)
- Gaslight Shoes (next door to Laurie-Ann's Fashion Boutique in the 13<sup>th</sup> Avenue Mall)
- Maple Avenue Car wash rehabilitation.
- Airport Cardlock Washroom renovation.

**Rick Bolen**

South Country Co-op Limited  
Project Division Manager



# 2019

## At A Glance

# \$515.3m

### IN SALES

# \$264.6m

### IN ASSETS

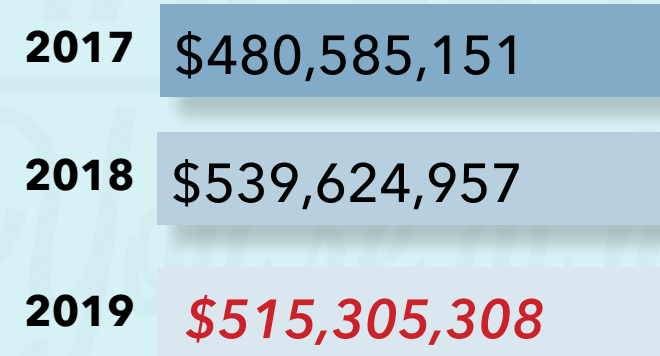
# \$16,353,220

### IN PATRONAGE

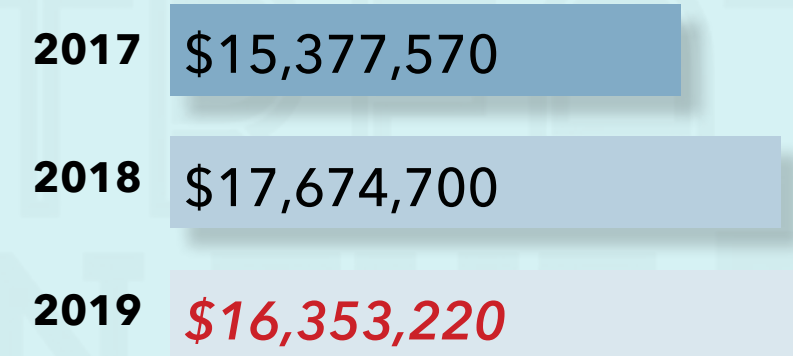
# South Country Co-op

## Three-Year Overview

### TOTAL SALES



### MEMBER PATRONAGE



### ASSET GROWTH



# Our Profits Are Your Profits

## 2019 COMMODITY ALLOCATIONS

Dyed Fuels	6.1% (approx. 5.5 cents / L)
Pumps & Clear Fuel	5.1% (approx. 5.5 cents / L)
Crop Services	1.5%
Fertilizer	0.5%
Oil & Grease	8.0%
Hardware & Ag Equipment	1.5%
Tires	1.5%
Propane	8.0%
Food & Confectionery	3.0%
Pharmacy	8.0%
Wine & Spirits	1.5%

**SOUTH COUNTRY CO-OP PAID  
BACK \$11.9 MILLION IN CASH  
FOR YOUR 2019 PURCHASES.**

*Since the 2015 amalgamation, South Country Co-op has paid back over \$46.1 million in cash to member-owners.*

*Thank you  
for your  
continued support!*

We look forward to bringing you the same top-notch service, and exceptional products you've come to expect from South Country Co-op Limited in 2020, and beyond.

*You're at home here.*

