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**Saskatchewan  
Wheat Pool**

*and subsidiary companies*

**1987 Annual Report**



# Saskatchewan Wheat Pool

## A Year in Review

The 1986-87 crop year was a challenging one for Saskatchewan farmers and for Saskatchewan Wheat Pool.

The economic difficulties which had been developing in recent years intensified, in part because of growing protectionism in international markets, particularly for grain.

The year will be remembered for:

- a record grain harvest in 1986;
- large quantities of low quality grain;
- record export grain movement, with an increased proportion through the West Coast;
- a grain handlers' dispute at Thunder Bay;
- extremely depressed grain prices;
- the first upward turn in beef-cow numbers in eight years;

- generally strong livestock prices;
- increased interest in special crops;
- further reductions in initial grain prices at year-end;
- the amalgamation of Farm Service and Country Elevator Divisions into the new Country Services Division;
- permission for incentive grain freight rates;
- economic pressure on members and the staff who serve them.

Elected officials and management were active within the organization, provincially, nationally and internationally in search of ways to relieve the pressure.

## Five Year Review

(in thousands, except items\*)

### Operating Results

	1987	1986	1985	1984	1983
Country Elevator .....	\$ 9,680	\$ (941)	\$ 67	\$ 17,183	\$ 22,045
Terminal Elevator .....	21,029	30,279	23,093	41,432	31,532
Farm Service .....	(6,408)	(895)	302	2,790	1,978
Flour Mill .....	891	791	308	616	883
Livestock .....	1,037	96	(236)	(656)	(1,176)
Western Producer Publications .....	(544)	(398)	(343)	278	(263)
	25,685	28,932	23,191	61,643	54,999
Earnings from associated companies .....	3,277	3,447	2,194	4,372	4,623
Other charges .....	(14,589)	(5,918)	(3,944)	(4,673)	(12,485)
Corporate earnings .....	\$ 14,374	\$ 26,461	\$ 21,441	\$ 61,342	\$ 47,137

### Other Statistics

*Total membership .....	88,748	89,072	89,449	89,323	90,171
*Number of employees .....	3,350	3,513	3,555	4,027	4,082
*Current ratio .....	1.36	1.29	1.39	1.25	1.20
*Debt/equity ratio .....	38:62	36:64	38:62	44:56	50:50

### Our Front Cover Team

(L to R)  
 Bob Wicklund, Livestock Division  
 Gerald Olah, Delegate, District 10  
 Gail Gelsinger, Management Information Services Division  
 Elsie Astalos, Farm Service Division  
 Kevin Kletzel, Country Elevator Division  
 Laurie Johnson, Human Resources Division  
 Cliff Elliott, Farmer and Committee Member



**"We're Here to Help" -  
the essence of co-operation**

We are the people of Saskatchewan Wheat Pool, more than 65,000 farmers, members of 572 Pool committees across Saskatchewan, 144 Delegates, 16 Directors, and more than 3,000 employees.

Here is on Saskatchewan farms, in the communities at country and terminal elevators, farm service and livestock marketing centres, and in offices. Here is in the capitals of the province and the nation, at farm organization and international conference tables, and in the marketplaces of the world.

Help means providing the goods, services and information farmers need to be productive. It's finding and developing markets for farm products. Help is going beyond the ordinary, and doing whatever possible, directly or indirectly, so that Saskatchewan Wheat Pool may provide the superior service and representation its owners deserve.

In success and in adversity, co-operation is the strength of Saskatchewan farms and Saskatchewan Wheat Pool, among people who truly are "here to help".



Saskatchewan Wheat Pool delegate team. Back Row: (L to R) Dennis Banda, Marcelin, Allen Moorman, Muenster, Audrey Walker, Rosetown. Front Row: (L to R) John Claire, Radisson, Jim Willett, Pleasantdale.



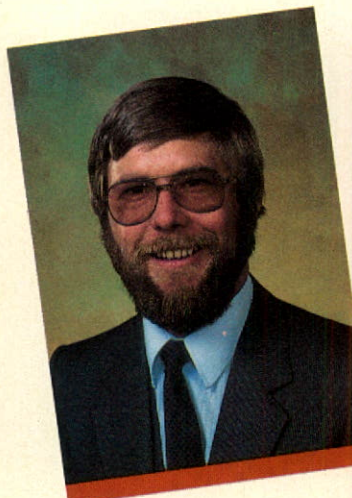
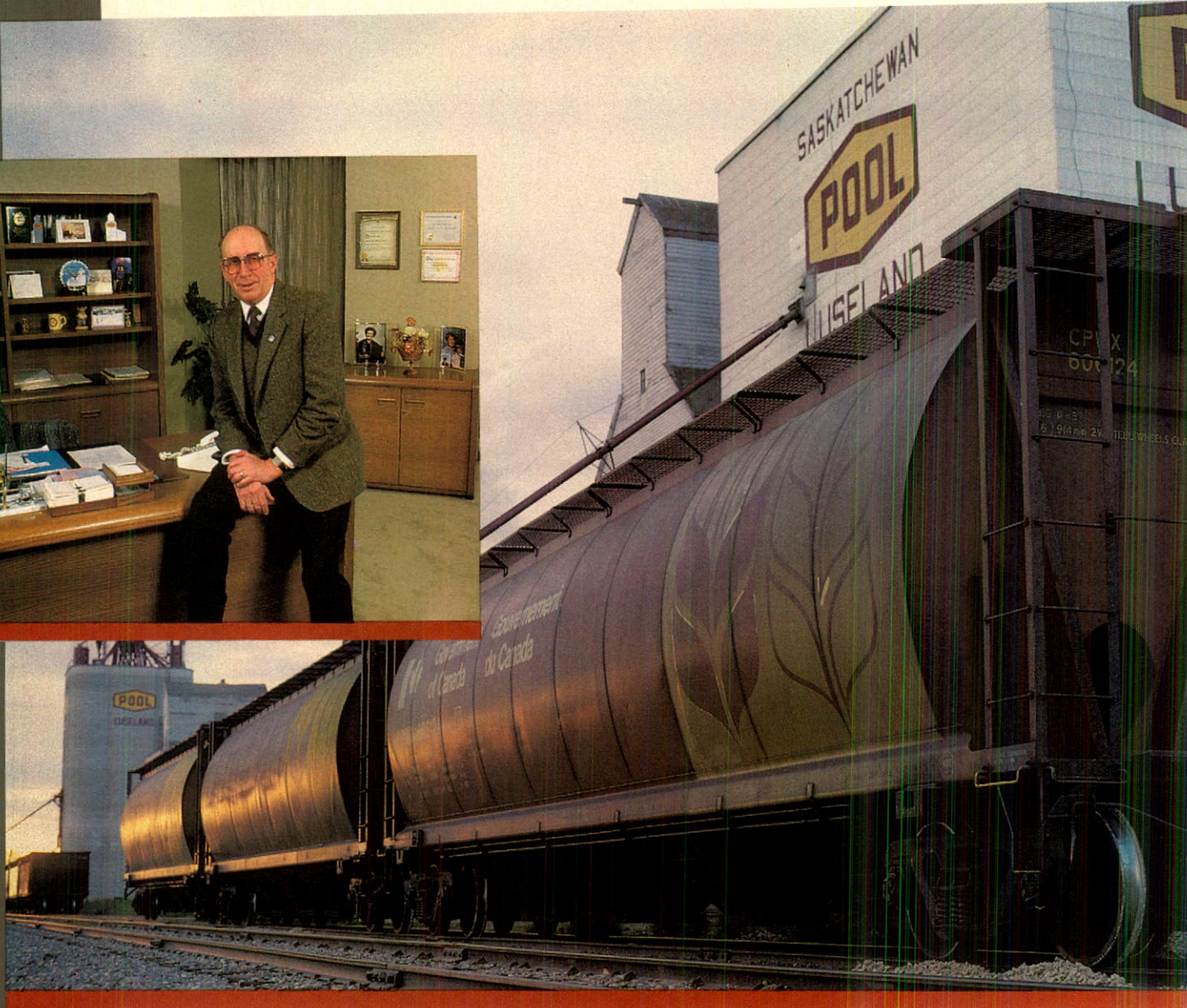
Saskatchewan Wheat Pool staff team. (L to R) Don O'Neill, Member Relations Division, Marg Barsi, Management Information Services Division, Bob Cooke, Treasury Division, Darlene Luzny, Country Elevator Division, Greg Alexander, Human Resources Division.

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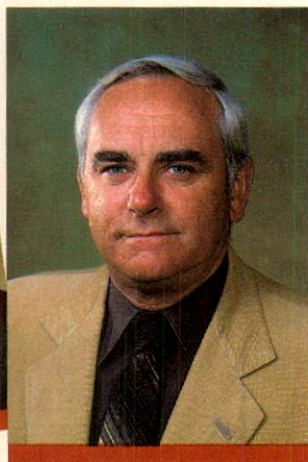
MCGILL UNIVERSITY



## Board Report



B.M. Hjertaas,  
Director, District 1\*  
\*Director until April, 1987



A.K. Sahl,  
First Vice-President,  
and Director, District 5\*\*  
\*\*First Vice-President and Director  
until January, 1987





While grain production in 1986 reached record levels and Canadian exports of grain also achieved a record, low grain prices and farm viability remained the over-riding concern. As a result of large world carry-over levels and the political actions of the European Economic Community, United States and Japan, grain prices fell to the lowest levels in more than a decade. Initial prices in Canada fell more than 20 per cent at the beginning of the crop year, and the Canadian Wheat Board struggled to maintain market share by meeting prices.

This situation demanded Pool Board attention in a number of areas: internal operations, discussions with and pressure on governments, and international discussions and actions.

Saskatchewan Wheat Pool initiated the request for a grain deficiency payment which, with the support of other farm organizations, resulted in the Special Canadian Grains Program. It brought one billion dollars to hard-pressed farmers across Canada. During the year, the President proposed a Rural Saskatchewan Stability Plan which would make it possible for a producer to temporarily give up title to part of his land to a new agency until his financial condition improved. Then, he could pay out the debt and regain his equity. The intent of this program would be to keep farm families on their farms, and to help farmers and rural communities by halting the decline in land values.

Trade is crucial to Saskatchewan farm families, so trade issues occupied the attention of the Board throughout the year.

Efforts were focused on both the bilateral Canada-United States negotiations, and the broader international negotiations under the General Agreement on Tariffs and Trade (GATT).

In order to encourage nations to curb and reduce unrealistic subsidies, Directors played active

roles in such international activities as the Ministerial Meeting of Fair Traders (later known as the Cairns Group of countries) in Australia, opening GATT discussions in Uruguay, and meetings of the International Federation of Agricultural producers.

At the same time, to seek out further trade opportunities, Board members also participated in trade missions to Argentina, Brazil, the U.S.S.R., the People's Republic of China, Japan, the United States and the Republic of Korea.

During the year, the Pool began a study of the potential for producing and marketing grass-fed beef, in the hope that this would increase the stability of Saskatchewan's livestock industry and improve producers' income potential.

In many of its national and international efforts, the Board consulted with Manitoba and Alberta Pools. The Boards of the three organizations decided to increase the scope and role of Prairie Pools Inc. The appointment of E.K. Turner as Executive Director, following his resignation as President of Saskatchewan Wheat Pool in January, was an important step in strengthening Prairie Pools.

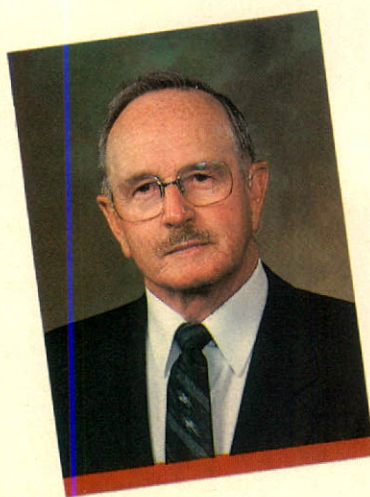
Internally, the Pool took action to control or reduce farm costs. Elevator handling charges were maintained at levels well below the anticipated increase in operating costs. Margins on farm inputs were reduced. The three Pools worked together on a submission to a House of Commons Committee on Farm Inputs, suggesting ways to reduce taxes and other farm costs.

A very important feature of the year was the decision approved by the Board of Directors in January, to consolidate the operations of the Country Elevator and Farm Service Divisions into Country Services Division. This required a substantial realignment of functions and responsibilities, as well as a number of staff changes.

The organization further diversified its holdings through the purchase of a 25 per cent interest in Northco Foods (Robin's Donuts).

In late December, 1986, Canadian National Railways and several grain companies applied to the Canadian Transport Commission for the opportunity to offer variable freight rates on grain. The Pool strongly opposed the application at hearings held by the Railway Transport Committee of the Canadian Transportation Commission. However, the CTC allowed the application. Saskatchewan Wheat Pool and a number of other organizations asked the federal cabinet to overturn the decision, but this request was denied, and variable rates became a reality on August 1, 1987.

G. Stevenson, President  
On behalf of the Board of Directors  
Saskatchewan Wheat Pool, 1987



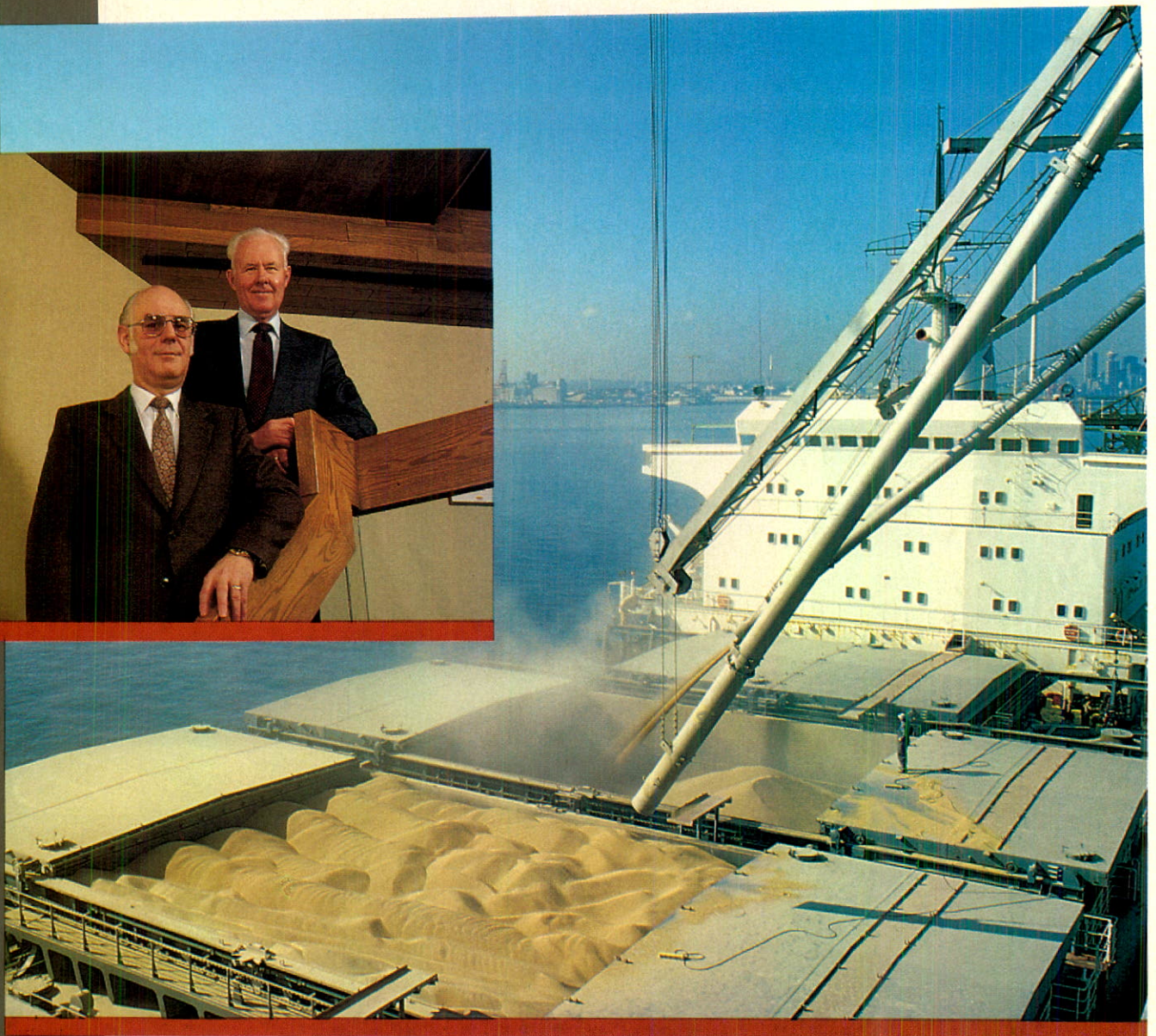
E.K. (Ted) Turner  
President and Director,  
District 16 until January, 1987

Grain handling and transportation were major policy issues through 1986/87. The Pool opposed variable rates, but they became a reality August 1st, 1987.

Inset: Garf Stevenson,  
President and Director,  
District 7



## Executive Report



Exports of the six major grains plus wheat flour were 30.6 million tonnes during 1986/87, well above records set in 1984.

Inset: (L to R) J.M. (Milt) Fair, Chief Executive Officer and A.D. (Allan) McLeod, Corporate Secretary of Saskatchewan Wheat Pool



C.R. (Ron) Kasha  
Treasurer



The Saskatchewan farm economy continued its downward spiral despite increasing government support. In 1986, \$416 million entered the province through deficiency payments, and \$477 million was paid through Western Grain Stabilization; thus the entire realized net farm income of \$739 million resulted from support or insurance programs.

Record production and excellent Canadian grain exports were offset by poor quality and low prices. Livestock producers experienced relatively good times, while more grain producers were forced to the edge. Bilateral trade negotiations between the U.S. and Canada were a major issue, and the subsidy war between the U.S. and the E.E.C. continued with Canadian farm families caught in the middle.

The decrease in initial prices for 1987/88 is a reflection of substantial world grain stocks, limited market growth, and continued efforts by the US to gain market share through export subsidies. The US government is the largest single holder of grain in the world; by releasing grain reserves into the "free stocks" market they can depress domestic price rallies and reduce their expenditures under the Export Enhancement Program, which pays the difference between the domestic and international price.

One of the producer responses to the low prices was increased interest in specialty crops. Specialty crop acreage for Saskatchewan in 1986 was 880,000 acres, up 49 per cent.

One of the positive factors in agriculture was the livestock industry, which continued to enjoy some strength and optimism. Fall moisture reserves in 1986 were excellent, and the provincial beef cow herd increased for the first time since 1979. During the fall run, producers held heifers off the market, foreshadowing possible further increases in the cow herd. Prices remained strong throughout the year.

Saskatchewan's production of the six major grains, 25.3 million tonnes, exceeded 1985 production by almost 32 per cent and was well above the five-year average. However, only 54 per cent of the wheat qualified for the top two grades, compared to 72 per cent on average.

Exports of the six major grains plus wheat flour were 30.6 million tonnes, 300 000 above the 1983/84 record. The increased exports are a tribute to the Canadian Wheat Board and other marketing organizations that did an excellent job of moving a difficult crop into a difficult market. Shipments through the west coast totalled 16.1 million tonnes, an all-time record.

Saskatchewan Wheat Pool's grain related operations showed earnings on the improved volumes generated by record exports, but country operations would have shown significant losses had volumes been similar to 1985/86. Farm supply operations were severely affected by producers' decisions to restrict use of inputs because of the economic situation, and by relatively poor growing conditions in late May and early June.

The year was positive for the two associated companies involved in grain handling. Both Pacific Elevators and Prince Rupert Grain increased volumes and were able to generate reasonable earnings.

XCAN Grain took an aggressive approach to market development, moving increased volumes, and finished the year with a modest earning.

The turnaround in CSP Foods continued with positive earnings.

The farm economic crisis and resulting reduction in fertilizer use, combined with significant price reduction, had a devastating effect on Western Co-operative Fertilizers Ltd. Severe losses resulted, and the owners sought alternate supply arrangements for fertilizer.

Overall earnings from operations, including associated companies, but prior to provision for possible losses, decreased to \$29.0 million from \$32.4 million. Net earnings for the year, after provision for possible losses, amounted to \$14.4 million.

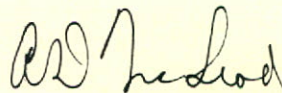
The 1988 capital budget calls for \$35.6 million, \$7.9 million higher than in 1987. The thrust is to continue country elevator development, expansion of fertilizer facilities, and expenditures which will increase efficiency and productivity in the terminal elevators.

A major development for 1987-88 is the formation of the Country Services Division. In a real sense, the formation of the division is the "one organization" concept put into action, emphasizing that the Pool is a single organization. To date, results have been encouraging.

Saskatchewan Wheat Pool has placed a great deal of emphasis on stimulation of innovation, excellence of service and a marketing thrust among staff. A renewed and strengthened corporate culture is growing within Pool staff. The phrase "We're Here to Help" is becoming the reaffirmation of a deep-rooted belief in the value of member/customers, and of the desire to meet their needs.

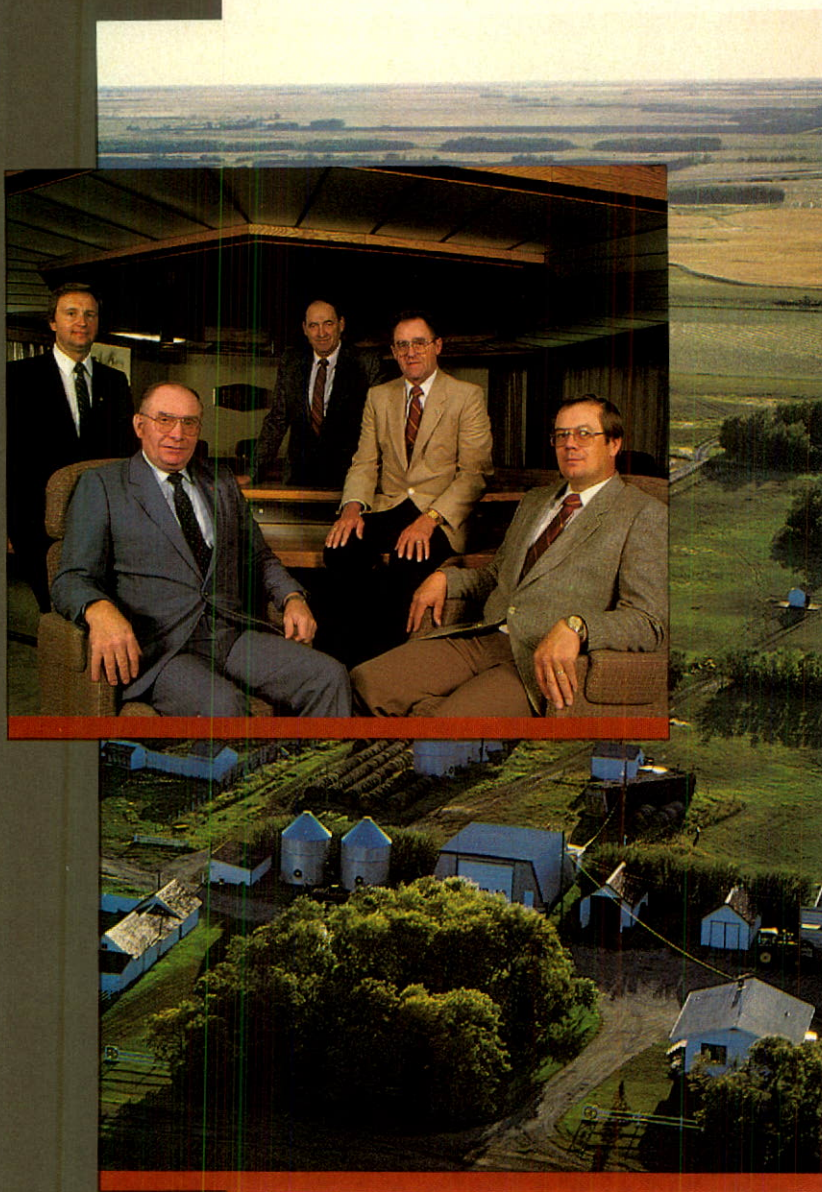


J.M. (Milt) Fair  
Chief Executive Officer



A.D. (Allan) McLeod  
Corporate Secretary





The Pool is concerned over the adequacy of the Canada-U.S. trade agreement. There are potential benefits for the livestock sector, but concerns in several grain areas.

*Inset: Member Relations and Information Committee:*  
(Standing L to R)  
R.H. Bunes, District 10;  
J.L. Hinz, District 13;  
(Seated L to R)  
L.J. Larsen, District 15;  
L.E. Buhr, District 5; and  
M.D. Wiens, District 4



Leonard Hamoline,  
Delegate, District 13

During the 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.

The Board of Directors pursues these issues through Prairie Pools Inc. and the Canadian Federation of Agriculture or directly with governments where appropriate.

The foremost current policy issues are related to the future of farms in Saskatchewan.

### 1 Farm Viability

The current economic situation demands a concerted effort from government, producer organizations and farmers to deal with farm income and farm debt, orderly marketing, domestic policy and international markets.

Saskatchewan's realized net farm income for 1987 is estimated at \$1.06 billion, the highest since 1981. However, this income is fully the result of the Western Grain Stabilization Program and the Special Canadian Grains Program. Without these programs, provincial farm income would have been negative in 1987.

Producers need a firm commitment for future deficiency payments until grain prices return to remunerative levels. The Pool believes the federal government should announce details of the special grains program for each year prior to seeding.

Members and elected officials of Saskatchewan Wheat Pool have debated the principles of a program to stabilize the financial situation of Saskatchewan producers and the social and economic health of rural Saskatchewan. These have been incorporated into a proposed Rural Saskatchewan Stability Program, with the following principles:

- 1) Optional program available to those in financial need.
- 2) Temporary title transfer to a neutral entity with option of repurchase.
- 3) A government-controlled financial vehicle.
- 4) Lending institution must accept debt write-down or deferment in some situations.
- 5) Participants must accept some management counselling and monitoring.
- 6) The program would complement other programs, and eligibility could be determined by "farm debt review board".
- 7) Lease arrangements be made available under management of the producer.
- 8) Program should be developed through consensus.



The difficulties of farm debt and eroded farm income stem directly from U.S. and E.E.C. programs. Producers look to the federal government to influence the U.S. and the E.E.C. to reform their agriculture policy.

Saskatchewan Wheat Pool strongly supports the orderly marketing of Western Canadian grains and the current authority and producer-oriented approach of the Canadian Wheat Board. The extension of board authority over the sale of the six major grains, providing this is demonstrated to be the wish of a majority of producers, is a fundamental policy objective. The Pool expects the federal government to protect the Canadian Wheat Board in international trade discussions and support the orderly marketing principles which are its base.

Consideration must also be given to long-term viability, including the sustainability of agricultural production. The Pool recommends that the federal government establish an acreage reduction program with soil conservation as its focus.

The provincial government also has a role in reducing farm input costs and maintaining the viability of agriculture. Saskatchewan Wheat Pool recommends that only the interest on the production loan program be collected until farm gate prices reach \$6.00 per bushel for wheat.

## II International Trade

Saskatchewan Wheat Pool supports Canadian initiatives leading to trade arrangements, including multilateral and bilateral agreements, so long as such arrangements enhance trading opportunities.

The Pool has concerns about the adequacy of the bilateral agreement negotiated between Canada and the United States. The conditional elimination of Canadian import licenses for wheat, oats, barley and their products, and the impact of the agreement on the two-price wheat system are among the areas of concern. At the same time, the Pool recognizes the potential for gains through eventual removal of agricultural tariffs, potential benefits for the livestock sector, and the positive aspects of various other provisions of the agreement.

A critically important element will be the effectiveness of the binational dispute settling mechanism.

The multilateral trade negotiations under GATT are very important to the future of agricultural trade in the world. Agreements must recognize and preserve the national responsibility of providing meaningful income support, stabilization programs, and marketing arrangements to meet the need of agricultural producers.

## III Transportation

Saskatchewan Wheat Pool has maintained long-standing opposition to variable rates, and the provisions of the Western Grain Transportation Act which allow such rates. However, the organization recognizes that incentive rates have become part of the transportation environment. For competitive reasons, the Pool is compelled to participate in the application of incentive rates in the future.

## IV Taxation

Saskatchewan Wheat Pool has serious concerns about tax reform proposals made by the federal government. It rejects suggestions that farmers report income on a modified accrual basis, and supports the cash accounting method.

## V Agricultural Research

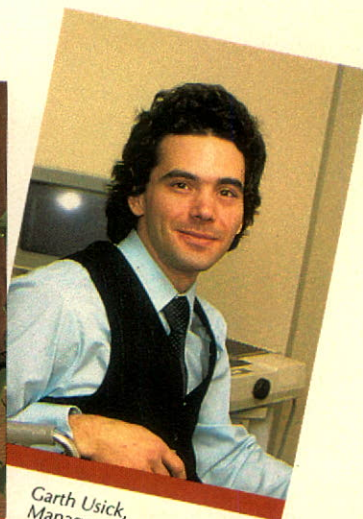
Saskatchewan Wheat Pool strongly believes that more government funds are needed so adequate research can be carried out on crops, livestock and forage production. It is prepared to provide specific policy direction on how research funding can be applied in a cost-effective manner.

Details of the Pool's policies on these and other issues are available through:

Communications Division  
Saskatchewan Wheat Pool  
2625 Victoria Avenue  
Regina, Saskatchewan  
S4T 7T9



Erika Otto,  
Treasury Division,  
Regina



Garth Usick,  
Management Information  
Services Division,  
Regina



### Livestock Division

Livestock Division had an extremely positive year, reflecting better conditions in the livestock industry. Provincial cattle and calf marketings increased, and so did the Division's share of the total market.

The Division's volume for the year was 384,393 cattle and calves. In addition, the Division assembled 5,948 slaughter cattle for the Saskatchewan Beef Stabilization Board, sold 8,950 hogs through sale rings, and assembled 93,173 hogs for the Saskatchewan Pork Producers Marketing Board.

Cattle prices were generally stronger.

The Division continued to offer a variety of services including regular weekly sales at all centres, special pre-sorted sales, bred cow sales, horse sales, and satellite TV sales. Auction services for farm sales and other farm equipment sales have been introduced. Satellite TV sales were very successful with 33,000 head sold in 16 sales.

The year was the biggest in the 19-year history of the feeder finance plan. The cattle financed in 1986-87 were spread over 2,776 contracts through 1,114 customers. The demand for feeder cattle in Saskatchewan was very strong and feeder cattle were brought in from Manitoba, Alberta and British Columbia to service this local market.

The Division continued its practice of supporting the activities of 4-H beef clubs. Services provided free of charge included managing sales, providing auctioneers and judging calves. This 4-H involvement is regarded as a responsibility and contribution to the future of the livestock industry and tomorrow's livestock producers.

### Farm Service Division

The past year was both extremely challenging and disappointing, as the economic conditions on farms worsened and demand for crop protection products dropped sharply.

The fertilizer industry experienced a very difficult year. Volumes were down and margins deteriorated.

Some major swings were evident in crop protection product markets in 1986-87. Most dramatic was the drop in insecticide sales and the substantial decrease of overall use of wild oat control products. Economic conditions and early cultivation to control wild oats caused a decrease of 30 to 60 per cent in provincial wild oat control product sales.

Feed sales were down with depressed feed grain prices a major factor. The demand for grain screening pellets all but disappeared. Durums, barleys, and specialty crops dominated the domestic seed market as producers searched for alternatives to offset falling wheat prices.

On the positive side, the demand for grain bins, hopper bottom fertilizer bins, and augers improved with the better crops harvested in 1986. Grain bin sales were the best ever.

The operating system consisted of 29 farm service centres, two seed plants, one distribution centre in Regina, 21 bulk/blender fertilizer plants, 18 NH<sub>3</sub> outlets, and numerous bulk fertilizer bins at elevator locations. During the year, the farm service centre at Melfort was relocated. Bulk fertilizer plants were purchased or constructed during the year at Leroy, Choiceland, Hudson Bay, Perdue, Whitewood and Lloydminster.

The plant breeding program has progressed to the point where 14 wheat lines were entered in the 1987 official trials.

Seedbed preparation and fertilizer response was part of a four site demonstration/research program for canola. A number of other key demonstration/research programs were continued at Watrous and other Product Development locations. A major objective of Product Development continues to be the effective transfer of technology into the hands of farmers. Considerable effort has again been expended on farm tours, grower information meetings, and publishing research findings.

The positive highlight of the year was the amalgamation of the former Farm Service and Country Elevator Divisions into the new "Country Services Division," effective August 1, 1987. It is expected that this major reorganization will be accomplished with minimal disruption in the normal flow of grain handling and farm supply sales activities.

### Country Elevator Division

Deliveries into the Saskatchewan Wheat Pool primary elevator system during 1986-87 were 10.4 million tonnes, the third highest on record.

The higher handlings were reflected in the number of million bushel stations. There were 119 stations with handlings over one million bushels, 11 of these over two million bushels, and two stations over three million bushels.

Country elevator agents in 1986-87 accounted for 70.6 per cent total farm supply sales.

The grain handlers' strike and the informal extension of the crop year to mid-August resulted in a slow start on the 1986-87 season. The Division was heavily involved in trucking during the strike at the terminals. In addition, a substantial amount of grain was cleaned in specific country elevators.

Over 41 per cent of deliveries were received in the first six months of the season, 58.7 per cent in the last six months, and 28.0 per cent in the last two months.



A separate Special Crops Department was established and located in Saskatoon early in the crop year. During the 1986 growing season Saskatchewan Wheat Pool contracted for brown mustard, yellow mustard, oriental mustard, lentils, canary seed, and peas.

During the year, the construction of a concrete slip form elevator at Luseland was completed and construction of a similar elevator north of Saskatoon was started.

The Construction Section placed staff members on the project at Luseland to train in the technology of concrete construction. Staff were also assigned to work with the contractor on the Saskatoon project.

In addition, the Pool built one very large wooden high throughput elevator, carried out major improvement projects at 13 locations, and erected 17 steel bin annexes at elevators.

Trackage projects to improve car spotting capabilities were authorized at six stations.

Thirty-five elevators at 23 stations were closed during 1986-87, and the division contracted for demolition of 63 elevators and/or annexes at 58 stations.

The country staff complement on August 1, 1987 consisted of 500 elevator managers, 275 assistant elevator managers and 300 helpers. They operated 507 units at 490 stations.



Livestock Production and Marketing Committee: (Standing L to R) D. Zbeetnoff, District 8; A.B. Wood, District 12; H.G. Yelland, District 14. (Seated L to R) B.W. Senft, District 6; and G.A. Sanderson, District 3.

## Terminal Elevator Division

Terminal Division's handling of 8.8 million tonnes was about 1.2 million tonnes better than in 1985-86.

At Thunder Bay, 83,251 rail cars were unloaded at Pool terminals, providing six million tonnes of product. This was 40.3 per cent of the cars unloaded at the port.

Total shipments from Thunder Bay amounted to 15.2 million tonnes, an increase of 3.0 million tonnes over the previous year. Pool terminals shipped 6.2 million tonnes, 40.9 per cent of the port's volume.

A five-week strike in the fall did not seriously affect the annual movement through Thunder Bay. However, additional costs were incurred in moving grain to the St. Lawrence by rail. Employees moved record tonnage immediately after the strike, with no signs of enduring hostility.

At Vancouver, a handling record was set for the second year in a row, with the unloading of 38,213 rail cars, 25 per cent of Vancouver unloads, and 17.8 per cent of the West Coast total.

Total receipts on the West Coast were 15.8 million tonnes, giving Saskatchewan Wheat Pool's Vancouver terminal an unload percentage of 17.8 per cent.



Sharla Oberhammer,  
Farm Service Division,  
Saskatoon

Don Boyenko,  
Flour and Food Service  
Division,  
Saskatoon





Saskatchewan Wheat Pool kept elevator handling charges well below anticipated operating cost increases in the effort to control farm costs.

*Inset: Field Crops Production and Marketing Committee: (Standing L to R) L. Gislason, District 9; D. Van der Haegen, District 16; T.M. Firth, District 1; (Seated L to R) R.L. Howe, District 11; and M.E. Wanner, District 2.*



Patty Rupert,  
Research Division,  
Regina

A total of 12.0 million tonnes was shipped out of the Port of Vancouver with 4.2 million tonnes moving through Prince Rupert—both new records. Saskatchewan Wheat Pool's Vancouver terminal shipped 2 831 945 tonnes, another record, representing 23.7 per cent of the Vancouver total and 17.6 per cent of the West Coast volume.

Cleaning capability is critical to the overall efficiency of a terminal operation, so cleaning enhancements have been an important part of the capital and repair program in Pool terminals.

With the commissioning of a new one-pass cleaning complex and installation of a cleaner monitoring system in the central control area, it is now possible for the Vancouver terminal to clean grain to export standards faster than the receiving system can take it in. Major capital and repair projects at Vancouver this year included cleaning battery improvements, construction of a maintenance storage shed, installation of automatic samplers on cleaner legs, and control system improvements. In addition, a major upgrading and expansion of the pellet plant was started to ensure that the handling and pelleting of refuse screenings will not become a bottleneck in the future.

At Thunder Bay, with lower handling volumes and less money available for capital works, the emphasis of the program continued to be on cost control and productivity gains.

Seventy-three projects were approved during the year. One of the major projects was grain cleaner upgrading at Terminal No. 7A. Most of the remaining funds were used to improve operating efficiency, with some directed to satisfy the requirements of government agencies.

## Flour and Food Service Division

The Flour and Food Service Division is operated under a management contract by CSP Foods Ltd.

The division maintained its growth pattern, showing increased sales volume in both flour and food service oil products. Fourteen new or improved products were introduced to the bakery-food service trade. The largest increase in flour sales was to export markets, in spite of the political and economic uncertainties of this trade.

Efforts to improve flour, bakery mix and vegetable oil sales have been matched with improvements to plant efficiency.

Completion of modernization of the flour mill elevator will improve efficiency of operations.

The division acquired a partnership in Northco Foods, the franchise owner of the Robin's Donuts chain.



## 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.

For The Western Producer, a continuing decline in advertising resulted in the smallest newspapers since 1979. In the 51 issues of 1986-87, 3,696 pages were published. A similar pattern existed throughout the industry, as most Western Canadian farm publications experienced a difficult year.

The main challenge for editors and writers was to help readers understand increasingly complex developments in world grain subsidy wars, eroding margins in grain production and the increasing need for government support programs.

The Producer increased its emphasis on farm-level production, management and marketing information. On-farm interviews and profiles increased through the Farm Living section.

The Western Producer staff members won two of the four national awards for weekly farm reporting, including a first place award.

The Farm Living section continued to provide news features and practical advice columns dealing with the issues involved in living and working on Western Canadian farms. Response to the seven advice columns remained strong, with over 1000 requests for information received.

The Open Forum received 652 letters, of which 352 were printed. With smaller papers the editor had to be more selective in choosing letters for publication.

Paid circulation declined for the third consecutive year, mirroring the problems of the Prairie economy. The paid circulation was 132,466 for the audited issue during the six-month period ended June 30, 1987, a decrease of 5,809 subscribers from the previous year.

Western people magazine continued to blend stories of contemporary Western Canadians with those settlers who were part of the early development of Western Canada.

The printing sales of Modern Press increased. Emphasis on web printing increased with the addition of another printing unit on the Nebiolo press and an improvement in the Urbanite press folder.

Western Producer Prairie Books had a very active year, publishing 19 new titles, seven reprints and selling over 149,000 books, the highest number ever. Award winning books published were Heavy Horses by Grant MacEwan; The Empty Chair by Bess Kaplan; and Last Chance Summer by Diana Wieler.



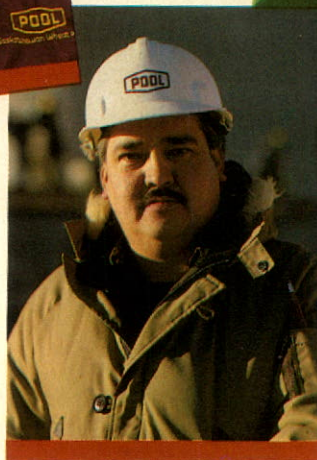
(Standing L to R)  
Dan Decker, Don Spooner, Bob Wilson  
Western Producer/Modern Press, Saskatoon



Larry Parrott,  
District Representative,  
District 6



Barb Fowler,  
Farm Service  
Division,  
Product Development  
Branch



Harry Demerais,  
Country Elevator Division,  
Construction Branch

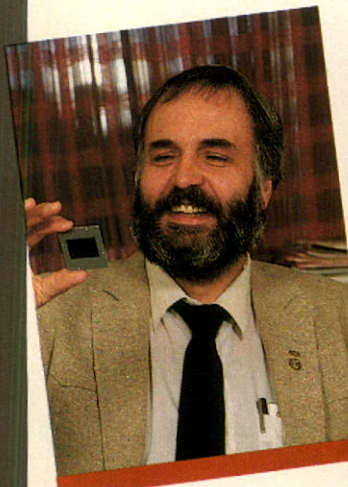


## Outlook



Insets (L to R): Product Development Farm Team;  
(L to R) Mary Tiessen, Darcy Campbell, Barb Fowler,  
Walter Cowan

Examination of test yields in Canola field;  
(L to R) Becky Hoehn with farmer Jim McDougall



Pieter van der Breggen,  
Communications Division,  
Regina



John Martin,  
Committee Member,  
Tregarva



Beatrice Ulmer,  
Human Resources Division,  
Regina



Don Blaine,  
Terminal Elevator Division,  
Winnipeg



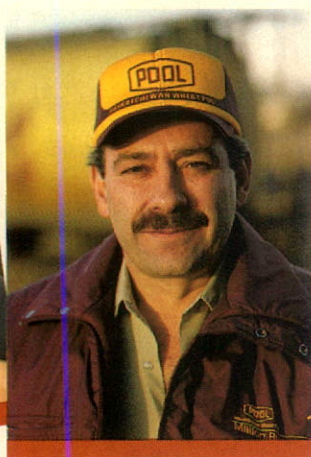


Aerial infrared photo of Product Development Farm, Watrous (lower left corner). Deep red colour shows "greenness" of crop plots, canola is pink, dark green areas depict moisture, light green is uncultivated land.

(Above) Chemicals being shipped from Farm Service Centre warehouse; Barry Brown, Supervisor



Gordon Hultgreen,  
Farm Service Division,  
Product Development Branch,  
Watrous



Brent Hartman,  
Country Elevator Division,  
Kenaston

World wheat production increased in 1986-87. At 529 million tonnes, it was about 10 million tonnes greater than consumption. The outlook is for production to decline and consumption to increase. Consumption may exceed production next year, reversing the trend which has built up world stocks for at least the past seven years.

Coarse grain production was down 10 million tonnes from 1985-86, at 835 million tonnes. That was roughly 40 million tonnes more than the amount used, so the stocks have increased again. However, production is expected to fall sharply this year, and we should move toward a better balance as the carryover stocks are drawn down.

For the second consecutive year the world had record oilseed production and year-end stocks. The trade in seed, meal and oils was static. It is likely there will be a short-term increase in oil trade next year, but there may be a world surplus in oil by the early '90s.

Over the next five years, specialty crops will remain a significant production alternative. Relatively low prices and increased international competition will slow the trend to increased acreage. Canada will have to aggressively market its specialty crops internationally in order to compete.

Exports of Saskatchewan grain should remain relatively high. As suggested by the world production and consumption outlook, though, the potential for stronger prices is not good.

For 1987/88, returns to beef producers are expected to remain strong. However, between 1989 and 1991 the market is expected to weaken. By 1991, cattle inventories in Canada are forecast to be 11.6 million head, up 10 per cent from 1986 levels, and increases in feed grain prices will result in lower profitability.

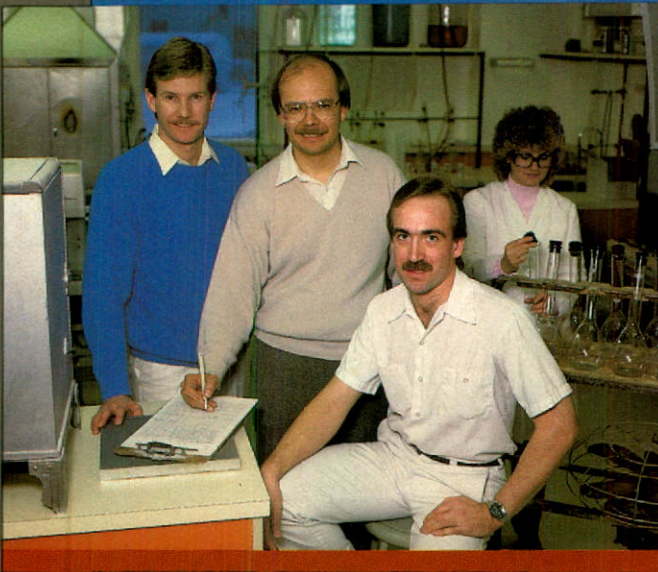
Over the next five years, hog production is expected to increase in North America. As a result prices in Canada are expected to decline. The increase in net exports of pork is expected to slow by 1988/89 and could fall significantly by 1991.

In years ahead, XCAN Grain has an excellent opportunity to develop markets for specialty crops. CSP Foods should benefit from increased demand for canola oil, resulting in increased crushing margins.

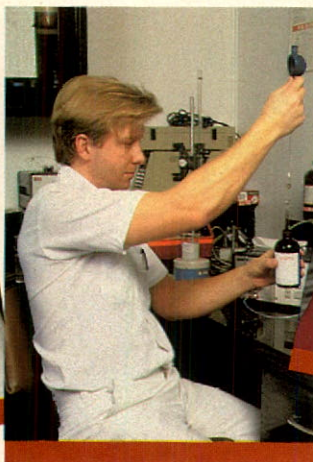
Although the Canadian Wheat Board will remain of fundamental importance, the six major grains will need to be supplemented by other crops and markets. The emphasis must be to help derive every possible dollar from each tonne of members' production. With restricted international markets for raw products, the opportunities will most likely lie in secondary processing. Joint ventures, such as the one undertaken with Northco Foods, may become a real necessity.



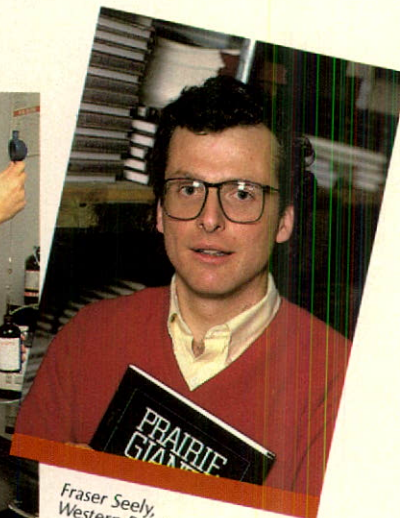
## Associated Companies



Cindy Nespor,  
XCAN Grain Ltd.,  
Winnipeg



Rod Smith,  
IPCO Ltd.,  
St. Boniface



Fraser Seely,  
Western Producer Prairie Books,  
Saskatoon

Vegetable oil products and flour showed increased sales volume during the year. Opportunities, in the future, may lie in secondary processing.

Inset: (Standing L to R)  
Neil Tennent,  
Zane Labach,  
Grace Pidperlyhora;  
(Seated) Scott Fryer,  
Flour and Food  
Service Division,  
Saskatoon



### **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 in excess of four million tonnes by the Prince Rupert Grain facility exceeded the original design capacity of 3.5 million tonnes.

In 1986-87 Saskatchewan Wheat Pool originated 30.1 per cent of the grain to the facility.

### **Co-Enerco**

The Pool is one of a group of Canadian co-operatives which established the Co-operative Energy Corporation. Co-Enerco's proven and probable reserves of crude oil and natural gas liquid increased by almost four per cent in the year.

### **Canadian Pool Agencies Limited/ Pool Insurance Company**

Canadian Pool Agencies is jointly owned by Saskatchewan Wheat Pool, Alberta Wheat Pool and Manitoba Pool Elevators. 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 was established to manufacture or acquire 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 farmers, their families, and their communities. Consultation and work with other co-operative organizations is also a stated objective.

In keeping with these objectives, your Board of Directors and management play important roles in a number of related co-operatives. These include the Co-operative Union of Canada, Co-operative College of Canada, The Co-operators, the Co-operative Trust Co. of Canada, Credit Union Central of Saskatchewan, the Canadian Co-operative Credit Society and Federated Co-operatives Limited.

### **Prairie Pools Inc.**

Manitoba, Alberta and Saskatchewan Pools use Prairie Pools Inc. as a joint policy development and promotion body. It has existed for three years, and has dealt with major policy issues, including

farm finance, international trade, and transportation policy. The staff of Prairie Pools was increased during the year, with the appointment of E.K. Turner as Executive Director, in preparation for the increased activity expected from P.P.I.

### **CSP Foods Ltd.**

Highlights of the year included the crushing of 504 051 tonnes of all seeds, including 467 000 tonnes of canola, a new record for CSP Foods Ltd. Refining operations totalled 99 043 tonnes of oil, also a new record. The company increased its penetration into United States markets for crude and refined canola oil. Increased sales to the Canadian International Development Agency occurred during the year and Western Canadian crushers made the first commercial sale of canola oil into India.

The operations of Prairie Margarine Inc. have been most satisfactory in its first year.

### **Western Co-operative Fertilizers Limited**

The year was catastrophic for WCFL because of two factors almost completely beyond its control; a precipitous drop in prices and a large drop in the overall Western Canadian fertilizer market.

The company undertook an examination of all opportunities for supply of fertilizer and by year-end had agreement in principle that WCFL would purchase most of its nitrate and phosphate fertilizer from Esso. WCFL decided to cease operations at the Calgary plant for the present. The future plan is for WCFL to manage the existing procurement agreements and arrange distribution to the three Pools, local co-operatives, and to take advantage of other market opportunities as they present themselves.

### **XCAN Grain Ltd.**

Handlings of all commodities marketed, with the exception of agency wheat, increased to 2.1 million tonnes in 1986-87 compared to 1.9 million tonnes in the previous year. XCAN Grain Ltd. continues to be the major supplier of canola to the Japanese market. XCAN made good progress in marketing specialty crops for the Pools and in increasing the volume of feed ingredients sold, as continued effort was placed on expanding and diversifying markets.

### **Pacific Elevators Limited/ Western Pool Terminals Ltd.**

The Pacific Elevator is the terminal in Vancouver owned by the 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 1986-87 totalled 2.3 million tonnes compared to 2.2 million tonnes in the previous year. This represented 19.6 per cent of Vancouver unloads.



## Delegates

### District 1

Left, Murray Firth of Carievale (Director), sub-district 1; Blain Hjertaas of Wauchope, 7; John Kish of Estevan, 3; Alvin Adamson of Fairlight, 8; Howard Fornwald of Arcola, 2; Donald Dean of Langbank, 9; A.R. (Bud) Askin of Arcola, 6; Milo Grimsrud of Torquay, 4; Marvin Shauf of Stoughton, 5.



### District 2

Left, Michael Wanner of Weyburn (Director), sub-district 6; Keith Wiggins of Fillmore, 7; Kenneth Torkelson of Beaubier, 1; Rodney Dahlman of Assiniboia, 3; Barry Underwood of Milestone, 8; Stanley Kozachuk of Fife Lake, 2; Timothy Coulter of Briercrest, 9; Brian Nast of Trossachs, 5; Gerald Muldoon of Crane Valley, 4.



### District 3

Left, George Sanderson of Consul (Director), sub-district 4; Rodney Morrison of LaFleche, 9; Donald Phalen of Shaunavon, 5; Gary Wellbrock of Ponteix, 6; Beth Wall of Neville, 7; Garry Elford of McCord, 2; Murray Janis of Glen Bain, 8; Alan Balfour of Climax, 3.



### District 4

Left, Rick Jensen of Webb, sub-district 2; Marvin Wiens of Wymark (Director), 1; Peter Sehn of Fox Valley, 4; Ned Schneider of Leader, 5; Tillmann Moe of Kyle, 9; Ronald Watson of Lancer, 6; Charlie Shaheen of Swift Current, 8; Andrew Lockhart of Maple Creek, 3. Missing is Michael Korven of Cabri, 7.



### District 5

Left, Leander Buhr of Herbert (Director), sub-district 4; Darryl Tucker of Central Butte, 9; Danial Hook of Bateman, 2; Barry Hallborg of Chaplin, 5; Donald Hill of Moose Jaw, 6; James Mann of Hodgeville, 3; Glen Mitchell of Mossbank, 1; Donald Robinson of Bethune, 7; Vic Bruce of Tuxford, 8.



### District 6

Left, Barry Senft of Lipton (Director) sub-district 8; Eric Kramer of Southey, 9; Andre Perras of Montmartre, 1; Fred Sykes of Regina, 4; Gregory Lindenbach of Edenwold, 6; Lillian Fahlman of Kronau, 2; William Relf of Wolseley, 7; Alfred Wagner of Silton, 5; Booker Cornea of Moose Jaw, 3.







#### District 7

Left, Anthony Petracek of Gerald, sub-district 4; Garf Stevenson of Regina (Director & President), 2; Brian Cooper of Waldron, 5; Ronald Pilipow of Goodeve, 7; Roy Cuthill of Welwyn, 1; Robert Schmidt of Marchwell, 9; David Sefton of Broadview, 3; William Bearden of Abernethy, 6; Edwin Mitrenga of Melville, 8.



#### District 8

Left, David Zbeetnoff of Pelly (Director), sub-district 6; Kenneth Mitchell of Preeceville, 9; Anthony Hladyboroda of Mikado, 4; Raymond Galye of Wroxton, 1; Steven Hrynkiw of Canora, 8; Thomas Wood of Yorkton, 2; Terry Zavislak of Canora, 7; Maurice Kostichuk of Insinger, 3; Nick Cherkas of Kamsack, 5.



#### District 9

Left, Larry Gislason of Foam Lake (Director), sub-district 6; Thomas Lowes of Quill Lake, 8; Russell Young of Cymric, 3; Werner Block of Jansen, 4; Thaddeus Trefiak of Leross, 1; Norman Hall of Wynyard, 5; Gayhart Bottcher of Margo, 7; Ronald Graessli of Punnichy, 2. Missing is Gerald Nedjelski of Kelvington, 9.



#### District 10

Left, Robert Bunes of Demaine (Director), sub-district 4; Gerald Olah of Watrous, 8; Wendell Jensen of Milden, 5; Kenneth Johns of Allan, 7; George MacDonald of Glenside, 3; Alexander Thompson of Davidson, 2; Michael Summerfeldt of Dundurn, 6; Kenneth Elder of Simpson, 1; Don Eley of Colonsay, 9.



#### District 11

Left, Ray Howe of Eston (Director & First Vice-President), sub-district 2; Robert Thomson of Alsask, 3; Grant Whitmore of Harris, 7; Audrey Walker of Rosetown, 6; Raymond Ryland of Plato, 1; Jacob Epp of Major, 9; Robert Siemens of Fiske, 5; Wayne Nargang of Kindersley, 4; Ritz Reynolds of Kerrobert, 8.



#### District 12

Left, Jack Lewin of Reward, sub-district 6; Aubrey Wood of Ruthilda (Director), 2; Raymond Schwebius of Wilkie, 7; Cyril Sawtell of Neilburg, 9; Ray Atkinson of Landis, 3; Rudolph Stang of Macklin, 5; Cletus Scherman of Battleford, 8; Ronald Kraft of Tramping Lake, 4; Charles Weir of Perdue, 1.



### District 13

Left, Joseph Hinz of Muenster (Director), sub-district 3; Michael Ozeroff of Langham, 7; Jerome Warick of Bruno, 4; Elwood Harvey of Saskatoon, 6; Allan Moorman of Muenster, 2; Arlee McGrath of Leroy, 1; Leonard Hamoline of Aberdeen, 5; Eldon Funk of Laird, 8; Edwin Altrogge of St. Benedict, 9.



### District 14

Left, Jim Willett of Pleasantdale, sub-district 3; Harold Yelland of Porcupine Plain (Director), 1; Wayne Black of Archerwill, 2; Leo Hleck of Codette, 8; Lorne Anderson of Melfort, 4; Lorne McConaghy of Beatty, 9; David Bone of Tisdale, 5; Albert Espenand of Hudson Bay, 6; Irvin Perkins of Codette, 7.



### District 15

Left, Harry Romanchuk of Meath Park, sub-district 8; Leo Moore of Parkside, 7; Dennis Banda of Marcelin, 4; Tony Maruschak of Shipman, 9; James Boyd of Kinistino, 2; Jack Armitage of Prince Albert, 3; Creston Story of Leoville, 5; Robin Perreault of Hoey, 1. Missing is Leroy Larsen of Canwood (Director & Second Vice-President), 6.



### District 16

Left, Walter Jess of Speers, sub-district 2; Dennis Van der Haegen of Denholm (Director), 3; Robert Iverson of Meota, 4; Russel Arnold of Spruce Lake, 7; John Clair of Radisson, 1; Walter Campbell of Waseca, 5; Rudy Jurke of Lloydminster, 6; John Ehnes of Goodsoil, 9; Peter Loewen of Glenbush, 8.





## Management Report

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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 system 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  
Treasurer

## Auditors' Report

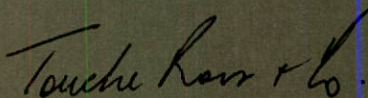
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The Shareholders  
Saskatchewan Wheat Pool

We have examined the statement of financial position of Saskatchewan Wheat Pool as at July 31, 1987 and the statement 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, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan  
October 13, 1987



Chartered Accountants



## Financial Statements

### Statement Of Financial Position

For The Year Ended July 31

Statement 1

1987

(in thousands)

1986

#### CURRENT ASSETS

Cash	\$ 5,271	\$ 3,968
Accounts receivable	169,354	186,873
Inventories (Note 2a)	274,310	368,014
Prepaid expenses	22,150	7,607
Prepayment of income taxes	3,176	2,840
	<hr/> 474,261	<hr/> 569,302

#### CURRENT LIABILITIES

Outstanding cash tickets and cheques	98,705	140,129
Bank loans (Note 4)	40,982	57,150
Notes payable	10,000	42,525
Accounts payable	164,028	163,729
Long term debt due within one year	16,006	15,737
Estimated payments to or on behalf of members	18,898	21,350
	<hr/> 348,619	<hr/> 440,620

#### WORKING CAPITAL

125,642 128,682

#### INVESTMENTS AND MEMBERSHIPS

(Notes 2c & 3) 37,276 40,637

#### FIXED ASSETS

(Note 2d) 201,538 200,486

#### FUNDS INVESTED

\$364,456 \$369,805

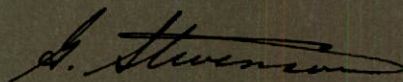
#### FINANCED BY

Long term debt (Note 5)	\$ 36,506	\$ 37,255
Members' equity (Statement 3)	327,950	332,550
	<hr/> \$364,456	<hr/> \$369,805

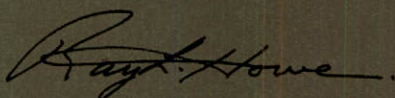
Commitments and contingencies (Note 7)

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

On behalf of the Board

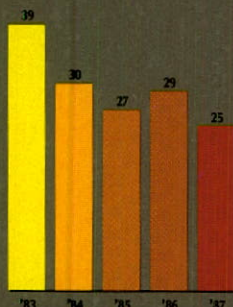


G. Stevenson  
Director

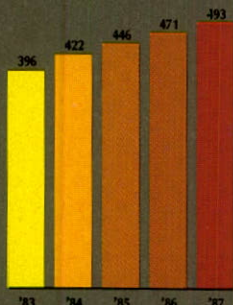


R.L. Howe  
Director

Capital Expenditures  
(in millions)



Fixed Assets  
at cost  
(in millions)





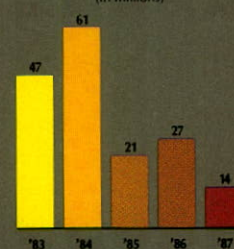
**Statement of Earnings**  
For The Year Ended July 31

	1987	1986
	(in thousands)	
<b>SALES AND OTHER OPERATING REVENUE</b>	\$1,804,275	\$1,739,597
<b>COST OF SALES AND EXPENSES</b>		
Cost of sales and operating expenses	1,687,800	1,625,117
Selling and administrative expenses	50,010	43,844
Depreciation	23,714	24,449
Interest on long term debt	4,764	5,323
Other interest	12,301	11,932
	1,778,589	1,710,665
<b>EARNINGS FROM OPERATIONS</b>	25,686	28,932
<b>EARNINGS FROM:</b>		
Pacific Elevators Limited	1,791	2,644
Prince Rupert Grain Ltd. (Note 3c)	1,486	24
XCAN Grain Ltd.	—	779
<b>EARNINGS BEFORE OTHER CHARGES</b>	28,963	32,379
<b>OTHER CHARGES</b> (Note 3b)	(14,589)	(5,918)
<b>NET EARNINGS</b>	\$ 14,374	\$ 26,461

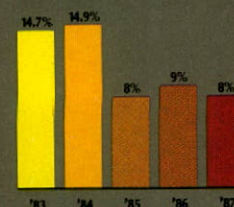
**Statement Of Members' Equity**  
For The Year Ended July 31

	1987	1986
	(in thousands)	
<b>SHARE CAPITAL</b> (Note 6)		
Balance beginning of year	\$266,424	\$260,124
New shares allotted	10	9
Allocated from prior year's earnings	15,973	14,481
Share redemptions		
Purchased from eligible categories	(5,406)	(4,780)
Authorized annual redemptions	(11,398)	(3,410)
Balance end of year	\$265,603	\$266,424
<b>UNALLOCATED EARNINGS RETAINED</b>		
Balance beginning of year	\$ 61,836	\$ 60,480
Prior year's earnings	26,461	21,441
Income taxes paid	(550)	(1,070)
Patronage allocation to members		
Shares	(15,973)	(14,481)
Cash	(2,633)	(2,218)
Withholding taxes	(2,429)	(2,081)
Balance retained	4,876	1,591
Adjustment of prior years' income taxes	98	(1,141)
Net proceeds in excess of original cost on disposal of fixed assets	563	906
Balance end of year	\$ 67,373	\$ 61,836
<b>NET EARNINGS - UNALLOCATED</b> (Statement 2)	\$14,374	\$ 26,461
<b>MEMBERS' EQUITY BEFORE PROVISIONS</b>	\$347,350	\$354,721
Provision for payments to or on behalf of members	(18,898)	(21,350)
Provision for corporate taxes	(502)	(821)
<b>MEMBERS' EQUITY END OF YEAR</b>	\$327,950	\$332,550

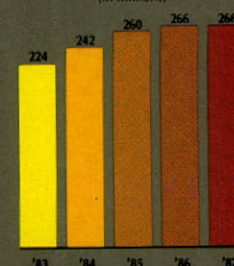
**Corporate Earnings**  
(in millions)



**Return on Invested Capital**



**Share Capital**  
(in millions)



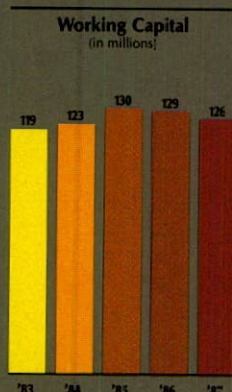
**Patronage Dividends**  
Out of previous year's earnings



**Members' Equity**  
(in millions)







## Statement of Changes in Financial Position For The Year Ended July 31

### OPERATING ACTIVITIES

	1987	1986
	(in thousands)	
Net earnings (Statement 2)	\$ 14,374	\$ 26,461
Items not requiring working capital		
Depreciation	23,714	24,449
Provision for possible loss on investments (Note 3b)	11,335	5,918
Amortization of investment (Note 3c)	472	475
	49,895	57,303
Provision for corporate taxes	(502)	(821)
Adjustment of prior years' income taxes	98	(1,141)
Working capital from operating activities	49,491	55,341

### FINANCING ACTIVITIES

New shares allotted	10	9
Provision for payments to or on behalf of members	(18,898)	(21,350)
Decrease in members' term loans-net	(5,349)	(4,663)
Current maturity of debenture loans	(1,400)	(1,400)
Increase in long term debt	6,000	—
Other	(245)	15
Working capital used in financing activities	(19,882)	(27,389)

### INVESTING ACTIVITIES

Increase in investments	(8,687)	(2,395)
Decrease in investments	241	1,199
Purchase of fixed assets - net	(24,766)	(29,157)
Other	563	906
Working capital used in investing activities	(32,649)	(29,447)

### DECREASE IN WORKING CAPITAL

	(3,040)	(1,495)
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### WORKING CAPITAL, BEGINNING OF YEAR

	128,682	130,177
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### WORKING CAPITAL, END OF YEAR

	\$125,642	\$128,682
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## Allocation of Net Earnings

The Board of Directors decided that the net earnings for the year ended July 31, 1987, in the amount of \$14,374,000 be allocated as follows:

	(in thousands)
Patronage allocation on grain at the rate of \$1.20 per tonne, estimated	\$ 12,535
Patronage allocation on livestock at the rate of \$1.00 per head for cattle and calves and \$0.25 per head for hogs and sheep, estimated	411
Provision for income tax, estimated	502
Transfer to unallocated earnings retained from prior years, estimated	925
Total	\$ 14,374

An estimated total of \$1,229,000 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 \$11,717,000 will be applied in payment of shares allotted.

The Board of Directors also decided that:

1. The sum of approximately \$12,235,000 be used as required in 1987-88 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, 1987, and repayment of 7% of share equity to corporate members.
2. The sum of approximately \$5,434,000 be used as a cash payment at the rate of fifty cents (\$0.50) per tonne on all grain purchased from members in the 1986-87 year.

Payments totalling \$18,898,000 will be made to or on behalf of members during the 1987-88 year.



## Notes To Financial Statements

For The Year Ended July 31, 1987

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

### 2. Accounting policies

#### a) Inventories

	1987	1986
	(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.	\$176,365	\$285,519
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.	19,862	11,174
Other inventory valued at the lower of cost (principally average cost) and net realizable value.	78,083	71,321
	<u>\$274,310</u>	<u>\$368,014</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%
Pacific Elevators Limited	30%
Pool Insurance Company	50%
Prince Rupert Grain Ltd.	30%
Ridley Grain Ltd.	30%
Western Co-operative Fertilizers Limited (Note 7a)	25%
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:

	1987 (in thousands)	1986 (in thousands)	Rate of Depreciation
Cost			
Sites, trackage and paving	\$ 18,363	\$ 16,518	0 - 8%
Buildings	245,915	237,239	5 - 10%
Machinery and equipment	213,256	203,308	20 - 30%
Vehicles	9,838	9,043	30%
Work under construction	5,522	5,013	nil
	492,894	471,121	
Less accumulated depreciation	291,356	270,635	
Net book value	\$201,538	\$200,486	

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.

### 3. Investments and memberships

a) Investments and memberships are summarized as follows:

	1987 (in thousands)	1986 (in thousands)
Companies over which the Corporation has significant influence:		
Shares	\$ 4,745	\$ 4,332
Notes and loans receivable	53,031	45,586
	57,776	49,918
Other investments and memberships, principally shares in co-operatives	15,254	15,138
	73,030	65,056
Less accumulated provision for possible loss on investments	(35,754)	(24,419)
	\$37,276	\$40,637



b) Other charges

Uncertainty exists as to the potential liabilities and realization of certain amounts relating to Western Co-operative Fertilizers Limited and MAALSA Investments Ltd.

Details of other charges are as follows:

	1987	1986
	(in thousands)	
Western Co-operative Fertilizers Limited		
Special shares	\$ 2,832	\$ —
Patronage loans	1,011	—
MAALSA Investments Ltd.		
Decline in land value (Note 7b)	6,000	—
Loans	1,492	1,728
CSP Foods Ltd.		
Notes and patronage loans	—	4,189
Canadian Co-operative Implements Limited		
Preferred shares	—	1
Provision for possible loss on investments	11,335	5,918
Western Co-operative Fertilizers Limited Fertilizer price adjustment (Note 7a)	3,254	—
	<u>\$14,589</u>	<u>\$ 5,918</u>

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.

	1987	1986
	(in thousands)	
Share of 1985 earnings	\$ —	\$ 82
Shipper's return	1,958	417
Less amortization of investment	(472)	(475)
	<u>\$1,486</u>	<u>\$ 24</u>



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

	1987	1986
	(in thousands)	
Assets	\$541,054	\$652,684
Liabilities	703,925	707,208
Revenues	875,142	852,161
Net earnings before extraordinary losses	30,416	8,159
Extraordinary losses	(100,344)	(12,749)
Net earnings distributed	18,151	19,835

The extraordinary losses above include \$89,871,000 in losses associated with the discontinuation of fertilizer manufacturing operations (see Note 7a).

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 (1986 - \$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. During 1987, the security provisions were changed to an unsecured basis, subject to the Corporation meeting certain covenants.

#### 5. Long term debt

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

	1987	1986
	(in thousands)	
Members' term loans	\$24,912	\$29,992
9 7/8% sinking fund debentures series A	21,600	23,000
Estimated liability under loan guarantee (Note 7b)	6,000	—
	52,512	52,992
Portion due within one year	16,006	15,737
	<u>\$36,506</u>	<u>\$37,255</u>

- b) Members' term loans range from two-year to ten-year terms with interest rates from 7 3/4% to 10 1/4%. 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 ten 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 during each of the next five years ending July 31 are as follows:

	(in thousands)
1988	16,006
1989	11,706
1990	1,400
1991	1,400
1992	1,400
	<u>\$31,912</u>



## 6. Share capital

The number of shares issued to members is as follows:

	1987	1986
Fully paid (par value \$1 each)	265,566,294	266,386,380
Partially paid	73,069	74,645

## 7. Commitments and contingencies

- a) Western Co-operative Fertilizers Limited (WCFL), in which the Corporation has a 25% 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. \$38,727,000; Cdn. \$51,394,000 as at July 31, 1987, (1986 - U.S. \$41,797,000; Cdn. \$57,693,000) 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 1986, WCFL through its wholly-owned subsidiary Western Co-operative Fertilizers (U.S.) Inc. (WCF U.S.) temporarily ceased its phosphate mining and processing operation due to WCFL obtaining its supply of phosphate rock from other sources and the failure on the part of WCF U.S.'s partner in the operation to meet certain financial obligations. This situation and the decision by WCFL to close its fertilizer manufacturing plants in Calgary and Medicine Hat caused the Corporation to commence supporting WCFL for its one-third share of the guarantee commitment. The Corporation paid \$3,254,000 to WCFL during the year ended July 31, 1987, which amount has been included in other charges against earnings. Future commitments by the Corporation and the value of WCF U.S.'s assets are uncertain pending financial and organizational restructuring of WCFL. As a result of these uncertainties, no provision has been recorded for future amounts due under the guarantee commitment.

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 certain specified minimum quantities of fertilizer annually until 1992.

- b) The Corporation is contingently liable for 40% of any deficiency in security pledged against a loan of \$40,000,000 due by MAALSA Investments Ltd. in 1988. The loan is secured by land which has an estimated present value of \$10,000,000. A major portion of this value has been determined on the basis of development of the land several years in the future. Since it is the intention to refinance the loan on a long term basis and it is unlikely that there will be any appreciable increase in the current market value of the land for several years, a provision of \$6,000,000 for possible loss related to the Corporation's estimated liability under the loan guarantee has been recorded as at July 31, 1987. The Corporation has also guaranteed 40% of the annual lease payments MAALSA Investments Ltd. is required to make.
- c) At July 31, 1987, the Corporation has guaranteed other borrowings and obligations of companies in which it has an investment to maximum amounts aggregating \$14,365,000 (1986 - \$17,427,000).
- d) At July 31, 1987, planned future expenditures on authorized capital programs were approximately \$18,265,000 (1986 - \$18,501,000).



## 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:

	1987	1986
	(in thousands)	
Due from members	\$ 82,203	\$ 76,233
Due from other related parties	5,828	6,254
Due to members	125,633	120,685
Due to other related parties	4,991	2,412

- b) Interest of \$2,447,000 (1986 - \$2,632,000) 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:

	1987	1986
	(in thousands)	
Interest recovered from The Canadian Wheat Board	\$13,688	\$18,128
Investment income	790	1,177
Patronage refunds	3,685	3,438

## 10. Comparative figures

Certain 1986 amounts have been reclassified to conform with the 1987 presentation.



## Corporate Information

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### Division Directors

Corporate Engineering Division  
R.B. (Dick) Pitfield

Management Information Services Division  
R. (Bob) Virgo

Planning Services Division  
G.L. (Gerry) Liski

Human Resources Division  
D.B. (David) Wartman

Member Relations Division  
R.D. (Duane) Bristow

Research Division  
G. (Glen) McGlaughlin

Communications Division  
I. (Ian) Bickle

### Division General Managers

Country Elevator Division  
A.J. (Alvin) Gallinger

Terminal Elevator Division  
J.K. (Jim) MacDonald

Farm Service Division  
H.A. (Harold) Whyte

Livestock Division  
D.M. (Don) Allewell

Western Producer Publications  
R.H.D. (Bob) Phillips (Until December 31st, 1986)  
A.W. (Allan) Laughland

### 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

### Head Office

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Saskatchewan Wheat Pool