

2023 President's Message from the Board

On behalf of the Prairie North Co-op Board of Directors, I would like to extend a sincere thank you for your patronage over the last year. Coming off three of the most successful years financially that Prairie North Co-op has experienced as an organization, did not give us immunity to the impact of both rising inflation rates and interest rates. The global events of 2023 are very much reflected in the report that we are presenting this year.

PLANNING FOR THE FUTURE

The process of reviewing our facilities and equipment is an ongoing one. As your Board, we want to assure members that there are processes, protocols, and policies in place to ensure that we are making informed decisions about where and when to invest in facilities and equipment. Annually the Prairie North Co-op Board of Directors meets for a dedicated strategy planning session in which we work through an evaluation and assessment of the assets of our co-operative with the goal of creating short term and long terms plans for capital re-investment. Those plans are made with the intention of having some flexibility and room to capitalize on unanticipated opportunities that may arise. This process is designed to challenge us to look at growth sustainably through the lens of business opportunities that expand both the membership and the trading area.

Growth is always a balancing act, with every potential project there is a feasibility study conducted to assess all the factors that may impact success . . . five years ago, when we were looking at the feasibility of building a new food store in Melfort, I am not sure that anyone would have predicted what we are experiencing economically in this country in terms of inflation and interest rates. The viability of our co-operative now and in the future is at the heart of every decision that we make as your Board.

The benefit of capital re-investment can be seen in almost every community in our trading area and has impacted almost every commodity with improvements to retail sites in food, fuel, home and building supplies, and liquor. As we see the projects listed in the General Manager's Report on Operations come to completion, our focus over the next couple of years will move from one of strategic growth to debt repayment.

THE FINANCIAL POSITION OF OUR CO-OPERATIVE

Despite our best efforts anticipate obstacles, 2023 saw two significant short term financial impacts:

- Rising interest rates. At a time when we are completing significant planned and unplanned upgrades and acquisitions, we have seen our interest costs reach \$2,091,421. This is over three times what was built into our long-term forecasting just three years ago. These interest costs will drop as we begin to pay down the principal on our loans.
- 2023 saw us entering the year with high inventory levels in Ag commodities (fertilizer, crop protection products and equipment) to ensure we would be able to meet our grower's demands coming off the significant supply shortages of 2022. As the supply shortages eased throughout 2023 our Co-op took significant retail price markdowns to be able to sell at market prices. Our Ag margin dollars were impacted by approximately \$2,000,000. History has shown that this is a situation that occurs approximately every 10 to 15 years. 2008 was the last such market correction that impacted many Co-ops.

Due to the economic impacts outlined above, the net savings of the last year have declined substantially and as a result, there will be no allocation to members in 2023. We should see a return to past equity practices in the relatively short term.

COMMUNITY GIVING

Co-ops are a different kind of business and that can be seen in our commitment to giving back to the community. I am particularly proud of our co-operative on this front. In 2023 we gave \$153,000 through

donations, sponsorship, and support. Over 200 local community organizations and non-profit groups were the beneficiaries of our community giving strategy. From programs like Communities in Full Colour (paint donation) to Fuel Good Day that are offered throughout the Co-op Retailing System to homegrown initiatives like Propane for Pets, Fuel Up to Fill Plates, and the Sustainable Communities Fund we are making a difference and that difference can be seen throughout our trading area.

IN CLOSING

I want to close by recognizing the contribution of our 320 team members, 10 board members, and our 13,426 member owners. Whether your role in our co-operative was one of trusting us to provide you with the goods and services that you need daily; or one of leadership; or it was one of showing up day in and day out with a co-op shield on your shirt and a smile on your face . . . better together has translated to a very successful year in terms of working together, community involvement, capital re-investment, and having assets that we can be proud of. Thank you again for your patronage.