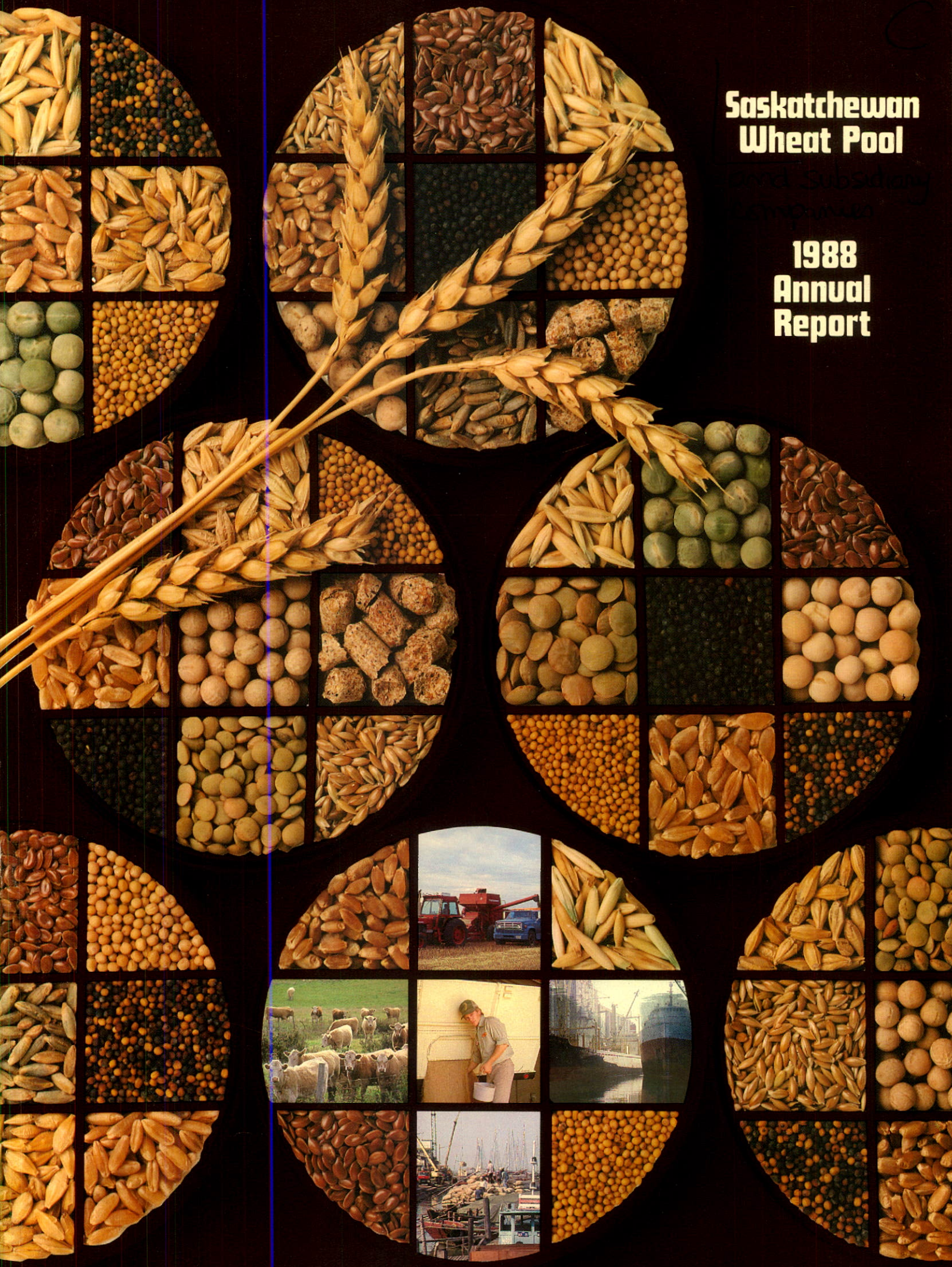


# Saskatchewan Wheat Pool

Food Subsidiary  
Companies

## 1988 Annual Report





## Key to Cover Photo

- |                      |                        |
|----------------------|------------------------|
| 1. Dumont Oats       | 26. Green Peas         |
| 2. Horizon Canola    | 27. Norlin Flax        |
| 3. Kyle Durum        | 28. Laird Lentils      |
| 4. Harrington Barley | 29. Legend Canola      |
| 5. Green Peas        | 30. No. 2 Century Peas |
| 6. Mustard           | 31. Oriental Mustard   |
| 7. Canaryseed        | 32. Wakooma Wheat      |
| 8. Norlin Flax       | 33. Horizon Canola     |
| 9. Calibre Oats      | 34. Norlin Flax        |
| 10. Lancer Wheat     | 35. Yellow Mustard     |
| 11. Legend Canola    | 36. Green Peas         |
| 12. Yellow Mustard   | 37. Horizon Canola     |
| 13. Century Peas     | 38. Harrington Barley  |
| 14. Prima Fall Rye   | 39. Kyle Durum         |
| 15. Pellets          | 40. Katepwa Wheat      |
| 16. Norlin Flax      | 41. Dumont Oats        |
| 17. Klages Barley    | 42. Norlin Flax        |
| 18. Mustard          | 43. Oriental Mustard   |
| 19. Wakooma Wheat    | 44. Johnston Barley    |
| 20. Trapper Peas     | 45. Eston Lentils      |
| 21. Pellets          | 46. Canaryseed         |
| 22. Legend Canola    | 47. Trapper Peas       |
| 23. Eston Lentils    | 48. Horizon Canola     |
| 24. Elias Canaryseed | 49. Lancer Wheat       |
| 25. Calibre Oats     |                        |

## Doing Business in the Global Village

Many people living today can remember when a farmer would leave home early in the morning with his team and sleigh, hauling 60 bushels of grain. He would drive five miles or so to town, sell his grain, buy some groceries, and return. The round trip would take all day.

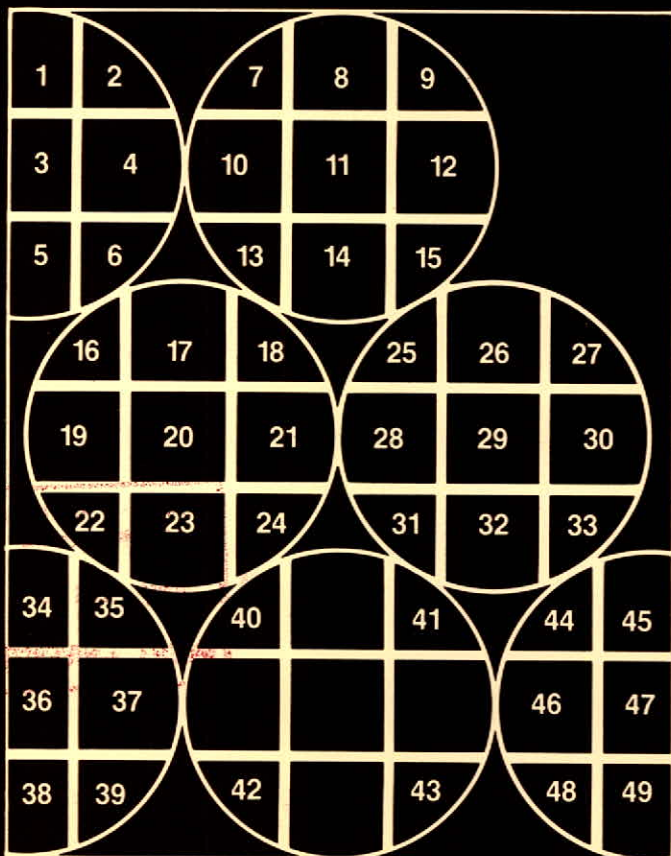
Today, in about the same amount of time, he could be in downtown Beijing, where he would probably find products made from grain or oilseeds that he grew back home in Saskatchewan.

The world has become a global village, and Saskatchewan Wheat Pool and its farmer-members are citizens of it.

The seeds pictured on the cover and throughout this Annual Report represent the Pool's status as an international trader. Through CSP Foods and XCAN Grain, we provide a wide variety of grains, oilseeds and pulse crops to many countries in every corner of the world. All of these crops are part of the diversified production of Saskatchewan farmers—our members.

Every year, our international marketing efforts are intensified. As we approach the 1990s, we are aggressively developing new markets, at home and abroad, for the products of our members' farms. We're becoming stronger in value-added processing. And we're finding new ways to help farmers stay on the land, doing the job they do best.

Through the efforts of Pool people, through co-operation with associated companies, and through strategic partnerships with other organizations, the Pool is helping Saskatchewan farmers find a secure place in the global village.

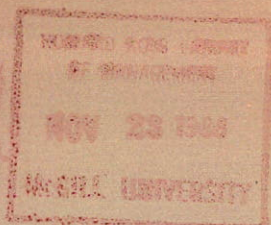


*The Saskatchewan Wheat Pool Grain Terminal in Vancouver—shipping Saskatchewan grain to Pacific Rim destinations.*





**Flax:** XCAN Grain Ltd. exports Saskatchewan-grown flax seed to ten different countries throughout the world. In addition, flax screenings are bought by Belgium, Netherlands, Germany and United States.







**Mustard Seed:** XCAN Grain Ltd. exports Saskatchewan-grown mustard seed to seven worldwide destinations. To assure export commitments are met, Saskatchewan Wheat Pool's special crops department is continuously contracting with mustard growers throughout the province.





## Board Report

In the 1987-88 crop year, two trends continued to have a significant impact on Saskatchewan Wheat Pool and western Canadian agriculture. These were the continuing problem of farm viability, and the movement towards free trade, deregulation and a truly global market place. These trends demanded Pool Board attention on several fronts, throughout the year.

### Farm Income and Farm Viability

Farm commodity prices moved up in 1988, for the first time in seven years. The increase was caused by a widespread drought whose full effects will be felt during the 1988-89 crop year, when reduced yields will continue to depress the income of most farmers in spite of higher prices.

Because of the cost-price squeeze, farm income has been less than adequate for most of this decade. In 1987-88, in Saskatchewan, it would have been negative without government assistance—especially through The Special Canadian Grains Program. The government-assisted Western Grain Stabilization Program, to which producers also contribute, also was a help. While programs like these are essential in the face of subsidized competition from the European Economic Community and the United States, they do nothing to help drought-stricken farmers. And generally, year-by-year assistance does not give producers the needed security.

Governments and lending institutions have not realistically addressed long-term problems, some of which are very serious. The cost of servicing Saskatchewan farm debt, for example, is unacceptably high. The debt exceeds \$6 billion, and farmers can reasonably service only about \$4 billion. Many farmers have a neighbor who is virtually bankrupt. Without long-term solutions, many farm families are forced off the land, and rural communities suffer as a result. Problems like the drought simply emphasize long-term difficulties which have developed. If farmers were financially sound to begin with, more could survive setbacks.

During the past year, the Pool has urged innovative solutions, such as improved crop insurance programs, long-term disaster relief, and a Rural Saskatchewan Stability Plan. The Stability Plan, first suggested in 1986-87, would make it possible for a producer temporarily to give up title to part of his land to a new agency until his financial condition improved. Then, he could make payment toward debt retirement and regain his equity. This program would keep farm families on their farms, and would help farmers and rural communities by halting the decline in the farm population and in land values.

During the past year, the delegate body and the Board have also discussed decoupling. Under this concept, future farm aid would not be coupled to production, as a subsidy. Instead, if a farmer's net income dropped below a certain level, a payment might be triggered that would guarantee a minimum income. Thus, aid could be targeted to those who need it; and our trading partners might view it more favorably than they do some of our current programs.

### Trade, Deregulation and Global Markets

Saskatchewan Wheat Pool has always been willing to have more and freer international trade. The Board sees both pluses and minuses in the current round of GATT discussions and the free trade agreement with the United States.

The deregulation which accompanies free trade threatens erosion of the Wheat Board's functions. It may also threaten some of Canada's well known quality standards.

We realize, however, that trade is essential to Saskatchewan agriculture, and free trade could offer new opportunities to develop export markets.

In the past few years, as the global market has begun to grow, farmers have been quick to adapt, altering their production to suit demands in areas such as livestock, canola and special crops.

The Pool, in turn, must be exceptionally responsive to the changing needs of its members. And, with more competition from abroad, we must be strong in the world market place.

Accordingly, the Board has instructed management to be aggressive in its search for new opportunities, including new markets for primary production and additional opportunities for value-added processing. Recently, this thrust has led to increased diversification of Pool interests, including the purchase of 25% of Northco Foods (Robin's Donuts); an investment in Philom Bios, a leading biotechnology firm which is developing biological farm inputs; and a merger of Modern Press with Centax of Canada to create a major printing company.



G. (Garf) Stevenson, President



Storing grain for export markets starts right here on the Saskatchewan farm.



Carol and Lorne Straub discussing the family farm.





**Canola:** Two of Saskatchewan Wheat Pool's associated companies are highly involved in the canola industry. CSP Foods Ltd. is Canada's largest canola crusher; and XCAN Grain Ltd. is the nation's largest international exporter of canola seed and its by-products.





# Chief Executive Officer's Report

Crop production in 1987 was just under 22 million tonnes, and in the 1987-88 crop year Canada exported record volumes of grain, causing Saskatchewan Wheat Pool to experience one of the top handling years in its history. Our associated companies also had improved years.

Within the Pool, the Livestock and Flour and Food Service Divisions both had exceptional years, while the earnings of Terminal Elevator Division, prior to a special provision resulting from the closure of Terminal No. 8, rose slightly.

In Country Services Division, along with near-record grain handlings, farm supply sales increased more than six per cent. For the past five years, however, the company has held tariff increases to less than half the rate of inflation, in recognition of the difficulties producers face. As a result, Division earnings were low in relation to grain handled—a fact which affected the company's net returns.

Overall, net earnings for 1987-88 increased to \$27.5 million, from \$14.4 million in 1986-87.

Over the past year, the Pool continued its aggressive pursuit of new opportunities on behalf of member/customers. First, in the area of value-added processing, we purchased a 25% interest in Northco Foods, the parent of Robin's Donuts, and we now supply bakery mixes to all the Robin's stores. Secondly, we invested in Philom Bios, a biotechnology firm whose first biological farm inputs will soon be marketed. The company has right of first refusal for western Canadian marketing. Thirdly, by creating M.C. Graphics, a major printing organization, we have merged the printing activities of Western Producer Publications with those of Centax of Canada, a major Saskatchewan printer based in Regina.

## A Look Ahead

With the 1988 crop of less than 11 million tonnes, barely more than 50% of the 1987 figure, Pool grain handlings in 1988-89 could well drop to 50 or 60% of their recent levels. As a result, capital programs will be deferred.

On the positive side, 1988-89 will be a key year for the Pool to strengthen its relationship with Saskatchewan producers—our member/customers. Knowing their needs, and working to satisfy them, will help us increase our market share in the tough year ahead. Even more important, this relationship is vital to success in the new decade, as global competition intensifies.

The hallmark of the 1980s has been change—regardless of the industry we operate in. As we approach the '90s, the pace of change is speeding up. We no longer live in a one-country market, but in a global village—the entire world is our marketplace. But, as trade barriers fall and the pressures of deregulation and privatization increase, competition in all sectors is becoming tougher—and it comes from all around the world.

At home and abroad, the Pool faces new competition from rapidly growing international food companies. All of them are developing vertically integrated organizations through joint venture, mergers and acquisitions.

To prosper in the global village, we must meet this new competition head-on, and adapt quickly to continuing change. We will do this through three major thrusts.

First, through customer contact and customer service we will be sensitive to the needs of our member/customers—not just what they say they need, but what they show they need, through their patronage. Secondly, a strong market orientation will enable us to find new markets around the world for their diversified production. XCAN Grain and CSP Foods will continue to play strong roles in these efforts. Thirdly, creative innovation will enable us to meet the challenges of the deregulated society. We will become stronger in value-added processing, and we will develop more strategic partnerships—such as those we already enjoy with other major co-operatives, and those we have recently formed with Northco Foods, Philom Bios, and Centax.

We must recognize, in other words, that we are not simply a grain handler, but a diversified food company with two unique strengths which will help us to work out the strategic relationships that will take us through a new decade and into a new century. These are (1) our proven strength in procuring the raw materials of the food industry, and (2) our special relationship with the producers of those materials. These strengths will allow us to continue pursuing new opportunities, and to pursue them aggressively.



J.M. (Milt) Fair  
Chief Executive Officer



Coming home from the fields is always a little easier with a Saskatchewan sunset in view.



Sunrise at the Pool country elevator in Prince Albert.





**Rye:** Saskatchewan-grown rye is exported by XCAN Grain Ltd. to the following destinations throughout the world: Belgium, Norway, Sweden, Finland, United States, South America, Germany, Netherlands, Japan and Korea.





# Corporate Secretary's Report

1987-88 was an active year in the areas of agricultural policy, member communications and public relations.

## Policy Analysis and Policy Development

Every year, Pool members and their elected representatives discuss policy issues at hundreds of meetings around Saskatchewan. These issues include subjects of importance to the economic and social well-being of farmers and their families. At the annual meeting of delegates, resolutions and policy statements which reflect the content of the discussions are debated and form the basis for Saskatchewan Wheat Pool's public policy for agriculture. Internally, Pool staff ensure that the organization's policies are based on sound research, evaluation and analysis.

In the past, policy meetings have normally taken place in the fall. In 1988, we held a delegates' special meeting in June, to look at important trade issues and to get a mid-year policy review. The delegates, in turn, took these matters back to members in their sub-districts. Our aim is to encourage a greater understanding, among members, of the larger national and international issues which affect farm operations in Saskatchewan.

In 1987-88, the economic difficulties of farmers continued to focus our attention on the questions of farm viability and farm debt. Accordingly, the foremost policy issues of the year were related to the future viability of farms in Saskatchewan, with special emphasis on income support, stabilization and international trade policies. Other issues demanding attention were transportation, taxation, agricultural research, diversification opportunities for farmers, and intergenerational transfer of land.

In the arena of international trade, two projects are particularly significant. The first is an ongoing Environmental Scan, whereby we monitor agricultural economic issues in light of national and international events and then issue quarterly reports for Board and management use. The second is an extensive study in 1988 of the potential for marketing Canadian beef in new areas—specifically the Pacific coast region of the U.S., and, possibly, overseas as well.

Research staff monitored and analyzed new agricultural legislation, to help senior management and elected representatives develop responses to it. Of particular interest were amendments to the Canadian Wheat Board Act, the Canada Grain Act, the Western Grain Stabilization Act, and legislation concerning the Canada-U.S. Trade Agreement.

Staff also provided assistance to Prairie Pools Inc. and the Canadian Federation of Agriculture in a number of policy matters.

## Member and Public Communications

In the past year, the Pool has emphasized communication with our members and the general public. Specifically, we instituted a newsletter which goes to all members, and stepped up production of audio-visual presentations—especially videos—to help inform members and corporate contacts.

Extensive use of newspaper, radio and television helped us achieve greater public awareness of Pool policy interests and operations. We continued to be actively involved in rural community development, through significant financial support for capital, educational and humanitarian projects. As a participant in major agricultural events such as Regina Exhibition's Showcase of Champions and Canadian Western Agribition, we have worked to provide useful information for member/customers.

In the general area of member relations, we increased our emphasis on youth programs, including Young Couples' Workshops and Co-operative Youth Seminars, and we strengthened our program of personal visits with new Pool members.

In addition, we have started—and are continuing—a review of the current democratic structure within Saskatchewan Wheat Pool. In a co-operative, that structure must sustain an effective, two-way flow of information and ideas between the organization and its members. The purpose of our review is to determine whether the Pool's system of local committees and delegate representation still gives an effective voice to all members in a time when farm demographics and production patterns are changing rapidly.

A.D. (Allan) McLeod  
Corporate Secretary



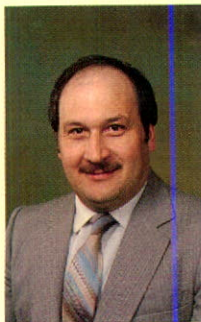
Combining on the prairies.



The new Saskatoon North "super" elevator—opened June 27, 1988.




R. H. Buess,  
Director, District 10\*  
\*Director until  
April, 1988



D. Zbeetnoff,  
Director, District 8\*  
\*Director until  
April, 1988

Saskatchewan Wheat Pool Board of Directors: On stairs (l. to r.): D. Van Der Haegen, District 16; L. Gislason, District 9; M. E. Wanner, District 2; M. D. Wiens, District 4; M. Kostichuk, District 8; K. Elder, District 10. On ground (l. to r.): B. W. Senft, District 6; J. L. Hinz, District 13; L. E. Buhr, District 5; G. A. Sanderson, District 3; R. L. Howe, District 11; G. Stevenson, District 7; L. J. Larsen, District 15; T. M. Firth, District 1; H.G. Yelland, District 14; A. B. Wood, District 12.



 **Barley:** A major force in the feed barley market, Saskatchewan Wheat Pool is also Canada's largest malting barley marketer, dealing with several maltsters throughout the country for the use of Saskatchewan-grown barley.





# Operations

## Livestock Division

Livestock Division set records in 1987-88. All categories of handlings were up over last year, and the Division's share of the provincial cattle and calf market increased for the second consecutive year. Cattle and calf handlings totalled 439,000—up 54,000, or 14.1 per cent, from last year. In addition, the Division sold 399 sheep, 1,131 horses, 15,000 hogs, and assembled 123,000 hogs for the Saskatchewan Pork Producers Marketing Board. Assembly services were also provided for the Saskatchewan Beef Stabilization Board and the Saskatchewan Sheep and Wool Marketing Commission.

Stock calves and feeder cattle sold at record high prices early in 1987-88, when feed grain was abundant and at relatively low prices. Towards spring and into the summer, prices dropped back, reflecting the drought conditions and sharp increases in the cost of feed grain.

The marketing centres had an excellent year, each showing a profit on operations. Competition was keen and staff met this challenge with a concerted customer contact effort. Satellite television sales continued to be very successful and showed substantial growth over last year.

The feeder finance plan had the biggest year in its 20-year history, financing 108,600 head under the plan.

The Division continued a high level of support for 4-H activities. Services provided free of charge included managing sales, providing auctioneers and judging cattle.

## Country Services Division

The first full year of operation for Country Services Division was both interesting and extremely challenging. Generally, 1987-88 was an improved year. The Division's country elevator system handled 10.9 million tonnes, up from 10.4 million the previous year, making it the second highest volume year on record. Producer optimism in the fall of 1987 and early spring of 1988 accounted for higher farm supply sales. Sales were up nearly six per cent over those of the previous year, led by substantial increases in crop protection products and livestock products. As the year progressed, however, the effects of this summer's drought began to be felt.

At seeding time, deliveries slowed. As it became apparent that drought was going to reduce yields significantly, farmers began holding back on grain. In the last two months of the crop year, the Division waived storage charges to encourage deliveries, and that program provided results. Nearly half of all grain deliveries to Pool elevators occurred in the first six months of the crop year. About 22 per cent of the year's volume was delivered in the last two months.

The Pool's increasing diversification and more aggressive marketing stance were reflected in several areas. An integrated canola procurement program with CSP Foods resulted in increased canola handlings and a larger market share. The Pool handled 398 of Saskatchewan's producer car shipments. During the year, considerable effort was expended to help staff pursue the market for open market grains, particularly non-Board feeds. And, while the Pool remains a relatively small player in special crops, its share of that market continues to grow.

On the farm supply side, 1987-88 was a year of market recovery for crop protection products—particularly herbicides. The long open fall resulted in a strong movement of soil-applied herbicides. Trellan sales continued as producers planned increased canola and special crops acreages. And the large lentil and pea acreage, in particular, created a demand for dessicants.

Fertilizer sales were up slightly over the previous year, both in volume and dollar value. Gross margin improved significantly due to a strengthening of the fertilizer market.

While sales of most seed categories declined somewhat, sales of seed oats and canola increased significantly. In March, the Pool obtained exclusive Saskatchewan marketing rights to two new canola varieties developed in Sweden—Legend and Horizon.

Equipment sales were down substantially compared to the previous year. The depressed farm economy, strong grain movement and the drought severely curtailed the market for those products used to store and handle grain and fertilizer. The limited market was extremely competitive, and resulted in lower margins.

On the other hand, livestock products provided another bright spot, with significant increases reflecting a still healthy livestock market in the province. The effect of the drought was felt when a poor hay crop caused drought-stricken cattle producers to look for alternative feed; as a result, the demand for grain screening pellets outstripped supply.

The product development farm at Watrous experienced one of the driest years on record, with similar conditions experienced at many of the 60 co-operator sites. Product development work continued in spite of the drought, however. Fifteen wheat lines were



Todd Hudson, Pool Livestock Marketing Representative, conducts the first live TV satellite sale from the new Prince Albert Livestock Marketing Centre.



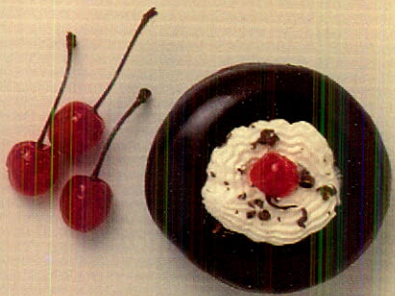
Pool Livestock Marketing offers a complete game marketing service for producers.

J. D. Taylor/Miller Comstock





**Canaryseed:** Canaryseed is the main ingredient of commercially prepared bird feed. To meet a growing demand for this product, Saskatchewan Wheat Pool seeks production contracts from prairie farmers.







Baking industry magazine ads promote CSP Foods Baking Products.



A selection of publications from Western Producer Publications, a division of Saskatchewan Wheat Pool.

A selection of delicious donuts made from CSP Foods Baking Products—using Saskatchewan-grown grain for an entire line-up of "Baking Made Better" products.

entered into the 1988 official trials. The first hybrids from the sunflower program were entered into the official Saskatchewan tests. And particular emphasis was placed on the evaluation of pea varieties from various world sources. Several were entered in the 1988 official trials, and one or more of these could be registered in 1989.

Major capital projects during the year included the completion of a 10,200 tonne concrete elevator at Saskatoon North, and a 6,700 tonne double composite crib elevator at Langenburg.

As a result of normal consolidation under the development program, 15 elevators at 10 stations were permanently closed. The Division now operates 492 elevators at 480 stations, plus 29 farm service centres, two seed plants, one distribution centre in Regina, 21 bulk/blender fertilizer plants, 18  $\text{NH}_3$  locations, and numerous bulk fertilizer bins at elevator locations.

### Terminal Elevator Division

Terminal Division handled 8.9 million tonnes in 1987-88—slightly better than the 8.8 million tonnes handled in 1986-87.

At Thunder Bay, Saskatchewan Wheat Pool's percentage of rail car unloadings and outward shipments both increased, although the port's total tonnage was down slightly from last year. Pool terminals unloaded 5.9 million tonnes, compared with last year's 6 million. Outward shipments from Pool terminals were 6.2 million tonnes, the same as 1986-87. Total shipments from Thunder Bay amounted to 14.4 million tonnes, compared with 15.2 million last year.

Higher than usual dockage levels resulted in a good volume of by-products, which sold well in the current feed market.

The year started out at a slow pace, aggravated somewhat by a national rail strike in August, picked up in November with the return of Churchill cars to Thunder Bay service, and then died off in June and July as drought conditions worsened. Terminal No. 6 was taken out of service on June 6, except for outward shipments, and will not likely be back in service before fall, 1989.

Two major projects were undertaken during the year, both at Terminal No. 7A. The first, a hopper car unloading project, is now under construction. The second, an upgrade to cleaning batteries 19-27, will include a 300 tonne-per-hour battery, the first of its type installed by Saskatchewan Wheat Pool.

The Vancouver terminal set a new handling record for the third year in a row. A total of 38,609 rail cars were unloaded, containing 2.93 million tonnes. In 1986-87, the Pool terminal unloaded 38,213 rail cars. This year, Pool unloadings might have been even greater, but were restricted by three factors: the CNR bridge outage from November 28 to December 23, high dockage levels which restricted throughput, and the rebuilding of a major cleaning battery.

Total receipts for the West Coast were just over 17 million tonnes—up from 15.8 million a year ago. Saskatchewan Wheat Pool supplied nearly 1.4 million tonnes to Prince Rupert, and just over 1 million tonnes to Pacific.

The Vancouver terminal shipped a total of 2.95 million tonnes, a new record. In 1986-87, the figure was 2.83 million.

As in Thunder Bay, higher dockage levels resulted in good volumes of pellets and other by-products. Prices for most by-products doubled in May and June as the extent of the drought became apparent.

Major capital projects included the installation of automatic samplers on shipping legs, pellet plant expansion and spill and dust control.



## Flour and Food Service Division

During 1987-88, Flour and Food Service Division sales volumes increased again. For flour and mixes, the largest increases were in the food service and bakery segments of the business, while export sales showed the greatest gain for oil-based products. Total sales of oil-based products increased 52 per cent over those of the previous crop year.

The new partnership with Northco Foods, the franchise owner of Robin's Donuts, proved very beneficial. Sales of flour, mixes and shortenings to this group grew steadily throughout the year.

Food service and bakery sales grew significantly, with the largest increases in eastern Canada, where new sales representatives were added and a warehouse was established in Montreal.

Modifications and additions to the Division's mill will be needed in order to sustain future growth in sales. A five-year capital plan has been developed to bring the mill fully up to modern operational standards.

## Western Producer Publications Division

Western Producer Publications Division publishes *The Western Producer*, *Western people*, and Western Producer Prairie Books, and also operates Modern Press, printers and lithographers. (Near year-end, Modern Press was merged with Centax of Canada, a Regina-based printer, to form M.C. Graphics Inc., one of the major printing establishments in Saskatchewan.)

For *The Western Producer*, a continuing decline in advertising resulted in the smallest newspapers since 1979. In the 51 issues of 1987-88, a total of 3,496 pages were published, 3,088 in the newspaper and 408 in *Western people*.

Grain prices, subsidy wars, and government support programs continued to dominate agricultural news in 1987-88. Toward the end of the crop year, prices improved but drought severely reduced yields. *The Western Producer* kept readers informed of these fast-changing developments through staff reporting, freelance articles from several nations, and global news agencies.

Throughout the year, the newspaper also increased coverage of farmers' efforts to diversify in both production and marketing. On-farm profiles provided real examples of the ways farmers found to cope with financial challenge.

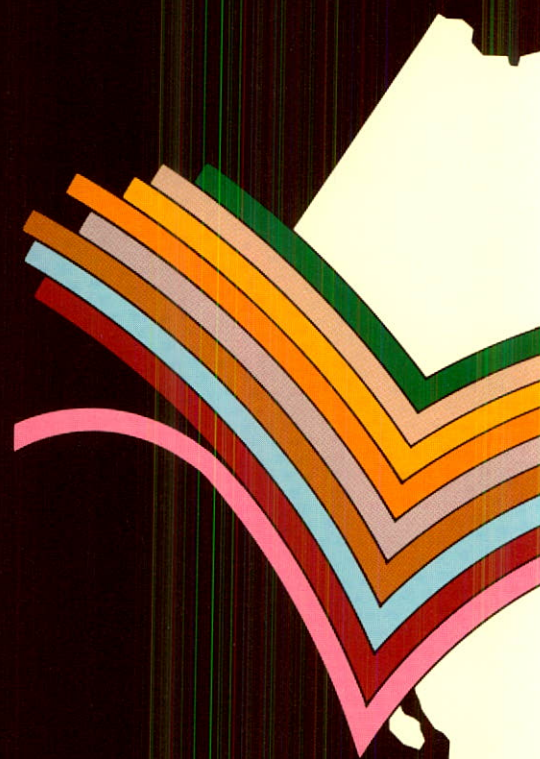
The Farm Living section published stories about the health, safety, rural service and family concerns of western Canadian farm families. Nine advice columns, including two new ones, brought more than 1300 reader responses.

*Western people* continued to carry a mix of stories on contemporary western Canadians and the pioneers who helped settle the west. Several new features were introduced, and a photography contest held by the magazine proved to be an overwhelming success, with 972 entries.

For the first time in four years, circulation of *The Western Producer* increased modestly, despite the depressed farm economy.

The printing sales of Modern Press increased again—three per cent over last year's figures.

Western Producer Prairie Books published 19 new titles and 10 reprints, selling over 168,000 books—by far the largest number ever.



**Barley**  
United States



**Oats**  
United States, Japan



**Canola**  
Japan, Korea,  
Mexico, Europe



**Canaryseed**  
Venezuela, Japan, Belgium,  
Holland, United States,  
Taiwan, Spain, Italy



**Flaxseed**  
Holland, Belgium, Germany,  
Czechoslovakia, United  
Kingdom, United States,  
Taiwan, Japan, Egypt, Korea



**Rye**  
Belgium, Norway, Sweden,  
Finland, United States,  
South America, Germany,  
Netherlands, Japan, Korea



# XCAN Commodity Exports & Destinations







**Durum:** The recent trend to more health conscious diets has meant a growing market for durum wheat, used in all forms of pastas. Saskatchewan-grown durum is exported all over the world.





## Outlook



Many new crop varieties, including Ultrabred,<sup>™</sup> have been developed at experimental plant breeding facilities such as the one shown here at the Pool Product Development Farm. Kathy Glatt is the technician.



Spraying with one of the many crop protection products sold at Pool Farm Service Centres and Country Elevators throughout the province.

Pool member Carl Moffatt of Denholm (l.) inspects an experimental farm plot with Field Agronomist Joel Gingrich at the Pool Product Development Farm near Watrous.

World trade in wheat totalled 104 million tonnes in 1987-88 and is expected to decline to 97 million tonnes in 1988-89. Given Canada's 40% drop in wheat production, Canadian share of the 1988-89 trade is forecast at only 10 to 11 million tonnes, down from a record 23.15 million tonnes in 1987-88. The U.S. and the European Economic Community will gain market share at Canada's expense. With Canada's ability to supply wheat of a consistently high quality, however, market share should return to more normal levels in the years to follow.

Total world wheat production declined in 1987-88, and because of the North American drought, 1988-89 production is expected to decline still further, to 502 million tonnes. At the same time, wheat use is expected to reach 541 million tonnes in 1988-89. Therefore, stocks will reach their lowest level since the mid-1970s, and wheat prices are estimated to be at least 40 per cent higher than in 1987-88. This would return prices to the level of three years earlier, but leave them well below prices reached in the early 1980s.

Coarse grain production in 1987-88 was down for the second consecutive year, to 788 million tonnes, and is forecast to decline still further in 1988-89, to 718 million tonnes, due to the North American drought. As a result, stocks have returned to more reasonable levels from their recent highs, and market prices have recovered to levels of four years ago. Stocks are ample to cover world import demand in 1988-89, but a short world crop in 1989 would lead to significantly higher prices.

For the third consecutive year, the world produced record volumes of oilseeds—206 million tonnes in 1987-88. This amount is expected to decline in 1988-89, but only by two per cent. In this highly competitive world oilseed market, Canada has traditionally enjoyed a competitive edge in the export of canola, an improved form of rapeseed.

Between 1983 and 1987, however, world rapeseed production has grown at an average of 12 per cent per year. Much of this increase has come from the European Economic Community, where subsidies have spurred production with annual increases averaging 25 per cent. More and more of the world production—in the EEC, China, and elsewhere—has been of improved forms of rapeseed, like canola. As a result, Canada will, in the next few years, lose its competitive edge in the export market for canola.

Special crop acreage reached a record of 1.59 million acres in Saskatchewan in 1988, continuing the steady upward trend which began in 1983.

This growth in special crops has largely been fuelled by the low grain and oilseed prices of the last few years. Continued growth will depend primarily on farmers' willingness to grow these relatively higher risk crops at a time when the prices of major crops appear to be improving.

The number of cattle in North America has been decreasing throughout the 1980s. In 1981, there were 138 million head—125 million in the U.S. and 13 million in Canada. By July 1, 1988, the number had declined to 120 million—108 million in the U.S. and 12 million in Canada. One reason for the decline is increased production and consumption of poultry, fish and pork.

Canadian cattle prices reached record high levels in the spring of 1987 and continued strong through 1988, given low beef inventories and high retail prices in North America.

In 1987, Canadian hog producers experienced good returns due to strong prices and low feed grain prices. In 1988, however, hog prices have moved down due to large North American inventories and labour disruptions in the processing industry.

On June 14, 1988, the U.S. reduced the countervail duty of 4.39 cents per pound on live hogs to 2.2 cents. This may result in more live hog exports to the U.S. For the slaughter industry to increase its exports to the U.S., however, it must realize economies of scale and wages competitive with those in the U.S.

The international market is more important to Canadian agriculture than ever, and several factors will affect our international position in the next few years. These include GATT discussions to decide how worldwide agricultural subsidies and trade barriers will be treated; the U.S.-Canada Free Trade Agreement; the general move towards deregulation within Canada; and increasing concern about the environment. To maintain its position of leadership in Canadian agriculture, Saskatchewan Wheat Pool must place more emphasis than ever before on marketing, value-added processing, and strategic partnerships.



**Lentils:** Saskatchewan-grown lentils are exported by XCAN Grain Ltd. to nineteen countries throughout the world. Saskatchewan Wheat Pool's special crops department contracts with growers throughout the province to assure supplies are adequate to meet commitments.



# CANOLA RAPSEED

MAY	NOV	JAN	MAR	JUN	OCT	DEC
4480	3762	3830	3890		1518	1575
4480	3751	3840	3890		1518	1575
4480	3770	3845	3890		1518	1575
4440	3728	3806	3858		1518	1565
1	80	43	11		1	4
MAY	NOV	JAN	MAR	JUN	OCT	DEC
44447	3735	3813	3863	3940	1530	1570
44450	3735	3814	3865	3940	1525	1570
44455	3735	3815	3865	3935	1520	1568
44460	3736	3815	3865	3935	1518	1565
↓ 65	↓ 58	↓ 56	↓ 55	↓ 55	↓ 32	↓ 15
MAY	NOV	JAN	MAR	JUN	OCT	DEC
4525	3794	3871	3920	3990	1550	1580
1145	12529	8550	3259	706	880	1628
4900	4820	4867	4895	4900	1930	1945
4100	2619	2966	3007	3800	1050	1400

# WHEAT

MAY	NOV	JAN	MAR	JUN	OCT	DEC
1238	1264	1290	1362	1400	1415	1622
1237	1264	1288	1362	1400	1415	1620
1238	1264	1290	1363	1400	1415	1622
1225	1253	1279	1350	1384	1410	1607
35	4	39	17	3	2	12
MAY	NOV	JAN	MAR	JUN	OCT	DEC
1230	1256	1283	1357	1388	1410	1615
1230	1256	1282	1357	1388	1411	1615
1230	1256	1282	1357	1387	1413	1619
1231	1257	1283	1357	1386	1415	1620
14	14	14	14	14	14	14
MAY	NOV	JAN	MAR	JUN	OCT	DEC
1245	1271	1297	1367	1400	1433	1630
10747	2459	13898	3348	1675	1062	1342
1310	1331	1357	1420	1455	1470	1670
750	785	789	850	1200	1340	855

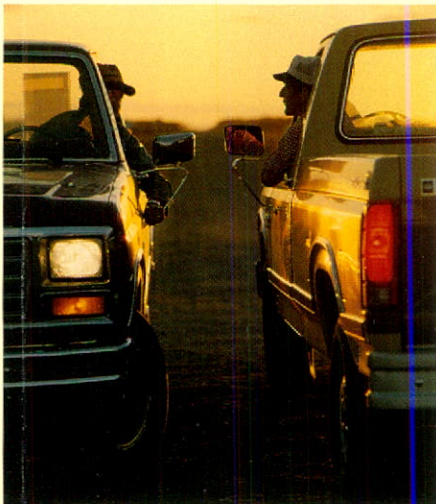
# WINNIPEG

# BARLEY

MAY	NOV	JAN	MAR	JUN	OCT	DEC
1238	1264	1290	1362	1400	1415	1622
1237	1264	1288	1362	1400	1415	1620
1238	1264	1290	1363	1400	1415	1622
1225	1253	1279	1350	1384	1410	1607
35	4	39	17	3	2	12
MAY	NOV	JAN	MAR	JUN	OCT	DEC
1230	1256	1283	1357	1388	1410	1615
1230	1256	1282	1357	1388	1411	1615
1230	1256	1282	1357	1387	1413	1619
1231	1257	1283	1357	1386	1415	1620
14	14	14	14	14	14	14
MAY	NOV	JAN	MAR	JUN	OCT	DEC
1245	1271	1297	1367	1400	1433	1630
10747	2459	13898	3348	1675	1062	1342
1310	1331	1357	1420	1455	1470	1670
750	785	789	850	1200	1340	855







As usual, there's lots to talk about when it comes to farming in the '80s.



XCAN Grain Ltd.—helping find new markets for Pool-handled grain. Here, Kirk Degroot, Senior Export Trader (seated), and Jim Deamel, Senior Domestic Trader, discuss the markets.

Buying and trading at the Winnipeg Commodity Exchange.

## Associated Companies

### CSP Foods Ltd.

CSP Foods Ltd. crushed nearly 560 000 tonnes of all seeds, including 499 000 tonnes of canola—both new records. Sales of crude and refined canola oil to the United States increased once again. In the U.S., a product made from canola oil supplied by CSP Foods was named health product of the year by the American Health Foundation of New York.

CSP Foods is jointly owned by Saskatchewan Wheat Pool and Manitoba Pool Elevators Ltd.

### Pacific Elevators Limited/Western Pool Terminals Limited

The Pacific Elevator is the terminal in Vancouver owned by three Pools and held on the books of Western Pool Terminals Ltd. The elevator is leased to Pacific Elevators Limited and operated under a management contract by Alberta Wheat Pool.

Receipts for 1987-88 totalled nearly 3 million tonnes, up from 2.3 million a year ago.

### Prince Rupert Grain Ltd./Ridley Grain Ltd.

Prince Rupert Grain Ltd. and Ridley Grain Ltd. were incorporated by a consortium of grain companies to manage and operate export grain facilities at Prince Rupert, handling grains shipped by the consortium members and other western Canadian grain handling organizations.

Handlings of just under 4 million tonnes were achieved despite a six-week strike. In 1987-88, Saskatchewan Wheat Pool originated 35.4 per cent of the grain to the facility.

### Western Co-operative Fertilizers Limited

WCFL operations for the year ended June 30, 1988, resulted in a net earning, compared with a heavy loss the previous year.

The Calgary plant has been mothballed and is capable of recommencing operations. An option has been granted to Sherritt Gordon to purchase the site and facilities before December 31, 1993.

The company constructed a fertilizer warehouse and ammonia transfer terminal at Elstow, Saskatchewan, on a lease arrangement with CP Rail.

WCFL is jointly owned by the three prairie Pools.

### XCAN Grain Ltd.

In 1987-88, handlings of all commodities marketed rose to 2.3 million tonnes from 2.1 million tonnes in 1986-87. XCAN continued to be the major marketer of canola into world markets, capturing more than a third of the Japanese market and two-thirds of the markets in Mexico. XCAN is jointly owned by the three Pools. In the past year, reorganization and redirection were essentially completed, and a sound base has been established for continued growth.

### Co-Enerco

The Pool is one of a group of Canadian co-operatives which established the Co-operative Energy Corporation. The company showed improved financial results in 1987, and increased its petroleum and natural gas liquid reserves by 24 per cent.

### Canadian Pool Agencies Limited/Pool Insurance Company

Canadian Pool Agencies is jointly owned by the three Pools. It acts as an agent for the Pools in placing insurance coverage on their facilities and business operations.

### Interprovincial Co-operative Limited

Interprovincial Co-operative Limited is jointly owned by regional co-operatives across Canada involved in the wholesale and retail food and farm supply business, and is managed by Federated Co-operatives. The organization manufactures or acquires products sold by members, and is active in agricultural chemicals, feed and food products.

### Other Related Co-operatives

The Pool's objectives clearly identify promotion and development of co-operatives as a means of improving the social and economic well-being of Saskatchewan farm families and communities. Consultation and work with other co-operative organizations is also a stated objective.

Accordingly, the Board of Directors and management play important roles in a number of related co-operatives. These include the Canadian Co-operative Association, The Co-operators, Credit Union Central, Co-operative Trust Company of Canada, Federated Co-operatives Limited and the Canadian Co-operative Credit Society.

### Prairie Pools Inc.

Manitoba, Alberta and Saskatchewan Pools use Prairie Pools Inc. as a joint body for policy development and promotion. In its four-year existence, it has dealt with major farm policy issues including farm finance, trade negotiations, grain handling, marketing and transportation, and farm income taxation.



## Five Year Review

(in thousands, except items\*)

### Operating Results

	1988	1987	1986	1985	1984
Country Services .....	\$ 5,889	\$ 3,272	\$ (1,836)	\$ 369	\$ 19,973
Terminal Elevator .....	21,444	21,029	30,279	23,093	41,432
Flour and Food Service ....	1,857	891	791	308	616
Livestock .....	1,697	1,037	96	(236)	(656)
Western Producer Publications .....	(665)	(543)	(398)	(343)	278
	30,222	25,686	28,932	23,191	61,643
Revenue from associated companies .....	6,393	3,277	3,447	2,194	4,372
Other charges .....	(9,079)	(14,589)	(5,918)	(3,944)	(4,673)
Net Earnings .....	\$ 27,536	\$ 14,374	\$ 26,461	\$ 21,441	\$ 61,342

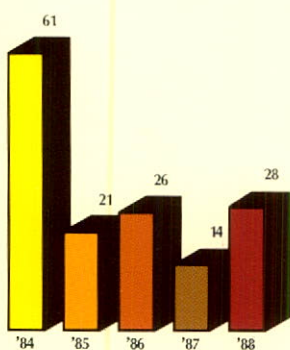
### Handlings and Sales

Country Services grain handlings (tonnes)	10 873	10 388	9 036	8 294	10 571
Terminal Elevator grain handlings (tonnes)	8 851	8 832	7 699	8 542	11 438
Country Services farm supply sales .....	\$180,823	\$170,903	\$192,976	\$192,034	\$187,896
Flour and Food Service sales (tonnes)	74	65	82	74	75
Livestock handlings (cattle and calves) .....	439	384	343	391	379
Western Producer circulation .....	134	132	138	142	145

### Other Statistics

*Total membership .....	88,588	88,748	89,072	89,449	89,323
*Number of employees ....	3,446	3,350	3,513	3,555	4,027
*Current ratio .....	1.42	1.36	1.29	1.39	1.25
*Debt/equity ratio .....	.34	.29	.36	.39	.43

Net Earnings For The Year  
(in millions)





## Management Report

Management is responsible for preparing financial statements and ensuring that all financial information in the annual report is consistent with these statements. This responsibility includes selecting appropriate accounting principles and making judgements and estimates consistent with generally accepted accounting principles in Canada.

Systems of internal control are maintained to provide reasonable assurance of the reliability of financial information and the safety of all assets controlled by the Corporation. Internal controls are reviewed and evaluated by extensive internal audit programs which are subject to scrutiny by shareholders' auditors.

Ultimate responsibility for financial statements to shareholders rests with the Board of Directors. The Board reviews the financial statements in detail with management prior to giving their approval for publication of the financial statements.

The shareholders' auditors, Touche Ross & Co., conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination includes a review and evaluation of the Corporation's systems of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements present fairly the results of the operations of the Corporation for the period under review and its financial position as at the end of the fiscal period.



J.M. Fair  
Chief Executive Officer



C.R. Kasha  
Chief Financial Officer

## Auditors' Report

The Shareholders  
Saskatchewan Wheat Pool

We have examined the statement of financial position of Saskatchewan Wheat Pool as at July 31, 1988, and the statements of earnings, members' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at July 31, 1988, 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, except for the change in the method of accounting for pension costs and obligations as explained in Note 2(f) to the financial statements, on a basis consistent with that of the preceding year.

Regina, Saskatchewan  
October 14, 1988



Chartered Accountants



# Statement of Financial Position

As At July 31

Statement 1

1988  
1987  
(in thousands)

## CURRENT ASSETS

Cash	\$ 4,371	\$ 5,271
Short term investments	125,000	—
Accounts receivable	167,316	169,354
Inventories (Note 2a)	136,475	274,310
Prepaid expenses	9,274	22,150
Prepayment of income taxes	1,433	3,176
	443,869	474,261

## CURRENT LIABILITIES

Outstanding cash tickets and cheques	58,296	98,705
Bank loans (Note 4)	—	40,982
Notes payable	—	10,000
Demand loan accounts	118,113	124,714
Accounts payable	109,432	39,314
Long term debt due within one year	11,407	16,006
Estimated payments to or on behalf of members	15,600	18,898
	312,848	348,619

## WORKING CAPITAL

131,021 125,642

## INVESTMENTS AND MEMBERSHIPS

(Notes 2c & 3) 41,336 37,276

## FIXED ASSETS

(Note 2d) 203,673 201,538

## FUNDS INVESTED

\$376,030 \$364,456

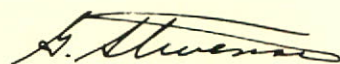
## FINANCED BY

Long term debt (Note 5)	\$ 36,915	\$ 36,506
Members' equity (Statement 3)	339,115	327,950
	\$376,030	\$364,456

Commitments and contingencies (Note 7)

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

On behalf of the Board

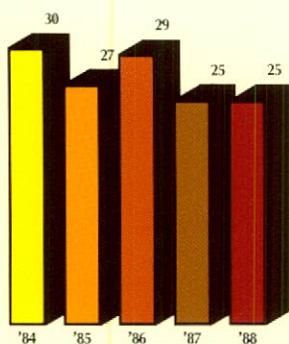


G. Stevenson  
Director

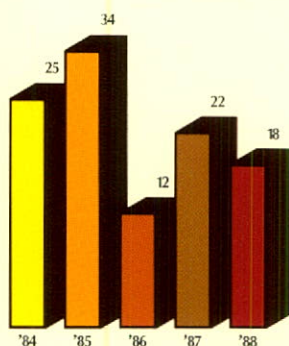


R.L. Howe  
Director

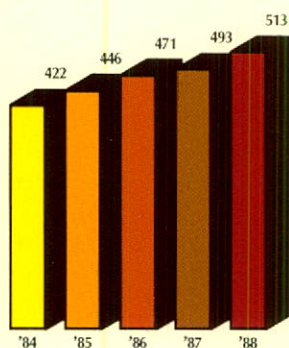
Capital Expenditure  
on Fixed Assets (net)  
(in millions)



Cash Paid to or on  
Behalf of Members  
(in millions)

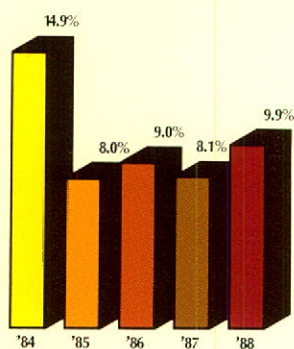
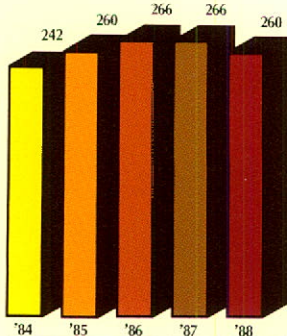
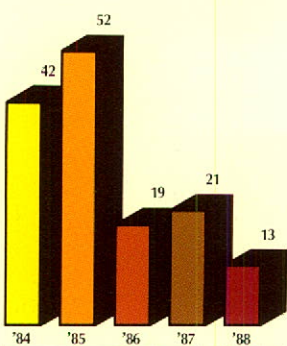
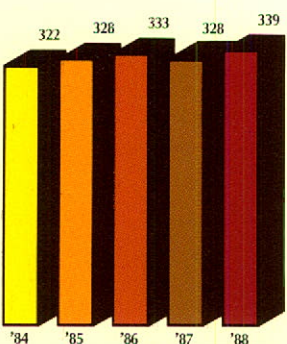


Fixed Assets (at cost)  
(in millions)





Return on Invested Capital

Share Capital  
(in millions)Patronage Dividends (out of  
previous year's earnings)  
(in millions)Members' Equity  
(in millions)

## Statement of Earnings

For The Year Ended July 31

Statement 2

	1988	1987
	(in thousands)	
<b>SALES AND OTHER OPERATING REVENUE</b>	\$1,804,099	\$1,817,930
<b>COST OF SALES AND EXPENSES</b>		
Cost of sales and operating expenses	1,685,990	1,701,799
Selling and administrative expenses	49,195	49,666
Depreciation	23,218	23,714
Interest on long term debt	4,222	4,764
Other interest	11,252	12,301
	1,773,877	1,792,244
<b>EARNINGS FROM OPERATIONS</b>	30,222	25,686
<b>EARNINGS FROM:</b>		
Pacific Elevators Limited	3,682	1,791
Prince Rupert Grain Ltd. (Note 3c)	2,065	1,486
XCAN Grain Ltd.	646	—
<b>EARNINGS BEFORE OTHER CHARGES</b>	36,615	28,963
<b>OTHER CHARGES</b> (Note 3b)	(9,079)	(14,589)
<b>NET EARNINGS</b>	\$ 27,536	\$ 14,374

## Statement Of Members' Equity

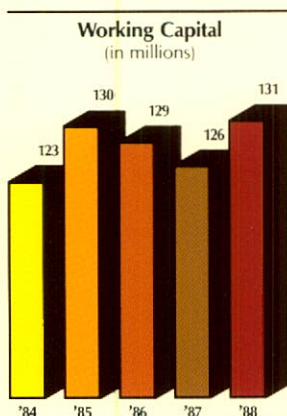
Statement 3

For The Year Ended July 31

	1988	1987
	(in thousands)	
<b>SHARE CAPITAL</b> (Note 6)		
Balance beginning of year	\$ 265,603	\$ 266,424
New shares allotted	11	10
Allocated from prior year's earnings	4,534	15,973
Share redemptions		
Purchased from eligible categories	(6,223)	(5,406)
Authorized annual redemptions	(3,715)	(11,398)
Balance end of year	\$ 260,210	\$ 265,603
<b>UNALLOCATED EARNINGS RETAINED</b>		
Balance beginning of year	\$ 67,373	\$ 61,836
Prior year's earnings	14,374	26,461
Income taxes paid	(502)	(550)
Patronage allocation to members		
Shares	(4,534)	(15,973)
Cash	(7,027)	(2,633)
Withholding taxes	(1,229)	(2,429)
Balance retained	1,082	4,876
Adjustment of prior years' income taxes	(181)	98
Net proceeds in excess of original cost on disposal of fixed assets	95	563
Balance end of year	\$ 68,369	\$ 67,373
<b>NET EARNINGS - UNALLOCATED</b> (Statement 2)	\$ 27,536	\$ 14,374
<b>MEMBERS' EQUITY BEFORE PROVISIONS</b>	\$ 356,115	\$ 347,350
Provision for payments to or on behalf of members	(15,600)	(18,898)
Provision for corporate taxes	(1,400)	(502)
<b>MEMBERS' EQUITY END OF YEAR</b>	\$ 339,115	\$ 327,950



# Statement of Changes in Financial Position



For The Year Ended July 31

Statement 4

	1988	1987
	(in thousands)	
<b>OPERATING ACTIVITIES</b>		
Net earnings (Statement 2)	\$ 27,536	\$ 14,374
Items not requiring working capital		
Depreciation	23,218	23,714
Other charges (Note 3b)	1,676	11,335
Amortization of investment (Note 3c)	472	472
	52,902	49,895
Provision for corporate taxes	(1,400)	(502)
Adjustment of prior years' income taxes	(181)	98
Working capital from operating activities	51,321	49,491
<b>FINANCING ACTIVITIES</b>		
New shares allotted	11	10
Provision for payments to or on behalf of members	(15,600)	(18,898)
Increase (decrease) in members' term loans—net	1,809	(5,349)
Current maturity of debenture loans	(1,400)	(1,400)
Increase in other long term debt	—	6,000
Other	704	(245)
Working capital used in financing activities	(14,476)	(19,882)
<b>INVESTING ACTIVITIES</b>		
Increase in investments	(6,247)	(8,687)
Decrease in investments	39	241
Purchase of fixed assets - net	(25,353)	(24,766)
Other	95	563
Working capital used in investing activities	(31,466)	(32,649)
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b>	5,379	(3,040)
<b>WORKING CAPITAL, BEGINNING OF YEAR</b>	125,642	128,682
<b>WORKING CAPITAL, END OF YEAR</b>	\$131,021	\$125,642

## Allocation of Net Earnings

The Board of Directors recommends that the net earnings for the year ended July 31, 1988, in the amount of \$27,536,000, be allocated as follows:

	(in thousands)
Patronage allocation on grain at the rate of \$2.20 per tonne, estimated	\$ 20,503
Patronage allocation on livestock at the rate of \$4.00 per head of cattle and calves and \$1.00 per head for hogs and sheep, estimated	1,150
Provision for income tax, estimated	1,400
Transfer to unallocated earnings retained from prior years, estimated	4,483
<b>Total</b>	<b>\$ 27,536</b>

An estimated total of \$2,438,000 will be paid to the Receiver General for Canada as a prepayment of income tax on behalf of shareholders whose total patronage allocation for the year exceeds \$100 and the balance of the patronage allocation, estimated at \$19,215,000, will be applied in payment of shares allotted.

The Board of Directors also recommends that:

The sum of approximately \$13,162,000 be used as required in 1988-89 for the purchase of equities of members in all eligible categories, namely estates, retirements, and with the exception of qualifying shares, repayment in full to members (upon application) who reach the age of 70, repayment of 20% of share equity to members (upon application) who reach the age of 65 by December 31, 1988, and repayment of 7% of share equity to corporate members.

If the above recommendations are accepted by delegates to the Pool's 1988 Annual Meeting, payments totalling \$15,600,000 will be made to or on behalf of members during the 1988-89 year.



# Notes To Financial Statements

For The Year Ended July 31, 1988

1. **Saskatchewan Wheat Pool** is incorporated by special act of the Saskatchewan legislature.

## 2. Accounting policies

### a) Inventories

	1988	1987
	(in thousands)	
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.	\$ 22	\$176,365
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.	70,603	20,680
Other inventory valued at the lower of cost (principally average cost) and net realizable value.	65,850	77,265
	<u>\$136,475</u>	<u>\$274,310</u>

### b) Recognition of earnings

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

### c) Investments and memberships

The Corporation follows the cost method of accounting for its investment in companies over which it has significant influence. Under this method the Corporation's investment is carried on the statement of financial position at cost less accumulated provision for possible losses, and its share of earnings is reflected in income when determined and authorized for distribution. This method is used because these companies have historically distributed a major portion of their earnings to shareholders on a patronage basis.

The companies accounted for under this method and the Corporation's share of ownership therein are as follows:

Canadian Pool Agencies Limited	33 1/3%
CSP Foods Ltd.	50%
MAALSA Investments Ltd.	40%
Northco Foods Limited	25%
Pacific Elevators Limited	30%
Pool Insurance Company	50%
Prince Rupert Grain Ltd.	30%
Ridley Grain Ltd.	30%
Western Co-operative Fertilizers Limited	
(Note 7a)	33 1/3%
Western Pool Terminals Ltd.	30%
XCAN Grain Ltd.	33 1/3%

Other investments and memberships are also valued at cost. The Corporation's share of earnings is reflected in income when dividends and patronage refunds are received.



d) Fixed assets

The major components of fixed assets are:

	1988 (in thousands)	1987 (in thousands)	Rate of Depreciation
Cost			
Sites, trackage and paving	\$ 19,330	\$ 18,363	0 - 8%
Buildings	252,622	245,915	5 - 10%
Machinery and equipment	224,051	213,256	20 - 30%
Vehicles	10,327	9,838	30%
Work under construction	7,084	5,522	nil
	513,414	492,894	
Less accumulated depreciation	309,741	291,356	
Net book value	\$203,673	\$201,538	

Depreciation is provided on fixed assets on a diminishing balance basis at the rates indicated.

e) Income taxes

The income tax provision is related to current year's earnings and is calculated after deducting estimated patronage allocations to members. The Corporation claims certain available deductions for income tax purposes in excess of the related accounting deductions. No deferred income taxes have been recorded with respect to these deductions as the timing differences relating thereto can be offset by the timing of future patronage allocations.

f) Pension Costs and Obligations

Effective August 1, 1987, the Corporation has adopted the accrued benefit method of accounting for pension costs and obligations for its contributory defined benefit pension plans.

These plans provide benefits based on length of service and final average earnings. The cost of pension benefits earned by employees who are members of these plans is charged to expense as service is rendered.

Actuarial reports prepared during the year indicate that the present value of the accrued pension benefits and the pension fund assets available to provide these benefits, at adjusted market value, as of July 31 are as follows:

	1988 (in thousands)	1987 (in thousands)
Pension fund assets	\$108,440	\$103,628
Accrued pension benefits	99,794	94,759
Pension fund surplus	\$ 8,646	\$ 8,869

The pension expense of \$1,125,000 is net of the amortization of the pension fund surplus existing on August 1, 1987. Amortization is calculated on a straight line basis over 2 to 14 years which is based on the expected average remaining service life of the employee groups.

During the year, contributions to the pension fund exceeded pension expense by \$536,000. This deferred charge has been included in accounts receivable in the statement of financial position. In prior years, the entire contribution was recorded as pension expense.

The Corporation also maintains a contributory defined contribution plan. This plan provides for benefits based on length of service. The Corporation is responsible for annual contributions only, and does not guarantee the fund. The pension expense of \$1,719,000 is equal to the contributions for the year.



### 3. Investments and memberships

a) Investments and memberships are summarized as follows:

	1988	1987
	(in thousands)	
Companies over which the Corporation has significant influence:		
Shares	\$ 8,380	\$ 4,745
Notes and loans receivable	54,929	53,031
	63,309	57,776
Other investments and memberships, principally shares in co-operatives	15,443	15,254
	78,752	73,030
Less accumulated provision for possible loss on investments	(37,416)	(35,754)
	\$41,336	\$37,276

b) Other charges

Details of other charges are as follows:

	1988	1987
	(in thousands)	
MAALSA Investments Ltd.		
Loans	\$ 1,661	\$ 1,492
Decline in land value (Note 7b)	—	6,000
Canfarm Co-operative Services Limited		
Shares	15	—
Western Co-operative Fertilizers Limited		
Special shares	\$ —	\$2,832
Patronage loans	—	1,011
Provision for possible loss on investments	1,676	11,335
Provision for possible loss on disposal of fixed assets	2,776	—
	4,452	11,335
Western Co-operative Fertilizers Limited		
Fertilizer price adjustment (Note 7a)	4,627	3,254
	\$ 9,079	\$14,589

c) Earnings from Prince Rupert Grain Ltd. represent amounts received as the Corporation's share of a return to shippers less an annual amortization of the cost of its investment in the terminal.

	1988	1987
	(in thousands)	
Shipper's return	\$2,537	\$1,958
Less amortization of investment	(472)	(472)
	\$2,065	\$1,486



- d) Summarized financial information for companies over which the Corporation has significant influence is as follows:

	1988	1987
	(in thousands)	
Assets	\$571,693	\$578,270
Liabilities	708,371	723,597
Revenues	856,115	858,153
Net earnings before extraordinary items	31,803	8,371
Extraordinary income (losses)	3,219	(100,344)
Net earnings distributed	26,387	22,208

The 1987 extraordinary losses above include \$89,871,000 in losses associated with the discontinuation of fertilizer manufacturing operations.

The costs of financing the Prince Rupert terminal have been excluded from the above net earnings because those costs will only be paid out of earnings generated by future operations of the terminal.

- e) Certain notes and loans receivable in the amount of \$23,466,000, (1987—\$23,466,000), due from companies over which the Corporation has significant influence, have been postponed in favour of other creditors of these companies.

#### 4. Bank loans

Bank loans comprise borrowings from chartered banks and Credit Union Central, and are unsecured subject to the Corporation meeting certain covenants.

#### 5. Long term debt

- a) The long term debt of the Corporation is as follows:

	1988	1987
	(in thousands)	
Members' term loans	\$22,122	\$24,912
9 <sup>7</sup> / <sub>8</sub> % sinking fund debentures series A	20,200	21,600
Estimated liability under loan guarantee (Note 7b)	6,000	6,000
	48,322	52,512
Portion due within one year	11,407	16,006
	\$36,915	\$36,506

- b) Members' term loans range from two-year to ten-year terms with interest rates from 7 <sup>3</sup>/<sub>4</sub>% to 10%. Each loan is repayable at maturity with interest payable semi-annually.
- c) The sinking fund debentures require payments to be made in each of the next nine years for the retirement of \$1,400,000 principal amount annually, with the issue maturing on August 1, 1997. The issue is secured by a floating charge on all property and assets of the Corporation.
- d) The maturities of long term debt are as follows:

	(in thousands)
1989	\$11,407
1990	13,515
1991	1,400
1992	1,400
1993	1,400
Subsequent years	19,200
	\$48,322



## 6. Share capital

The number of shares issued to members is as follows:

	1988	1987
Fully paid (par value \$1 each)	260,172,568	265,566,294
Partially paid	72,182	73,069

## 7. Commitments and contingencies

- a) Western Co-operative Fertilizers Limited (WCFL), in which the Corporation has a 33 1/3% interest, has a 50% interest in a phosphate mining and processing operation. Included in the financing of this operation are debt instruments totalling U.S. \$35,410,000; Cdn. \$42,888,000 as at July 31, 1988, (1987—U.S. \$38,727,000; Cdn. \$51,394,000) repayable in annual installments until 1996. Up to one-third of the annual payments of principal and interest on these loan agreements are guaranteed by the Corporation, until the acquisition financing has been discharged, through a "take or pay" contract to purchase specified annual quantities of phosphate rock which has been assigned to WCFL for its acquisition of raw materials. In accordance with this contract, the Corporation paid \$3,106,000 to WCFL during the year ended July 31, 1988, (1987—\$3,254,000) and has included this amount in other charges of \$4,627,000. No provision for future amounts due under this guarantee commitment is considered necessary at this time.

Under another long term financing arrangement, 136294 Canada Limited holds the Corporation's shares in WCFL along with that company's interest in a fertilizer contract. The Corporation, jointly with two other shareholders, supports the financing by purchasing sufficient quantities of fertilizer annually until 1992 to enable 136294 Canada Limited to meet its annual obligations under that financing arrangement.

- b) At July 31, 1987, the Corporation had guaranteed 40% of a loan of \$40 million to MAALSA Investments Ltd. (MAALSA), secured by land with an estimated value of \$10 million. In 1987, the Corporation recorded a provision of \$6 million for possible loss under this guarantee.

During 1988, MAALSA refinanced this loan and the Corporation has guaranteed 40% of the principal and interest payments on a loan of \$40 million by Credit Union Central of Saskatchewan to MAALSA due in 1989.

Subsequent to July 31, 1988, the shareholders of MAALSA have agreed, in principle, to combine MAALSA with certain other jointly-owned companies. The reorganized corporation is expected to have sufficient cash flows to enable it to liquidate its liabilities. As a result, no provision for possible loss under the new loan guarantee is considered necessary at this time.

- c) At July 31, 1988, the Corporation has guaranteed other borrowings and obligations of companies in which it has an investment to maximum amounts aggregating \$17,517,000 (1987—\$14,365,000). Subsequent to July 31, 1988, the guarantees have been reduced to \$9,417,000.
- d) At July 31, 1988, planned future expenditures on authorized capital programs were approximately \$27,541,000 (1987—\$18,265,000).



## 8. Related party transactions

- a) The Corporation operates as a co-operative and, as such, conducts a significant portion of its business activities with related parties, consisting primarily of the Corporation's shareholder members and companies owned by the Corporation in concert with other Western Canadian co-operatives and over which it has significant influence. In addition to transactions with members including grain purchases, sale of farm products, livestock handling and financing transactions, the Corporation acquires from and sells to other related parties certain other goods and services in the normal course of business.

In addition to amounts disclosed separately, the Corporation has the following:

	1988	1987
	(in thousands)	
Due from members	\$ 80,104	\$ 82,203
Due from other related parties	20,137	5,828
Due to members	190,984	125,850
Due to other related parties	724	4,991

- b) Interest of \$1,590,000 (1987—\$2,447,000) receivable on interest-bearing notes, from companies in which the Corporation has an investment, was waived during the year.

## 9. Additional information

Included in the statement of earnings are the following revenues not disclosed separately:

	1988	1987
	(in thousands)	
Interest recovered from The Canadian Wheat Board	\$ 10,665	\$ 13,688
Investment income	1,847	798
Patronage refunds	4,350	3,685

## 10. Comparative figures

Certain 1987 amounts have been reclassified to conform with the 1988 presentation.



# Corporate Directory 1988

## Board of Directors

President  
Garf Stevenson  
First Vice-President  
Ray L. Howe  
Second Vice-President  
Leroy J. Larsen  
Executive Members  
Barry W. Senft  
Aubrey B. Wood  
T. Murray Firth  
Michael E. Wanner  
George A. Sanderson  
Marvin D. Wiens  
Leander E. Buhr  
Maurice Kostichuk  
Larry Gislason  
Ken W. Elder  
Joseph L. Hinz  
Harold G. Yelland  
Dennis Van Der Haegen

## Executive Management

Chief Executive Officer  
J. Milt Fair  
Corporate Secretary  
Allan D. McLeod  
Chief Financial Officer  
C. Ron Kasha  
General Manager, Operations  
Harold A. Whyte

## Operating Division Management

Country Services Division  
Alvin J. Gallinger  
Flour and Food Service Division  
Don K. Loewen  
Livestock Division  
Don M. Allewell  
Terminal Elevator Division  
Jim K. MacDonald  
Western Producer Publications Division  
Allan W. Laughland

## Service Division Management

Communications Division  
Ian Bickle  
Corporate Engineering Division  
R.B. (Dick) Pittfield  
Financial Resources Division  
C. Ron Kasha  
Human Resources Division  
David B. Wartman  
Management Information Services Division  
R.T. (Bob) Virgo  
Member Relations Division  
R. Duane Bristow  
Planning Services Division  
Gerry L. Liski  
Research Division  
Glen McGlaughlin

## Head Office

Saskatchewan Wheat Pool  
2625 Victoria Avenue  
Regina, Saskatchewan S4T 7T9  
Telephone (306) 569-4411  
Telex 071-2284  
Fax (306) 569-4708

## Flour and Food Service Division

CSP Foods Ltd.  
75 - 33rd Street East  
P.O. Box 190  
Saskatoon, Saskatchewan S7K 3K7  
Telephone: (306) 934-3268  
Telex 074-2369  
Fax (306) 244-2878

## Terminal Elevator Division

Saskatchewan Wheat Pool  
220 Portage Avenue  
Winnipeg, Manitoba R3C 0A5  
Telephone (204) 942-3819  
Telex 074-7861  
Fax (204) 947-2777

## Western Producer Publications

The Western Producer,  
Western Producer Prairie Books,  
M.C. Graphics Inc.  
2310 Millar Avenue  
P.O. Box 2500  
Saskatoon, Saskatchewan S7K 2C4  
Telephone (306) 665-3500  
Telex 074-2690  
Fax (306) 653-1255

## Solicitor

James T. Lyon  
(Balfour, Moss, Milliken, Laschuk & Kyle,  
Barristers & Solicitors)

## Auditor

Touche Ross & Co.

## Financial Institutions

Bank of Montreal  
Canadian Imperial Bank of Commerce  
Credit Union Central of Saskatchewan  
Royal Bank of Canada  
Toronto-Dominion Bank





Saskatchewan Wheat Pool