



*Saskatchewan Wheat Pool
and subsidiary companies*

**ANNUAL
REPORT
1976**

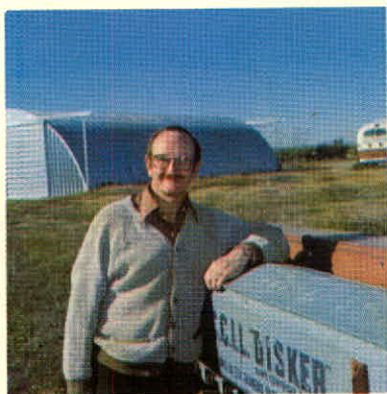


Contents

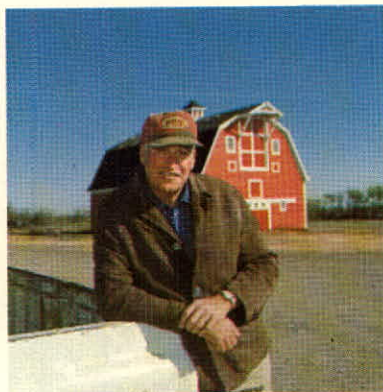
Board of Directors, 1975-76	2
Agricultural Problems — What is Saskatchewan Wheat Pool Doing About Them?	5
1. Transportation 7. Marketing Systems	
2. Freight Rates 8. Western Grain Stabilization Program	
3. Grain Handling 9. Two-Price Wheat	
4. Inflation 10. Agricultural Research	
5. Food Cost 11. Land Use	
6. Livestock Prices 12. Industrial Disputes	
Pool Business Operations, 1975-76	14
Associated Co-operatives	16
1976 — An Important Year	17
Delegates	18
Financial Statements	20

HIGHLIGHTS OF SASKATCHEWAN WHEAT POOL'S 1975-76 OPERATIONS AND 1977 AGRICULTURAL POLICY POSITION

BOARD OF DIRECTORS



E. K. Turner, President,
District 16



D. M. Lockwood,
1st Vice-President, District 10



J. W. Marshall,
2nd Vice-President, District 15



W. Schutz, Saltcoats
District 8



W. A. Kumph, Smiley
District 11



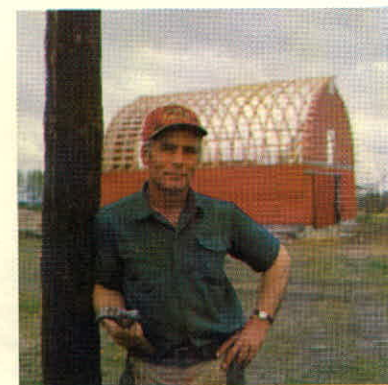
G. C. Anderson, Val Marie
District 3



C. E. Murch, Lancer
District 4

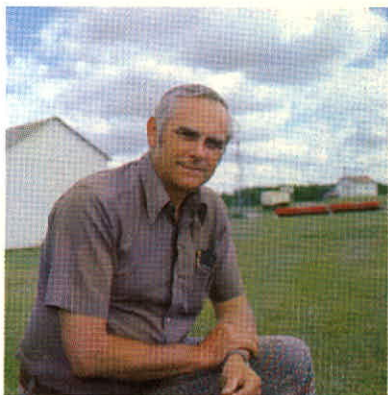


W. B. Mundell, Leroy
District 13



H. G. Yelland, Porcupine Plain
District 14

1975-76



A. K. Sahl, Moose Jaw
District 5



G. Stevenson, Whitewood
District 7



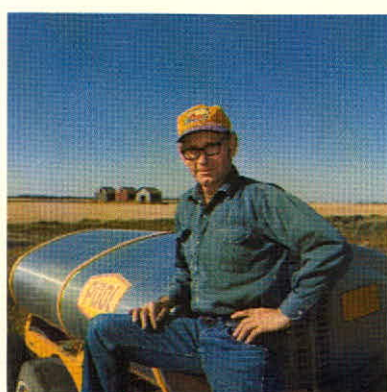
A. B. Wood, Ruthilda
District 12



E. O. Johnsrude, Weyburn
District 1



H. F. McLeod, Leross
District 9



R. T. Gray, Indian Head
District 6

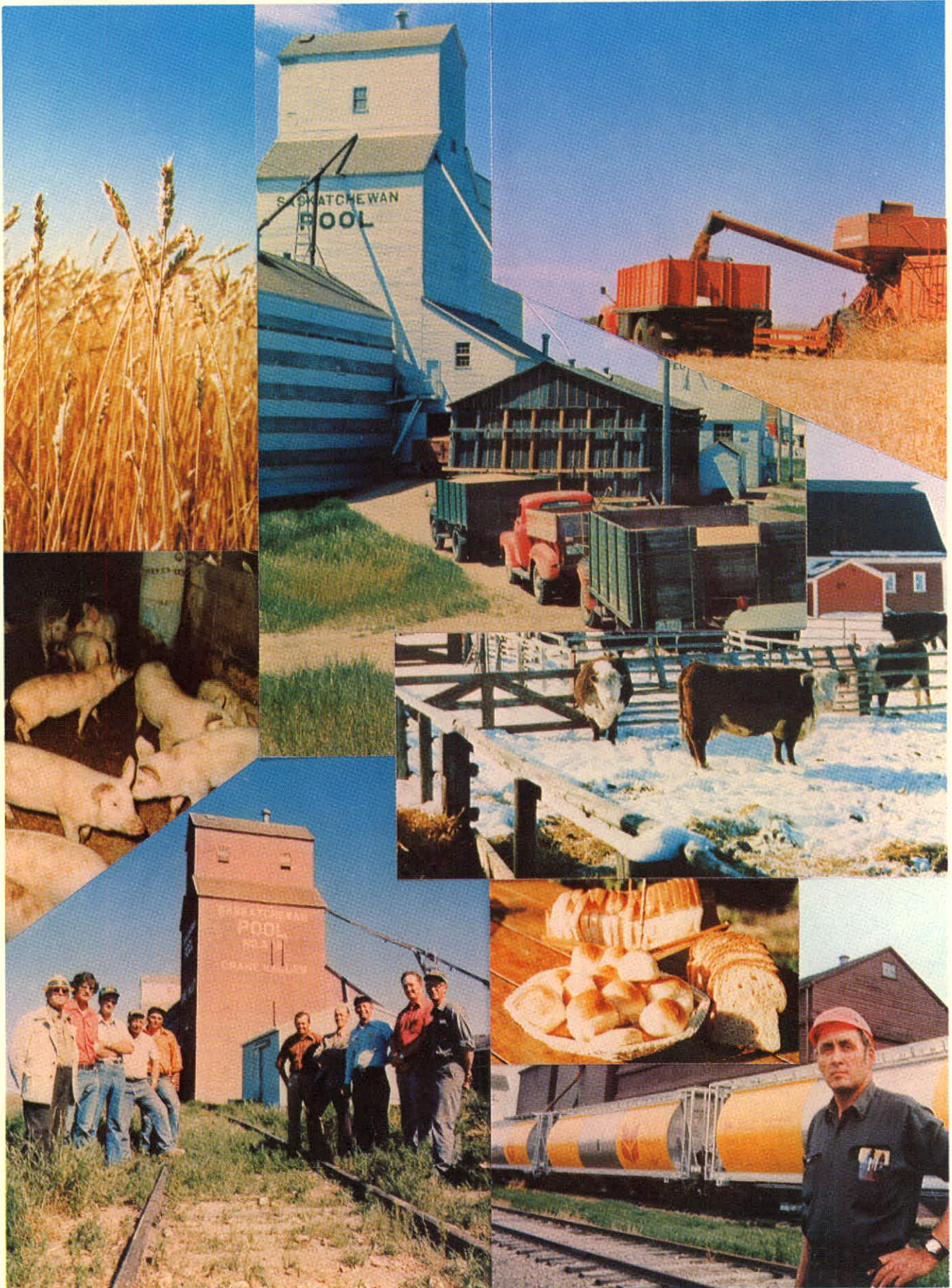


J. Lindsay, Limerick
District 2

One change occurred in the composition of the Board.

R. W. Luterbach, Lampman, was elected Director, District 1 on November 25, 1976, succeeding Mr. Johnsrude who retired from the position.





AGRICULTURAL PROBLEMS —

WHAT IS SASKATCHEWAN WHEAT POOL DOING ABOUT THEM?

The agricultural industry continually faces challenges and problems. Sask. Pool, through a process involving members, delegates and the Board of Directors, has studied the many areas of concern. In 1977, the Pool plans to continue to take vigorous action on members' behalf to overcome the problems facing the agricultural industry. The Pool will do what it can on its own and will work with governments and other agencies where such joint efforts are necessary for achievement of agricultural goals.

For 1977, the chief issues and concerns relate to:

- | | |
|---------------------|--|
| 1. Transportation | 7. Marketing Systems |
| 2. Freight Rates | 8. Western Grain Stabilization Program |
| 3. Grain Handling | 9. Two-Price Wheat |
| 4. Inflation | 10. Agricultural Research |
| 5. Food Cost | 11. Land Use |
| 6. Livestock Prices | 12. Industrial Disputes |

Sask. Pool has definite ideas for action in each area.

1. TRANSPORTATION

Pool Concern

Rail service in Western Canada has been allowed to deteriorate.

Pool Position

Rail service must be restored to an efficient level as part of a National Transportation policy that involves extensive government financial support.

The Pool has provided extensive ideas to the Hall Commission on what the rail system should be. Its analysis of 3,470 miles of Category 2 lines in the province indicated that 2,100 miles should be transferred to the permanent network.

When the Hall Commission report is made public, the Pool will press for early action on it by the federal government to permit planning by communities, farmers and grain handling organizations.

2. FREIGHT RATES

Pool Concern

Federal government opinions suggest the possibility of major changes in freight rate levels in accordance with the "user pays" principle.

Pool Position

Statutory rates for grain should be preserved.

No action should be taken on freight rates until recommendations of the Snavely and Hall Commissions have been made public. Government must clearly state what it intends to do about both reports before the freight rate question is dealt with.

Sask. Pool believes that agriculture's importance to the national economy dictates public financial support in the development of a proper rail transportation system.

3. GRAIN HANDLING

Pool Concern

Debate continues on what elevator system is best for handling of prairie grain, and who should own and control it.

Pool Position

Changes in the elevator system are taking place but a network of large "inland terminals" is clearly not in the best economic interests of producers.

Farmers themselves should — and will — decide the elevator system needed to get grain to market, without excessive cost.

In ten years, the farmer-owned Pool system will likely have some 600 elevators at about 550 delivery points. Over the longer term a network of 350-400 Pool delivery points in Saskatchewan will likely evolve. An annual review of plans will take account of changing conditions.

Factors to be considered are hauling distance, volume of grain production, road system, geographic barriers, trade service and community settlement patterns, and grain handling potential.

4. INFLATION

Pool Concern

The high rate of inflation is viewed with concern by farmers.

Farmers are particularly sensitive to the effect of inflation because they are often unable to pass on as increased commodity prices the rising costs of items they use in production. Lately, as costs have escalated, there have been sharp drops in prices for grain, cattle and hogs.

Pool Position

Sask. Pool supports measures that will control inflation. The federal government's program has enabled the public to realize that inflation is controllable.

However, the policy has not achieved all that was intended and further government effort is required to make the program completely effective.

5. FOOD COST

Pool Concern

Low-cost food seems to be a goal of society that is supported by many in government.

Pool Position

While farmers cannot quarrel with the objective, they feel it can best be achieved by creating conditions of stability and adequate returns to producers.

Sask. Pool works for policies that allow farmers the income through which they can maintain a standard of living at least comparable to that enjoyed elsewhere in the Canadian society. If government policy is to have cheap food, it must not be at the expense of the farmer. Rather, it's a responsibility of the public at large through the federal treasury.

6. LIVESTOCK PRICES

Pool Concern

Cattle prices remain depressed and costs of operation are increasing.

Pool Position

The beef industry needs a contributory national stabilization plan that includes a meaningful "stop-loss" provision for cow-calf operators and producers of finished beef. A continuing import quota policy is required to prevent selling of offshore meats into the Canadian market at prices below domestic cost of production.

Information about the marketing structure for cattle in Canada will be made available to producers by the Pool, with the objective of providing leadership in the establishment of a national, producer-controlled marketing system for cattle.

In general, policies are needed to ensure the maintenance of a viable livestock industry in Canada for the long-term benefit of consumers as well as producers.

7. MARKETING SYSTEMS

Pool Concern

It appears that certain groups in Canada are trying to weaken the bargaining position of farmers in the marketing of their products.

Pool Position

Saskatchewan Wheat Pool supports the single selling agency role for the Canadian Wheat Board in the marketing of prairie grains.

In a world of fluctuating grain prices the Board approach is best for the producer.

The Pool supports the right of producers of other agricultural products to establish marketing boards for other agricultural commodities, and will try to foster public understanding of the value of marketing boards to both producers and consumers.

8. WESTERN GRAIN STABILIZATION PROGRAM

Pool Concern

During the past year, the Government of Canada introduced the Western Grain Stabilization Program. Some producers have indicated they may not participate.

Pool Position

Sask. Pool believes the new program represents a significant improvement over the original government plan. The plan contains provisions for a producer advisory committee to evaluate the program and to recommend future improvements. The Pool urges members to seriously consider participation because this program can provide some over-all stability to grain producers in Western Canada.

9. TWO-PRICE WHEAT

Pool Concern

Farm input costs have increased by over 35 per cent in the past three years and there's been no change in prices available for domestic wheat.

Pool Position

Saskatchewan Wheat Pool recommends that the government undertake an immediate review of the price levels established under the Two-Price Wheat Act and increase the floor price and ceiling in accordance with current costs of production.

10. AGRICULTURAL RESEARCH

Pool Concern

Canada's expenditures in agricultural research have not increased to compensate for inflation.

Pool Position

In order to maintain Canada's competitive position in world markets, it is important to have on-going agricultural research to improve productive capability and meet quality demands of domestic and foreign buyers. Producers should be prepared to make a direct contribution to increased grain production and market research.

However, before any universal grain research check-off program is implemented there should be a plebiscite among producers, and the Board of Directors must be representative of those providing the funds.

Any funds allocated from the producer check-off to specific projects should be matched by the federal government. In addition, the government should continue its present level of commitment.

11. LAND USE

Pool Concern

Some farmland is being used without regard for future food production and the quality of living.

Pool Position

Saskatchewan Wheat Pool says the owner-operator should be the dominant form of land tenure although rental programs such as the Land Bank provide a useful complementary vehicle to assist beginning farmers.

Long-term credit policies need to be put in place to provide the substantial capital requirements that will be needed in the future to keep farmland in hands of farm families.

Provincial legislation respecting the foreign ownership of farmland may require further modification.

12. INDUSTRIAL DISPUTES

Pool Concern

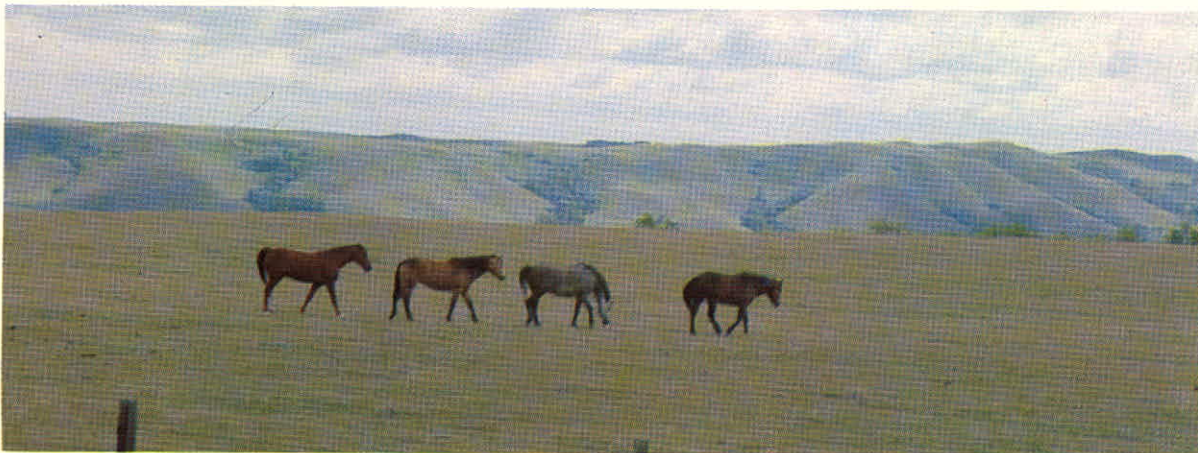
Management-labor disputes often disrupt the economy and are contributing to the problem of Canada's exports becoming non-competitive in world markets.

Pool Position

The Pool suggests that consideration be given to the establishment by government of an impartial board to deal with labor disputes where the threat of strike or lockout seems imminent. Wherever possible, work should continue while difficulties are being resolved.



Saskatchewan benefits through th



e policy and services of the Pool.

POOL BUSINESS OPERATIONS, 1975-76

Earnings of \$31.2 million reflect the continued progress of the organization over the past few years. Members' investment in their own company continues to yield them noteworthy dividends not only in terms of patronage refunds but also in improved services in operating divisions. (A summary of earnings by Divisions is shown on page 22)

Country Elevators

Handlings at country elevators amounted to 302.9 million bushels compared to 259 million a year earlier. This represented 65.95 per cent of Saskatchewan handlings, just slightly above the previous year. Earnings amounted to \$9.5 million compared to \$11.8 million for the previous year. Increased operating costs, lower margins on some grains, and a change in accounting procedures mainly contributed to the decline.

Concern about the possible effect of grain dust on elevator employees has led to installation of new design dust control systems. By July 31, 1976, about 160 elevator points had either been equipped with or were in the process of having equipment installed at a cost of \$1.1 million. Work will be done as rapidly as possible at points that will be maintained in service in future.

During the year several policies were implemented to improve service to members in the handling and marketing of oilseeds and domestic feed grains. On May 3, 1976 the Pool began broadcasting its own daily prices for rye, flax and rapeseed, as well as non-Board feed wheat, oats and barley.

A great deal of time and effort was spent on plans for an efficient country elevator system for the future. This program could require capital funds of \$115 million (in 1975 dollars) over the next ten years.

The Pool has spent \$20 million during the past two years on the upgrading of present elevator facilities and the construction of new plants.

Terminal Elevators

There was a record earning of \$16.5 million. Handlings at Pool plants at Thunder Bay amounted to 270 million bushels, a record and an increase of almost 50 million bushels above handlings for 1974-75. Vancouver handlings totalled 61.8 million bushels, an increase of 10.5 million over a year ago but well below the record handlings of 1972-73.

The capital program of \$7.7 million in the past year was spent mainly on pollution control, cleaning equipment, and additional automation. The upgrading programs are proving very effective.

Significant improvements have been made in terminal facilities in recent years. Capital budget for the next year calls for an expenditure of \$20 million, including major expansion at Vancouver.

The Pool recognizes that improvement in the country and terminal systems must be matched by improvements in the transportation system.

Farm Supplies

Sales increased from \$56.1 million in 1974-75 to \$57.1 million during the past season. Earnings decreased from \$5.9 million to \$2.7 million. Contributing to the decline were increased expenses, competitive conditions in fertilizer marketing, the downturn in rapeseed acreage, adverse weather for herbicide spraying, and losses in twine.

One new program was the launching of the Product Development Branch to develop and introduce new varieties, farm supply products and techniques in the Saskatchewan market. Benefits will accrue not only to the Pool and its members but to farmers throughout the prairie region.

One other new venture was involvement by staff in Zambia on a three-year wheat production project sponsored by the Canadian International Development Agency. Projects of this kind are considered worthwhile not only as a contribution to international development but also in extending training opportunities to our staff members, thus better equipping them for further responsibilities within the organization upon their return.

The capital budget for 1975-76, the largest ever, amounted to nearly \$4 million.

Flour Mill

In its first full year as a separate operation under the management of CSP Foods Ltd., the Flour Mill showed an earning of \$985,000, a record in the history of the mill. The record was achieved despite increased costs of operation and was mainly due to the high sales volume and relatively good selling prices.

The future of the milling industry in Western Canada continues to be uncertain. Railway freight tariffs and government transportation policy will have a significant effect on the future viability of the milling industry.

A limited capital program of \$200,000 was undertaken for improvement of pollution control and loading facilities.

Livestock

Pool yards marketed a record 723,000 head of cattle and calves compared to 570,000 the previous year. Handlings of hogs and sheep declined significantly. Earnings amounted to \$516,000 compared to a loss of \$686,000 a year earlier.

A capital program of \$1.4 million is proposed for the coming year with the major items involving work at Yorkton, Lloydminster and Regina.

The year 1975-76 was a difficult one for livestock producers, and particularly so for beef cattle producers. For example, the average producer take-home per animal marketed through the Pool in 1975-76 was \$63 less than it was in 1972-73.

The continued depression in the cattle markets and the uncertain trend for hogs is of serious concern. Sask. Pool continues to devote time and effort in promoting the interests of the Canadian livestock industry.

Printing and Publishing

There was an earning of \$27,900 compared to \$102,000 in the previous year. Records established included publishing 3,136 pages in 51 issues of the Producer, commercial printing sales exceeding \$3.3 million, and advertising linage reaching a record high of 1,673,000 lines.

A capital budget of \$1.7 million was approved for 1977, representing the first phase of a \$3.2 million modernization program. This will provide new technology for efficiency and high quality in printing the Western Producer and specialized job printing contracts.

Book publishing is being further emphasized as a complementary facet of the printing operations and as a contribution toward the encouragement of good literature related to the prairie region.



The Pool exists to improve social and economic conditions of farm families and while the business operations are geared toward this goal, they're only one avenue followed by Pool members to achieve their objective. The other major activity is directed toward getting the types of public policy required to ensure that the agricultural industry and the people in it are treated justly. The major efforts in the policy area in 1975-76 were related to questions of transportation, freight rates and orderly marketing. (The policy concerns and Pool views for 1977 are expressed at the beginning of this report.)

Policy ideas come from members through the democratic structure of the Pool. Members elect delegates who elect the Board of Directors. Work related to the operation of the democratic structure requires dedicated attention through country meetings and regular two-way communication.

The challenge for staff and elected leaders will continue to be that of having members aware of the long-term implications of today's actions and programs, and of the need to continue building their organization to meet the needs of the future.

CHIEF EXECUTIVE OFFICERS

Mr. Mumford, general manager, and Mr. Wright, corporate secretary, are Sask. Pool's chief executive officers reporting to the Board of Directors. Mr. Kasha, treasurer, is responsible to the Board of Directors for financial policy and to general management for general treasury operations. Mr. Mumford's chief responsibility is the efficient management of business operations. Mr. Wright's chief responsibility is for the organization of duties related to the Pool's democratic structure and farm policy role, as well as corporate records.



Ira K. Mumford



J. O. Wright



C. R. Kasha

ASSOCIATED CO-OPERATIVES

Sask. Pool shares ownership of several enterprises that benefit farmers.

CSP

CSP Foods jointly-owned with Manitoba Pool Elevators was financially successful in its first full year of operations on March 31, 1976, despite a down-turn in the crushing industry.

Major effort was devoted to integration of the three plant operations at Saskatoon and Nipawin in Saskatchewan, and Altona in Manitoba which were brought together under one common ownership with the formation of CSP Foods Ltd. A new marketing office was established in Winnipeg and the Saskatoon head office complex was expanded.

Operationally, in 1975-76, the three plants handled 4.3 million cwt. of street receipts of rapeseed and sunflower. In total at the three plants, 4.9 million cwt. of seed was crushed, mainly rapeseed and sunflowers produced in Manitoba and Saskatchewan, together with a small volume of imported soybean. Marketings of oil and meal were mainly dedicated to the domestic market but export sales activity also contributed significantly to operating time at all three plant locations. A large part of the oil exports were shipped under Canadian government food aid programs.

Pacific Elevators

Handlings at Pacific Elevators Limited, the terminal at Vancouver jointly-owned with Alberta and Manitoba Wheat Pools, reached 65.1 million bushels in the year ended July 31, 1976, representing 26.7 per cent of the Vancouver receipts. This compares with approximately 50 million bushels last year.

XCAN

XCAN Grain Ltd., owned by the three pools, saw its volume of export and domestic grain sales increase sharply in 1975-76. Shipping and delivery problems were much improved from the previous year, reflecting fewer labor and transportation disruptions.

Earnings were disappointing and reflected intense competition for non-Board Canadian grain sales, particularly rapeseed. XCAN Far East Ltd. in Japan achieved very gratifying results in its first year of operation.

WCFL

Western Co-operative Fertilizers Ltd., owned by the three pools and Federated Co-ops, produced 520,000 tons of fertilizer in 1975-76.

Canadian Fertilizers Ltd. at Medicine Hat, a newly formed company owned jointly by WCFL and regional co-operatives in Eastern Canada and United States, started up a 1200 ton per day ammonia plant in July, and a 1500 ton per day urea plant in September. A second ammonia plant will begin operations in February, 1977. The new complex will provide nitrogen fertilizers which have been in short supply in recent years in the prairie fertilizer market.

In its 10 years of operation, WCFL has become the major fertilizer supplier, through its co-operative outlets, in Western Canada.

Other Companies

Other companies in which Sask. Pool's involvement ensures benefits to member-owners are The Co-operators (formerly Co-op Insurance Services), Canadian Pool Agencies Ltd., and Pool Insurance Company.

In addition to joint commercial activities, Saskatchewan Wheat Pool joins with Manitoba and Alberta Pools in Canadian Co-operative Wheat Producers Limited to co-ordinate policy and action on key items of mutual concern.

1976 — AN IMPORTANT YEAR

Every year is an eventful one in the life of Saskatchewan Wheat Pool and the Saskatchewan agricultural industry but in 1976 there were some especially noteworthy developments . . .



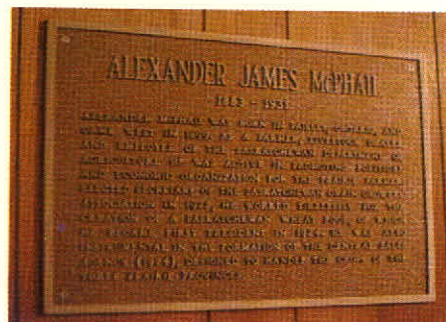
A Royal Commission under the chairmanship of Justice Emmett Hall studied what the future rail network might be. Saskatchewan Wheat Pool and its members played a prominent part in advancing ideas. The Pool also presented information to the Snavely Commission investigating freight costs.

Those who are associated with the grain industry in Saskatchewan frequently dream of a "bumper crop", and in 1976 that dream came true. According to fall estimates Saskatchewan farmers produced a record of 834 million bushels of high quality wheat, exceeding the previous total crop record of 783 million bushels in 1971. The problem was, however, that prices dropped while costs rose.



Saskatchewan Wheat Pool officially opened five high throughput elevators — Bracken, Mossbank, Assiniboia, Cupar and Parkman — the type members feel is best for now and for the future. The Pool is moving into the future with continued sound planning and constant awareness of new technology and how it can best be applied to serve Saskatchewan farmers.

The Bankend Wheat Pool Committee dedicated a plaque to the memory of Alexander James McPhail, Saskatchewan Wheat Pool's founding president. McPhail's farmstead was located near Bankend. The plaque was the second historic marker of its kind to be dedicated to the Pool's founding president. Parks Canada, on the recommendation of the Historic Sites and Monument Board of Canada, unveiled a plaque erected to his memory at the Pool's head office in Regina, May 21. For Saskatchewan Wheat Pool and its members, national recognition of its first president further illustrates the importance of the Pool to Saskatchewan and to Canada.



SASKATCHEWAN WHEAT



DISTRICT 1

(Left to right) Front row: R. W. Luterbach, Lampman; E. O. Johnsrude, Weyburn; H. E. Voechting, Weyburn; D. F. Wilmot, Carnduff; W. R. Hjertaas, Wauchope. Back row: D. W. Bryson, Estevan; L. Clark, Willmar; J. Kish, Estevan.



DISTRICT 2

(Left to right) Front row: J. C. Prefontaine, Lisieux; O. E. Dahl, Viceroy; J. Lindsay, Limerick; H. M. Sproule, LaFleche; G. Muldoon, Crane Valley. Back row: K. A. Elder, Coronach; B. L. Nast, Trossachs; A. Barbarin, Radville.



DISTRICT 3

(Left to right) Front row: V. D. Ross, Hazenmore; R. A. Thomson, McCord; H. V. Anderson, Shaunavon; C. M. Rapley, Climax; G. C. Anderson, Val Marie. Back row: H. E. McDonough, Cadillac; G. A. Anderson, Consul; G. E. Murphy, Neville.



DISTRICT 4

(Left to right) Front row: A. Myrol, Fox Valley; J. Macaulay, Leinan; C. E. Murch, Lancer; K. Sawby, Maple Creek; H. Yackel, Leader. Back row: R. W. Benjamin, Swift Current; G. S. Lightfoot, Swift Current; J. A. Anderson, Cabri.



DISTRICT 5

(Left to right) Front row: A. K. Sahl, Moose Jaw; L. E. Buhr, Herbert; E. J. Bowler, Palmer; D. E. Hicks, Marquis; N. R. Lowe, Moose Jaw. Back row: G. C. Schmidt, Hodgeville; F. G. Mercer, Caronport; J. M. Cooper, Tugaske.



DISTRICT 6

(Left to right) Front row: J. W. Russell, Craven; H. C. Wilke, Yellow Grass; S. G. Petruic, Avonlea; N. W. Haack, Milestone; R. D. McKell, Regina. Back row: W. H. Brunskill, Pense; R. T. Gray, Indian Head; H. W. Nicholson, Abernethy. A. Kambeitz, Sedley, is missing.



DISTRICT 7

(Left to right) Front row: S. J. Pask, Atwater; G. Stevenson, Whitewood; W. J. E. Glydon, Kipling; L. M. Merkel, Broadview; D. B. Sefton, Broadview. Back row: A. A. Adamson, Fairlight; E. Knuttila, Rocanville; K. Wiggins, Fillmore.



DISTRICT 8

(Left to right) Front row: J. Harasen, Wroxton; T. W. Wood, Yorkton; M. Kostichuk, Insinger; N. Wetterlund, Sturgis; A. Hladyboroda, Mikado. Back row: W. Schutz, Saltcoats; E. Mitrenga, Melville; C. D. Lukey, Norquay; D. M. Sklaruk, Canora.

POOL DELEGATES 1975-76



DISTRICT 9

(Left to right) Front row: R. B. Turner, Cupar; M. H. Ewert, Drake; J. E. Keisig, Ituna; W. A. Day, Bulyea; H. F. McLeod, Leross. Back row: G. A. Buitenhuis, Raymore; F. H. Bjornson, Elfros; R. D. Young, Cymric; D. E. McMartin, Elfros.



DISTRICT 13

(Left to right) Front row: R. J. Gerwing, Lake Lenore; G. A. Wilson, Saskatoon; A. Thoen, Viscount; J. B. Buchinski, Cudworth; J. Kurysh, Vonda. Back row: W. B. Mundell, Leroy; C. E. Weir, Perdue; J. L. Hinz, Muenster; E. Wiebe, Langham; S. M. Smith, Allan.



DISTRICT 10

(Left to right) Front row: M. R. Wudel, Outlook; K. W. Elder, Simpson; G. N. Robbins, Laura; N. E. Tuplin, Beechy; D. E. Rue, Watrous. Back row: P. D. Wensley, Wiseton; D. M. Lockwood, Regina; P. M. Paulsen, Hanley.



DISTRICT 14

(Left to right) Front row: H. G. Yelland, Porcupine Plain; D. N. MacDonald, Wadena; A. T. Groat, Melfort; M. R. Turnquist, Prairie River; L. H. Hleck, Codette. Back row: D. W. Angell, Rose Valley; G. Bone, Tisdale; L. D. Loyns, Lac Vert; L. T. McConaghy, Beatty.



DISTRICT 11

(Left to right) Front row: G. A. Siemens, Fiske; C. M. Cook, Marengo; M. A. Egeland, Kyle; R. A. Greer, Sovereign; W. A. Marjerrison, Elrose. Back row: W. A. Kumph, Smiley; G. H. Mack, Dodsland; W. G. Nargang, Kindersley; R. L. Howe, Eston.



DISTRICT 15

(Left to right) Front row: H. R. Bastness, Hagen; J. W. Marshall, Regina; L. J. Larsen, Canwood; N. C. Hazelwood, Prince Albert; W. H. Funk, Laird. Back row: J. A. Weathered, Marcelin; S. C. Belt, Spruce Home; F. J. Meyers, Meath Park; N. L. McTaggart, Choiceland; J. L. Yeaman, Birch Hills.



DISTRICT 12

(Left to right) Front row: C. J. Scherman, Battleford; E. M. Ternan, Luseland; A. Keay, Unity; R. A. Gartner, Macklin; L. C. Bingham, Cut Knife. Back row: A. B. Wood, Ruthilda; H. H. Horner, Cando; C. Sawtell, Neilburg.



DISTRICT 16

(Left to right) Front row: E. K. Turner, Regina; H. W. Moffatt, Denholm; A. Harbin, Lashburn; C. L. Hanson, Edam; J. P. Simmonds, Speers. Back row: G. A. Ross, Paynton; P. Loewen, Glenbush; G. R. Warrington, Mervin; C. J. Story, Leoville. W. N. Stroman, Meadow Lake, is missing.

ALLOCATION OF NET EARNINGS

Based on a recommendation of the annual meeting of delegates, the Board of Directors decided that the net earnings for the year ended July 31, 1976, in the amount of \$31,163,404, be allocated as follows:

Grain:

Patronage dividend at the rate of 8.4c per bushel pursuant to Article 79 of the Articles of Association of the company, estimated..... \$25,108,008

Livestock:

Patronage dividend at the rate of 82c per head for cattle, 72c per head for light and heavy calves, 14c per head for hogs (exclusive of Hog Commission animals) and 24c per head for sheep and lambs, pursuant to Article 79 of the Articles of Association of the company, estimated 462,418

Farm Supplies:

Patronage dividend at the rate of 4.75 per cent of the value of farm supply purchases, pursuant to Article 79 of the Articles of Association of the company, estimated 2,446,964

Total patronage dividend, estimated 28,017,390

Provision for income tax, estimated 1,967,000

Transfer to unallocated earnings retained from prior years, estimated. 1,179,014

Total \$31,163,404

Payments totalling about \$13,569,000 will be paid to or on behalf of members during the 1976-77 year as follows:

1. An estimated \$3,366,000 will be paid to the Receiver General for Canada as a prepayment of income tax on behalf of shareholders whose total dividends earned for the year exceed \$100 and the balance of the patronage dividend, estimated at \$24,651,390, will be applied in payment of shares allotted pursuant to Article 80 of the Articles of Association of the company;
2. The sum of approximately \$5,533,000 be used as required in 1976-77 for the purchase of the equities of members in all eligible categories, namely — estates, retirements, repayment in full to members who reached age 70 and veterans who reached age 65 as at July 31, 1975, and repayment of 20% of share equity to members (upon application) who reached the age of 65 by July 31, 1976;
3. After allocation to shares of the 1975-76 patronage dividend, and payment of withholding tax, a sum of approximately \$4,670,000 be paid, representing a 4% purchase of share equity to members not attaining the age of 65 by July 31, 1976, and a 7% purchase of share equity to corporations.

AUDITORS' REPORT

The Shareholders
Saskatchewan Wheat Pool
Regina, Saskatchewan

We have examined the balance sheet of Saskatchewan Wheat Pool as at July 31, 1976 and the statements of unallocated earnings, unallocated earnings retained from prior years, operations, and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at July 31, 1976 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TOUCHE ROSS & CO.
Chartered Accountants

October 14, 1976

Statement 1

	ASSETS	
CURRENT	1976	1975
Cash.....	\$ 8,928,732	\$ 1,907,448
Guaranteed term deposits.....	54,050,000	51,661,082
Accounts receivable	43,431,430	40,781,762
Inventories (Note 1a).....	248,303,536	271,016,265
Prepaid expenses.....	2,547,064	3,232,099
Prepayment on income taxes ...	<u>2,580,992</u>	<u>965,065</u>
	359,841,754	369,563,721
INVESTMENTS AND MEMBERSHIPS, at cost (Note 1C).....	20,092,927	19,850,173
FIXED ASSETS, at cost (Note 1d)		
Sites, buildings, machinery and equipment	\$194,625,789	
Less accumulated allowance for depreciation.....	<u>112,731,323</u>	
	81,894,466	69,735,432
GOODWILL, at cost less amounts amortized (Note 1e)	1,868,065	2,197,952
	<u>\$463,697,212</u>	<u>\$461,347,278</u>

On behalf of the Board
E. K. TURNER, *Director*
D. M. LOCKWOOD, *Director*

LIABILITIES AND CAPITAL		
CURRENT	1976	1975
Cheques and orders outstanding	\$240,070,991	\$251,677,600
Bank loans - secured (Note 2) ..	1,500,000	1,500,000
Accounts payable	52,969,755	54,391,986
Debtenture loan due before July 31, 1977	1,825,000	1,825,000
Members' term loans due before July 31, 1977	3,462,748	7,694,688
Unallocated earnings (Statement 2) (Note 1f)	31,163,404	26,878,604
	330,991,898	343,967,878
FIRST MORTGAGE DEBENTURE LOAN (Note 3)	6,450,000	8,275,000
MEMBERS' TERM LOANS	7,335,772	3,494,448
	344,777,670	355,737,326
CAPITAL (Note 4)		
Authorized 120,000,000 shares of \$1 each	\$120,000,000	
Allotted and fully paid 98,628,170 shares	98,628,170	
Allotted and partly paid 79,032 shares	39,476	
	98,667,646	86,336,181
UNALLOCATED EARNINGS RETAINED FROM PRIOR YEARS (Statement 2A)	20,251,896	19,273,771
COMMITMENTS AND GUARANTIES (Note 5)	\$463,697,212	\$461,347,278

The notes to the financial statements are an integral part of the statements.

STATEMENT OF UNALLOCATED EARNINGS FOR THE YEAR ENDED JULY 31, 1976

Statement 2

	1976	1975
UNALLOCATED EARNINGS, beginning of year.....	\$26,878,604	\$32,101,290
Allocated to or on behalf of members	24,270,585	29,517,253
Attributed to business with non-members	2,608,019	2,584,037
Deduct provision for income taxes.....	2,064,000	920,000
	544,019	1,664,037
Deduct transfers to unallocated earnings retained from prior years.....	544,019	1,664,037
	nil	nil
Add net earnings for the year (Statement 3).....	31,163,404	26,878,604
UNALLOCATED EARNINGS, END OF YEAR (to Statement 1)	\$31,163,404	\$26,878,604

**STATEMENT OF UNALLOCATED EARNINGS
RETAINED FROM PRIOR YEARS
FOR THE YEAR ENDED JULY 31, 1976**

Statement 2a

	1976	1975
BALANCE OF UNALLOCATED EARNINGS RETAINED FROM PRIOR YEARS, beginning of year.....	\$19,273,771	\$17,419,858
Transferred from unallocated earnings (Statement 2).....	544,019	1,664,037
	19,817,790	19,083,895
Profit or loss on disposal of fixed assets, and adjustment of prior years patronage dividends — net.....	434,106	189,876
BALANCE OF UNALLOCATED EARNINGS RETAINED FROM PRIOR YEARS, end of year (to Statement 1)	\$20,251,896	\$19,273,771

**SASKATCHEWAN WHEAT POOL
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JULY 31, 1976**

	1976	1975
REVENUE FROM SALES AND SERVICES	\$1,270,922,345	\$1,148,156,702
COST OF SALES AND SERVICES	1,211,477,464	1,103,536,094
	59,444,881	44,620,608
SELLING AND ADMINISTRATIVE EXPENSES	29,201,102	17,838,146
NET EARNINGS FROM OPERATIONS	30,243,779	26,782,462
Country Elevator Division	\$ 9,495,330	\$11,825,645
Terminal Elevator Division	16,474,545	5,967,244
Farm Service Division	2,745,721	5,943,806
Flour Mill Division	984,587	924,192
Industrial Division - oil mill and elevator	—	2,704,799
Livestock Division	515,694	(685,632)
Printing and Publishing Division	27,902	102,408
	<u>\$30,243,779</u>	<u>\$26,782,462</u>
Saskatchewan Wheat Pool's share of earnings from joint terminal operations of Pacific Elevators Limited after deducting diversion premiums credited to the Terminal Elevator Division	484,059	96,142
Patronage dividend - CSP Foods Ltd	435,566	—
NET EARNINGS (to Statement 2)	<u>\$ 31,163,404</u>	<u>\$ 26,878,604</u>

Note: Bracketed amount represents deduction.

**STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JULY 31, 1976**

	1976	1975
Working capital was provided by		
Prior year's earnings	\$24,270,585	\$29,517,253
Amounts allocated to or on behalf of members	8,413,504	8,832,569
Less amounts paid	15,857,081	20,684,684
	544,019	1,664,037
Transferred to unallocated earnings	16,401,100	22,348,721
Current operations		
Corporate net earnings	31,163,404	26,878,604
Add items not requiring use of funds	9,025,174	7,983,035
	40,188,578	34,861,639
Redemption of Western Co-operative Fertilizers		
Limited bonds	1,000,000	1,000,000
Increase in members' term loans	3,841,324	—
Other sources	453,451	206,491
	<u>61,884,453</u>	<u>58,416,851</u>
Working capital was used for		
Fixed asset additions — net	20,854,320	10,969,744
Current maturity of first mortgage debenture loan	1,825,000	1,825,000
Payments to members on North Vancouver terminal loan	—	1,775,427
Purchase of member's equity from eligible categories	3,544,962	3,902,035
Decrease in members' term loans	—	4,404,036
Purchase of investments	1,242,754	8,603,055
Other uses	—	639,874
	27,467,036	32,119,171
Earnings from current operations not yet allocated	31,163,404	26,878,604
	<u>58,630,440</u>	<u>58,997,775</u>
Increase (decrease) in working capital	3,254,013	(580,924)
Working capital, beginning of year	25,595,843	26,176,767
Working capital, end of year	<u>\$28,849,856</u>	<u>\$25,595,843</u>

**SASKATCHEWAN WHEAT POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JULY 31, 1976**

1. Significant Accounting Policies

a) Inventories

	1976	1975
Grain purchased for sale to the Canadian Wheat Board valued on the basis of established selling prices after allowance for costs yet to be incurred.....	\$192,590,327	\$223,301,026
Grain valued on the basis of open sales contracts, futures contracts, or in the case of unhedged grain at the lower of cost, futures prices, and net realizable value, after allowance for costs yet to be incurred. Grain stocks are hedged where conditions permit, in order to protect against market fluctuations.....	30,933,293	20,914,369
Other inventory valued at the lower of cost (principally average cost) and net realizable value or on the basis of open sales contracts.....	24,779,916	26,800,870
	<u>\$248,303,536</u>	<u>\$271,016,265</u>

b) Recognition of Income

The basis of valuing stocks of grain results in a net handling margin being included in earnings when grain is purchased by the company. This practice is followed in order to achieve the objective of matching earnings and resulting patronage dividends with purchases from members.

c) Investments and Memberships

Investments and memberships are carried at cost. Included are investments in joint ventures with other co-operatives. The equity of the company in the net assets of these joint ventures is in excess of cost, which has not been reflected in the accounts. The company's interest in the earnings of these joint ventures is reflected in its accounts as patronage dividends are declared.

Investments and memberships are summarized as follows:

Co-operative joint ventures	\$18,506,311
Other co-operative investments, principally shares.....	1,539,682
Memberships	46,934
	<u>\$20,092,927</u>

d) Fixed Assets

Depreciation has been recorded on all depreciable assets in use on a diminishing balance basis at rates allowed by income tax regulations.

e) Goodwill

The company's policy is to amortize purchased goodwill over a 10-year period. The balance of \$1,868,065 at July 31, 1976 will be completely amortized by 1985.

f) Unallocated Earnings

Net earnings for the year before providing for income taxes are included in current liabilities as unallocated earnings. These earnings are allocated by the Board of Directors after the annual meeting of delegates. Income taxes on current earnings retained are indeterminable until after the allocation to members has been made.

2. Bank Loans

Accounts receivable, inventories, conditional sales contracts, and fire insurance policies have been assigned to secure bank loans.

3. Long Term Liabilities

The first mortgage debenture loan of \$6,450,000 plus \$1,825,000 included in current liabilities represents borrowings from Saskatchewan Co-operative Credit Society Limited of \$5,175,000, and Co-operative Fire and Casualty Company of

\$3,100,000 bearing interest at 7¼%, and repayable as follows:

1977	\$1,825,000
1978	1,325,000
1979	1,325,000
1980	1,325,000
1981	2,475,000
	<u>\$8,275,000</u>

The debenture is secured by an unregistered mortgage on the company's head office properties, and by hypothecation of Western Co-operative Fertilizers Limited bonds in the principal amount of \$5,000,000.

4. Capital

The following statement shows the changes in capital account during the year ended July 31, 1976:

Balance at July 31, 1975		\$ 86,336,181
Add: New shares allotted	\$ 19,345	
Allocated from 1974-75 earnings — net.....	21,272,006	21,291,351
		107,627,532
Less share redemptions:		
Purchased from eligible categories	3,546,962	
Authorized annual redemptions and adjustments	5,412,924	8,959,886
Balance at July 31, 1976		<u>\$ 98,667,646</u>

5. Commitments, Guaranties, and Contingent Liabilities

The company has guaranteed borrowings of other companies to maximum amounts as follows:

Western Co-operative Fertilizers Ltd.....	\$2,000,000
CSP Foods Ltd.....	3,066,545
Canadian Co-operative Implements Ltd.	3,500,000
XCAN Grain Ltd.....	166,000
	<u>\$8,732,545</u>

Notes receivable from CSP Foods Ltd. totalling \$6,188,746 have been postponed in favour of other creditors of that company.

At July 31, 1976 planned future expenditures on authorized capital programs approximated \$26,179,000.

There is a liability of undetermined amount in connection with unexpired subscriptions to The Western Producer. Future payments to the employees' retirement plans in respect of past services have been actuarially determined to be \$10,600,373 and are required to be made in varying amounts over the next 16 years. During the current year, payments totalling \$415,975 were made to the plans in respect of past services.

6. Anti-Inflation Legislation

The company is subject to and is complying with the federal government's Anti-Inflation legislation, which became effective October 14, 1975. The legislation limits increases in prices, profits, and compensation payments.

7. Additional Information

Included in the statement of operations are the following revenues and expenses:

	1976	1975
Revenues		
Incomes from investments, principally interest	\$7,222,733	\$6,141,616
Expenses		
Depreciation	8,695,287	7,679,819
Amortization of goodwill	329,887	303,216
Interest on long term debt	1,538,592	1,582,969
Other interest.....	5,853,205	6,923,602

8. Comparative Figures

During the year the company changed the basis of allocating interest revenue and costs to its various divisions. This change does not affect the net earnings of the company or the comparability with the net earnings for 1975.

While 1975 divisional net earnings have not been restated to reflect the retroactive application of this change in allocation, certain other 1975 amounts have been restated to conform with the 1976 presentation.

Picture Credits:

GIBSON PHOTOS — SASKATOON

(Also, Ken Patterson, Regina
— elevator delivery picture, p. 4
and Ian Caldwell, Regina
— McPhail plaque picture, p. 17)

