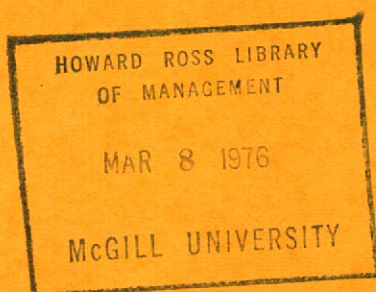


Saskatchewan Wheat Pool. Annual Report.
and subsidiary companies

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annual report 1975

A SUMMARY OF SASKATCHEWAN WHEAT POOL'S
51st ANNUAL REPORT FOR YEAR ENDED JULY 31, 1975



Board Views

(a summary of the Board of Directors' formal statement to the 1975 annual meeting of delegates)



1974-75 Saskatchewan Wheat Pool 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



R. D. McKell
District 6

J. Lindsay
District 2

W. Schutz
District 8



H. F. McLeod
District 9

H. G. Yelland
District 14

W. A. Kumph
District 11



A. K. Sahl
District 5

W. B. Mundell
District 13

C. E. Murch
District 4



A. B. Wood
District 12

G. C. Anderson
District 3



E. O. Johnsrude
District 1

G. Stevenson
District 7

A most serious cause for concern among farmers is the high rate of inflation which has prevailed in Canada over the past two years.

The effect of inflation falls most heavily on those groups in Canada whose incomes are relatively fixed and on those who depend on export markets. Farmers as a group are particularly sensitive to the effects of inflation because they are often unable to pass on as increased commodity prices the rising costs of items they use in production. While prices for some agricultural products in Canada have been buoyant, the benefit to producers is being reduced by sharply rising costs of goods and services. The Statistics Canada Farm Input Price Index at the end of the first quarter of 1975 was 12 per cent higher than the year earlier and 31 per cent higher than at the same time two years ago.

Dramatic increases in government spending at both the federal and provincial levels, excessive expansion of the money supply and consumer credit have all been major contributory factors to the inflationary spiral. While governments have a responsibility to set an example, it is important for everyone in society to exercise restraint in demands and spending habits.

Your Board believes that the selfish pursuit of maximum benefits at the expense of others is self-defeating, and will eventually undermine any attempt to achieve longer-term stability in the Canadian economy.

Services

Your Board is pleased that further steps were taken to extend services to members. These included major capital investments in elevators, farm service centres, terminals and livestock marketing facilities. Also included are: the purchase of a major livestock market at Lloydminster; purchase of the Nipawin facilities of Agra Industries and the development of a new company, CSP Foods Ltd., in joint ownership with Manitoba Pool Elevators; expansion of the fertilizer production facilities of Western Co-operative Fertilizers Limited; and a commitment to purchase a minority share interest in Henninger Malting (Saskatchewan) Limited. Your Board believes that these new capital investments will increase the opportunities for members to benefit from their organization through improved services, through participation in the earnings produced by the handling and marketing of farm products, and through savings resulting from ownership of facilities for the production and distribution of farm inputs.

Agricultural Policy

Your Board worked with Alberta and Manitoba Pools to develop a position on transportation policy for Western Canada. The strong support of producers throughout the prairie provinces of the position taken, had a significant effect in slowing down, if not stopping, the push towards removal of the present statutory freight rates on grain.

At the same time, pressures continued for the removal of the statutory freight rate on export grain and for the introduction of flexible tariffs at primary elevators. Your Board believes that these policies, if implemented, would encourage the emergence of a highly centralized grain handling and transportation system with emphasis on return on investment to the companies rather than on service to producers. These policy changes and proposals have encouraged the entry of international grain trading companies into ownership of primary grain handling facilities in Western Canada.

Your organization will fight very hard to retain the present statutory grain freight rates and to achieve the development of a rationalized rail network capable of serving a grain handling system designed to best serve grain producers.

In line with this objective, your Board is committed to development of the country elevator system into a network of high throughput facilities, located within reasonable hauling distance for farmers using their own

Senior Officials



I. K. Mumford
General Manager

J. M. Fair
Treasurer



C. P. Hansen
Assistant Secretary

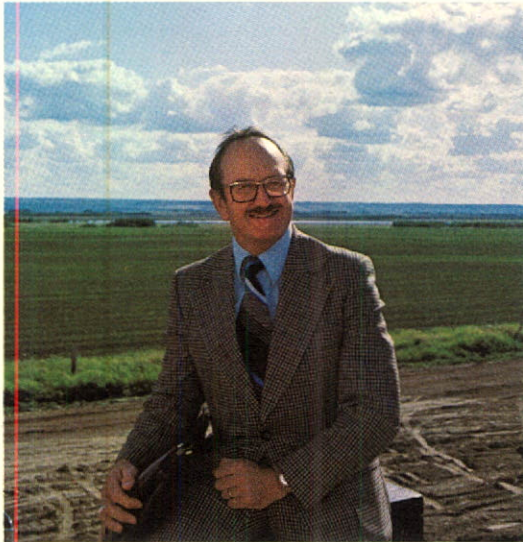
J. O. Wright
Secretary



One change occurred in the composition of the Board when Roger Gray, Indian Head was elected Director for District 6, Jan. 5/76.

A Message from the President

(excerpts from Annual Meeting address — 1975)



E. K. Turner

trucks. Your Board believes that farmers will be best served if they own and control the majority of the essential services required to produce and market their products.

Your Board is committed to maintaining a strong and effective central selling agency for all major grains produced and marketed on the prairies. We believe that both the producers and the customers of feed grain for the domestic market would be served more fairly and efficiently if the full responsibility for movement and pricing was returned to The Canadian Wheat Board.

The year 1974-75 saw the first election of producer representatives to the Advisory Committee to The Canadian Wheat Board. Your Board believes that an important function of the Committee is to provide effective two-way communication between producers and The Canadian Wheat Board, and that such communication is most effectively accomplished through existing farm organization structures. It was for this reason your Board persuaded two of its executive members to seek election to the Advisory Committee, and also actively supported other farm organization leaders in their bids for election. Results of the producer vote were gratifying to supporters of the central selling agency for marketing Western Canadian grains.

Inflation

For a number of years we have urged that strong action be taken on this problem, and have called on the federal government for leadership.

There is no doubt the announced program is a tough approach. However, I am convinced this kind of bold action was required because I have yet to see a difficult problem to which there is an easy solution. Failing the identification of a viable alternative, we have supported the federal government's position.

I have been disappointed at the amount of criticism which has been directed at the program by some groups, and also in the attitudes of some provincial governments, including our own, which have failed to take a position of positive support for the federal program.

There are four areas on which the government should indicate their attitude.

- 1) I believe governments have been a significant contributor to inflation and they should show a willingness to cut back. However there remains a need for support of programs with a long-term developmental value.
- 2) It is essential to dedicate the necessary resources to achieve effective application of the program. The quality of administration will determine its acceptability and thus its effectiveness.
- 3) In the interest of long-term stability it may be necessary to retain some features as a permanent part of fiscal policy for Canada. Decisions on pricing policies and investment should be retained in the private sector and collective bargaining should continue as the means for wage determination.
- 4) Careful consideration should be given to the means of terminating the program. Otherwise a new wave of inflation could be touched off.

While the federal government must take the leadership, I believe every individual, business, organizations, and governments at all levels must co-operate to make the anti-inflation program work. Canadians need to recognize the long-term effects of an "every man for himself" attitude. Surely the time has arrived when all must unite to control inflation; the more united our action; the quicker and better the results will be.



Transportation

We have made public our views about the requirements for an adequate rail network to meet the needs of grain producers in this province.

Our views are based on the following:

1. That the present statutory freight rate structure will be maintained for grain.
2. That necessary rail lines will be upgraded, and assurance given of an adequate level of service on guaranteed lines.
3. That adequate rail cars and locomotives will be available to meet future needs for transportation of various commodities.
4. That bottlenecks in transportation beyond the Prairies will be removed.

We consider the development of an adequate railway network must take into account the possibility of exchanges of ownership, joint running rights, upgrading and improvement of lines, as well as some phasing out of existing lines.

The federal government should be highly commended for its decision to purchase hopper cars. They will make a tremendous difference to the capability of the railways to move grain in future years.




Industrial Disputes

An increasing number of individuals and organizations in Canada believe some alternative must be found to the adversary approach to the settlement of industrial disputes. Saskatchewan Pool has for some years been urging the establishment of a form of judicial mechanism which would deal impartially with industrial disputes in those instances where settlement by the parties is not possible, and a strike or lockout is imminent. In this way normal work operations could proceed while the case was under review, there would be no interruption of business or loss of wages, and customers or users of the service would not suffer undue inconvenience.

I think this technique would be preferable to the legislative action which several governments in Canada have taken during the last year.

Canadian Wheat Board



In the last two years there were those who claimed the Canadian Wheat Board was holding prices unrealistically high at a time when prices on U.S. futures markets were falling, and U.S. government officials were predicting a global oversupply. I think events have proven the Wheat Board made a more realistic assessment of the world situation, and acted in the best interest of Canadian grain producers by refusing to be stampeded into dropping the price unnecessarily.

Livestock Production

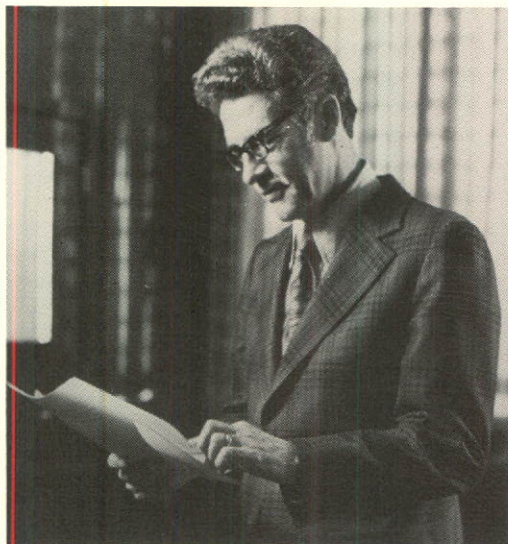
The cattle industry in Canada is going through a very serious period and prices, while somewhat stronger, are still clearly inadequate.

The federal government introduced a form of deficiency payment for finished cattle, based on an average price of \$45.42, for the period from August 1974 to August 1975. We were keenly disappointed that the recently announced support level for the current year was set at \$43.94 per hundred weight, in spite of the fact that production costs have increased during the period.

We feel the newly announced program is an unsatisfactory response and will result in even further loss of confidence in the industry and in stabilization programs.

Many very knowledgeable people feel that with the movement out of the industry we could be looking at a severe shortage of beef supply by 1980.

General Manager's Report



I. K. Mumford

A most important question facing our organization at this time is the future of the rail system.

The Pool position has been carefully developed and clearly stated. A significant proportion of the present rail network can be eliminated conditional on government assurance that funds will be provided to upgrade the remaining rail lines and equipment and that the present statutory grain rates will be retained.

Based on this concept the Pool Elevator Development Plan, proposing a transition over the next five to ten years to an ultimate handling system of 350 to 400 elevator units, is sound.

Continued examination and discussion with members confirms that the one to three million bushel handling unit and the 15 mile average haul distance (maximum 25 miles) are acceptable.

There are several factors, however, that can change the situation. If rail abandonment is more extensive than anticipated by the Pool analysis, our plans will have to be adjusted for size and location of facilities and hauling distance.

If the statutory rate structure is abandoned completely, there is little doubt this will lead to a system of inland terminals with handling capacities of 10 to 20 million bushels, and long hauling distances for producers. The Pool will continue to resist policy developments of this kind. A third possible modification to the plan relates to the producer's future attitude about elevator service. Our Elevator Development Plan is based on tariff increases in line with cost escalation, with dependence on efficiencies of size to provide reasonable service at fewer locations. If producer income results in increased service demands, it could come either way, i.e. retention of smaller, higher cost stations, or development of a trend to even larger units than we propose with more sophisticated service. We must be alert to producer attitudes and flexible to meet change. The new high throughput elevators being built at several points this year should give us important guidance concerning producer attitudes.

Tariffs


Two years ago the Canadian Grain Commission introduced a new concept of "flexible" elevation tariffs in country elevators, allowing companies to charge different rates from one station to the next. The Pool believes this is an inequitable way to achieve rationalization and is continuing to charge a flat rate at all stations. This year the Commission gave companies ample latitude by setting the maximum tariff level at 12 cents per bushel. It is important that producers be made aware that Saskatchewan Pool set a province-wide tariff level of 9½ cents, well below the maximum, after a careful study of our projected costs and revenues for the coming year. Generally our competitors followed the Pool lead.

Terminal elevator tariffs are inequitable under the new structure in that the ceiling for elevation rates is being held too low, forcing companies to apply an unnecessary "cleaning" charge that is reflected back to producers at the country level. This fails to charge rates related to the services performed and results in grain cleaned at inland locations being handled through port terminals at less than cost.

Generally, your Management believes that by maintaining efficient operations and keeping tariffs as low as possible consistent with providing sufficient earnings for improvement of facilities, we are preventing any major trend toward the program of greater "flexibility" which would undoubtedly be used against the producers' interests in the long run.

Agricultural Scene

A late-seeded 1974 crop, combined with early frosts, produced below-average yields and the poorest quality harvest since the early 1950s. The world demand for food grains remained strong and the industry was under constant pressure to move forward the limited re-



maintaining high quality grain stocks on farms and in country elevators. Producers, on the other hand, were anxious to deliver their low quality grain and avoid loss through spoilage.

However, in spite of production losses and marketing frustrations, producers once again achieved excellent returns for their grain.

Chaotic conditions existed in the livestock industry. High grain prices, consumer resistance, and uncertainties about government policy in both Canada and the United States demoralized the cattle market throughout the whole year. With record cattle numbers on farms, producers attempted to hold back the calf crop for the second year, hoping for improvement in market conditions.

Heavy losses in the feeding industry resulted in low demand and depressed prices for feeder cattle, particularly plain quality kinds.


With some evidence of world meat supplies coming into better balance, and anticipated stronger demand should world economic conditions continue to improve, an attitude of cautious optimism now prevails in the Canadian livestock industry.



Secretary's Report



J. O. Wright



The major policy issue facing prairie farmers today is whether or not the Canadian Wheat Board concept of orderly marketing will survive in the face of tremendous pressures to reintroduce commodity exchange pricing, flexible handling tariffs and flexible freight rate structures into the Canadian grain handling system. The Pool will continue strong private and public arguments in support of orderly marketing. This position is based on the belief that the majority of prairie producers support the concept of a single selling agency, and co-operative ownership of the majority of the handling facilities.

The continuous discrediting of the existing system by vested interests, and by Government spokesmen in some cases convinced some producers that the emergence of more open market pricing and the competition of international grain trading conglomerates in grain handling can somehow work to the benefit of producers, operating along with a central selling agency. However recent experience with the open market policy on feed grains demonstrates that this system is not compatible with a central selling agency.

In the final analysis, one or the other system will emerge and producers must be encouraged to understand both and to make the choice of the type of grain handling system that survives to serve them in the future.



Critics

Our organization has grown to the point where some of our critics have referred to us as a monopoly. As long as we continue to act in a responsive and responsible way in meeting the needs of individual members, Saskatchewan Wheat Pool need have little concern about outside critics, and growth will continue.

Activities

Members and staff have been involved in various international development projects in such countries as Peru, Tanzania, Lesotho Africa, Zambia, Central America and the Philippines. Saskatchewan Pool has participated in these projects because of its support for international development and the training and development opportunities for members and staff.

Your Secretariat continued to involve itself in corporate liaison activities in relationships with other co-operatives, farm organizations, governments, universities and sister Pools in Manitoba and Alberta.

Policy Highlights For 1976



*Effects of Pool policy
felt on farms of Saskatchewan.*

1. Transportation

The Pool considers it vitally important for the federal government to proceed with changes in the National Transportation Act to recognize the following principles:

- (i) Freight rates which will not discriminate against processing of products near their source and will protect the interests of captive shippers.
- (ii) Sufficient rolling stock and motive power to ensure adequate rail capability to move anticipated volumes of Canadian commodities.
- (iii) Maintenance of a rail network adequate for the needs of Western Canada and supported by public funding if required.
- (iv) Integration of railway operations to ensure improved, more efficient and more reliable rail transportation in Western Canada.

In its submission to the Hall Commission on October 22, 1975 the Pool said it is important to develop a network of rail lines in Western Canada which will be adequate to serve the needs of Prairie grain producers. The analysis of branch lines showed that some lines were more essential than others, that upgrading and improvement, exchange of ownership, joint running rights, and some new construction would be required to achieve the best system.

If these improvements and service can be achieved in exchange for some abandonment, the end result could be an acceptable trade-off. The Saskatchewan Wheat Pool position on rail line rationalization was based on four conditions which formed an integral part of the overall policy position. These were:

- 1) That the present statutory freight rate structure for grain be retained.
- 2) That necessary rail lines will be upgraded, and assurance given of an adequate level of service.
- 3) That sufficient funds be made available to provide adequate rail cars and locomotives for the movement of Prairie grain.
- 4) That bottlenecks to grain movement beyond the Prairie area be removed.

On the condition that the present statutory freight rates for grain are maintained the Pool will support other forms of assistance to the railways such as:

- (i) Assistance for purchase of hopper cars. The federal government has already purchased 6000 hopper cars for use by the railways to haul grain. The Pool is prepared to support a proposal for producers to contribute funds through check-off, for the purchase of additional cars for grain movement, on the understanding that the railways would still be responsible for a basic number of cars for grain.
- (ii) Improvements in efficiency of railway operation in the Prairie area through measures such as reduced numbers of country elevators and increased car spotting capacity at remaining elevators to reduce railway switching costs.
- (iii) Federal government responsibility for upgrading and maintenance of needed railway roadbeds.
- (iv) A continuation of branch line subsidies to maintain essential service on lines which are considered uneconomic.

2. Grain Handling

Saskatchewan Wheat Pool will continue to give leadership in the development of a grain handling system having the capability to



Pool policy ideas come from members

assemble and move Canadian grain to markets without excessive cost to grain producers.

Saskatchewan Wheat Pool has recognized the need to maintain a network of 350 to 400 delivery points in order to provide a satisfactory level of service to grain producers in Saskatchewan. Many factors were taken into account in identifying the required network, including hauling distance, volume of grain production, road systems, geographic barriers, trade service and community settlement patterns, and grain handling potential in the future.

3. Grain Marketing

- (a) Saskatchewan Wheat Pool supports the single selling agency role for the Canadian Wheat Board in the marketing of Prairie grains. The Pool has been concerned about erosion of the Board's marketing powers and the expansion of the open market for grains.
- (b) In view of the problems created by the current feed grains policy, Saskatchewan Wheat Pool urges the federal government to fulfill its earlier promise by conducting a plebiscite among Prairie grain producers to determine their views on the way domestic feed grains are to be marketed.
- (c) In view of the fact that farm input costs have increased by over thirty per cent in the past two years, Saskatchewan Wheat Pool recommends that the government undertake an immediate review of the price levels for domestic wheat and adjust them to reflect increased costs of production.
- (d) Saskatchewan Wheat Pool holds the view that both producers and consumers of grain can realize long-run benefits from the existence of a strong international agreement for the marketing of wheat and feed grains.

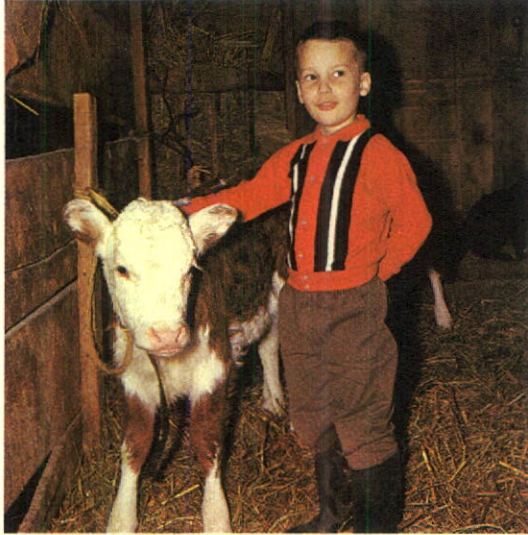
4. Livestock Production and Marketing

- (a) Since the Hog Commission has had two full years of operation it would now be desirable for the provincial government to hold a plebiscite to determine the wishes of hog producers.
- (b) The Pool endorses the free movement of live cattle and beef products between Canada and the United States.

The manner under which deficiency payments are made, under the Agricultural Stabilization Act, particularly with respect to beef, should be re-examined. The Pool suggests that the formula for payments be calculated on a monthly basis by relating the average monthly market price to the previously determined support price. Under this approach producers who happened to sell their cattle at a time of lowest prices would be eligible for the largest deficiency payment. The monthly payment system should also encourage more uniform marketing of cattle.

5. Government Support for Agriculture

- (a) Saskatchewan Wheat Pool generally endorses the proposed Western Grain Stabilization Program but feels provision should be made to take account of inflation, that farm-fed grain should be included, and that depreciation should be allowed in expenses.
- (b) Saskatchewan Wheat Pool considers it important for the provincial government and farm organizations to collectively study the long run implications of farm commodity protection plans for Saskatchewan producers.



*Pool policy benefits
farm families*

- (c) The Pool urges the federal government to share with grain producers the cost of storing a carryover quantity of each grain necessary to meet anticipated market requirements, both domestic and export. Since farm storage is one of the less expensive alternatives, incentives should be provided to encourage farmers to acquire additional facilities to store grain.
- (d) Saskatchewan Pool supports the philosophy of crop insurance and urges periodic reviews of coverage levels to ensure they are adequate.

6. Industrial Disputes

The Pool suggests that consideration should 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.

In this way normal work operations could proceed while the case was under review, there would be no interruption of business or loss of wages, and customers or users of the service would not suffer undue inconvenience.

7. Inflation

The high rate of inflation in Canada over the past two years has been of particular concern to farmers. Farmers are usually unable to pass on as increased commodity prices the rising costs of items they use in production.

Saskatchewan Wheat Pool is encouraged by the federal government's move to control inflation by introduction of a program of wage and price controls.

Governments should also:

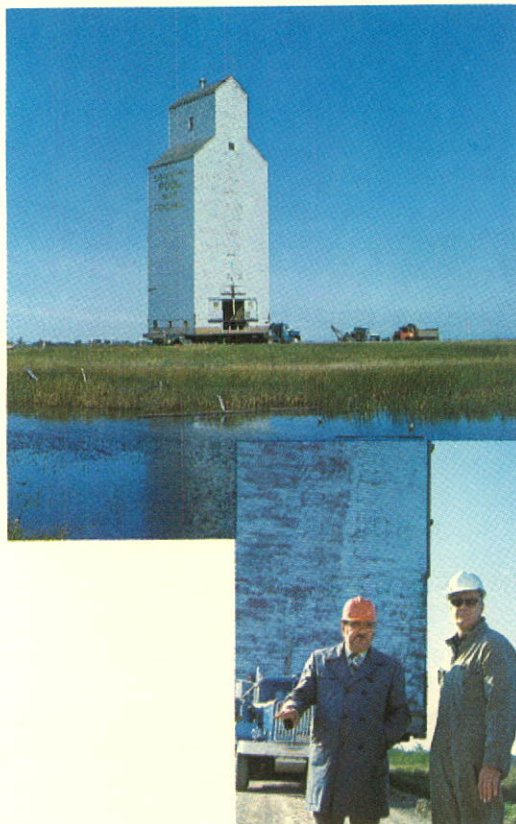
- (a) cut back on unnecessary spending,
- (b) dedicate the necessary resources to achieve effective application of the program,
- (c) possibly retain some of the program's features as a permanent part of fiscal policy for Canada,
- (d) terminate the program properly to prevent a new wave of inflation resulting.

While the federal government must take the major leadership to put in place the policies needed to curb inflation, the Pool believes every individual, business, organizations, and governments at all levels must co-operate to make the program work.

In the ordinary course of its widespread business operations, Saskatchewan Wheat Pool devotes considerable attention to farm policy issues which affect the social and economic well-being of Saskatchewan farm families. During the year Pool members and their elected representatives discuss farm policy issues at the hundreds of local committee meetings which are held throughout the province.

Farm members also put forward their ideas and concerns by submitting resolutions to the annual meeting. Policy resolutions passed at the annual meeting and ratified by the Board of Directors form the basis for Saskatchewan Wheat Pool's public policy position on agriculture.

Country Elevator Division



Total grain receipts for the year declined to 258,593,000 bushels from 330,945,000 bushels in 1973-74. This resulted in a reduction in net earnings to \$11,825,645 from \$15,399,166 in 1973-74.

Operations were hampered by poor crop conditions, shipping disruptions, and an uneven flow of deliveries during the year. Grading and warehousing problems were unusually difficult, and stations throughout the northern half of the province were severely congested most of the year with grain that could not be moved. Shipments of tough and damp grain to terminals were restricted by the drying capacity of the terminals at Thunder Bay. This impeded farm deliveries until June and July, and resulted in 41 per cent of the grain being delivered in these two months.

The new feed grain policy went into effect at the beginning of the season, with no quota restrictions. At the same time Board grains were restricted to a three-bushel quota for wheat and barley and a ten-bushel quota for oats. The low initial prices established for Board grains at the beginning of the season were not adjusted upward until the end of November. This resulted in increased deliveries to the non-Board market. Saskatchewan Wheat Pool's country elevator facilities were congested during this period and this was the main cause of a drop in market percentage.

The concept of flexible grain tariffs was introduced by the Canadian Grain Commission. The Commission set a maximum country elevation tariff of 10½¢ per bushel, and companies were allowed to file their proposed tariffs within this allowable rate for each of their handling stations.

Your Board believes that flexible tariffs are not in the producers' interest, and consequently set a uniform tariff of 8¾¢ for wheat and barley, 8¢ for rye, 7¢ for oats and 10½¢ for flax and rapeseed, for all Pool delivery stations. This was based on a careful study of projected costs and revenues for the year. Your Board believes that by maintaining efficient operations and keeping tariffs as low as possible consistent with providing the earnings required for improvement of facilities, the best interests of all producers can be served.

Receipts at Pool Elevators

	1974-75 (preliminary)	1973-74
Wheat.....	159,551,000	213,855,000
Durum	26,890,000	27,438,000
Oats.....	8,308,000	7,919,000
Barley.....	52,261,000	68,077,000
Rye.....	2,509,000	1,549,000
Flax.....	1,992,000	4,152,000
Rapeseed.....	7,082,000	7,952,000
	<u>258,593,000</u>	<u>330,942,000</u>

Non-Board feed grains receipts of 13,371,000 are included in the 1974-75 figure.

Construction and Maintenance

New construction completed during the 1974-75 season includes four 50,000 bushel elevators, four 100,000 bushel cribbed annexes, nine new dwellings and one mobile home purchased and set up as a dwelling.

Major repairs and improvements to facilities were as follows: 4 elevators moved; 4 cribbed annexes moved; 4 circular steel bins moved; 1 frame annex moved; 12 major elevator renovations; 12 50-ton scale installations; 3 scale transfers; 9 automatic overhead shipping scale installations; 11 multiple electric motor installations; 8 no. 33 cleaner installations; 7 cleaner transfers; 8 second elevating leg installations; 25

Terminal Elevator Division



car puller installations; 21 dust collector installations; 11 hopper car loading spout installations; 45 elevators dismantled; 49 temporary annexes dismantled; 6 cribbed annexes dismantled; 19 permanent frame annexes dismantled; 317 scales repaired; 3 dwellings moved; 37 major dwelling renovations.

Some new design features have been implemented in plants now under construction. These include: 10,000 bushel-per-hour automatic overhead shipping scales; electrically-powered manlifts; automatic samplers; power-controlled gates on elevating legs; automated distributors; control centres in the offices, and digital indicators for receiving scales. Experiments with new equipment installation will be continued with a view to increasing handling capabilities and reducing over-all costs.

Elevator Consolidation

The 1974-75 elevator consolidation program was finalized with the closure of 67 elevators at 41 stations effective 31st July 1975. In addition, Saskatchewan Wheat Pool facilities at 5 stations were sold to the United Grain Growers Ltd. and their facilities were acquired at 5 stations.

Operations of the Terminal Elevator Division for the crop year 1974-75 resulted in net earnings of \$5,967,244, compared with \$7,849,674 in 1973-74. In addition, earnings from Pacific Elevators Limited amounted to \$96,142, compared with \$772,803 in 1973-74.

Terminal operations both east and west were hampered during much of the year by strikes and slow-downs. It has been estimated that grain movement was disrupted in some part of the system during 143 of the normal 220 working days of the year, or approximately 65 per cent of the time. Government intervention and publicity was focused on the Grain Workers' strike in Vancouver. However, work stoppages such as those by the Great Lakes shipping fleet, by West Coast longshoremens, and by Government Grain Inspectors, weighmen and samplers, were equally serious and damaging to the movement.

A larger than normal variety of grades and large volumes of tough and damp grain also limited handling capacity. There were few times during the year under review that plants were not operating with some degree of congestion.

Receipts of various grains in Saskatchewan Wheat Pool terminals at Thunder Bay in 1974-75 totalled 220,962,897 bushels compared to 234,700,277 in the preceding year.

The 1974 Great Lakes shipping season closed on 17th January 1975, and the new season opened on 26th March 1975, making a relatively short closed season. This fact, along with a strike of federal government workers during February and March, greatly reduced rail movement from Thunder Bay east during the winter months. Only 14 unit trains were loaded with Canadian Wheat Board grains for export, compared with 75 in the previous winter. Domestic rail shipments were also severely reduced.

Grain cleaning operations were reduced considerably during the year, as the large quantities of low-grade grain handled carry a higher tolerance level for foreign materials. This also reduced the volume of by-products.

The large volume of high-moisture grain harvested in the fall of 1974 put all drying equipment at Thunder Bay to full use during the crop year. A total of 37,000,000 bushels of grain were artificially dried compared with 16,000,000 in 1973-74.

Receipts at the North Vancouver plant were 51,262,457 bushels, compared with 62,212,415 bushels in the previous year. Four major work stoppages accounted for a loss of 25 per cent of normal working days.

A total of 4,585,000 bushels of wheat and 11,767 bushels of barley were dried at the North Vancouver plant. This was not as great as was anticipated.

Farm Service Division



Farm Service Division sales for 1974-75 were \$56,112,738. This was the fifth straight year in which a sales increase of 30 per cent or more was achieved. While part of the increases were due to inflation, they nevertheless represent a steady growth in volume, and reflect a dramatic improvement in cash farm income since 1970.

Net earnings of the Division for 1974-75 were \$5,943,806, compared with \$6,079,126 in 1973-74. Reduced earnings were due to sharply increased operating costs and a decrease in margin on sales.

Operations

During the year an extensive capital budget program was undertaken to improve facilities throughout the system. The highlight of the year was the opening of the new Regina Farm Service Centre in conjunction with the new Livestock Market and other services provided in the complex. A new Farm Service Centre was also completed at Outlook.

Bulk fertilizer plants were built at Weyburn, Regina, Saskatoon and Unity, and an elevator at Rosthern was converted to handle bulk fertilizer. Additional warehousing was provided at Whitewood, Humboldt and Prince Albert. At Melfort a service station was purchased and converted into a retail outlet. Sites were acquired at Nipawin and Leader for new Farm Service Centres.

Twelve fertilizer storage sheds were built and nine moved to new locations during the year. There are now 729 sheds in the system with storage capacity for 65,000 tons of fertilizer. Four elevator stations now have bulk fertilizer facilities.

The seed testing laboratory at Moose Jaw has had an extremely busy year; 24,762 seed samples were germinated. This is the highest number since 1968-69 when 25,774 samples were done. Over the seven years in which this service has operated, it has averaged 15,000 tested samples per year.

Sales Volume

	1974-75	1973-74
Fertilizer	\$18,302,513	\$11,969,736
Chemicals	16,224,780	12,071,524
Livestock Supplies	2,350,688	2,457,954
Cereal & Forage Crop Seed	6,997,644	6,820,270
Equipment	7,665,208	4,577,460
Twine & Miscellaneous Supplies	4,061,734	3,446,591
Sundry	510,171	402,008
	<u>\$56,112,738</u>	<u>\$41,745,543</u>

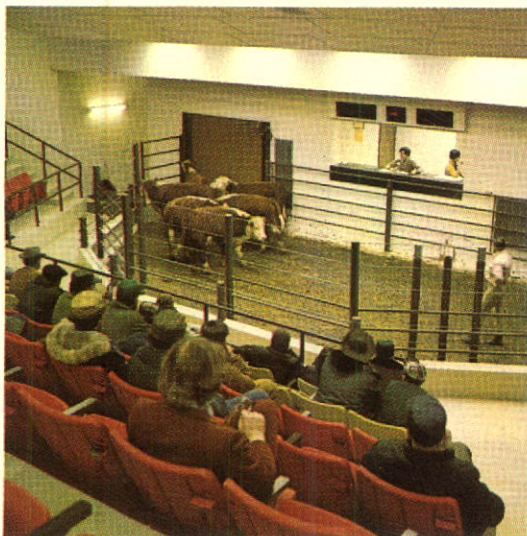
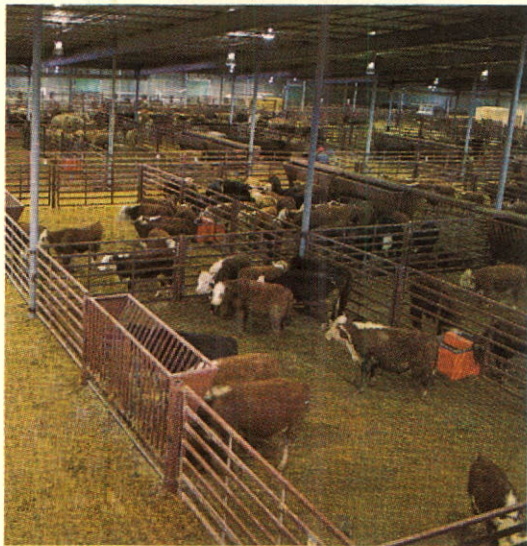
General Comments

The general shortage of fertilizers in the world and increased manufacturing costs caused wide variations in fertilizer prices during the year. Prices in Western Canada were the lowest in the world. In the United States bagged 11-48-0 fertilizer was being retailed at \$255 to \$265 per ton. In Europe the prices ranged from \$300 to \$400 per ton. Saskatchewan prices ranged from \$60 to \$80 per ton lower than the U.S. prices, and Saskatchewan Wheat Pool's prices were the lowest in the industry for most of the year. There is little doubt that the pricing policy of Saskatchewan Wheat Pool helped keep fertilizer prices at these levels in Saskatchewan.

Chemical sales set an all-time record during the 1974-75 season. Cool weather and good moisture conditions during the spring were major factors in delaying the grasshopper hatch. As a result, the predicted major outbreak did not occur and heavy inventories of insecticides were carried over at year-end.

Twine sales declined by 40,000 bales from 1973-74. Synthetic twine continued to gain a larger share of the market because of the price advantage over sisal materials.

Livestock Division



Oilseed sales increased by 84 per cent and cereal seed sales were up somewhat. However, forage seed sales dropped drastically on both the retail and export markets. High grain prices and low cattle prices discouraged farmers from sowing additional acreage for pasture or hay.

A program was initiated through the year to have a major portion of the cereal seed requirements produced under contract. This program will give some assurance that minimum quantities of seed are available and will assist in getting seed into position earlier. Total acreage placed under contract to cereals was 9,131, while 795 acres of forage seed were placed under contract.

Western Co-operative Fertilizers Limited increased their grant to the Soil Science Department, University of Saskatchewan, for fertilizer tests. The main emphasis of the research is to discover the best way to use various forms of nitrogen fertilizer. Two tests were conducted by the Pool at Melfort to compare five forms of nitrogen fertilizer.

A sunflower development program is being continued by the federal government, the Saskatchewan Wheat Pool, the University of Saskatchewan, the provincial government, and other interested organizations, and results of actual field tests, along with small plot research, will be used to determine the future production potential of this crop. The Pool is contributing \$20,000 in cash and other assistance.

Operations of the Livestock Division for the year resulted in a loss of \$685,632, compared with a loss of \$341,686 the previous year. This is the second year in history in which the Division has shown a deficit, and reflects the generally depressed market conditions in the livestock industry. While the Division handled 17,838 more cattle than in the previous year, the dollar value was \$51,554,000 less.

Improved conditions in the grain industry, increased costs of inputs, and depressed prices for slaughter cattle drastically reduced the market for feeder cattle in the province. Eastern Canadian markets were only interested in good feeders, and access to American markets was severely limited by border restrictions imposed during the year. As a result, it was difficult finding markets at any price for some types of cattle.

Operations

The completion of the Farm Service complex in Regina, which included the new livestock market, represented a milestone in the Division's history. All of the original livestock markets in the province have now been renovated. The livestock yard at Lloydminster was purchased during the year.

Hog Marketings

Saskatchewan's hog population on 1st July 1975 was 516,000, compared with 798,000 a year earlier. This represents a 35.3 per cent decline in hog numbers. In total, hog numbers in Canada were reduced by 18.4 per cent from 6,437,300 to 5,254,000.

Total Saskatchewan hog marketings during 1974-75 were 731,132, compared with 1,087,877 during 1973-74.

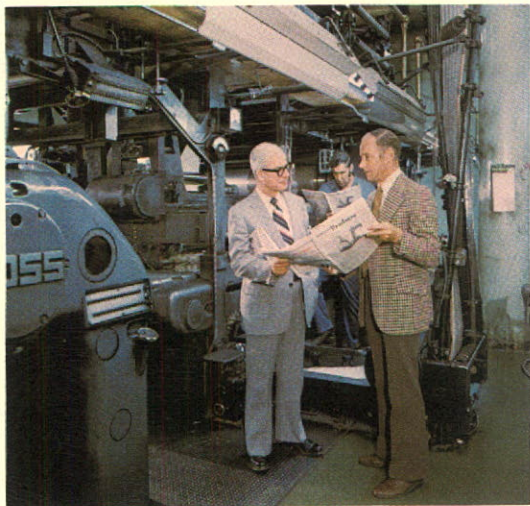
During 1974-75 the Livestock Division assembled 80,862 hogs for the Saskatchewan Hog Marketing Commission, and sold 17,300 hogs through Saskatchewan branches. The Division also handled 60,735 hogs in its Talbotville branch.

Feeder Finance Program

There were 35,712 cattle on feeder finance contracts at the beginning of 1974-75. This had decreased to 17,632 at year-end. High interest rates, high feed costs and unstable market conditions for finished cattle resulted in many feeders suffering substantial losses during the year.

The Division again supported the livestock markets through purchases of cattle to prevent distress selling. These were mainly the plainer types of cattle for which markets were not readily available.

Printing and Publishing Division



Industrial Division



The Printing and Publishing Division had a highly successful year, with net earnings of \$102,408, compared with a loss of \$70,856 in 1973-74. This was the first time since 1946-47 that the Division reported a net earning.

Commercial Printing

Commercial printing revenue from all sources amounted to \$3,100,668, compared with \$2,523,694 the previous year.

Much of the plant's productive capacity was occupied in the processing of publications, fliers, telephone directories and other types of book work.

Year-end circulation of The Western Producer was 154,079, a decline of 1,273 from the previous year-end. Fifty-one issues were published during the year, and the photocolour magazine section appeared in 31 issues.

Prairie Books

There were 37,208 books sold, including 4,738 copies of the revised Prairie Farm Account Book. Ten new titles were published and there were five reprints of previous publications. There were 37,276 calendars sold during the year.

The Western Producer

During the year The Western Producer acquired the grain and livestock report from Reuters, the British news gathering co-operative. This increased the paper's ability to cover national and international developments of special interest to readers. Similar services were purchased from the Christian Science Monitor, a respected United States newspaper, to expand coverage of a number of international topics.

Among special features carried through the year included a three-part series on the grain market outlook and a special supplement dealing with questions related to railway transportation in Western Canada.

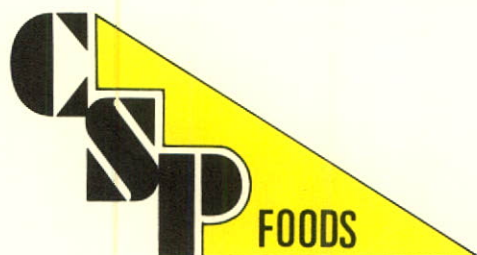
A continuing objective of your Board has been to make The Western Producer the best possible weekly newspaper serving Western Canadian farmers. Rapid development of the paper and the related services of the Printing and Publishing Division during 1974-75, has placed great pressure on plant and equipment. By year-end a review was commenced to assess the cost and benefits of various alternatives for future development.

During the year the Industrial Division underwent a major transformation coincident with the establishment of CSP Foods Ltd. In its final year as a Division, record earnings of \$3,628,991 were achieved compared with \$2,215,149 in 1973-74. It should also be noted that net earnings for 1974-75 include a full year's operations for the Flour Mill, but only eight months for the Oil Mill and Elevator, as these operations became part of CSP Foods Ltd. on 1st April 1975.

Although a generally profitable year was experienced by the milling industry, it was an exceedingly difficult one. Problems of strikes in the grain handling industry, railways, flour mills and bakeries caused serious problems in transportation and general distribution. The general shortage of high protein and high grade wheat posed problems in maintaining top quality flour.

A new flour contract was negotiated by the Canadian National Millers Association with Russia for a supply of flour to Cuba. The relaxation of the United States' "trading with the enemy" Act resulted in United States' owned mills being able to participate in this contract. The net effect is a reduction of approximately 50,000 cwt. in the Pool's annual volume.

In oil mill operations, the poor quality and the short crop produced in



1974 tended to keep Canadian rapeseed prices relatively high on a world market scale, except for a few months during the fall. The combined effect of higher freight rates on rapeseed products, plus Japanese tariff pressure on Canadian markets, continued to put the Western crusher in a difficult competitive position in vegetable oil markets.

Substantial quantities of Tower rapeseed were processed for the first time at Saskatoon and both oil and meal customers had a good opportunity to evaluate the product. Indications are that Tower rapeseed will be well received because of its higher protein in the meal and higher oil content. It also has a low glucosinolate content in the meal which increases the potential use of the meal in feed formulations.

The Grain Department contracted with growers for the production of rapeseed on 53,000 acres. Deliveries by contract growers amounted to 45 per cent of total street deliveries during the year.

The operations of the Industrial Division have proved the importance of producer participation in the added value derived from their crops through secondary processing. Members of Saskatchewan Wheat Pool have realized a significant earning on the 32 million bushels of grain processed by the Division over the last five years.

The development of CSP Foods Ltd. combines the processing operations at Altona, Nipawin and Saskatoon under the joint ownership of Saskatchewan Wheat Pool and Manitoba Pool Elevators. Your Board believes this development will further strengthen the opportunities for producers to benefit from the secondary processing of their products.

The formation of this organization represents one of the highlights of the year's activities. It started in the spring of 1974 when representatives of Saskatchewan Wheat Pool, Manitoba Pool Elevators, and Co-op Vegetable Oils Limited of Altona, Manitoba, held several meetings to consider integration of co-operatively-owned oilseed processing facilities. The 1974 Annual Meetings of all three organizations passed enabling resolutions to provide the basis for interprovincial ownership of oilseed crushing facilities. The inauguration date was set for 1st April 1975 for the new company.

In the midst of these discussions, Agra Industries Limited indicated an interest in negotiating the sale of their crushing and processing facilities at Nipawin, Saskatchewan. The plant was subsequently purchased by Saskatchewan Wheat Pool and became the first facility to be operated under the name of CSP Foods Ltd. (The name is derived from the words "Co-operative Seed Processors".)

Following the merger of the Altona based Co-op Vegetable Oils Limited with Manitoba Pool Elevators, these facilities and the plant owned by Saskatchewan Wheat Pool at Saskatoon, were consolidated into the CSP Foods Ltd. operation.

CSP Foods Ltd. represents a consolidation of Western Canada's oldest and most experienced crushing organizations. Total capacity of plants owned by the company is over 1,100 tons per day. Refineries at Altona and Nipawin are jointly capable of producing over 180 tons of finished oil per day. Facilities at Nipawin for the production and packaging of margarine and shortening are leased to Westminster Foods Ltd., but are operated under a management contract by CSP Foods. Westminster Foods Ltd. is a subsidiary of Agra Industries Limited, and markets the products across Canada.

CSP also assumed responsibility for management of the Saskatchewan Wheat Pool Flour Mill in Saskatoon under a management contract with Saskatchewan Wheat Pool.

There were several factors which led to the decision to form CSP Foods Ltd. These included participation of government and foreign in-

Personnel and Organization Division

Corporate Engineering Division

terests in the development of several additional crushing plants in Western Canada, and the excess capacity and shortages of raw product that might result from all these new plants coming into production. The participating organizations also had a vision of developing a co-operatively-owned oilseed processing industry, with the research and marketing expertise to further develop the rapeseed industry for the mutual benefit of producers.

The mandate CSP Foods Ltd. has from its producer-owners is as follows: To offer another effective marketing outlet for farm products; to expand the use of field crops in the food processing industry through the use of modern research and technology; and to extend the interests of its farmer-owners one more step in the food processing chain of Western Canada.

The Division was presented with many diverse activities and challenges during the year. Contributing to the challenges were an unusually high staff turn-over, a heavy recruitment load, requests for organizational reviews by Divisions, and increased industrial relations activities. In addition, staff changes were experienced in several senior management positions within the Division.

During the year the Division conducted in-house training courses, workshops and seminars, involving 407 employees in training experiences.

Industrial Relations

The Industrial Relations function in the Company presents unique challenges. This is due to the fact that Saskatchewan Wheat Pool has about 4,000 employees distributed across half a continent, and organized into twelve separate bargaining units in eight different bargaining agencies.

Safety Department

The Safety Department was organized to provide services on a corporate basis in the promotion of safe working practices, inspection of operations to ensure adherence to safety regulations, investigation of accidents to determine the cause and suggest preventative measures, and consultation with employees, supervisors and management to help create a safe and healthy working environment.

Staff Distribution

On 31st July 1975, the Saskatchewan Wheat Pool had 4,016 employees in regular employment. This was made up of 343 management, supervisory and professional personnel; 2,056 monthly salaried employees and 1,617 in regular hourly employment. A year ago the total was 4,056.

Corporate Development

During the year the developmental work of the Division was mainly carried out through design committees. Such committees were active in the Country Elevator Division, Terminal Elevator Division, and Printing and Publishing Division. Some development work was also done for Farm Service Division, and for CSP Foods Ltd.

Elevator Design Committee

The Elevator Design Committee carried out considerable development work on cribbed country elevators. For plants capable of handling up to two million bushels per year no advantage was seen in departing from wood construction. However, significant advantage was seen in departing from existing materials handling and control systems.

Information Division

The following changes are typical: electronic output from receiving scale; increase in elevator leg capability; installation of automatic samplers; use of motorized distributors; installation of electronic automatic shipping scale; provision of shipping surge bins; provision of longer rail sidings; provision of remote control systems; improvement in cleaning arrangement; appropriate modifications to the office.

All the elevators being constructed in the 1975 season incorporate all or most of the above changes. Performance will be evaluated against cost to provide data on which future decisions can be based.

Corporate Engineering Division participated in evaluation of the rapeseed oil plant at Nipawin prior to its purchase from Agra Industries. Subsequently, the Division has been involved with major improvements to the seed handling and processing facility.



Regarding Information services, in addition to a higher number of news releases (176 compared with 169 in 1973-74) the Division introduced Pool View in the weekly newspapers and news conferences with senior officials and other programs to heighten attention to Pool affairs. Regular Pool radio and television broadcasts were presented.

In advertising, highlights were: (1) a campaign to preserve Crow rates; (2) out-of-province efforts to alert the general public to the significance of agriculture and the Pool's quest for proper public policies; (3) efforts to draw attention of producers to the importance of a strong Canadian Wheat Board Advisory Committee.

Public relations saw the Division assume responsibility for member, director and delegate study tours. It continued public relations work relating to visiting groups and various company functions. It also assumed responsibility for corporate donations.

Among numerous publications issued were the condensed version of the annual report for distribution to members, the Pool calendar, and a summary of 50th Anniversary activities.



Committees

The number of Wheat Pool committees was reduced from 844 to 811 this year. This compares with a reduction of 37 during the previous year.

Membership of Saskatchewan Wheat Pool at 31st July was 100,322, compared with 100,921 on the same date in 1974; 3,324 new members joined the organization, and 3,923 were paid out in full.

District Delegate Meetings

A total of 77 district meetings were held during the year. The general format and purpose of the district meetings remain similar to past years, with emphasis on updating delegates on the operations of the organization; preparing delegates for upcoming district and sub-district programs; reviewing district resolutions; and passing resolutions to indicate the desires of the district delegates.

Youth Programs

Emphasis was placed on the involvement of the younger members in the organization this year.

Support of the co-operative youth program continued.

In addition, the Board continued its support of the youth program with a commitment to another three-year budget for the Co-op Youth Program co-ordinated by the Co-operative College of Canada.

Extension Division

Research Division

**Canadian
Co-operative
Wheat Producers
Limited**

Winter Program

One of the most successful winter programs in recent years was completed on the subject of grain handling, transportation, and freight rates. There was also a general support by members for the Pool's Development Plan for the Country Elevator system.

Special Programs

There has been a growing interest in the use of slide-tape programs as a means of stimulating discussion on various topics. During the past year programs were completed on topics such as Farm to Freighter; Co-op Development; Production Co-ops; Co-operation — a Method; and Metric Conversion.

A pamphlet on the Crowsnest Pass railway rates was completed and distributed in the early fall of 1974. During the winter months a pamphlet on "The Farmer and the Futures Market" was researched, written and, at year-end, was at the printers.

Possibly the year's most significant work was a very extensive and detailed analysis of the rail network in this province, resulting in a report which formed the basis for discussions and presentations to the Hall Commission on Grain Handling and Transportation.

The Division participated actively in the development and preparation of proposals made by the Pool to Federal and Provincial Governments on a wide range of subjects which affect the economic and social well-being of farmers and their families.

Responsibility for preparation of the Pool's crop report was transferred to the Division. In addition to the public information use of this report, greater emphasis is being given to an internal report concerned with the commercial significance of the crop to the Pool's operating decisions.

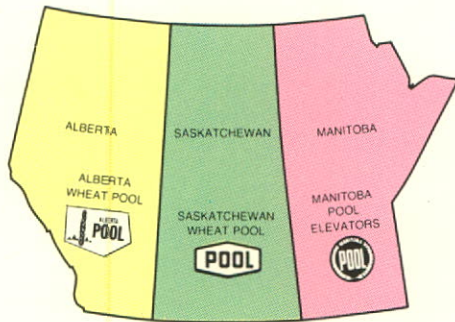
During the year, work was completed on editing and publication of a booklet describing the historical development of rapeseed as a major crop in Western Canada.

The Research Division carried out some analysis of a proposal by a group of producers to build and operate a large inland grain handling facility.

During the year a member of the Division participated in a three-month study in Lesotho, Africa, under sponsorship of the Canadian International Development Agency. Purpose of the assignment was to determine whether oilseed crops could be grown and processed in that country.

The Research Division administers the Pool's scholarship and bursary program.

Over the past two years there has emerged a greater recognition of the importance of agriculture and food production in the world. Farmers are capable of responding to meet the food needs of the world, provided their returns are compensatory. A major and important element in the food production chain is transportation to move farm commodities to export markets. During the past two years grain exports have been hampered by strikes, and our reputation as a reliable supplier is at stake. The future for 6,283 miles of Prairie branch lines is currently under review and the outcome will have a significant bearing on the grain handling and transportation system that will evolve.



Canadian Co-operative Wheat Producers Limited performs the role of spokesman for the three Wheat Pools on a number of agricultural policy questions in which their interest is common.

The three Pool organizations will continue to give leadership in the development of grain handling systems having the capability to assemble and move Canadian grains to markets both in Canada and abroad with speed and efficiency, and without excessive cost to grain producers.

It is recognized that some changes are desirable, however the primary concern of your Board is that the interests of grain producers are properly recognized and protected in the future development of the system.

In recent years the three Pools have done a great deal to improve their elevator system by removing inefficient or uneconomic units. Recognizing that producers require adequate service within a reasonable distance, the consolidation program has been accompanied by a program of renovation and reconstruction.

To develop a grain handling system that meets the needs of its member producers, your Board considers it important that grain handling facilities be owned and controlled by farmers.

The Board of CCWP supports the single selling agency role of The Canadian Wheat Board in the marketing of Western Canadian grain. Your Board is concerned about the erosion of the Wheat Board's marketing powers and the expansion of the open market for feed grain. It is incompatible to operate the two diverse systems parallel, with each system having partial control over the same grains.

There is a danger that export grains handled by the Board could become a residual movement in terms of priority within Canada, and destroy the effectiveness of the Board as a marketing agency.

Your CCWP Board holds the view that both producers and consumers grains can benefit from the existence of a realistic and strong international agreement for the marketing of wheat and feed grains.

Industrial Disputes

The increasing frequency and duration of disputes is upsetting the rhythm of grain movement and Canada's reputation as a reliable supplier of export grain has already been damaged. There is evidence that the Canadian economy is moving into an era of increased confrontation between labour and management as indicated by the number of lost man days due to strikes and lockouts.

The Board of CCWP would recommend a complete re-examination of the collective bargaining process and of labour legislation in Canada, with a view of implementing changes which would bring improvement and be supported by the parties involved.

World Food Conference

There is currently widespread concern about the future of food production in the world and whether it will be adequate to meet the needs of mushrooming world population.

The Conference helped focus attention on the fact that unless farmers receive an adequate income, production of food isn't likely to increase.

Sixty million tonnes were proposed as a global grain reserve at the November World Food Conference in Rome. Opinion since then seems to have centred on a stock of between thirty and thirty-five million tonnes of basic food grains, comprising of wheat, rice and coarse grains for food, as providing an adequate buffer against serious world shortages.

XCAN Grain Ltd.

Western Co-operative Fertilizers Limited

Henninger Malting (Saskatchewan) Limited

The past year's operations were satisfactory from an earnings standpoint, and the company continued to build a sound base for future development at home and overseas.

The establishment of an office in Tokyo in December 1974, was one step in overseas development.

Production records were again set at both the Calgary and Medicine Hat plants.

Out of earnings for the 1974-75 season, \$6,151,440 was allocated to the principals as patronage dividends.

Emission control requirements will necessitate a major capital expenditure at both plants, to meet ever-tightening limits set by provincial regulations.

The influence of the presence of a strong co-operative production and marketing capability in the fertilizer industry was most evident in the past year, with prices in Western Canada held below those in other areas, and significantly below prices in the United States.

During the year Saskatchewan Wheat Pool committed itself to participate in a minority share interest in a malting barley plant at Biggar, Saskatchewan. The controlling interest is held by a group associated with Henninger International of Frankfurt, Germany, a major European malting company. The major Canadian interest is held by the Province of Saskatchewan through SEDCO. The plant is scheduled for completion in late 1976 and will use approximately 3¼ million bushels of malting barley annually.

The project represents the first time that Saskatchewan Wheat Pool has entered into a joint business venture with a government and a private investor. The Pool's purchase of shares was contingent upon a malting barley supply agreement between Saskatchewan Wheat Pool and the new company.

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 31st July 1975, in the amount of \$26,878,604, be allocated as follows:

GRAIN:

Patronage dividend at the rate of 7½¢ per bushel, to be applied in payment of shares allotted pursuant to Article 19 of the Articles of Association of the Company, estimated..... \$ 18,951,460

FARM SUPPLIES:

Patronage dividend at the rate of 10.5 per cent of the value of farm supply purchases, to be applied in payment of shares allotted pursuant to Article 19 of the Articles of Association of the Company, estimated 5,160,855

Total Patronage Dividend, estimated	\$ 24,112,315
Provision for Income Tax, estimated.....	2,064,000
Transfer to Unallocated Earnings Retained from Prior Years.....	702,289
	<u>\$ 26,878,604</u>

The Board said about \$12,232,000 would be paid to or on behalf of members in the current year as follows:

(1) the sum of approximately \$4, 415,000 be used as required in 1975-76 for the purchase of equities of members in all eligible categories — estates, retirements, and repayment of 50 per cent of the equity of members reaching age 69 by 31st July 1975. The latter amount provides for a phasing in of the equity revolvment procedures approved at the 1974 Annual Meeting of Delegates;

(2) after allocation to shares of the 1974-75 patronage dividend, and payment of withholding tax, a sum of approximately \$4,917,000, representing a four percent purchase of share equity, be paid to members not attaining the age of 65 by 31st of July 1975, and (upon application), a 20 per cent purchase of share equity to members whose age at 31st July 1975 was between 65 and 68 years and 20% to each member whose shares in excess of the qualifying shares required to continue membership have heretofore been purchased by the company. The minimum payment to any member shall not be less than \$4.00;

(3) an estimated \$2,900,000 will be paid to the Receiver General for Canada as a prepayment of income tax on behalf of the shareholders whose total dividends earned for the year exceeded \$100.

AUDITORS' REPORT

The Shareholders
Saskatchewan Wheat Pool
Regina, Saskatchewan

We have examined the consolidated balance sheet of Saskatchewan Wheat Pool and its subsidiary company as at July 31, 1975 and the consolidated 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 companies as at July 31, 1975 and the results of their operations and the changes in their 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.

Regina, Saskatchewan
October 6, 1975

TOUCHE ROSS & CO.
Chartered Accountants

SASKATCHEWAN WHEAT POOL CONSOLIDATED BALANCE SHEET AT JULY 31, 1975

Statement 1

ASSETS		1975	1974
Current			
Cash	\$	1,907,448	\$ 2,093,878
Guaranteed term deposits		51,661,082	—
Accounts receivable		40,781,762	31,898,387
Inventories (Note 1b)		271,016,265	405,624,448
Prepaid expenses		2,353,937	2,307,206
Prepayment on income taxes		965,065	858,235
		<u>\$368,685,559</u>	<u>\$442,782,154</u>
Accounts Receivable Deferred		11,269,461	3,698,259
Investments and Memberships at cost (Note 1d)		8,580,712	8,548,859
Fixed Assets, at cost (Note 1e) Sites, buildings, machinery and equipment \$175,968,024 Less accumulated allowance for depreciation		106,232,592	69,735,432
			66,445,507
Deferred Charges Stocks of repair parts and supplies		878,162	641,034
Goodwill, at cost less amounts amortized (Note 1f)		2,197,952	1,861,294
		<u>\$461,347,278</u>	<u>\$523,977,107</u>

On behalf of the Board
E. K. Turner, Director
Donald M. Lockwood, Director

LIABILITIES AND CAPITAL		1975	1974
Current			
Cheques and orders outstanding ..	\$251,677,600	\$311,785,134	
Bank loans — secured (Note 2)....	1,500,000	25,200,000	
Notes payable	—	3,400,000	
Accounts payable.....	54,391,986	41,265,346	
Debtenture loan due before July 31, 1976	1,825,000	1,325,000	
Members' term loans due before July 31, 1976	7,694,688	2,169,651	
Unallocated earnings (Statement 2) (Note 1g).....	26,878,604	32,101,290	
	<u>\$343,967,878</u>	<u>\$417,246,421</u>	
First Mortgage Debtenture Loan (Note 3)		8,275,000	10,100,000
North Vancouver Terminal Loan		—	1,775,427
Members' Term Loans		3,494,448	7,898,484
	<u>\$355,737,326</u>	<u>\$437,020,332</u>	
Capital (Note 4)	Authorized		
120,000,000 shares of \$1 each	<u>\$120,000,000</u>		
Allotted and fully paid 86,296,706 shares.....	\$ 86,296,706		
Allotted and partly paid 78,838 shares	39,475	86,336,181	69,536,917
Unallocated Earnings Retained From Prior Years (Statement 2a)		19,273,771	17,419,858
Commitments and Guaranties (Note 5)			
	<u>\$461,347,278</u>	<u>\$523,977,107</u>	

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

Statement 2

CONSOLIDATED STATEMENT OF UNALLOCATED EARNINGS FOR THE YEAR ENDED JULY 31, 1975

	1975	1974
Unallocated Earnings, at beginning of year	\$32,101,290	\$22,636,244
Allocated to or on behalf of members ..	29,517,253	21,363,342
Attributed to business with non-members	\$ 2,584,037	\$ 1,272,902
Deduct provision for income taxes	920,000	612,000
	<u>\$ 1,664,037</u>	<u>\$ 660,902</u>
Transferred from (to) unallocated earnings retained from prior years	(1,664,037)	(660,902)
	<u>nil</u>	<u>nil</u>
Add corporate net earnings for the year - Statement 3	26,878,604	32,101,290
Unallocated Earnings, July 31	<u>\$26,878,604</u>	<u>\$32,101,290</u>

Statement 2a

CONSOLIDATED STATEMENT OF UNALLOCATED EARNINGS RETAINED FROM PRIOR YEARS FOR THE YEAR ENDED JULY 31, 1975

	1975	1974
Balance of Unallocated Earnings Retained from Prior Years, at beginning of year	\$17,419,858	\$16,135,912
Transferred from (to) unallocated earnings	1,664,037	660,902
	<u>\$19,083,895</u>	<u>\$16,796,814</u>
Net earnings of subsidiary companies, profit or loss on disposal of fixed assets, and adjustment of prior years patronage dividends - net	189,876	623,044
Balance of Unallocated Earnings Retained from Prior Years, July 31	<u>\$19,273,771</u>	<u>\$17,419,858</u>

Note: Bracketed amounts represent deductions.

SASKATCHEWAN WHEAT POOL

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED JULY 31, 1975

Statement 3

	1975	1974
Revenue from Sales and Services	\$1,148,156,702	\$1,092,267,687
Cost of Sales and Services	1,103,536,094	1,040,987,466
	<u>\$ 44,620,608</u>	<u>\$ 51,280,221</u>
Selling and Administrative Expenses	17,838,146	20,149,647
	<u>\$ 26,782,462</u>	<u>\$ 31,130,574</u>
Net Earnings from Operations		
Country Elevator Division.....	\$11,825,645	\$15,399,166
Terminal Elevator Division.....	5,967,244	7,849,674
Farm Service Division	5,943,806	6,079,127
Industrial Division	3,628,991	2,215,149
Livestock Division.....	(685,632)	(341,686)
Printing and Publishing Division.....	102,408	(70,856)
	<u>\$26,782,462</u>	<u>\$31,130,574</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.....

96,142

772,803

Western Co-operative Fertilizers Limited

Patronage Loans

—

197,913

NET EARNINGS

\$ 26,878,604

\$ 32,101,290

Note: Bracketed amounts represent deductions.

Statement 4

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED JULY 31, 1975

	1975	1974		1975	1974
Working capital was provided by			Working capital was used for		
Prior year's earnings			Fixed asset additions - net of disposals..	\$10,969,744	\$ 9,085,131
Amounts allocated to or on behalf of members.....	\$29,517,253	\$21,363,342	Current maturity on first mortgage debenture loan.....	1,825,000	1,825,000
Less amounts paid	8,832,569	6,776,044	Payments to members on North Vancouver terminal loan.....	1,775,427	1,994,660
	<u>\$20,684,684</u>	<u>\$14,587,298</u>	Purchase of members' equity from eligible categories	3,902,035	3,080,716
Transferred to unallocated earnings	1,664,037	660,902	Redemption of note payable to Manitoba Pool Elevators	—	1,132,245
	<u>\$22,348,721</u>	<u>\$15,248,200</u>	Decrease in members' term loans	4,404,036	526,368
Current operations			Increase in deferred accounts receivable..	7,571,202	1,890,358
Corporate net earnings.....	\$26,878,604	\$32,101,290	Purchase of investments	1,031,853	335,375
Add items not requiring use of funds....	7,983,035	7,000,725	Other uses	877,002	487,621
	<u>\$34,861,639</u>	<u>\$39,102,015</u>		<u>\$32,356,299</u>	<u>\$20,357,474</u>
Redemption of Western Co-operative Fertilizers Limited bonds	1,000,000	1,000,000	Earnings from current operations not yet allocated	26,878,604	32,101,290
Other sources	206,491	640,595		<u>\$59,234,903</u>	<u>\$52,458,764</u>
	<u>\$58,416,851</u>	<u>\$55,990,810</u>			
			Increase (decrease) in working capital	(818,052)	3,532,046
			Working capital, at beginning of year	25,535,733	22,003,687
			Working capital, July 31	\$24,717,681	\$25,535,733

Note: Bracketed amounts represent deductions.

SASKATCHEWAN WHEAT POOL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 1975

1. SIGNIFICANT ACCOUNTING POLICIES

a) Consolidation

During the year all of the subsidiary companies were wound up and their assets were transferred to the company at book value, with the exception of Saskatchewan Co-operative Live-stock Producers Limited. This subsidiary is in process of winding up and its accounts, which are not of material amount, are included in the financial statements at July 31, 1975.

b) Inventories

	1975	1974
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	\$223,301,026	\$341,840,391
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 margins	20,914,369	46,064,438
Other inventory valued at the lower of cost (principally average cost) and net realizable value, or on the basis of open sales contracts	26,800,870	17,719,619
	<u>\$271,016,265</u>	<u>\$405,624,448</u>

c) 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.

d) 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.

e) Fixed Assets

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

f) Goodwill

The company's policy is to amortize purchased goodwill over a 10-year period. The balance of \$1,861,294 at July 31, 1974 will be completely amortized by 1982, and the addition of \$639,874 in 1975 will be amortized by 1985.

g) 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 \$8,275,000 plus \$1,825,000 included in current liabilities represents borrowings from Saskatchewan Co-operative Credit Society Limited of \$6,300,000, and Co-operative Fire and Casualty Company of \$3,800,000, bearing interest at 7¼%, and repayable at \$1,825,000 in the year ending July 31, 1976 and \$1,325,000 per year thereafter. 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 \$6,000,000.

4. Capital

The following statement shows the changes in capital account during the year ended July 31, 1975:

Balance at July 31, 1974		\$69,536,917
Add: New shares allotted	\$ 16,615	
Allocated from 1973-74 earnings - net	24,335,672	24,352,287
		<u>\$93,889,204</u>
Less: 4% refund	\$ 3,650,988	
Purchased from eligible categories	3,899,836	
Address unknown - cancelled - net	2,199	7,553,023
Balance at July 31, 1975		<u>\$86,336,181</u>

By resolution of delegates, authorized capital was increased from \$80,000,000 to \$120,000,000 during the year.

5. Commitments, Guaranties, and Contingent Liabilities

At July 31, 1975 planned future expenditures on authorized capital programs approximated \$24,040,000.

The company has guaranteed a bank loan of XCAN Grain Ltd. to a maximum of \$166,666 and borrowings of Western Co-operative Fertilizers Limited to a maximum of \$2,000,000.

The company guaranteed a bank loan of Canadian Co-operative Implements Limited to a maximum of \$5,000,000, which was reduced to \$3,500,000 subsequent to the year-end.

Agreement was reached prior to July 31, 1975 to purchase 300,000 common shares (a minority interest) in the capital stock of Henninger Malting (Saskatchewan) Ltd., at their par value of \$2 per share.

The company has guaranteed the Saskatchewan Economic Development Corporation loan of CSP Foods Ltd., which amounted to \$3,240,185 at July 31, 1975. The company owns a 50% interest in CSP Foods Ltd.

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 \$11,270,644 and are required to be made in varying amounts over the next 17 years. During the current year, payments totalling \$814,170 were made to the plans in respect of past services.

SASKATCHEWAN WHEAT POOL DELEGATES 1974-1975



DISTRICT 1

Left to right, D. F. Wilmut, Carnduff; R. W. Luterbach, Lampman; J. Kish, Estevan; W. R. Hjertaas, Wauchope; E. O. Johnsrude, Weyburn; D. W. Bryson, Estevan; L. Clark, Willmar; H. E. Voelting, Weyburn.



DISTRICT 2

Left to right, G. Muldoon, Crane Valley; J. A. Larsen, Radville; J. Lindsay, Limerick; O. E. Dahl, Viceroy; O. G. O'Neill, LaFleche; T. C. Jacques, Khedive; K. A. Elder, Coronach; missing G. Gording, Rockglen.



DISTRICT 3

Left to right, R. A. Thomson, McCord; G. A. Sanderson, Consul; C. M. Rapley, Climax; G. C. Anderson, Val Marie; G. E. Murphy, Neville; H. E. McDonough, Cadillac; H. V. Anderson, Shaunavon; missing V. D. Ross, Hazenmore.

DISTRICT 4

Left to right, J. A. Anderson, Cabri; R. W. Benjamin, Swift Current; V. J. Sawby, Maple Creek; G. J. Toews, Waldeck; A. Myrol, Fox Valley; H. Yackel, Leader; C. E. Hurch, Lancer.



DISTRICT 5

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



DISTRICT 6

Left to right, J. W. Russell, Craven; W. H. Brunskill, Pense; A. P. Kambeitz, Sedley; S. G. Petruic, Avonlea; H. C. Wilkie, Yellow Grass; R. T. Gray, Indian Head; J. M. Hubbs, Milestone; H. W. Nicholson, Abernethy; R. D. McKell, Regina.



DISTRICT 7

Left to right, W. J. E. Glydon, Kipling; L. M. Merkel, Broadview; C. Couckuyt, Montmartre; S. J. Pask, Atwater; E. Knuttila, Rocanville; A. A. Adamson, Fairlight; D. B. Sefton, Broadview; G. Stevenson, Whitewood.

DISTRICT 8

Left to right, J. Harasen, Wroxton; T. W. Wood, Yorkton; W. Schutz, Saltcoats; N. Wetterlund, Sturgis; C. D. Lukey, Norquay; E. Mitrenga, Melville; M. Kostichuk, Insinger; D. M. Sklaruk, Canora; missing P. P. Horkoff, Kamsack.



SASKATCHEWAN WHEAT POOL DELEGATES 1974-1975



DISTRICT 9

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



DISTRICT 13

Left to right, A. Thoen, Viscount; S. M. Smith, Allan; E. Wiebe, Langham; G. A. Wilson, Saskatoon; W. B. Mundell, Leroy; J. B. Buchinski, Cudworth; J. Kurysh, Vonda; R. J. Gerwing, Lake Lenore; G. P. Burton, Humboldt; C. E. Weir, Perdue.



DISTRICT 10

Left to right, G. N. Robbins, Laura; P. M. Paulsen, Hanley; K. W. Elder, Simpson; D. M. Lockwood, Regina; P. D. Wensley, Wiseton; D. E. Rue, Watrous; N. E. Tuplin, Beechy; R. Bristow, Strongfield.



DISTRICT 14

Left to right, G. R. Lowndes, Kelvington; D. N. MacDonald, Wadena; H. G. Yelland, Porcupine Plain; M. R. Turnquist, Prairie River; A. T. Groat, Melfort; G. Bone, Tisdale; L. H. Hleck, Codette; L. T. McConaghy, Beatty; F. G. Adames, Tisdale; L. D. Loyns, Lac Vert.



DISTRICT 11

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



DISTRICT 15

Left to right, J. W. Marshall, Regina; L. J. Larsen, Canwood; F. J. Meyers, Meath Park; J. L. Yeaman, Birch Hills; S. C. Belt, Spruce Home; N. L. McTaggart, Choceland; N. C. Hazelwood, Prince Albert; H. R. Bastness, Hagen; J. A. Weathered, Marcellin; W. H. Funk, Laird.

DISTRICT 12

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

DISTRICT 16

Left to right, E. K. Turner, Regina; G. A. Ross, Paynton; W. N. Stroman, Meadow Lake; C. J. Story, Leoville; F. Seidle, Medstead; A. Harbin, Lashburn; H. W. Moffatt, Denholm; G. R. Warrington, Mervin; J. Simmonds, Speers; L. J. Weber, N. Battleford.



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