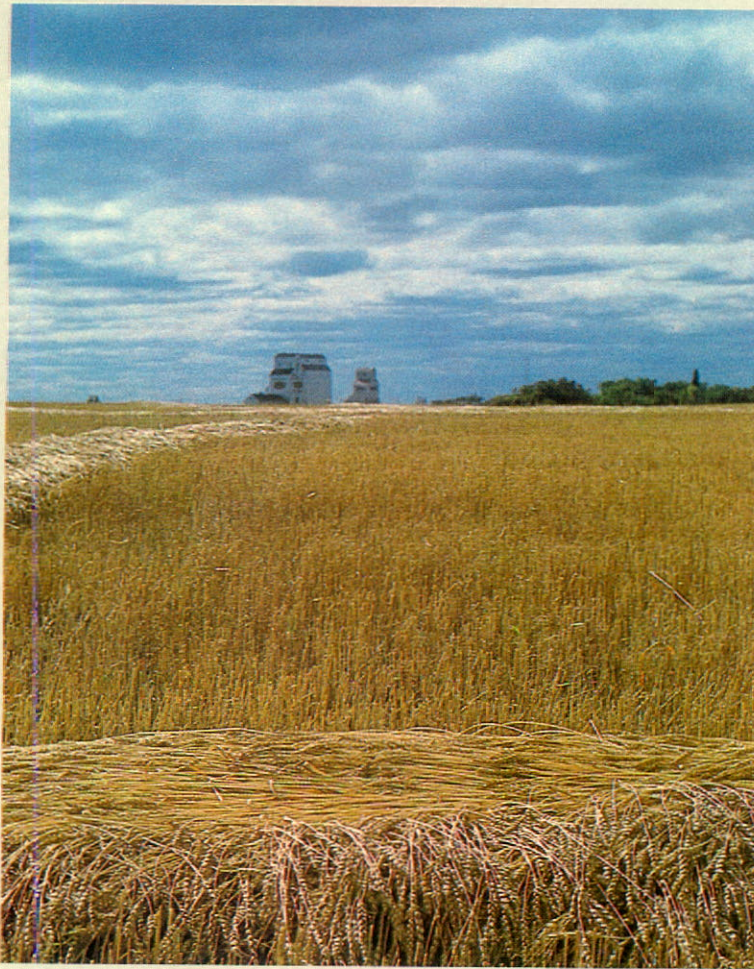




Saskatchewan Wheat Pool

and subsidiary companies



1985 ANNUAL REPORT

The challenges and opportunities Saskatchewan farm families face each day are unique. They require unique methods, approaches, and organizations.

In an environment where product prices, many of the costs of production, and government policies affecting rural life seem beyond their individual power to influence, Saskatchewan farmers have worked together, recognizing their shared need to change and respond to such factors.

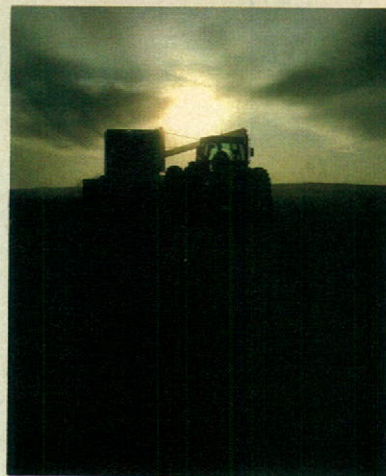
Saskatchewan Wheat Pool, a co-operative formed and developed to help deal with the realities of farm life in Saskatchewan, operates under an Aim and Objectives as unique as the farm community.

Aim

To improve the well-being of Saskatchewan Wheat Pool members and their communities by combining the wisdom and energy of members and employees in an innovative agricultural co-operative to serve expanding world markets for the products of members' farms.

Objectives

- To satisfy member needs by providing efficient, competitive, and viable facilities and services, and by adopting aggressive marketing practices.
- To maintain two-way communication with and foster democratic involvement of members.
- To initiate and advance policies which promote the interests of farmers, and to encourage the participation of all members, including those with specialized production needs.
- To provide fair and equitable treatment to members and customers, and to be good corporate citizens.
- To maintain a good workplace environment complemented by human resource policies and practices which attract, motivate and reward employees for their performance.
- To aggressively promote and demonstrate the values of co-operation and orderly marketing.
- To create public understanding of the importance of farmers, family farm operations, agriculture, and Saskatchewan Wheat Pool in Canada.
- To practise good financial management designed to provide the earnings necessary for continuing growth, flexibility, financial strength, and the revolvment of member equity.
- To consult and work with other co-operative organizations.
- To encourage the conservation of soil and water by promoting good stewardship and supportive public policies.
- To promote, and where appropriate to participate in, increased agricultural research and development.



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BOARD OF DIRECTORS



Above, from left, top row: E. K. Turner, District 16, President; G. Stevenson, 7, First Vice-President; A. K. Sahl, 5, Second Vice-President; K. W. Elder, 10. Second row: L. J. Larsen, 15; B. M. Hjertaas, 1; W. K. Wiggins, 2; G. A. Sanderson, 3. Third Row: M. D. Wiens, 4; B. W. Senft, 6; M. Kostichuk, 8; L. Gislason, 9. Bottom row: R. L. Howe, 11; A. B. Wood, 12; J. L. Hinz, 13; H. G. Yelland, 14.

Right, Directors until April, 1985: G. A. Siemens, 11; E. A. Schulte, 13.



PRESIDENT'S REPORT

A strong democratic member control structure has always been one of the special strengths of Saskatchewan Wheat Pool, ensuring that operations, programs, services and policy positions reflect needs and views of member-owners. The committee structure and activities such as member forums, member contact programs and member attitude surveys have all assisted in better assessing the views of members and providing opportunity for their input.

The Board and management devoted considerable time throughout 1984-85 to advancing the policy views of the organization on a wide range of agricultural issues. On several, the three Pool organizations, through Prairie Pools Inc., presented a common position to the federal government.

The issue of transportation and grain freight rates required ongoing attention, particularly in relation to method of payment, variable rates, and railway branch lines. Major submissions were made on each of these issues in support of the organization's long-standing position to provide a viable grain transportation system at the least possible cost to producers.

At year-end your Board authorized an Extraordinary Meeting of Delegates to review and react to the Hall Report on Method of Payment and to assess future strategy on transportation policy issues. A very full discussion of the issues also occurred during the annual meeting of delegates in November, leading to the policy which is outlined on the next page of this report.

During the year the organization initiated and hosted a special policy conference on farm finance, to which were invited representatives of provincial farm organizations as well as observers from federal and provincial governments.

The Board of Directors, on behalf of all Pool members, wishes to record its appreciation for the valuable contribution and service provided by the Canadian Wheat Board to prairie grain farmers over the past fifty years. The high standard of achievement by the Wheat Board over this period was no accident. It was the result of



dedicated leadership, a marketing system that provided equity in pricing and delivery opportunity, and strong support from producers. Your Board believes that Pool members must remain vigilant against any efforts to weaken or threaten the opportunity for producers to market their commodities through an orderly marketing system.

The farm income squeeze faced by producers is unparalleled since the very depressed years of 1969-71. Realized net income in Saskatchewan for 1985 is projected to drop to \$360 million. This will be the lowest level since 1971. In terms of purchasing power, the projected realized net income for 1985 is only 35 per cent of the 1971 realized net. The statement made on this subject by your Board one year ago bears repeating:

"The current economic climate and farm financial crisis with below average production, rising input costs, and commodity prices well below production costs, suggests a need for immediate comprehensive programs with co-ordinated investment by both levels of government in order to ensure the survival of the agricultural sector."

I observed a few years ago that the success of the organization will be determined by how well we handle adversity. This has never been more true than it is now. Careful planning, cost efficiencies and member involvement are all key factors, the application of which will do much to chart the way ahead.

On behalf of your Board of Directors, I invite all Pool members to take advantage of the opportunities to be directly involved in the organization, through the democratic structure, through policy development, and through commercial operations. You have built the organization to serve your needs. Your involvement is important, to allow it to continue to develop and serve those needs even better in future.

A handwritten signature in dark ink, reading "E. K. Turner".

E. K. (Ted) Turner
On behalf of the Board of Directors
Saskatchewan Wheat Pool 1985

Throughout the year, Pool members and their elected representatives discuss public policy issues at hundreds of meetings in all parts of Saskatchewan. These issues include a wide range of subjects of importance to the economic and social well-being of farmers and their families. Resolutions arising from these meetings are debated at the annual meeting of delegates and form the basis for Saskatchewan Wheat Pool's public policy for agriculture.

A comprehensive policy statement is developed, setting out the background to issues and identifying actions required. This statement, available through Pool delegates and through the Communications Division in Regina, defines policy goals the organization pursues through Prairie Pools Inc., through the Canadian Federation of Agriculture, and directly with governments.

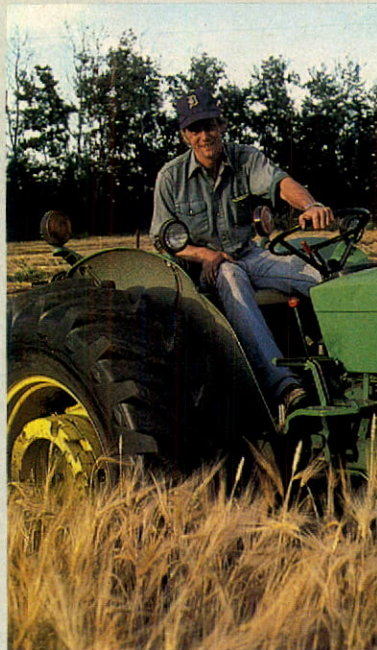
The 1986 statement concentrates on five major areas:

Farm Viability

The deteriorating farm income situation remains a major concern. The urgency of the situation requires co-operation and teamwork by federal and provincial governments, lenders, farm organizations and individual farmers. Government action is required in development of a national disaster program which would complement existing programs, such as the Western Grain Stabilization program and crop insurance, in supporting farm income.

Appropriate farm credit programs are essential to a viable agriculture industry. Saskatchewan Wheat Pool believes the federal government can contribute through continued efforts to control inflation and the national deficit as ways to reduce general interest rates. It wants interest rates at the lowest possible level, and programs which would provide relief if interest rates become an unreasonable burden on farmers, either because of dramatic fluctuations in the rates or during times of low farm income.

In development of credit programs, the Pool advocates provision of farm management and financial counselling, including the



services of a third party who could be called in to assist negotiations between borrowers and lenders. It wants a method for farmers to pay off and refinance existing loans at an acceptable, fixed, long term interest rate, and asks governments for subsidized interest rates on existing loans to help farmers during seeding. Further, the Pool wants changes to the powers of the Farm Credit Corporation, with those changes aimed particularly at beginning farmers and those whose long-term viability is threatened by shorter-term economic pressures.



Transportation

Saskatchewan Wheat Pool will continue to dedicate its efforts toward protecting the interests of producers, and to achieving the best possible grain transportation system, emphasizing that overall costs from farm gate to ship, and not only the efficiency of individual elements of the system, must be considered.

In the review of the Western Grain Transportation Act, to be completed in 1986, the Pool's objectives include:

- That the government share of grain transportation cost continue to be paid direct to the railways,
- That variable rates be prohibited,
- That the upper limit on federal funds committed to grain transportation be removed,
- That the total basic rail network be clearly identified, then rehabilitated and protected for a period long enough to justify the expense of rehabilitation.



Factors affecting policy goals include long-term economic patterns and regional extremes in crop conditions. In 1985, drought and grasshopper infestation in the south and west, and the late wet harvest in the north and east, caused severe hardship for producers. The Pool's 1986 policy identifies actions needed in emergency situations, and to enhance future farm viability.

In regard to the federal transportation policy set forth in the white paper "Freedom to Move", the Pool believes that such regulatory reform should be approached cautiously, and that grain transportation must continue to be governed by specific legislation, as it is under the Western Grain Transportation Act.

The Pool supports the maintenance and rehabilitation of a network of essential branch lines, but has not held that every branch line and every elevator must remain. It is not opposed to examination of alternatives resulting in lower costs, provided that producers share equitably and directly in any benefits. Its basic criteria continue to be that elevator services and rail transportation should be available to producers within a 25 mile maximum hauling distance of their farms, with an average haul no greater than 15 miles.



International Trade

Pool support for bilateral and multilateral agreements with Canada's trading partners is conditional on such agreements enhancing trading opportunities, and on continuation of Canada's right to initiate and continue programs assisting Canadian farmers. The position of Canadian agriculture must receive high priority and not, under any circumstances, be bargained away to assist other sectors.

These positions also apply to the issue of "free" trade with the United States, with the added provisos that poultry and Canadian

Wheat Board grains be excluded from any negotiations.

The Pool favours an International Grains Agreement for wheat and coarse grains, including reserve programs to ensure that fluctuations in supply would not trigger dramatic price swings.

Grain Marketing

Efforts by the European Economic Community and the United States to increase grain sales through export subsidies of various forms mean lower prices for farmers, and are of great concern.

The Pool strongly supports orderly marketing of western Canadian grain through the Canadian Wheat Board, and would oppose any reduction in the Board's power or effectiveness. It supports extension of Board authority to all six major grains, provided that the majority of producers want it. If a dual marketing system for feed grains continues, the Pool feels the Canadian Wheat Board should continue to be responsible for application of quotas on non-board feed grains.

Livestock Production and Marketing

An expanded livestock industry would be desirable in Saskatchewan, but expansion will not occur unless producers are assured of reasonable returns. The Pool has favoured development of stabilization plans in which the federal government would share responsibility. Its positions include:

- That the Saskatchewan Beef Marketing Insurance Program return to support levels originally provided,
- That a plan involving producers, provinces and the federal government be developed, to provide support levels based on cost of production.
- That a national marketing structure with supply management powers be established, provided that the majority of producers support the concept.

Copies of the complete public policy statement are available through:

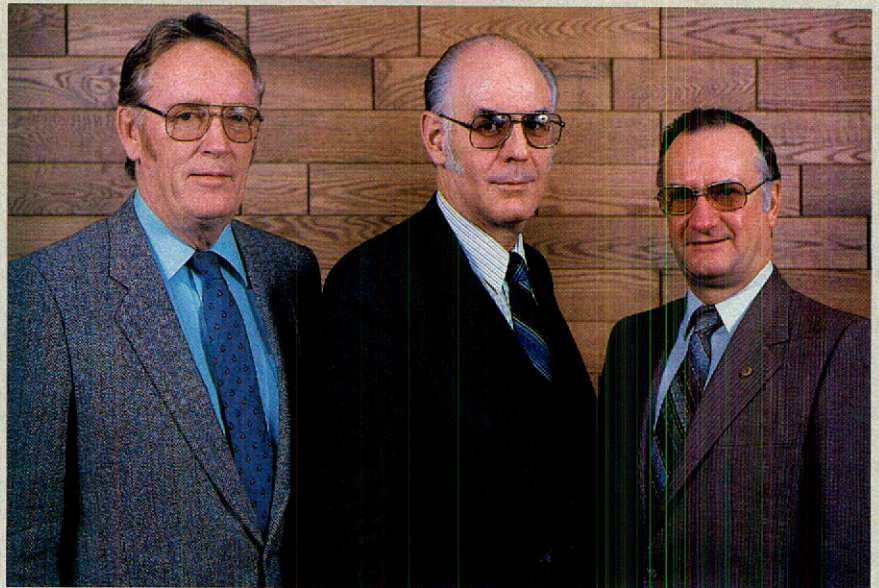
**Communications Division
Saskatchewan Wheat Pool
2625 Victoria Avenue
Regina, Saskatchewan
S4T 7T9**

SENIOR OFFICERS

From left,
J. O. (Jim) Wright
Corporate Secretary
Responsible to the Board of Directors
for services related to the democratic
structure and agricultural policy
activity, and for the three Secretarial
Divisions.

J. M. (Milt) Fair
Chief Executive Officer
Responsible to the Board of Directors
for guidance and direction to the
corporate business operations, and for
the ten Commercial and Service
Divisions.

C. R. (Ron) Kasha
Treasurer
Responsible to the Board of Directors
for recommending and implementing
corporate financial policy, and to the
Chief Executive Officer for managing
financial programs through the
Treasury Division.



CORPORATE INFORMATION

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
A. D. (Allan) McLeod (to August
30, 1985)
G. (Glen) McGlaughlin (appointed
September 2, 1985)

Communications Division
Ian Bickle

Division General Managers

Country Elevator Division
J. M. (John) McCann (retired July
31, 1985)
A. J. (Alvin) Gallinger (appointed
August 1, 1985)

Terminal Elevator Division
J. K. (Jim) MacDonald

Farm Service Division
H. A. (Harold) Whyte

Livestock Division
S. W. (Stu) MacDonald

Western Producer Publications
R. H. D. (Bob) Phillips

Solicitor

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

Auditor

Touche Ross & Co.

Financial Institutions

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

Head Office

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

Country Elevator Division

Grain deliveries, reduced by severe drought in 1984, declined to 8.3 million tonnes, the smallest since 1978-79 but the tenth largest on record. This represented 63.86% of provincial deliveries. Country Elevator Division operations generated an earning of \$67,000, a significant reduction from last year. These results reflect reduced volumes and the decision to hold increases in grain handling tariffs below operating cost increases in recent years. Agents established a new record with farm supply sales of \$143 million. In spite of the drought, 42 agents handled in excess of one million bushels each.

Shipping during the first half of the year did not keep pace with deliveries and failure of a bridge in the lower St. Lawrence River in the late fall also delayed shipments. However, good shipping programs followed the opening of navigation, and relatively light deliveries rapidly reduced the Division's stock position.

The volume of local sales from elevators for feeding purposes of 89 700 tonnes in 1984-85 was well below local sales of 116 300 tonnes the previous year. These results are a reflection of increased farm-to-farm sales, low NBF prices, and relatively high Canadian Wheat Board quotas.

Canola receipts and shipments were up substantially compared with the previous year. The Pool's share of the Saskatchewan market increased 8.5 per cent. There was a marked increase in sales to CSP Foods, involving volumes of over 42 300 tonnes, almost double last year's total.

During the 1984 growing season Saskatchewan Wheat Pool contracted for oriental mustard, brown mustard, lentils, and canary seed.

Because of unfavorable weather conditions, the malting barley crop was very poor in quality, and the total volume of malting barley handled was down more than 25 per cent.

Saskatchewan Wheat Pool obtained 59.27 per cent of the barley permits issued to Saskatchewan.

Installation of Country Elevator Management System computers continued and by year-end 444 elevators at 413 stations had been



The aim of the country elevator system is to provide efficient grain handling and related services to members at least cost.

completed. Of these, 133 systems were equipped with second disk drives.

The Country Elevator Development Plan progressed in spite of great uncertainty in the grain transportation area.

Three new elevators, seven new steel bin or annex projects, and 16 major improvement projects were carried out.

Trackage projects to improve car spotting capabilities were authorized at 22 stations.

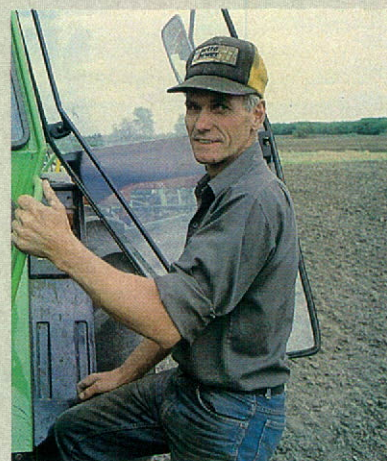
527 elevators are now equipped with modern dust collection equipment.

Several innovations and new concepts were undertaken, including fully hopped large capacity steel bins, a new type of continuous cable rail car positioner, and testing the use of a new net weight overhead scale as a receiving scale.

The elevator consolidation program in 1984-85 resulted in closure of 21 elevators at 17 stations.

Contracts were issued for the demolition of 54 elevators and/or annexes.

Five hundred and fifty nine agents operated 552 units at 523 stations. One station was operated part time.



Flour Mill Division

During the 1984-85 crop year the flour mill was operated under a management contract by CSP Foods Ltd.

While total volume of flour sales decreased slightly from the previous year, the mill was able to achieve a higher selling price, so that the value of sales increased. The consumer flour market sales volume increased as did baking flour volumes. The flour mill generated an earning of \$308,000.

The flour mill operation will be known in the future as the Flour and Food Service Division of CSP Foods. The Division will market a complete line of flour products and bakery mixes, as well as a wide variety of vegetable oil products.

Farm Service Division

Sales in 1984-85 were a record \$192,034,000, allowing the division to generate an earning of \$302,000.

A new sales outlet at Porcupine Plain and four additional anhydrous ammonia outlets were opened.

The early onset of winter, improved soil moisture in spring and a major grasshopper outbreak resulted in extremely heavy in-season demand, and 70 per cent of total sales came in the May-July period.

Fertilizer sales reached a record level, although early snow reduced the fall banding market to less than half of the previous year's. The division has moved to provide anhydrous ammonia services, with 16 outlets now in operation.

Shortline equipment sales were depressed as the early winter, drought and farm economic conditions combined to make marketing difficult.

Dry conditions over the southern half of the province, very high grasshopper populations, and severe frost in mid-June all contributed to a reduction in herbicide sales.

The grasshopper outbreak resulted in record sales of insecticides. Hopper Stopper, a bran bait for the control of grasshoppers, was introduced.

Livestock and poultry feed sales increased substantially due to a number of factors including a special action plan for feed sales and increased efforts to service producers affected by the drought.

The division experienced an increase in sales of cereal seed but a reduction from the previous year's handlings of forage and oilseeds.

The new variety Katepwa was the main contributor to increased spring wheat sales.

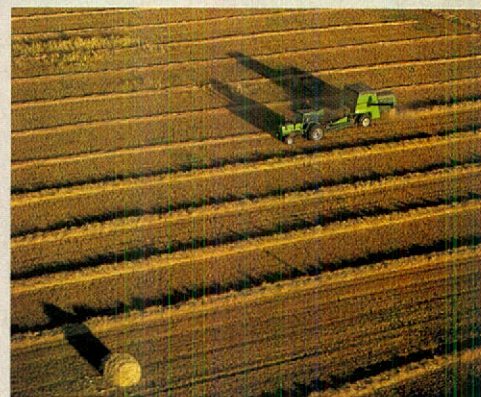
Weed control and fertilizer blending computer programs were updated for producer use in the spring of 1985, as was the Chemical Control Handbook.

The licensing of Sun M 20, an early maturing hybrid sunflower, offered an opportunity to test the support required to introduce a new Pool product.

The plant breeding program at the Product Development Farm at Watrous included advances in hybrid development of cereals and canola, along with the monitoring



The aim of the Farm Service Division is to develop and effectively market agricultural products and services which enhance the production capacity and well-being of Saskatchewan farmers.



of biotechnology. Ongoing support is being given to development of an edible oil flax. A number of new wheat lines are in various stages of testing.

Herbicide screening trials were carried out on potential new varieties.

The agronomy section carried out experiments in weed control, seeding methods, fertilizer rates and placement, on both stubble and summerfallow. Experiments in deep banding of fertilizer were continued.

The demonstration site at Nipawin was expanded to include winter wheat and "Grow with Canola" demonstrations.

The Product Development Advisory Committee continued to make a very valuable contribution.

During the summer nearly 1,000 people visited the Watrous farm; more than two-thirds were farmer members. Over 250 farmers and 15 manufacturers of seeding equipment participated in a winter wheat seeding demonstration day in June.

Terminal Elevator Division

Total handlings were 8.5 million tonnes, down about three million tonnes from the previous year. Division earnings were \$23 million, down from \$41.4 million in 1983-84.

Thunder Bay Operations

Unloads at Thunder Bay terminals totalled 6 518 000 tonnes, down from nine million tonnes the previous year. Congestion throughout most of the year interfered with car operations.

Cars unloaded totalled 94,701, 48.6 per cent of the port total.

Total shipments from the port amounted to 13 289 000 tonnes, down nearly six million tonnes from last year. Pool terminal shipments totalled 6.4 million tonnes.

The central maintenance shop supplies overhauled cylinder assemblies for about 40 cleaner

The aim of Western Producer Publications is to maintain a publishing and printing operation able to produce a credible newspaper, books and other publications designed to help prairie farm families and their neighbors understand the changing world.



The aim of the Terminal Elevator Division is to effectively handle grain and related products through terminal facilities at least cost.

machines per year, and during 1984-85 supplied assemblies for ten machines in Vancouver. The result is a significant saving compared to completely new machines.

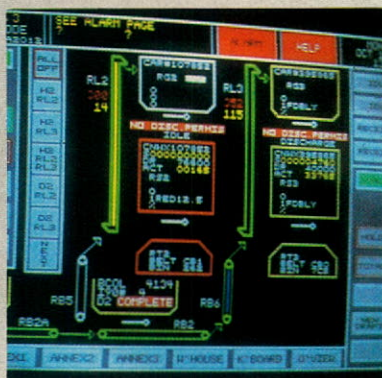
Major capital projects in cleaner upgrading were carried out at Terminal 4, and at Terminals 6 and 15.

A number of innovative projects were undertaken by engineering and maintenance staff during the year to increase throughput and improve efficiency.

During the winter hourly staff was reduced to a low of 295. Part of the staff reduction was due to lower grain volumes; however, significant reductions were realized through the "Productivity Enhancement Program" (PEP).

Vancouver Operations

The Vancouver terminal unloaded 27,871 cars containing



2 024 000 tonnes of grain. Operations were restricted from time to time because of installation of new equipment, and at times because of congestion.

Total grain exports through Vancouver and Prince Rupert amounted to 10 623 000 tonnes. This represented 48 per cent of total Canadian exports, a new high for the west coast. The Pool terminal shipped 2 007 000 tonnes, 20.9 per cent of the Vancouver total or 18.9 per cent of the west coast total. Shipping was hampered at times due to the fact that grain was not clean. A number of improvements were made in the cleaning system, and improvements will continue to receive priority.

The installation of a new electronic control system was completed. This will make possible a major saving in overtime in both maintenance and operations. Dredging on both ship berths was completed. The inshore berth has been deepened to 40 feet, and the offshore berth to 50 feet to ensure that the largest vessels coming to Vancouver can be accommodated.

Western Producer Publications

The Division publishes The Western Producer, Western people, and Western Producer Prairie Books, and also operates Modern Press. The printing plant and offices are located in Saskatoon. The division's operations resulted in a loss of \$343,000 for the year under review.

During the year The Western Producer published 52 regular issues. The number of pages published was the lowest since 1979-80.

Stories covered the drought, reporting events, economic consequences, and proposals for government assistance.

Transportation issues remained highly prominent. All prairie hearings into the application for variable rates were covered and a feature package was published on what the rates might mean to rural communities.

Features added included a "new products" column and a column on useful tips for home handypersons.

Special coverage was given to a "Partners in Farming" series featuring various types of farm enterprises, management techniques, innovations and personal philosophies.

The Open Forum published 489 letters, a slight increase over the previous year. The total received was 721.

Western people attracted a wider variety of stories. Of 1,550 manuscripts submitted, 530 were accepted.

The Audit Bureau of Circulations reported net paid circulation of The Western Producer at 142,407 for the audited issue during the six-month period ended June 30, 1985, compared with 144,590 a year earlier.

At year-end 14,303 insurance policies were in force. Saskatchewan liability policies were completely phased out during the year as this coverage is now available with farm property policies.

During the year Modern Press purchased a new typesetting system to increase efficiency in the handling of news and classified ads for The Western Producer.

Western Producer Prairie Books published 18 new titles and new editions as well as reprinting seven other titles.

Livestock Division

During 1984-85, Saskatchewan livestock producers marketed 1,133,000 head of slaughter and feeder cattle. Livestock Division handlings totalled 337,498 head. Market share increased to 33.3 per cent, compared with 32.0 per cent in the previous year.

Division sales of hogs reached nearly 13,000 head. The division assembled 106,512 hogs for Saskatchewan Pork Producers Marketing Board, an increase of 24 per cent from the previous year. As well, the division assembled 9,442 slaughter cattle on behalf of the Saskatchewan Beef Stabilization Board, down 40.2 per cent from 1983-84.

Division operations resulted in a loss of \$236,000, a significant improvement from the \$636,000 loss experienced the previous year.

A number of innovative marketing techniques were incorporated into branch operations. Central slaughter sales, video sales, video cataloguing services and closed circuit television satellite sales are now standard marketing services at all division marketing centres.

Branch personnel spent

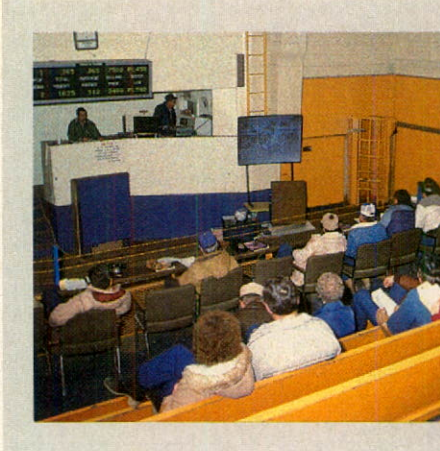
considerable time working directly with producers.

The Moosomin branch is now operated as a satellite market under management of the Yorkton branch.

Activity in the feeder finance plan was greater than expected. 27,349 feeders were purchased and 676 contracts processed. These figures compare with 30,954 head and 696 contracts in the previous year.

The feeder finance program provides members with a source of

The aim of the Livestock Division is to provide members with a complete, effective and efficient livestock marketing system at the lowest possible cost.



financing that assists many to maintain existing feeding operations and helps others to diversify into feeding or backgrounding operations.

The division was again involved in a number of 4-H sales throughout the province. The division attempts to see that calves are sold at some premium over the market.

During the year, staff attended 19 sales and purchased 108 calves at a total cost to the division of \$8,556.

ASSOCIATED ORGANIZATIONS

CSP Foods Ltd.

Review and renewal of company operations was the major thrust of 1984-85 for CSP Foods. Canola crushing volumes totalled 356 000 tonnes, only slightly below the year earlier. Sunflower crushed decreased significantly from 44 400 tonnes to 23 665 tonnes.

Refinery volumes were down in all categories.

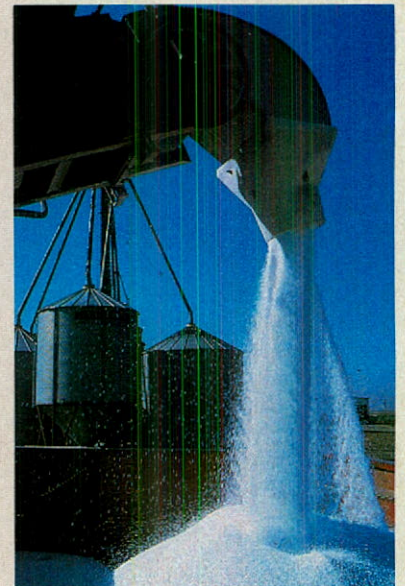
Crop development activities were merged with the Pools and the Co-operative Crop Development group during the year. Work is continuing on sunflower, hybrid canola, and an edible oil flax.

Decisions to consolidate operations will become evident in the new year. CSP Foods and Canada Packers formed a joint venture company, Prairie Margarine Inc. (PMI) in Edmonton to package refined canola products.

CSP's packaging operations at Nipawin and Altona are closed, and equipment is moving to PMI. The Dundas Valley operation in Ontario closed October 31, 1985. The consumer marketing group has been disbanded, with the Flour Mill and Food Services Division picking up this function, and the corporate office moved to Winnipeg to facilitate seed trading activities.

Western Co-operative Fertilizers Limited

Western Co-operative Fertilizers Limited produced 360 000 tonnes of dry fertilizer at Calgary, compared with 332 000 tonnes in the previous year. The Medicine Hat plant produced 60 000 tonnes of ammonia compared with 37 700 tonnes the previous year, with no dry fertilizers produced at that plant.



Canadian Fertilizers Limited at Medicine Hat produced 805 000 tonnes of ammonia, compared with 783 000 tonnes a year earlier, and 538 500 tonnes of urea compared with 459 300 tonnes last year. A decision was taken to permanently close phosphate manufacturing facilities at Medicine Hat and to move the sulphuric acid plant from Medicine Hat to Calgary.

XCAN Grain Ltd.

XCAN Grain Ltd. completed its fifteenth year of operation with a sales volume of almost 1.5 million tonnes, down about one-half million tonnes from the previous year. The reduction in volume followed a Canadian trend.

Once again XCAN's subsidiaries, XCAN Far East Ltd., Tokyo, XCAN Grain (Europe) Limited, London, England, and XCAN Shipping Ltd., contributed greatly to the overall activities of XCAN Grain Ltd. XCAN Shipping chartered 40 ships during the year compared with 66 a year earlier, giving further evidence of reduced grain movements.

Pacific Elevators Limited/Western Pool Terminals Ltd.

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

Pacific's handlings during the year ended July 31, 1985 totalled 1.9 million tonnes, 20.49 per cent of the total unloads in Vancouver.

Prince Rupert Grain Ltd.

Prince Rupert Grain Ltd. is the company which operated the former Canadian Government elevator on behalf of the six major prairie grain handling companies and has constructed and commissioned the new grain terminal at Prince Rupert.

The official opening of the new Prince Rupert terminal (PRG 2) was held on May 16, 1985 with a ribbon-cutting ceremony carried out by Mr. Allan Macpherson, President of Prince Rupert Grain, Hon. Don Mazankowski, federal Minister of Transport, and Hon. Peter Lougheed, Premier of Alberta.

The first railway car was unloaded in the new terminal

October 1, 1984 marking the beginning of testing of the new facility with grain. On January 2, 1985, regular operational staff were transferred to the new terminal. During the balance of the year, commissioning continued as the project team and operational staff worked out the difficulties of starting operations.

The first ship arrived March 9, 1985 and took on a test shipment of 9 500 tonnes of wheat.

By year-end the project was essentially complete.

The old terminal has been phased out and is now closed.

Co-enerco

All of the Co-operative Energy Corporation's operating activities have been centred in the development company, Co-enerco. The company's 1984 performance reflected significant increases in revenues, cash flow and production levels.

The company successfully launched its first public share issue late in 1984 through the issuance of 1.7 million Class A shares, which are listed for trading on the Toronto and Alberta stock exchanges. Co-enerco is 85 per cent owned by Co-operative Energy Corporation with the remaining 15 per cent owned by the Canadian public.

Operations for the first six months of 1985 continued to reflect growth and a very active drilling program, with 64 wells drilled (36 in Saskatchewan) resulting in successful completion of 30 oil wells and eight gas wells.

Canadian Pool Agencies Limited/Pool Insurance Company

These are jointly owned by Saskatchewan Wheat Pool, Alberta Wheat Pool and Manitoba Pool Elevators. The majority of the Pools' facilities and business operations are insured through them.

Interprovincial Co-operatives Limited

Interprovincial Co-operatives 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 Ltd. under the management agreement. The organization was established to manufacture or acquire products sold by members.

Other Related Co-operatives

The Pool has always viewed itself as an integral part of the co-operative sector of the Canadian economy, and its objectives clearly identify promotion and development of co-operatives as a means of improving the social and economic well-being of Saskatchewan farmers and their families.

It is a member of Co-operative Union of Canada, a national organization which represents the interests of Canadian co-operatives in relations with the federal government, and is also the agency through which Canadian co-operative assistance in international development is co-ordinated.

Membership is also maintained in the Co-operative College of Canada, an organization established to provide education and training programs for co-operative leaders, staff and management throughout Canada.

Saskatchewan Wheat Pool is a shareholder of Canadian Co-operative Implements Limited, and the Co-operative Trust Company of Canada.

Saskatchewan Wheat Pool maintains membership in Saskatchewan Credit Union Central, Canadian Co-operative Credit Society, The Co-operators, and Federated Co-operatives Ltd.

Farm and Related Organizations

The Pool pursues agricultural issues through membership in various policy organizations, through joint action with the other Pools, and through direct initiatives with government and government agencies. Prairie Pools Inc. holds a direct membership in the Canadian Federation of Agriculture, which considers national and international policy matters.

International policy matters are aired at the International Federation of Agricultural Producers, to which the Pool regularly sends representatives. Pool officials have served on and chaired IFAP committees, particularly those related to agricultural co-operation.

The organization is represented on a broad list of organizations and associations which are relevant to Saskatchewan farm families.

Agricultural Outlook

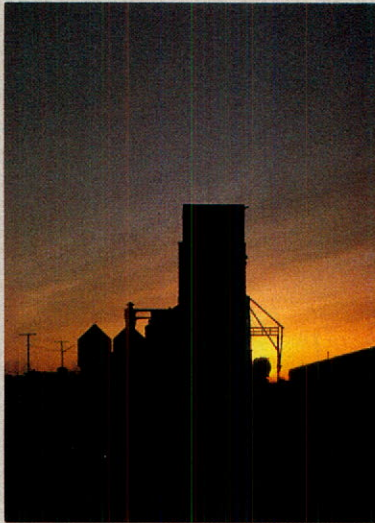
A new record for world grain production is expected once final statistics are available on the 1984-85 crop year. Preliminary figures indicate wheat production will be up 4.8 per cent at 513.9 million tonnes, exceeding projected consumption for the fourth straight year. A minimal drop of one per cent is projected in 1985-86.

Production estimates for 1984-85 show China is the largest wheat producer, with 17 per cent of world production. The European Economic Community comes in next at 14.8 per cent, then the U.S.S.R. at 14 per cent, and the United States at 13.7 per cent. World trade in wheat for the most recent year was about 105 million tonnes. It is expected that trade will drop by 10 per cent in 1985-86. In a time of expanded production and stable or declining trade, carryover stocks have increased by 40 per cent in the last four years, adding further to the pressure on price.

In this volatile situation, Canada is particularly vulnerable. Our production is only about four per cent of global wheat production, not enough to influence world prices significantly. However, we provide about 18 per cent of the volume traded, and must compete at world prices to maintain that share.

The picture is much the same for Canada in other grain markets. Coarse grain production also increased significantly in 1984-85, reaching a record volume of 806.6 million tonnes. Much of the increase came in the United States as large corn crops pushed inventories to the peak levels of four and five years earlier. Projections are for coarse grain production to increase further in 1985-86, taking year-end inventories up another 40 per cent to 125 million tonnes. At the same time, trade is expected to drop eight per cent. This is not encouraging news for exporters. Neither is the world oilseed picture. Canada's main oilseed crop, canola, is likely to face markets into which 10 per cent more rapeseed is being offered. Much of that additional production is coming from China.

There are major concerns with non-agricultural sectors of the international economy as well. Commodity prices for both metals



and non-metals continue to decline. Oil prices are soft, with indications that there could be further declines.

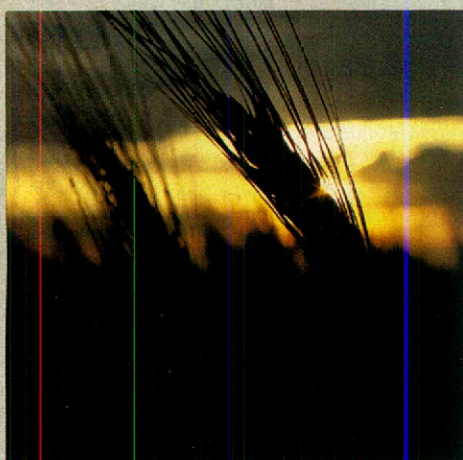
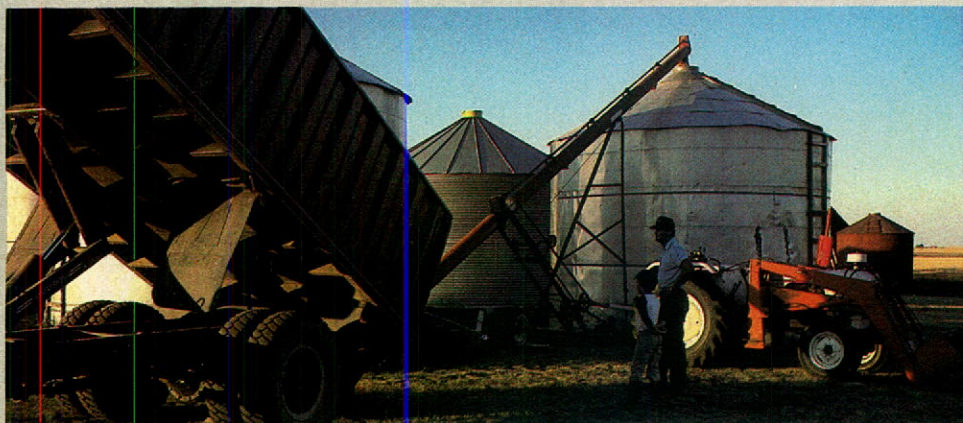
An over-riding factor is the relative strength of the U.S. dollar. With the U.S. dollar the accepted standard currency for exchange, exporters such as Canada tend to benefit as importers pay higher prices. A strong U.S. dollar, coupled with the deficits carried by many nations, has contributed to higher international interest rates. Washington and the major nations trading with the United States have been attempting to devalue the dollar, with limited success. If they do succeed, one immediate result will be lower returns for Canadian agriculture.

The Canadian environment is not isolated from the rest of the world, and shows many of the same elements. Canadian farmers face difficult economic times, complicated by the high world grain inventory level, and by

nationalistic policies which pit the treasuries of exporting nations against each other as each nation strives to maintain or increase its own share of the market.

In Saskatchewan, the major problems are low grain prices, increasing input costs, and the eroding farm equity base. On-farm grain stocks are low, and cattle numbers have declined significantly. The prospects for improved farm income are not good in the short term. The Saskatchewan economy, particularly those sectors which serve agriculture, is facing serious problems as producers respond by limiting discretionary spending.

Positive factors are all too few, but there are a couple. First, most of the 1985 crop, particularly the higher quality wheat, has buyers, even though prices are depressed. Second, the areas of the province which had the worst drought have



had substantial moisture this fall, providing some optimism for 1986.

Operational Outlook

Saskatchewan's 1985 production of the six principal grains is estimated by Statistics Canada at 19.1 million tonnes. Carryover stocks are very low, with the result that both Country and Terminal Elevator Divisions should handle grain volumes about equal to last year's. Canola purchasing is being co-ordinated with CSP Foods in an attempt to eliminate duplication of contract programs and seed buying. Increased emphasis on non-board and feed grains as well as specialty crops will continue.

Farm Service sales are projected at \$200 million, with fertilizer and chemicals representing 75 per cent of the total. Credit programs for 1985-86 are a serious dilemma. Greater restrictions by lending institutions and reduced cash flow may significantly increase levels of credit producers expect from farm input suppliers.

Livestock Division is projecting a handle of 358,000 head — about 33 per cent of provincial marketings. Innovative selling techniques will continue to be explored and developed to provide alternative sale opportunities in an effort to achieve the highest possible price from the marketplace for producers.

The Flour and Food Service Division managed by CSP Foods will continue to emphasize the bakery mix market. New opportunities for selling to national chains are being explored. Export opportunities will continue to be difficult, other than through government aid programs, because of subsidization by other producing countries. The wide variation in the quality of the 1985 wheat crop will provide opportunities in milling, and may open some markets unavailable in 1984.

Western Producer Publications may well face the most difficult year for some time as the agricultural recession affects advertising and some printing revenue. The Producer will, however, continue to report and comment on issues of significance to farmers and the prairie region.

The key to the success of all commercial operations continues to be the support provided by producer members.

The organization is working on ways to use the network of computers at country locations to provide cost-effective information and management assistance to member/customers. Computerized weed control and fertilizer blending programs will become available through most elevators and Farm Service centres, and more new programs will be offered as they are developed.

The capital budget for 1985-86 totals some \$31.5 million, including nearly \$10 million deferred from 1984-85. The emphasis in that budget remains on improving the grain handling system, with 76 per cent of the funds going to country and terminal facilities.

The organization will continue its policy of financing development from current earnings and depreciation, rather than debt financing.

Computerization and other forms of technological advances will affect all parts of the organization in the future. These developments will move ahead at an accelerated pace. While technology development must be monitored to ensure wise expenditure of funds on viable projects, its use and impact is limited only by the ingenuity of its users.

The size and quality of the 1985 crop suggest that the Pool may achieve earnings in 1985-86 similar to those recorded in 1984-85. That level of earning is not adequate for all the development of facilities and services members might wish.

In many ways, 1985-86 will be an even more difficult year for Saskatchewan Wheat Pool's commercial operations than was 1984-85. The economic pressures on farmers and the organization are not expected to lessen, and the size of the 1985 crop does not justify hopes for any major improvement in the volume-sensitive business of handling grain.

DELEGATES

Members control Saskatchewan Wheat Pool through a democratic system in which the delegate's role is key.

Delegates are elected by and represent members in each of the Pool's 145 sub-districts. As the link between members and the Pool, the delegate is responsible for keeping members informed and encouraging their feedback.

The annual meeting brings all 145 delegates together to set policy and operational guidelines for the coming year.



DISTRICT 1

Back left; T. Murray Firth of Carievale, John Kish of Estevan, A. R. (Bud) Askin of Arcola, Raymond Wm. Luterbach of Lampman, Marvin Shauf of Stoughton. Front left; Donald F. Dean of Langbank, Blain M. Hjertaas (Director) of Wauchope, Alvin A. Adamson of Fairlight, Peter Wiens of Midale.



DISTRICT 2

Back left; Michael E. Wanner of Weyburn, Timothy Coulter of Briercrest, Brian L. Nast of Trossachs, Kenneth Torkelson of Beaubier, Darrell W. Dunn of Yellow Grass. Front left; W. Keith Wiggins (Director) of Fillmore, Lloyd G. Claypool of Kayville, Stanley Kozachuk of Fife Lake, Rodney Dahlman of Assiniboia.



DISTRICT 3

Back left; Rodney Morrison of LaFleche, Anton Stengler of Mankota, George A. Sanderson (Director) of Consul, Stanley L. Onerheim of Frontier, Alan R. Balfour of Climax. Front left; Murray A. Janis of Glen Bain, J. Claude Prefontaine of Lisieux, Donald Phalen of Shaunavon, Beth Wall of Neville, Gary Wellbrock of Ponteix.



DISTRICT 4

Back left; Andrew Lockhart of Maple Creek, Marvin D. Wiens (Director) of Wymark, Tillmann E. Moe of White Bear, Henry Siemens of Rush Lake, Rick R. Jensen of Webb. Front left; Peter Sehn of Fox Valley, Ned Schneider of Leader, Ronald A. Watson of Lancer, Michael L. Korven of Cabri.



DISTRICT 5

Back left; Leander E. Buhr of Herbert, Darl E. Hicks of Marquis, Danial W. Hook of Bateman, Avery K. Sahl of Mossbank (Director and Second Vice-President), Donald L. Hill of Moose Jaw. Front left; Lorne W. Jackson of Riverhurst, Donald J. Robinson of Bethune, James M. Mann of Hodgeville, Paul W. Beach of Ernfold.



DISTRICT 6

Back left; Barry W. Senft (Director) of Lipton, William R. Relf of Wolseley, Gregory Lindenbach of Edenwold, Booker Cornea of Moose Jaw, Andre Perras of Montmartre. Front left; Eric W. Kramer of Southey, Alfred Wagner of Silton, Lillian Fahlman of Kronau, Robert D. McKell of Regina.



DISTRICT 7

Back left; Anthony Petracek of Gerald, C. Roy Cuthill of Welwyn, Brian Cooper of Waldron, David Sefton of Broadview. Front left; Garf Stevenson of Regina (Director and First Vice-President), Ronald Pilipow of Goodeve, Robert E. Schmidt of Marchwell, Edwin Mitrenga of Melville. Missing: William A. Bearden of Abernethy.



DISTRICT 8

Back left; David Zbeetnoff of Pelly, Steven Hrynkiw of Canora, Anthony Hladyboroda of Mikado, Thomas R. Wood of Yorkton, Donald Werschner of Togo. Front left; Terry Zavislak of Canora, Kenneth Mitchell of Preeceville, Raymond Galye of Wroxton, Maurice Kostichuk (Director) of Insinger.



DISTRICT 9

Back left; Glen R. Lowndes of Kelvington, Thomas J. Lowes of Quill Lake, Carl Gudnason of Wynyard, Larry Gislason (Director) of Foam Lake, Ronald Graessli of Punnychy. Front left; Russell D. Young of Cymric, Gayhart Bottcher of Margo, Thaddeus Trefiak of Leross, Werner Block of Jansen.



DISTRICT 10

Back left; Robert H. Bunes of Demaine, Gerald J. Olah of Watrous, Wendell Jensen of Milden, Alexander Thompson of Davidson, Michael Summerfeldt of Saskatoon. Front left; George K. MacDonald of Glenside, Barry C. Rugg of Elstow, Kenneth Johns of Zelma, Kenneth W. Elder (Director) of Simpson.





DISTRICT 11

Back left; Ray L. Howe (Director) of Eston, Grant Whitmore of Harris, D. Robert Siemens of Fiske, Raymond Ryland of Plato, Ritz W. Reynolds of Kerrobert. Front left; Robert J. Thomson of Alsask, Audrey J. Walker of Rosetown, Jacob Epp of Major, Wayne G. Nargang of Kindersley.

DISTRICT 12

Back left; Raymond A. Burwash of Macklin, Roy Atkinson of Landis, Cyril Sawtell of Neilburg, Raymond Schwebius of Wilkie, Jack R. Lewin of Reward. Front left; Aubrey B. Wood (Director) of Ruthilda, Ronald P. Kraft of Tramping lake, Charles E. Weir of Perdue, Cletus J. Scherman of Battleford.



DISTRICT 13

Back left; Joseph L. Hinz (Director) of Muenster, Edwin H. Altrogge of St. Benedict, Eldon J. Funk of Laird, Leonard Hamoline of Aberdeen, Edward Schulte of Englefeld. Front left; Lawrence Rueve of Muenster, Micheal Ozeroff of Langham, G. Elwood Harvey of Saskatoon, Jerome Warick of Bruno.



DISTRICT 14

Back left; Glen R. Bone of Tisdale, Lorne Anderson of Melfort, Albert C. Espenand of Hudson Bay, Wayne A. Black of Archerwill, Irvin G. Perkins of Codette. Front left; Harold G. Yelland (Director) of Porcupine Plain, Leo Hleck of Codette, Lorne T. McConaghy of Beatty, David N. Voldeng of Naicam.



DISTRICT 15

Back left; Harry N. Romanchuk of Meath Park, Leroy J. Larsen (Director) of Canwood, R. Leo Moore of Parkside, Creston J. Story of Leoville, James Boyd of Kinistino. Front left; Arnold F. Giles of Prince Albert, Tony Maruschak of Shipman, Alex Postnikoff of Blaine lake, Robin Perreault of Hoey.

DISTRICT 16

Back left; Robert J. Iverson of Meota, Rudy A. Jurke of Lloydminster, John P. Simmonds of Speers, John Ehnes of Goodsoil, Leo Larson of Glaslyn. Front left; E. K. Turner of Regina (Director and President), Russel R. Arnold of Spruce Lake, Dennis Van der Haegen of Denholm, Walter M. Campbell of Waseca.



FINANCIAL STATEMENTS

Five Year Review

(in thousands, except items*)

Operating Results

	1985	1984	1983	1982	1981
Country Elevator	\$ 67	\$ 17,183	\$ 22,045	\$ 26,484	\$ 28,406
Terminal Elevator	23,093	41,432	31,532	26,455	27,336
Farm Service	302	2,790	1,978	(1,859)	5,640
Flour Mill	308	616	883	154	930
Livestock	(236)	(656)	(1,176)	(508)	356
Western Producer Publications	(343)	278	(263)	1,315	1,202
	<u>23,191</u>	<u>61,643</u>	<u>54,999</u>	<u>52,041</u>	<u>63,870</u>
Earnings from associated companies	2,194	4,372	4,623	2,593	8,874
Provision for possible loss on investments	(3,944)	(4,673)	(12,485)	—	—
Corporate earnings	<u>\$ 21,441</u>	<u>\$ 61,342</u>	<u>\$ 47,137</u>	<u>\$ 54,634</u>	<u>\$ 72,744</u>

Other Statistics

*Total membership	89,449	89,323	90,171	90,125	90,084
*Number of employees	3,555	4,027	4,082	4,210	4,183
*Current ratio	1.39	1.25	1.20	1.27	1.18
*Debt/equity ratio	38:62	44:56	50:50	44:56	55:45

Allocation of Net Earnings

The Board of Directors decided that the net earnings for the year ended July 31, 1985, in the amount of \$21,441,000 be allocated as follows:

	(in thousands)
Patronage dividend on grain at the rate of \$2.25 per tonne, estimated	\$ 19,117
Provision for income tax, estimated	1,070
Transfer to unallocated earnings from prior years, estimated	1,254
	<u>\$ 21,441</u>

An estimated total of \$2,027,000 will be paid to the Receiver General for Canada as a prepayment of income tax on behalf of shareholders whose total dividends earned for the year exceed \$100; and the balance of the patronage dividend, estimated at \$17,090,000, will be applied in payment by allotment of additional shares.

The Board of Directors also decided that the sum of approximately \$10,477,000 be used as required in 1985-86 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, 1985, and repayment of 7% of share equity to corporate members.

Payments totalling approximately \$12,504,000 will be made to or on behalf of members during the 1985-86 year.

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 the 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
Treasurer

Auditors' Report

The Shareholders
Saskatchewan Wheat Pool

We have examined the statement of financial position of Saskatchewan Wheat Pool as at July 31, 1985 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 consider necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at July 31, 1985 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, after giving retroactive effect to the change in the method of reporting net earnings and members' equity as explained in Note 3 to the financial statements, on a basis consistent with that of the preceding year.

Regina, Saskatchewan
October 15, 1985

Touche Ross & Co.
Chartered Accountants

Statement of Financial Position

For the Year Ended July 31

	1985	1984 (Restated) (Note 3)
	(in thousands)	
Current Assets		
Cash and short term deposits.....	\$ 3,619	\$ 28,360
Accounts receivable.....	178,415	239,406
Inventories (Note 2a).....	274,493	340,444
Prepaid expenses.....	6,744	6,356
Prepayment of income taxes.....	3,598	3,602
	<u>466,869</u>	<u>618,168</u>
Current Liabilities		
Outstanding cash tickets and cheques.....	129,460	203,948
Bank loans (Note 5).....	14,000	44,282
Notes payable.....	10,500	38,291
Accounts payable.....	158,975	162,383
Long term debt due within one year.....	11,253	12,351
Estimated payments to or on behalf of members.....	12,504	33,678
	<u>336,692</u>	<u>494,933</u>
Working Capital	130,177	123,235
Investments and Memberships (Notes 2c & 4).....	45,834	49,004
Fixed Assets (Note 2d).....	195,778	192,946
Funds Invested	<u>\$ 371,789</u>	<u>\$ 365,185</u>
Financed By		
Long term debt (Note 6).....	\$ 43,318	\$ 43,395
Members' equity.....	328,471	321,790
	<u>\$ 371,789</u>	<u>\$ 365,185</u>

Commitments and contingencies (Note 9)

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

On behalf of the Board of Directors,

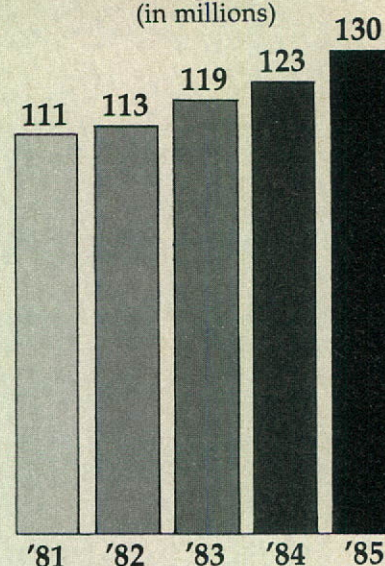
E.K. Turner

E.K. Turner, Director

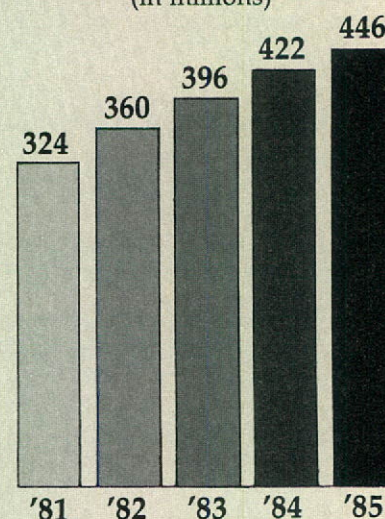
G. Stevenson

G. Stevenson, Director

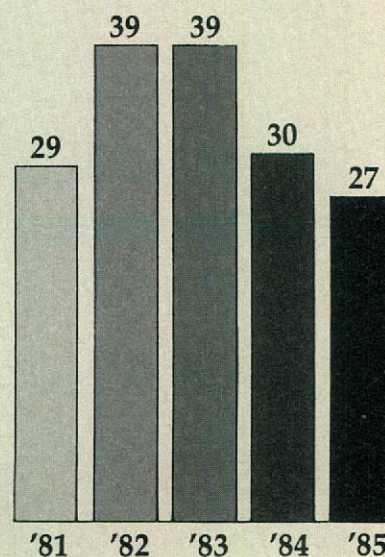
Working Capital (in millions)



Fixed Assets at cost (in millions)



Capital Expenditures (in millions)



Statement of Earnings

For the Year Ended July 31

	1985	1984
	(in thousands)	
Sales and Other		
Operating Revenue	\$2,023,491	\$2,459,998
Cost of Sales and Expenses		
Cost of sales and operating expenses.....	1,908,078	2,307,032
Selling and administrative expenses.....	46,651	41,010
Depreciation.....	24,159	24,518
Interest on long term debt.....	5,275	5,765
Other interest.....	16,137	20,030
	<u>2,000,300</u>	<u>2,398,355</u>
Earnings from Operations	23,191	61,643
Earnings From:		
XCAN Grain Ltd.	737	343
Pacific Elevators Limited.....	1,175	1,889
Prince Rupert Grain Ltd.	282	2,140
	<u>25,385</u>	<u>66,015</u>
Provision for Possible Loss on Investments (Note 8)	<u>(3,944)</u>	<u>(4,673)</u>
Net Earnings	\$ <u>21,441</u>	\$ <u>61,342</u>

Statement of M

For the Year

Share Capital (Note 7)

Balance beginning of year	
New shares allotted	
Allocated from prior year's earnings	
Share redemptions	
Purchased from eligible categories	
Authorized annual redemptions	
Balance end of year.....	

Unallocated Earnings Retained

Balance beginning of year	
Prior year's earnings	
Income taxes paid.....	
Patronage allocation to members	
Shares.....	
Cash	
Withholding taxes.....	
Balance retained	
Adjustment of prior years' income taxes	
Net proceeds in excess of original cost on disposal of fixed assets	
Balance end of year.....	

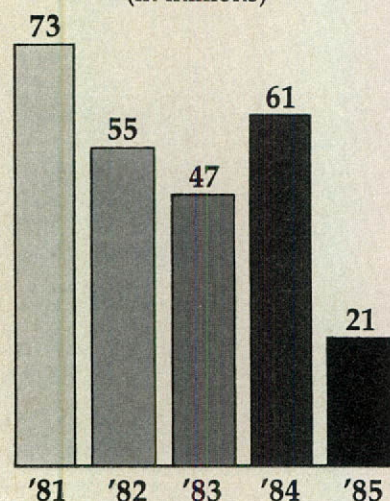
Net Earnings — Unallocated.....

Members' Equity Before Provisions.....

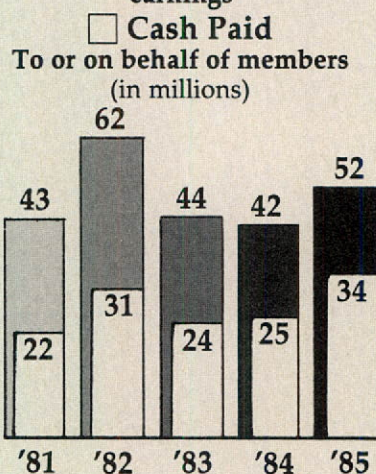
Provision for payments to or on behalf of members	
Provision for corporate taxes.....	

Members' Equity, End of Year

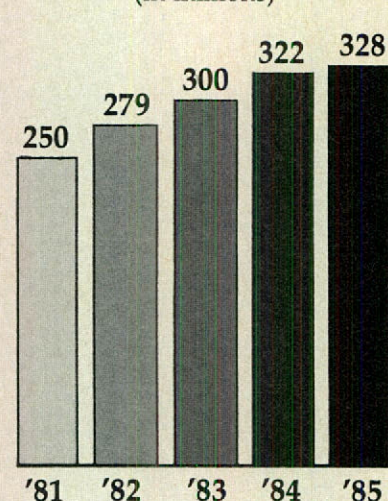
Corporate Earnings
(in millions)



Patronage Dividends
Out of previous year's earnings



Members' Equity
(in millions)

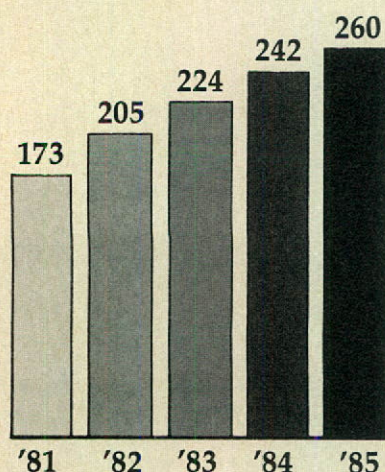


Members' Equity

Ended July 31

	1985	1984 (Restated) (Note 3)
	(in thousands)	
.....	\$241,691	\$224,370
.....	12	11
.....	36,520	33,978
.....	(4,500)	(4,187)
.....	(13,599)	(12,481)
.....	<u>\$260,124</u>	<u>\$241,691</u>
.....	54,432	55,449
.....	61,342	47,137
.....	(1,997)	(1,495)
.....	(36,520)	(33,978)
.....	(8,635)	(2,986)
.....	(6,944)	(5,498)
.....	<u>7,246</u>	<u>3,180</u>
.....	(1,593)	(5,266)
.....	395	1,069
.....	<u>\$ 60,480</u>	<u>\$ 54,432</u>
.....	<u>\$ 21,441</u>	<u>\$ 61,342</u>
.....	\$342,045	\$357,465
.....	(12,504)	(33,678)
.....	(1,070)	(1,997)
.....	<u>\$328,471</u>	<u>\$321,790</u>

Share Capital
(in millions)

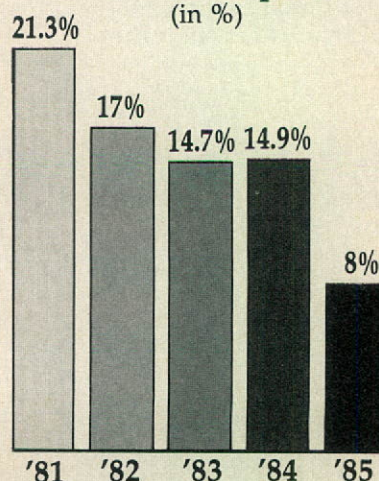


Statement of Changes in Financial Position

For the Year Ended July 31

	1985	1984 (Restated) (Note 3)
	(in thousands)	
Working Capital Was Provided By:		
Current year's net earnings	\$ 21,441	\$ 61,342
Items not requiring working capital		
Depreciation	24,159	24,518
Provision for possible loss on investments	3,944	4,673
Decrease in investments	4,883	2,179
Increase in members' term loans	3,573	—
Other sources	407	1,080
	<u>58,407</u>	<u>93,792</u>
Working Capital Was Used For:		
Fixed asset additions — net	26,991	30,167
Provision for payments to or		
on behalf of members	12,504	33,678
Provision for corporate taxes	1,070	1,997
Increase in investments	5,657	13,154
Decrease in members' term loans	—	866
Current maturity of debenture loans	1,400	1,400
Current maturity of notes payable	2,250	3,000
Corporate taxes on prior years' earnings	1,593	5,266
	<u>51,465</u>	<u>89,528</u>
Increase in Working Capital	6,942	4,264
Working Capital, Beginning of Year	123,235	118,971
Working Capital, End of Year	<u>\$130,177</u>	<u>\$123,235</u>

Return on Invested Capital
(in %)



Notes To Financial Statements

For The Year Ended July 31, 1985

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

2. Accounting policies

a) Inventories

	1985	1984
	(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.....	\$185,065	\$263,595
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	19,897	22,818
Other inventory valued at the lower of cost (principally average cost) and net realizable value.....	69,531	54,031
	<u>\$274,493</u>	<u>\$340,444</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 dividends 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	33⅓%
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 9a).....	25%
Western Pool Terminals Ltd.	30%
XCAN Grain Ltd.	33⅓%

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

d) Fixed assets

The major components of fixed assets are:

	1985	1984	Rate of Depreciation
	(in thousands)		
Cost			
Sites, trackage and paving....	\$ 15,144	\$ 14,425	0 - 8%
Buildings.....	226,600	217,366	5 - 10%
Machinery and equipment.....	189,597	178,121	20 - 30%
Vehicles	7,994	7,248	30%
Work under construction ..	6,608	5,075	nil
	<u>445,943</u>	<u>422,235</u>	
Less accumulated depreciation.....	<u>250,165</u>	<u>229,289</u>	
Net book value	<u>\$195,778</u>	<u>\$192,946</u>	

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 dividends 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 dividends.

3. Change in accounting policy

The Corporation has retroactively changed its method of reporting net earnings and members' equity. Net earnings are now transferred to members' equity in the current year. Estimated income taxes and estimated payments to or on behalf of members are deducted from members' equity and shown as current liabilities. Previously, net earnings before providing for income taxes and payments to or on behalf of members, was shown as a current liability called unallocated earnings. The effect of this change is to increase members' equity by \$7,867,000 (1984 — \$25,667,000), decrease current liabilities by \$8,937,000 (1984 — \$27,664,000), decrease current assets by \$1,070,000 (1984 — \$1,997,000, and increase working capital by \$7,867,000 (1984 — \$25,667,000).

4. Investments and memberships

- a) Investments and memberships are summarized as follows:

	1985	1984
	(in thousands)	
Companies over which the Corporation has significant influence:		
Shares.....	\$ 4,332	\$ 4,332
Notes and loans receivable....	<u>44,993</u>	<u>44,340</u>
	49,325	48,672
Other investments and memberships, principally shares in co-operatives.....	<u>19,360</u>	<u>19,239</u>
	68,685	67,911
Less accumulated provision for possible loss on investments..	<u>(22,851)</u>	<u>(18,907)</u>
	<u>\$45,834</u>	<u>\$49,004</u>

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

	1985	1984
	(in thousands)	
Assets	\$693,904	\$ 642,958
Liabilities.....	702,843	647,635
Revenues.....	898,516	1,084,413
Net earnings.....	6,268	18,053
Net earnings distributed	11,783	21,335

The net earnings in 1985 reflect a \$4,552,000 extraordinary loss (1984 — \$11,000,000 extraordinary gain).

- c) Certain notes and loans receivable in the amount of \$17,966,000 (1984 — \$17,966,000), due from companies over which the Corporation has significant influence, have been postponed in favour of other creditors of these companies.

5. Bank loans

Bank loans comprise borrowings from chartered banks and Credit Union Central and are secured by accounts receivable, inventories, conditional sales contracts and fire insurance policies on stocks of grain.

6. Long term debt

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

	1985	1984
	(in thousands)	
Members' term loans	\$27,921	\$24,696
9% sinking fund debentures series A	24,400	25,800
Notes payable	<u>2,250</u>	<u>5,250</u>
	54,571	55,746
Portion due within one year.....	<u>11,253</u>	<u>12,351</u>
	<u>\$43,318</u>	<u>\$43,395</u>

- b) Members' term loans range from two-year to ten-year terms with interest rates from 9½% to 15½%. 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 twelve 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) Notes payable consist of non-interest-bearing notes, payable to the Cooperative Energy Corporation, which required payments of \$3,000,000 during the year ended July 31, 1985, and future quarterly installments of \$750,000 thereafter until April 1, 1986.

- e) The maturities of long term debt during each of the next five years ending July 31 are as follows:

1986.....	\$11,253,000
1987.....	15,771,000
1988.....	6,589,000
1989.....	2,158,000
1990.....	<u>1,400,000</u>
	<u>\$37,171,000</u>

7. Share capital

The number of shares issued to members is as follows:

	1985	1984
Fully paid (par value \$1 each)	260,086,538	241,653,017
Partially paid.....	75,186	75,499

8. Provision for possible loss on investments

Details of the provision made during the year are as follows:

	1985	1984
Shares.....	\$ —	\$2,600,000
Loans.....	1,975,000	2,073,000
Patronage loans receivable	<u>1,969,000</u>	<u>—</u>
	<u>\$3,944,000</u>	<u>\$4,673,000</u>

9. Commitments and contingencies

- a) Western Co-operative Fertilizers Limited, 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. \$42,478,000; Cdn. \$57,350,000 as at July 31, 1985, (1984 — U.S. \$43,159,000; Cdn. \$56,517,000) 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 contract to purchase specified annual quantities of phosphate rock. This "take or pay" contract has been assigned to Western Co-operative Fertilizers Limited for its acquisition of raw materials in its normal course of business.

Western Co-operative Fertilizers Limited has renegotiated a portion of its long term financing. Under the new arrangements, 136294 Canada Limited was formed to hold the Corporation's shares in Western Co-operative Fertilizers Limited along with that company's interest in a fertilizer contract. The Corporation, jointly with two other shareholders, will support the new financing by committing to purchase 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 indeterminable market value estimated to be less than \$40,000,000. In addition, the Corporation has guaranteed 40% of the annual lease payments MAALSA Investments Ltd. is required to make.
- c) At July 31, 1985, the Corporation has guaranteed other borrowings and obligations of companies in which it has an investment to maximum amounts aggregating \$18,501,000 (1984 — \$23,766,000).
- d) At July 31, 1985, planned future expenditures on authorized capital programs were approximately \$15,289,000 (1984 — \$14,940,000).
- e) At July 31, 1985, the present value of the unfunded liability for past service retirement benefits amounted to \$6,543,000 (1984 — \$5,891,000). This is based upon actuarial valuations undertaken as at dates ranging from December 31, 1982 to December 31, 1983. This liability is to be funded by the Corporation making payments in varying annual amounts until 1998.

10. 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 addition to amounts disclosed separately, the Corporation has the following:

	1985	1984
	(in thousands)	
Due from members.....	\$ 63,610	\$ 60,591
Due from other related parties ..	2,853	4,584
Due to members	121,434	117,721
Due to other related parties	2,052	3,121

- b) Interest of \$2,375,000 (1984 — \$2,422,000) receivable on interest-bearing notes, from a company in which the Corporation has an investment, was waived during the year. Further, interest receivable of \$2,347,000, accrued in the past two years from another such company was reversed during the current year.

11. Prior years' income taxes

During the year the Corporation was unsuccessful in its final appeal of reassessments of prior years' income taxes with respect to the inventory allowance on grain purchased for sale to The Canadian Wheat Board. The income tax liability associated with this matter was \$16,200,000. Certain available tax deductions were used to reduce this liability to \$5,900,000, which has been paid and reflected in the financial statements.

12. Additional information

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

	1985	1984
	(in thousands)	
Interest recovered from The Canadian Wheat Board.....	\$26,079	\$26,680
Investment income	1,346	1,988
Patronage dividends.....	3,158	3,249

13. Comparative figures

Certain 1984 amounts have been reclassified to conform with the 1985 presentation.

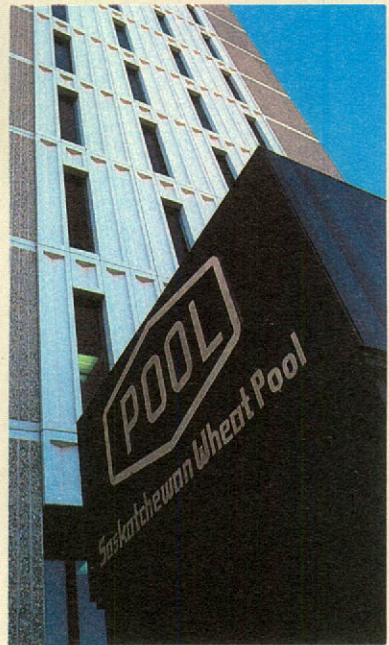
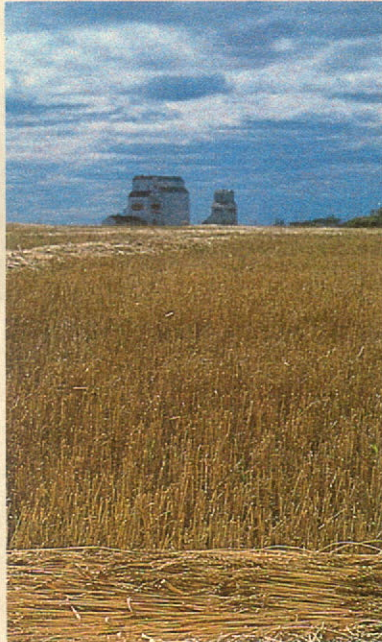
As a forceful and influential
advocate of Saskatchewan farmers'
policy interests . . .

As a supplier whose priority is
service to member/customers . . .

As an enterprise through which
producers co-operatively improve
their market position . . .

As a major business whose actions
demonstrate the value of
agriculture provincially and
nationally . . .

Saskatchewan Wheat Pool adds
economic impact to the special
strengths of a co-operative
structure. The result is a unique
organization whose policies and
services reflect the needs of its
owners: Saskatchewan farmers.



Saskatchewan Wheat Pool

because farming means business

