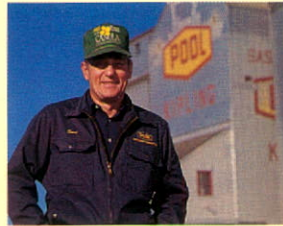


SASKATCHEWAN WHEAT POOL *and subsidiary companies* ANNUAL REPORT 1994



THE FUTURE OF FARMING



Saskatchewan Wheat Pool

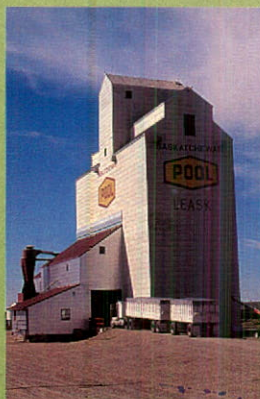
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JAN - 4 1995

Annual Report
MCGILL UNIVERSITY

60's

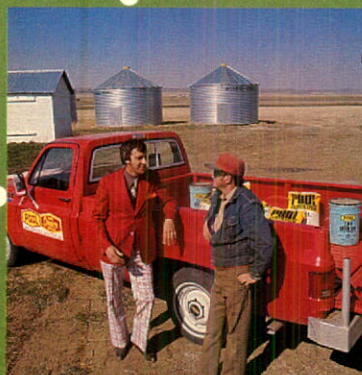
In 1962, the Pool builds the largest country elevator in its system with a new-style 140,000-bushel unit at Leask.



In 1968, the Pool constructs a new grain terminal at North Vancouver.

The Pool establishes a farm supplies department in 1963.

Linked with the country elevator system, the department handles fertilizers, farm chemicals and twine.



70's



The Pool forms CSP Foods Ltd. in 1975 in a joint venture with Manitoba Pool Elevators. The Saskatoon plant processes oilseeds and manufactures, packages and markets oilseed products.

In 1970, the Pool joins the group that forms XCAN Grain to export non-Canadian Wheat Board grains.



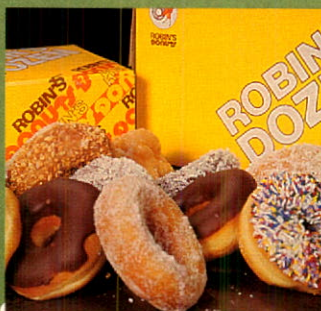
A Product Development Section is established within the Farm Service Division in 1976.

80's

The first Pool concrete elevator – an 8000-tonne facility – is built at Luseland in 1987.



The Pool takes another key step in its diversification when it purchases in 1987 a share of Northco Foods, the owner of the Robin's Donuts franchise chain.



90's



With Schreier Malting of Sheboygan, Wisconsin, the Pool invests in Prairie Malt of Biggar in 1990. It is another key investment in the process of adding value to prairie farm products and supporting community development. Around the same time, the Pool purchases Elders Grain of Canada and Northern Sales and from those assets forms AgPro Grain Ltd.



CSP Foods and Central Soya reach agreement in 1991 to purchase the edible oils division of Canada Packers. The three merge into CanAmara Foods in March 1992 while the Flour and Food Services side of CSP is retained as a division of the Pool.

20's



Prodded on by Aaron Sapiro, 45,725 Saskatchewan farmers sign delivery contracts covering 6.33 million acres. Saskatchewan Co-operative Producers begins operations in 1924 with A.J. McPhail as first president. Effective August 1, 1953, the name of the parent company is officially changed to Saskatchewan Wheat Pool.

By October, 1925, there are 86 Pool elevators operating with the first opening at Bulyea on July 1, 1925.



30's



Drought ravages the Prairies at the same time as the world suffers economic collapse. The company's imminent bankruptcy is avoided when government guarantees bank loans.



The Western Producer, the farm newspaper that had given strong support for the pooling idea, is acquired by Saskatchewan Wheat Pool in 1931.

40's

Saskatchewan Co-operative Livestock Producers, which had operated as a separate organization since 1927, amalgamates with the Wheat Pool.



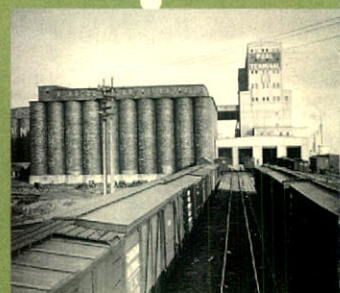
The Saskatoon flour mill is completed in 1949 with an original capacity of 2,000 hundred-weight of flour per day



50's



Terminal Number 6 at Thunder Bay is purchased from the CNR in 1957. With a capacity of 7.4 million bushels, it marks a major milestone in the Pool's drive to efficiently get Prairie crops to customers overseas.



In 1959, the company purchases 103 elevators and a terminal at Thunder Bay from Ogilvie Flour Mills and Lake of the Woods Elevator Company.

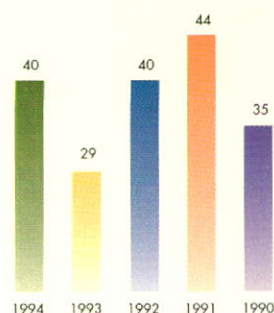
CELEBRATING ^{OF} 70 YEARS SERVICE TO AGRICULTURE

1	Year in Review
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Net Earnings
(in millions)

No one description could fully detail the type of year Saskatchewan Wheat Pool (SWP) experienced in 1993-94. From a change of Chief Executive Officer to the delegate acceptance of a new financial structure, the Pool's elected representatives, management and staff faced major issues at an unprecedented pace.

Adding to an already full agenda were the restructuring of the Grain Group and of the Country Services Division, the creation of Heartland Livestock Services in a joint operation with Manitoba Pool Elevators, and the expansion of the company's diversified family as InfraReady Products Ltd. and Dawn Foods Canada both opened plants in Saskatoon.

There is a common thread woven through every action and decision – improving the Pool's business strength to ensure the organization is ready to face the future. The philosophy is simple: Manage change and prepare for the future.

These are challenging times in which to build for the future and those companies that successfully identify and take advantage of opportunities will thrive in the 21st Century. Government cost-cutting measures and a global trend to deregulation are driving the agenda on some very significant agriculture-related fronts. Issues such as transportation subsidies, the future of rail lines, and the new trading rules under the General Agreement on Tariffs and Trade will have a fundamental impact on how the Pool does business, builds its facilities, procures and handles agricultural products, and takes advantage of opportunities in value-added industries.

But those are redundant points if the company's foundation is not firm. That is why this has been a cornerstone year. Net earnings showed a considerable improvement over last year's results, a fact made all the more noteworthy since the 1993 harvest was below the previous year in both volume and quality. The Pool has expanded into new opportunities while rebuilding and renewing its business relationship with the farm community. Particular emphasis is being placed on return on investment, customer service, and conserving and wisely deploying human and financial resources. Financial analysts believe economic resurgence in North America will be led in part by agriculture-based industries and SWP believes it is critical to prepare now.

SASKATCHEWAN WHEAT POOL REVIEW

(all figures in thousands, except items *)

	1994	1993
Operating Results		
Country Services	\$ 6,993	\$ 5,304
Terminal Elevator	22,399	8,705
CSP Foods	(745)	1,332
Livestock	238	794
Western Producer Publications	964	470
	<u>29,849</u>	<u>16,605</u>
Revenue from associated companies	\$ 19,686	\$ 15,204
Other	(9,100)	(3,300)
Net Earnings	<u>\$ 40,435</u>	<u>\$ 28,509</u>
Current Assets	\$ 618,454	\$ 516,793
Current Liabilities	\$ 515,256	\$ 396,641
Members' Equity	\$ 399,599	\$ 381,440
Return on Invested Capital* (after tax)	8.2%	6.9%
Debt:Equity Ratio*	39:61	32:68
Current Ratio*	1.20	1.30



Pool President Leroy Larsen (right) with District Representative George Schmidt

PRESIDENT'S REPORT

There is a significant difference in the mood of the agricultural community this year as compared to this time in 1993. A successful harvest aided by good weather has much to do with the quiet optimism which threads its way across the province.

But I also detect a sense of concern for what is happening in our industry and how the implications of deregulation and more liberalized trade will affect producers and their communities.

That probably describes the type of year experienced by Saskatchewan Wheat Pool. At the same time as we reflected with pride on our 70th anniversary, we had to keep looking ahead because the challenges are huge. The year was exhausting and never short of activity, but I know we made some great strides in building and rejuvenating our organization.

The key issue facing SWP was the process leading to the special meeting of delegates in July when the men and women who represent their sub-districts voted very strongly in favor of requesting amendments to change the legislative act governing Saskatchewan Wheat Pool. By doing so, the delegates took an important step in the process that will eventually result in a share conversion that will keep control of the organization with producers but will stabilize our foundation of capital.

This is a major step, one which Pool members quite rightly took time to consider, debate and discuss. It also provided me the opportunity to meet with literally thousands of members in community halls and meeting rooms across this province. I will admit that not all the comments heard were overwhelmingly positive, but I remain convinced that the entire process was good for

our organization because it forced each and every member to consider just what this organization means and where the membership wants us to go. That meaningful dialogue is probably the most appropriate way to mark 70 years.

Throughout the discussion, the one issue that had to be emphasized was that rejuvenation cannot be equated with forgetting our past. Our co-operative principles of self-determination cannot be tampered with because that is what has nurtured and fed this movement and this organization. But it is clear that the upcoming pressures that will be placed on the agri-food industry in Saskatchewan and on SWP make it necessary for us to take a clear-headed look at what the future holds.

On the government agenda are a number of realities that we simply must face: reduced number of rail lines; major alterations to transportation subsidies; challenges to institutions such as the Canadian Wheat Board. When the Uruguay Round of the General Agreement on Tariffs and Trade ended, it was clear that Canada's current system of farm supports was going to have to conform with the new rules. The pace of that change is going to be rapid and I, for one, am concerned that the transition period is not going to be long enough for some to adapt. That's where the Pool's policy arm has to raise the concern and why the producers' voice has to be heard.

The Pool knows full well that we are a trading nation and that agriculture in particular is reliant on international customers. We support initiatives that result in clear and fair trading rules and believe that we are as good at marketing our farm products as anybody on the globe. I can point to the success of XCAN Grain

Pool Ltd. which is Canada's largest exporter of canola, special crops and a host of other products. This export marketing arm of the three prairie Pools proves that we can play the export game with the best.

SWP supports orderly marketing and single-desk selling as employed by the Canadian Wheat Board. But that is simply good economics, one which provides the Western Canadian farmer with a solid advantage in the marketplace.

That support of the Board has not wavered. I can understand how some producers who have endured years of trade-distortions such as international subsidy wars view the Board with some reservation, especially when the laws of supply-and-demand have temporarily boosted prices being paid in the U.S.

But that window of opportunity is narrow and I believe that those Board critics should be very cautious about eliminating a mechanism that was put there for a very good reason. I have yet to have a Board critic answer fully just what happens when the U.S. Export Enhancement Program is wrapped up once the GATT takes full effect and American grain reserves return to normal levels.

It is clear that there is no shortage of issues which generate very strong feelings. Discussion and debate are healthy, especially if they are aimed at improving our industry, our communities and our province.

Being a voice for and of rural communities and aspirations is, I believe, one of the main reasons SWP is considered such a credible player in agri-business. It is why I am particularly pleased that the performance results from the fiscal year past are strong in our value-added ventures and diversified operations. When a Prairie Malt or a Pound-Maker Agventures does well, that means it contributes to the well-being of the communities in which it operates. It means opportunities for growth and a wider circle of stakeholders in agriculture and SWP's vision of a vibrant place that creates jobs for our young people.

Diversification means opportunity. It means that rather than shipping off our raw product elsewhere, we do something to add value to it right here. Flour from CSP Foods that eventually becomes a Robin's Donut in Vancouver is one link in a chain that brings valuable dollars back to Saskatchewan for reinvestment in agriculture and more opportunities. It is a circle that continues and SWP is determined to keep this circle going and gaining in size.

But this isn't really much of a departure from our roots. The

men and women who started this organization 70 years ago saw the fruits of their hard work going elsewhere to build futures. So they decided to halt that flow of capital and put it to work right here – building communities and better futures. Their greatest gift was proving by their actions that working together toward a common goal does produce impressive results.

We have inherited this organization and it is our duty to keep our eyes on our vision of opportunity. Perhaps our methods will have to change – just the same as our farming methods have radically changed in the past 70 years – but the goal and the dream remain the same.

There is a big job ahead for your Board of Directors and the entire organization. But it is a job we believe is well worth doing because it produces so many benefits for so many people across this province. Yes, there is change ahead of us. But the principles on which the Pool was created are as fresh and relevant as they were 70 years ago.

THESE ARE THE PRINCIPLES ON WHICH THE POOL WAS FOUNDED ARE AS FRESH AND RELEVANT AS 70 YEARS AGO



BOARD OF DIRECTORS

seated (l-r): Ray Howe, Leroy Larsen

second row (l-r): Mich Ozeroff, Ken Elder, Barry Senft,
Marvin Shauf, Tony Hladyboroda

third row (l-r): Rod Dahlman, Harold Yelland, Dave
Sefton, Gary Wellbrock, Tom Lowes,
Dennis Van Der Haegen

fourth row (l-r): Charlie Weir, Marvin Wiens,
Henry Seidlitz

CHIEF EXECUTIVE OFFICER'S REPORT



Chief Executive Officer Don Loewen

In his observations of the pace and scope of economic and social change, futurist and author Alvin Toffler uses the analogy of waves. We are, he states, in the midst of upheaval and change which compares to the agrarian and industrial revolutions.

And while there is a strong tendency to comfort ourselves by thinking we in Saskatchewan are somehow insulated from this wave and the global economy that has evolved in a relatively short time, it is clear that we must handle and manage that change. The sooner an industry or an organization such as Saskatchewan Wheat Pool prepares for the coming business environment, far greater are the chances for sustainability and growth.

That is why 1993-94 has been so critical for the Pool. It was a year when the Pool configured itself to meet the challenges hurtling toward us. I believe we made significant gains in preparing this organization to take advantage of the opportunities that will emerge.

Those critical steps include the continuation of diversifying the Pool's sources of revenue. Strategic alliances such as the opening of the Dawn Foods Canada plant in Saskatoon are fundamental to our ongoing success. Similarly, the opening of InfraReady Products Limited – the plant which uses infrared heat to prepare raw products such as grains and legumes – is a key in our development as an agriculture-based company. We are determined to add value to farm products and thereby reap the maximum benefit for this company and this province.

Part of the recipe for success is being open to ideas and willing to joint venture with partners who bring strengths and expertise to the table. If the partnership meets the critical criteria of supporting our objective to benefit the farm community, the Pool is interested. Whether it is with an existing business or co-operative, these strate-

gic partnerships are a blending of strengths and make the best use of precious resources. Only recently, the Pool's Livestock Division joined with Manitoba Pool Elevators' livestock operation to create Heartland Livestock Services. This new company widens access to markets and flattens overhead to control costs. It is another example of being prepared to seize an opportunity when it makes clear fiscal sense.

On the operations front, the Pool reviewed its practices and policies in the Country Services Division. During an exhaustive review of how we use our financial and human resources in grain handling and the delivery of farm products and services, we concentrated on what the customer wants and needs. Not surprisingly, farmer-members told us that they expect the Pool to deliver quality and competitively-priced goods and services. They expect good value. And they expect the Pool to allow staff on the front lines – in the elevator and at the farm service centre – greater flexibility and independence. We were told that they expect the barriers between the farm gate and agri-business information to come down so that questions be handled much more effectively.

What resulted was a restructuring of the Grain Group and the Country Services Division and key changes in how personnel views its role. The one-station mentality must end. Teams of motivated and entrepreneurial individuals have been created. Their development is not going to occur overnight but we have made the critical decisions to flatten the structure and get the right person for the job.

That was one of the major issues on the table during the Pool's negotiations with its unionized employees. We strive to be as progressive an employer as can be found in our industry and our industrial relations record is one in which we take pride. But what had to be clearly understood is that the company is heading into a

period when we simply must renew and rejuvenate. Calls for deregulation and the abandonment of rail lines will intensify the need to be adaptable and to be as competitive as our business rivals. That is why the Pool simply could not bend on issues such as contracting out. We believe that cost-effective and fair are not mutually exclusive qualities. One of our greatest challenges will be to prove that to our workforce and our customer-members.

Obviously, one item took precedence during what was an issue-heavy year – the change in how the Pool finances itself. While the financial restructuring had to be ratified by the elected side of the Pool, the initiative was developed by our Financial Resources Division charged with the responsibility of ensuring the organization's future funding needs are met. We are proud to state that the Pool is representative of the Saskatchewan farming community and is in many ways a mirror of the province. So it is no surprise, then, that our member demographics represent those of the farm. With an aging population, withdrawal of equity as members retire from farming would have created enormous difficulties.

What had to be designed was a means through which our unique democratic system was preserved while simultaneously allowing the Pool the flexibility to raise the capital necessary to finance operations and take advantage of business opportunities. A look through this report provides a clear indication as to why this is so critical: Earnings from our associated companies account for an ever-increasing share of revenue. Our initiatives on this

front have proven successful and must be continued if the Pool is going to continue its mission of serving the farm community, adding value to farm products, and being a strong contributor to the Saskatchewan economy and way of life.

The process through which the membership was informed of this new structure provided me the opportunity to meet many members face-to-face. Information widens a person's scope. Listening to member concerns and comments has convinced me more than ever that Saskatchewan Wheat Pool must continue to grow, develop and prosper and that our success – past and present – is due in great part to the company's unwillingness to compromise on principles.

Many economic commentators and trend monitors have predicted that the agri-food industry will be a key component in rebuilding the North American economy which has been mired in post-recession lethargy. I believe they are correct. But I also believe that only those companies that have prepared themselves to ride that wave will take full advantage of the opportunities. That means being as competitive as possible. It means trimming overhead and making certain that capital funds and initiative are used to the very best advantage. It means being willing to investigate developments and see the possibilities, not just the threats. I point to the Mobiload, the truck-mounted elevator, as one such example.

I agree with those who say the pace of change is rapid and that can be unsettling. But what we have done in the past year is not a case of changing simply for the sake of change. Every move was dictated by a strategy aimed at making Saskatchewan Wheat Pool ready for the business environment that is coming sooner rather than later. We remain committed to co-operative principles. We believe that the Pool must continue to act as a positive voice, encouraging development of our people, our communities and our operations. We are dedicated to the well-being of producers and taking advantage of opportunities in which we all can share and in which we all have a stake. How we get there will be determined by what we do now to get ready.

There is still plenty of work to do. In fact, it would be easy to be overwhelmed by all that is facing us in upcoming months. But we must temper that with the knowledge that we have just come through a very crucial year and our net earnings have shown marked improvement. We have put our business practices under a microscope and have begun to restructure to more effectively meet customer and member demands. I believe we have reinstalled the necessary sense of purpose and mission.

THE POOL'S PLAN
EXECUTED IN THE
PAST YEAR REFLECTS
THE NEED TO LAY
A FOUNDATION FOR
OPPORTUNITIES
AND CHALLENGES
THAT WILL BE PART
OF THE COMING
ENVIRONMENT IN
WHICH IT OPERATES

EXECUTIVE DIRECTOR'S REPORT



Executive Director Glen McGlaughlin (right)
and Rosetown-area producer Colin Ahrens

Information is a commodity unto itself. That has been said before but it was never more evident than in the past year when Policy and Member Services supported major issues affecting the organization's future and provide a meaningful liaison between the Saskatchewan producer, the co-operative and government to influence public policy.

We live and work in a time when it seems all the previous rules are being challenged and replaced. That can lead to confusion and maybe even to a sense that somehow the Pool isn't the same organization as it was even a decade ago.

Undoubtedly, SWP is changing in response to both external factors and the change in Pool members' own operations. Therefore, maintaining effective communication, member and government relations, and policy research is critical to the future of SWP.

Policy and Member Services was on the front lines for the entire process leading up to and following delegates' acceptance of the new financing structure. From ensuring the communications function was maintained to organizing country meetings, the process consumed a huge amount of our time and resources.

The need to update was the main thrust of the Member Relations Division's evaluation of the type of service and information it provides. Over the past year, the Division has examined just what roles Pool members see the co-operative playing. We know that if we do not carry out a continuing process of reinvigorating the organization, we run the risk of distancing ourselves from our rural roots. If that happens, the Pool's reputation as a credible voice of Saskatchewan agriculture will be seriously harmed and leave a gap in the public policy process.

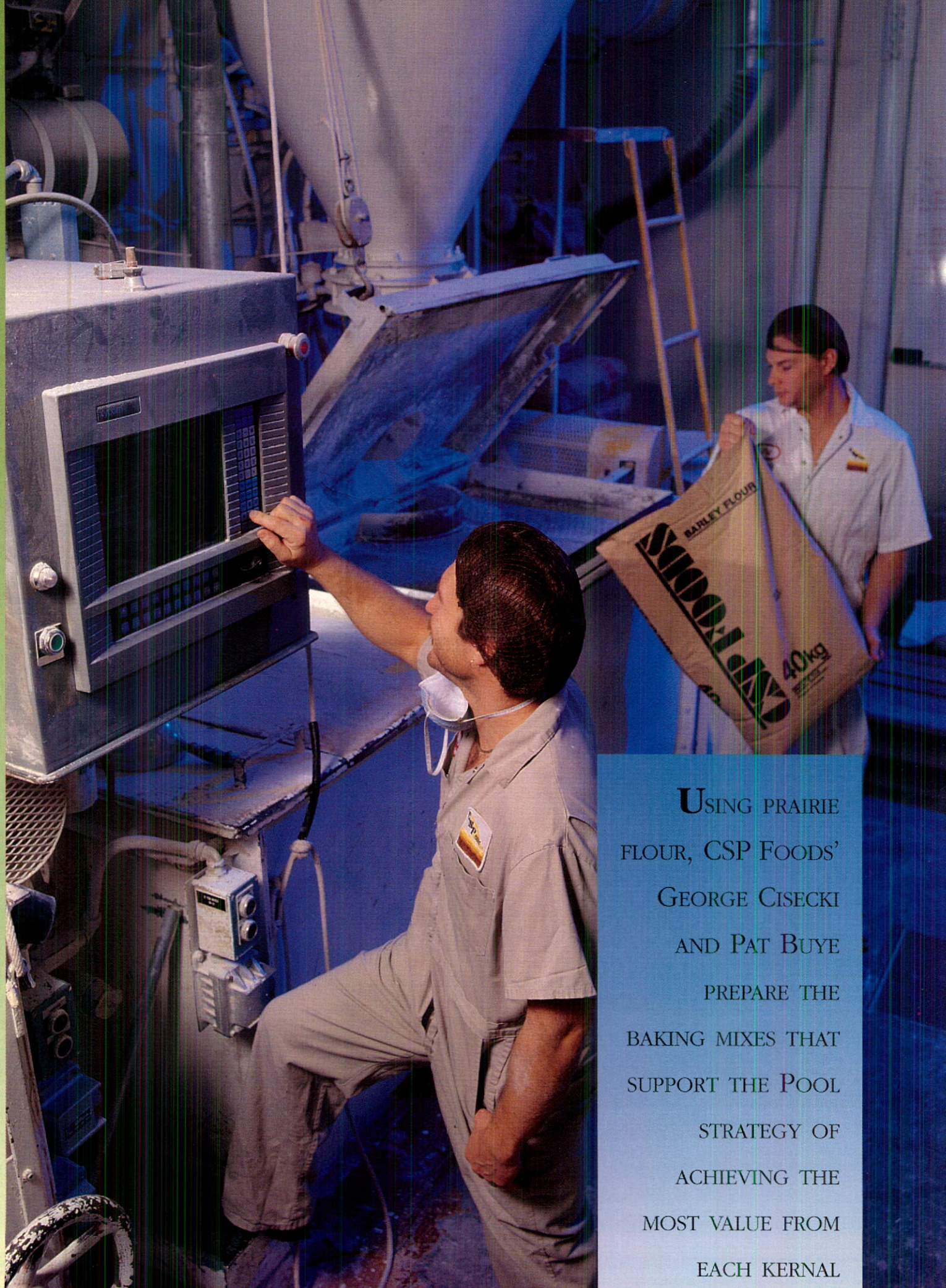
The renewal process is now being introduced after thorough discussion with the membership, committees and within Policy and

Member Services. The demand for information is growing daily and successful producers are the ones able to manage that deluge. That is where the Pool must play a growing role. It is why our Policy and Economic Research Division, for example, staged a major conference to bring in experts to explain just what the completion of the Uruguay Round of the General Agreement on Tariffs and Trade is going to mean to this province and our primary industry. In conjunction with the University of Saskatchewan, the Saskatoon conference was a significant effort in our aim to provide members with meaningful information on critical issues.

Our efforts in keeping agriculture foremost in the public conscience continued with undertakings such as the Agriculture Advocacy program in the Communications Division. The hugely successful Adventurers Club drew nearly five times the participants originally projected and acted as a key conduit to make certain that the importance of agriculture is never underestimated.

Contributing to the year's hectic schedule was the successful court challenge on the continental barley issue. Although it took two appeals, the prairie Pools won their case when the Federal Court of Canada ruled Sept. 10, 1993 that the federal government could not use an Order in Council to change the Canadian Wheat Board's authority to market barley. It was a lengthy and often frustrating battle but Saskatchewan Wheat Pool believed strongly that the farm voice had to be heard.

We believe we can play a leadership role in making certain there is a future for our young people. The Pool's network of committees and dedication to reinvesting in Saskatchewan give us the firm foundation on which to continue to shape policy and ensure that the farm voice is both heard and heeded.



USING PRAIRIE
FLOUR, CSP FOODS'
GEORGE CISECKI
AND PAT BUYE
PREPARE THE
BAKING MIXES THAT
SUPPORT THE POOL
STRATEGY OF
ACHIEVING THE
MOST VALUE FROM
EACH KERNAL

OPERATIONS



The style of elevator has changed but its importance to the prairies remains

The mere mention of Saskatchewan Wheat Pool conjures up an immediate image of the network of elevators that are the centres of commerce for many a rural community. That's no surprise. The Pool's roots are at the elevator.

Seventy years ago, farmers no longer willing to accept shoddy treatment and low prices banded together and, despite the chorus of negative voices who said it couldn't be done, started a co-operative that kept Saskatchewan dollars at home building futures.

Perhaps that is at the heart of the reason why the old Pool elevator – a simple wooden structure – has such a deep emotional pull for any person who grew up on the prairies. It represents home and it signifies self-determination.

Today, the elevator comes in a number of shapes and sizes. The new high throughput concrete elevators are capable of moving as much as 340 tonnes of grain per hour. It remains a highly visible sign of what Saskatchewan Wheat Pool is all about – the nation's largest grain-handler. But it does not portray the complete story. For years, the Pool has sought ways to get as much value from a tonne of grain as possible. Milling flour was one of the first value-added ventures. The company also entered the farm supply business to offer new services to Saskatchewan producers.

The Pool's operating divisions continue to reflect those key areas: Country elevators; farm supplies; livestock; terminal elevators; flour milling; and publishing *The Western Producer*, the nation's largest farm weekly newspaper.

One of the lowest quality harvests in some time provided the **COUNTRY SERVICES DIVISION** with its share of challenges. Grades ranged greatly and the amount of low quality grains swelled storage facilities. That naturally affected grain receipts which were down slightly over the previous fiscal year. But the Division still managed to increase its net earnings by \$1.7 million over the previous year to \$7 million, after allowing for a one-time provision relating to the reorganization of the Division that resulted in downsizing. These results are partly attributable to the Division's achieving a record year in Farm Supply and Service sales. Sales of \$260 million eclipsed by a considerable margin the previous record of \$201 million achieved in 1992-93.

This record-setting year in farm supplies is largely due to the upward trend of Open Market and Special Crop commodity prices which drove a widespread shift to cropping alternatives. The Division's cross-marketing programs and deferred payment structure proved popular with producers and were key reasons for such impressive sales results.

Country Services Division managed 10.313 million tonnes of grain, above the ten-year average of 9.75 million. Primary elevator receipts amounted to 9.95 million net tonnes – a slight drop from the previous year. It is important to note that crop year delivery extensions in 1992-93 meant this year's totals reflect about 11 months of business activity.

The Pool's market share for grain managed as of July 31, 1994



Bidding at another livestock auction at the Regina yard

was 57.91 per cent, a decrease from a market share of 59.26 per cent a year ago. The average handle per station was 25,100 tonnes, an increase over the previous year's 24,800 and a significant rise over the 21,300 experienced in the Pool's record 1982-83 year when 11.8 million tonnes were handled. This year, 138 elevators exceeded handlings of one million bushels (26,400 tonnes), 10 more elevators than the previous year and 22 more than 1982-83.

The Division operated 564 elevators at 410 operating points as of July 31, 1994. Despite fewer points, the Pool's market share has remained relatively stable. That is particularly encouraging because of the great difficulties presented by a congested transportation system. Labor disruptions at the Port of Vancouver and a shortage of grain cars also affected the system's overall efficiency. Movement of the crop off the prairies was frustratingly slow especially during the first months of the crop year.

Despite these challenges, the Division shipped 111,540 rail cars, a rise of more than 7,500 over the previous year.

Not surprisingly, there was a reduced receipt of Canadian Wheat Board grains and a marked increase in Open Market and Non-Board Feed grains. With the face of Saskatchewan agriculture changing, the Division continued to emphasize marketing of oilseeds and special crops and volumes increased by more than 518,000 tonnes or 38 per cent over 1992-93. This year, the Division recorded a new Open Market and Non-Board Feed grains record handle of 1.797 million tonnes.

Canola purchases through the ACCESS (grain dealer license) program, primary stations and AgPro totalled 965,000 tonnes. The previous year's total was 690,000 tonnes. Similarly, the oats handle of 203,000 tonnes established a new record, beating the previous high mark of 111,000 set in the 1992-93 fiscal year.

The Division also achieved an all-time record handle of 606,000 tonnes of malting barley. This represented 60 per cent of

the barley contracts issued in Saskatchewan, a significant increase over the 1992-93 level of 52.8 per cent.

Two large elevator projects – Unity and Kamsack – were approved during the fiscal year. Additionally, condominium storage at Unity and Melville, eight farm service distribution warehouse upgrades, and ten new farm service retail outlets were approved. The capital expenditure for the projects totalled \$21.85 million.

The year also included a major reorganization of the Country Services Division aimed at positioning it to better meet the needs of producer and end-use customers. Following input from more than 700 stakeholders – employees, producers and product suppliers – the Division adopted a structure which emphasizes service, greater autonomy for front-line staff, and the concept of service teams. The intention is to give employees the opportunity to build effective customer relations at a local level while being able to quickly access the Pool's services wherever they exist.

The Division also took major strides at ensuring it remains an integral part of producers' business plans with efforts in seed development, custom application services, and development of Mobiload, the mobile elevator which is seen as one component of the future grain handling system.

CSP FOODS experienced a year of immense challenge, complicated by a variety of factors including a poor quality wheat crop and aggressive pricing by competitors. The overall result was that costs were driven up at the same time as prices fell. As a result, CSP Foods reported a net loss of \$745,000, compared with a 1992-93 earning of \$1.332 million.

The result was not because of a lack of activity. Records in both sales volumes and dollars were achieved. CSP product sales were up 17 per cent from 1992-93. Gross sales increased by 16.6 per cent from the previous year. The mill operated 310 days during

1993-94 which is 26 per cent higher than the year before. So while the milling industry is currently experiencing high running times, it unfortunately does not translate into improvements in margins.

Continued emphasis will be placed on full-line distribution and sales to the bakery sector, both of which are necessary for CSP to continue to grow. Similarly, emphasis will be on the value-added, higher margin lines. The Baking Centre developed 31 new products for introduction in 1993-94 and the relationship between CSP and Dawn Food Products Inc. in the U.S. continued to strengthen with each party selling greater volumes of the other's products.

The construction of the Dawn Foods Canada plant in Saskatoon further enhances this partnership.

CSP's sales to the U.S. increased by 300 per cent in the past year. Considerable sales efforts will continue to be concentrated into key markets such as the U.S. and Japan.

The main difficulty from the past year – a poor quality harvest – will not be a problem in the coming year as near-record volumes and better quality crops should make procurement considerably more cost-effective.

The Pool's **TERMINAL ELEVATOR DIVISION** showed a slight increase in the number of tonnes handled in 1993-94 but a significant improvement in its operating results. This year, the Division handled 5.92 million tonnes of grain, a marginal rise over last year's 5.74 million. But the financial performance of \$22.4 million net earnings is more than double the total for the preceding year. A major factor in this is the 1992-93 write-off of Terminals 6 and 15 at Thunder Bay which adversely affected the Division's net earnings.

Exports of Western Canadian grain were 27.6 million tonnes with 16.5 million tonnes, or 60 per cent, moving through the Pacific ports. Thunder Bay shipments – both export and domestic – totalled 8.8 million tonnes.

The 1993-94 crop was of generally low quality due to the frost and prolonged wet weather through most of Saskatchewan late in the crop year. As a result, the predominant grade was 3 Canadian Western Red Spring Wheat.

Thunder Bay operations – Receipts for the year were 3.1 million tonnes, up 15 per cent from the previous year. Unloads represented 35.3 per cent of the total handle through licensed terminals, a slight decrease from 1992-93. The reduction was the result of a larger proportion of Saskatchewan-originated grains moving west or south.

Average dockage was 2.03 per cent, a slight decrease from last year, and the average price of by-products was stronger than the previous year.

The Pool currently operates Terminals 4, 7A and 7B at Thunder Bay now that Terminals 6 and 15 were sold. Terminal 7's audit completed in January was the best in history.

Also aiding the year's results was a new operating productivity

record achieved by the Pool terminals. That record, 18.32 tonnes per man-hour for the crop year, compares favorably with the previous year's 17.28. Labor productivity of 13.09 tonnes per man-hour eclipsed last year's record of 12.34.

Vancouver operations – The poorer quality crop also affected operations where terminals were forced to do extraordinary quality segregations and careful stock management in order to meet customer expectations. Receipts for the Pool terminal were 2.84 million tonnes, or 17.4 per cent of the west coast total. The Pool's share of west coast handlings is a rise over last year's 16.7 per cent. Vancouver also produced a number of performance records for daily, weekly and monthly rail car unloads and set a new monthly shipping record of 376,687 tonnes.

Throughout the Division, quality performance initiatives have begun to show a marked improvement in customer service. The outlook for continued strong results is positive although much of the Division's performance depends on rail car supply and just how well the industry manages to get prairie grain to port.

WESTERN PRODUCER PUBLICATIONS showed very positive results in the past year by more than doubling net earnings and establishing an all-time advertising revenue record. The newspaper's 70th year was one of aggressive marketing programs, introduction of new products, and concentrated efforts on improving print quality.

Advertising revenues increased by 16 per cent over the previous year. That included a 21-per-cent increase in display ad rev-



The Vancouver terminal is a vital link in getting prairie grains to markets overseas



KIPLING ELEVATOR
MANAGER GORD
BUTZ TYPIFIES THE
CUSTOMER SERVICE
AND INVOLVEMENT
IN COMMUNITY
THAT PRODUCES
RESULTS FOR THE
POOL'S COUNTRY
SERVICES DIVISION

enue and a 13-per-cent rise in revenue from classifieds. The reasons can be found in reduced costs as a result of a new computer system which processes classifieds more efficiently and in the paper's decision to greatly expand special supplements. These supplements add value for readers and are attractive to advertisers wanting their message to appear in themed sections.

The subscription department reported some additional good news in that the newspaper recorded only a slight drop in subscriptions over the previous year. The Producer's paid circulation of 97,067 appears to have stabilized after two years of significant reductions. This year's figures are especially encouraging given the fact that agricultural publications are enduring lost readership, some as much as 23 per cent in the past year.

Circulation is a result of content and the editorial department introduced changes such as redesign of some pages and better use of photographs and information graphics. It is hoped that a general improvement in the North American newspaper industry will increase demand for the Western Producer Newsfeature Service through which material that appears in the Producer are sold to other publications. That would not only improve the revenue picture, but also serve to keep agriculture issues before a wider urban audience.

Change was the operative word in the **LIVESTOCK DIVISION**. It was a year of expansion, innovation and negotiation that culminated with the creation of Heartland Livestock Services that will join the Pool's family of associated companies.

The Division's operations generated a net earning of \$238,000. The net is down from the previous year, although the actual handlings of cattle and calves in 1993-94 was down only slightly. That is due to several factors including a general decline in the cyclical livestock industry.

The Division purchased Burnt Lake Livestock Mart Ltd. in Red Deer which provides the Pool with an important window to the key central Alberta region. In April, construction began on a new livestock handling facility in Lloydminster.

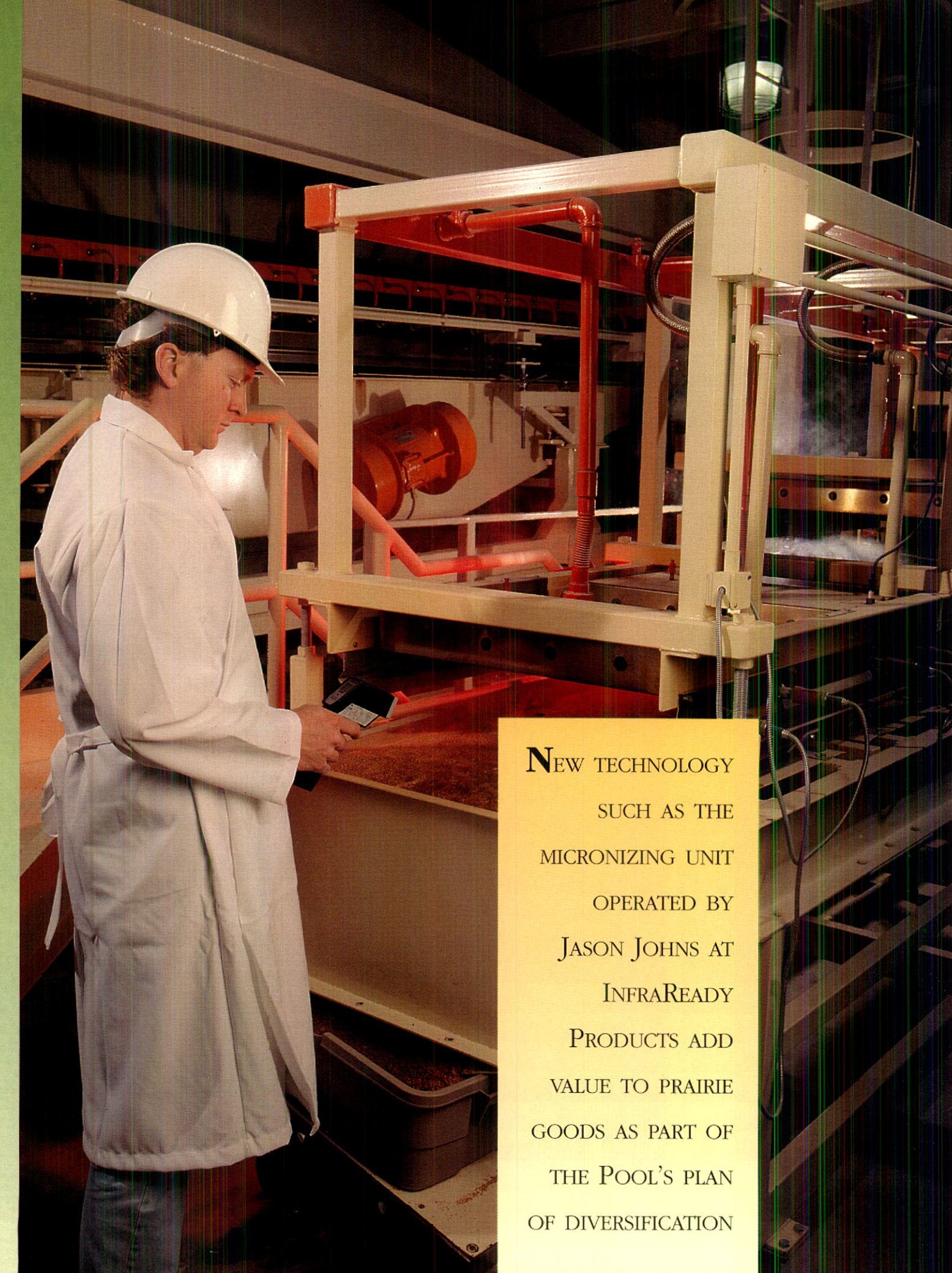
Saskatoon Livestock Sales, in which the Pool has a 25 per cent interest, handled 76,000 head, up 3,000 from the previous year. Pre-sorted satellite television sales continued to show significant growth as the Division held 92 sales to which 192,000 head were consigned. The year also included the first-ever satellite purebred sale out of Moose Jaw and the first videotaped elk sale from Regina.

In the midst of all this activity, the Division was in negotiation with Manitoba Pool Elevators over the merger of operations that resulted in the creation of **Heartland Livestock Services**. Although the actual announcement did not come until the end of the fiscal year, it was a major activity in 1993-94. The strategic alliance not only lowers overhead and blends the two operations' strengths, but positions the company to take advantage of growing opportunities across a wider geographic area. With the livestock

industry increasingly moving toward joint ventures and larger operations, the evolution of Heartland is a natural transition. It is noteworthy that the move comes during the Livestock Division's 50th anniversary year so past successes were appropriately celebrated by preparation and positioning for the future.

Now in its second year, the **INTERNATIONAL BUSINESS DEPARTMENT** made key contacts and strategic alliances aimed at marketing the Pool's skills and knowledge overseas. Some direct sales opportunities which arose during discussions were referred to XCAN and the Canadian Wheat Board. Developing offshore business is a lengthy process, much of it based on nurturing contacts and relationships. At the end of the fiscal year, value-added joint ventures in China were being explored and a grain-related project in Poland was being discussed. Selling the Pool's homegrown expertise was also a key in the **CORPORATE ENGINEERING DIVISION** which participated extensively in the Chinese Grain Distribution and Marketing Project as a member of the China Canada Grain Systems consortium which includes SWP, Dessau International and Howe Agra International. This group has been awarded a portion of the World Bank project aimed at improving China's grain-handling structures and systems.

The search for opportunity was also a key activity in the **CORPORATE DEVELOPMENT DIVISION** where value-added ventures under examination included a canola meal and pea processing facility and potential involvement in a pasta plant. The Division also studied hog production and meat packing as well as oat, feed and mustard processing in efforts to continue the Pool's drive to extract as much value as possible from Saskatchewan agricultural products.

A man wearing a white lab coat and a white hard hat is standing in a factory setting. He is looking down at a small electronic device he is holding in his hands. He is positioned next to a large industrial machine with a yellow frame and red pipes. The machine appears to be a micronizing unit. In the background, there are more industrial structures and a bright light source. The overall scene is industrial and focused on the worker and the machinery.

NEW TECHNOLOGY
SUCH AS THE
MICRONIZING UNIT
OPERATED BY
JASON JOHNS AT
INFRAREADY
PRODUCTS ADD
VALUE TO PRAIRIE
GOODS AS PART OF
THE POOL'S PLAN
OF DIVERSIFICATION

ASSOCIATED COMPANIES



Another tanker of wheat-based ethanol begins the trip from Pound-Maker in Lanigan to gas pumps across Canada

Hardly a day passes without a business leader emphasizing the importance of diversification and how that acts as a hedge against uncertain markets. That philosophy has for years been the force driving the Pool's business activities.

The importance of this is far beyond being able to boast a diverse portfolio. It is a circle that benefits farmers, communities, employment levels, and Saskatchewan Wheat Pool's bottom line. And if that bottom line is healthy, it means reinvestment in further value-added companies and further job creation, adding value to raw products, and contributing to economic development based on agricultural production.

In short, the Pool believes that its involvement in value-added industries is a key in fulfilling its mission of serving its stakeholders while remaining committed to the viability of the farm.

The bulk of this diversification has been achieved by entering into strategic alliances with existing businesses that have already proven themselves successful in a specialized field or market. Rather than reinvent what has already been accomplished, the Pool looks for proper fits.

By investing in diversified businesses, the Pool has improved its profits, created new and widening markets for farm products, and strategically aligned the grain handling operations with business further down the value-added chain. Cash flow is the lifeblood of business and these partnerships make that flow more regular, predictable and stronger.

AGPRO GRAIN INC., a wholly-owned subsidiary of SWP, showed a considerable rebound from its 1992-93 fiscal year in which results fell short of target due primarily to an overall poor crop year. The picture for 1993-94 was far brighter and much of that was due to the success of the record volume canola crop. As the move to crop diversity continues to grow, AgPro is well positioned to take advantage of opportunities in handling and processing special crops.

All AgPro grain handling facilities set new records for receipts, shipments and direct deliveries. Earnings for 1993-94 showed a considerable improvement over last year and marks the first time since AgPro's incorporation in 1990 that all grain facilities were operating profitably. Other significant developments included the decision to close the Winnipeg aquaculture operation which had shown continued losses. The additional space has been assumed by the grain handling operations. Despite that, the Lake Diefenbaker aqua operation showed very encouraging results with markets for the char, trout and Atlantic salmon developing in eastern Canada.

CANADIAN POOL AGENCIES LTD. is the agent placing insurance coverage on Pool and associated company facilities. Owned jointly by the three Pools, total 1993-94 revenue was down from 1992-93. The value of insurance premiums placed through the agency was virtually the same as the previous year. There were no major losses during the year.



Barley and water are blended in the steep tank at Prairie Malt

CANAMERA FOODS, the fully integrated joint venture that emphasizes value-added products, showed excellent financial results and far exceeded objectives as forecast in the business plan. Owned 50 per cent by Saskatchewan Wheat Pool and Manitoba Pool Elevators and 50 per cent by Central Soya of Canada, CanAmera's performance was all the more encouraging in that 1993's harvest was relatively poor with both crop quality and availability affected.

In establishing a number of sales and production records, CanAmera's performance was 65 per cent ahead of projections. CanAmera, an oilseed crushing operation, recorded significant volume figures in total crushed – 1.6 million tonnes.

But those crushing records are even more significant when matched with the fact CanAmera expanded its refined oil market share by over three per cent. The most significant reasons for CanAmera's performance are increased efficiencies in facility utilization and the company's emphasis on strategic alliances. Prospects for the upcoming year appear good because the 1994 harvest was a vast improvement over 1993's growing conditions which affected both crop quality and availability.

BIORIGINAL FOOD & SCIENCE CORP. develops and markets food products, supplements and health and beauty products aimed at the healthy lifestyles segment of North American consumers. Concentrating on three separate product lines – gamma linolenic acid, natural foods from Saskatchewan growers, and cosmetics and skin care products – Bioriginal is also working with Saskatchewan producers to develop markets for herbs and herbal

products. Another initiative for this new company is working with the First Nations to develop markets for traditional medicinal preparations and food products. Saskatchewan Wheat Pool owns 21 per cent of the common voting shares in Bioriginal.

DAWN FOODS CANADA, located in Saskatoon, produces a complete line of fondants, icings, toppings, fillings and pie fillings. Owned 50-50 by SWP and Dawn Food Products Inc. of Jackson, Michigan, the wet plant was completed in June.

As of the end of the fiscal year, staff training and product development remained major priorities. The plant has already proven an excellent fit with existing operations in CSP Foods and the demand for berries and other fruits means new opportunities for producers to diversify.

INFRAREADY PRODUCTS LIMITED is another Saskatoon-based plant that officially opened its doors in the weeks before the end of the 1993-94 fiscal year. Using infrared heat through a patented Micronizing unit, InfraReady adds value by processing raw cereals, legumes and oilseeds to a stage where they are ready for use in the food and feed processing industry.

The plant was officially opened July 21, 1994 and the first sales made in the subsequent months. The coming year will concentrate on securing contracts from food and feed processors and manufacturers interested in using InfraReady's expertise to expand product shelf-life and market viability.

INTERPROVINCIAL CO-OPERATIVE LIMITED ended its fiscal year

Oct. 31, 1993 with total sales of over \$200 million, a rise of 6.6 per cent over the previous year. IPCO is a co-operative owned and controlled by several co-operative wholesalers and the prairie Pools. Managed by Federated Co-operatives Ltd. under a management agreement, IPCO co-ordinates many of the purchases of its member organizations, formulates agricultural chemicals, and owns and controls a number of trademarks used by its members.

Saskatchewan Wheat Pool received a patronage allocation from IPCO which represents a net payment after deduction of withholding tax and accounting for changes in share capital.

Of particular note was the success of efforts directed to environmental issues at the St. Boniface formulation plant. The most recent CPI audit awarded the plant a compliance rating of 85 per cent which represents a significant improvement over previous environmental assessments.

NORTHCO FOODS LTD. enjoyed another successful year, one in which 26 new Robin's Donuts outlets were opened. Northco – of which Saskatchewan Wheat Pool has a 35 per cent ownership share – is now comprised of 209 outlets which includes 189 franchise stores, nine corporate stores, and 11 mobile satellite units.

Major initiatives in the past year included a move into the Quebec market and the construction of two corporate stores in Minneapolis, Minnesota. Other developments included expansion of some outlets' product line into soups and deli bars.

PACIFIC ELEVATORS LIMITED is a grain terminal in Vancouver owned by the three Pools and held on the books of Western Pool Terminals Ltd. Saskatchewan Wheat Pool's ownership share is 30 per cent. Earnings showed a slight increase in what was a year rife with challenge. Rail car shortages, winter weather difficulties and a longshore strike resulted in a previously unmatched West Coast vessel backlog. In order to reduce car cycle time and provide needed system flexibility, unrestricted overtime and higher human resource costs were incurred toward the end of the crop year.

In the coming year, a facility to handle the growing volume of special crops will be introduced.

PHILOM BIOS develops, manufactures and markets biological products aimed at improving plant productivity. Based on naturally-occurring micro organisms isolated from the soil, these products include the phosphate inoculant PROVIDE. Placed on a crop before seeding, this product – a fungus – grows in the root system of the plant and increases the availability of soluble phosphate.

POUND-MAKER AGVENTURES LTD. operated near capacity in both the ethanol and feedlot components. Ethanol production of 12.5 million litres was well over design capacity at the Lanigan, Sask. plant. The feedlot marketed 42,000 cattle, up 12,000 head from the previous year.

Pound-Maker's profits were affected by the difficult year experienced in the cyclical North American cattle feeding industry. Saskatchewan Wheat Pool has a 22-per-cent share of Pound-Maker Agventures.

PRAIRIE MALT LIMITED at Biggar represents another key initiative in the Pool's drive to take raw agricultural product, add value, and develop new markets. The Pool supplied about 60 per cent of Prairie Malt's barley requirement during the year ended July 31, 1994.

Malt production in 1993 amounted to 107,000 tonnes – about the same as the previous year – which requires about 150,000 tonnes of malting barley. The end product is purchased by domestic brewers although the main market is offshore where key relationships have been formed with Japanese brewers.

The Pool has a 42.4 per cent share in the operation.

PRINCE RUPERT GRAIN LTD./RIDLEY GRAIN LTD. operates as the corporate body created by a consortium of grain companies to manage an export facility at Prince Rupert. Ridley Grain was set up by the consortium to hold the facilities as trustees so the actual facility is owned by the individual consortium members as co-tenants.

Receipts and shipments of about 4.5 million tonnes represent the fifth-highest total on record with Saskatchewan Wheat Pool



Tubs of canola-based margarine are prepared to leave CanAmara's plant for retail shelves across the country

RATHER THAN
REINVENT WHAT
HAS ALREADY BEEN
ACCOMPLISHED, THE
POOL HAS ENTERED
INTO STRATEGIC
ALLIANCES WITH
BUSINESSES THAT
HAVE BEEN A
SUCCESS IN AN
AGRICULTURE-
RELATED FIELD OR
MARKET

originating 37 per cent of deliveries to the facility in 1993-94.

The facility's share of west coast activity for 1993-94 was 27.3 per cent, down slightly from the 27.9 per cent in 1992-93 but a rise from 1991-92's percentage of 26.9.

PRINTWEST COMMUNICATIONS LTD. underwent a comprehensive turn-around program in the past year that included employee wage rollbacks on the condition that reinstatement would occur as better operating results were achieved. Partial reinstatement has occurred through a variety of efforts including emphasis on value-added services such as computerized pre-press and a determined effort to secure higher-margin jobs.

Even though the graphic arts industry is still enduring a challenging period, PrintWest's cost-containment program helped improve the company's performance and should result in better returns for the 1994-95 fiscal year.

WESTERN CO-OPERATIVE FERTILIZERS LIMITED experienced its most successful year since it began operating in 1964. One reason is a consolidation of the industry which has resulted in the stabilizing of supply and demand. Wholesale prices also rose as a result of natural gas rate increases.

The Pool owns one-third of WCFL which this past year shipped 812,000 tonnes of product or 12.6 per cent more than 1992-93. Market share has also grown from 21.4 per cent in 1987-88 to 24 per cent in 1993-94.

XCAN GRAIN POOL LTD. is the export marketing arm of the three prairie Pools and the nation's largest exporter of canola, flax, oats, rye, special crops, feed grains, and terminal by-products. XCAN's performance in 1993-94 included shipping a record 5.163 million tonnes – an increase of 52 per cent over a year ago. This increase is largely due to higher sales of canola, malt barley and oats. The tonnage translates into \$1.39 billion in sales, a 69 per cent increase from the previous year, reflecting higher volumes and higher commodity prices.

Net earnings reflect the adverse harvest conditions which contributed to quality problems and volatile marketing conditions. Highly encouraging signs came from the Pool Commodity Trading Service where active account numbers and trading volumes increased by 35 and 44 per cent respectively. XCAN also made an important step in opening an office in Hong Kong, the gateway to China. This emerging economic giant represents a huge market opportunity.

XCAN's outlook is good for the upcoming year as the Canadian crop is better than it has been for the past two years and commodity prices are projected to remain healthy.

COMMUNITY ACTIVITIES



Employees man the food lines at a barbecue lunch aimed at raising funds for the United Way

During the 1993-94 fiscal year, Saskatchewan Wheat Pool approved 79 corporate donations totalling about \$200,000. Major beneficiaries included the hospitals in Regina and Moose Jaw, the Centre for Agriculture Medicine at the University of Saskatchewan, the University of Regina, the Saskatchewan 4-H Council, Canadian Western Agribition and the Co-operative Development Foundation. Pool employees and the company also raised and donated about \$30,000 to the United Way.

Pool employees throughout the province are also actively involved in hundreds of community projects and events, activity the company encourages and supports.

Other initiatives undertaken in the past year included the development of The Farm Environmental Assessment Guide, a workbook aimed at helping farmers audit their operations. The Guide's easy-to-follow process allows producers to examine current practices and conditions, identifies areas that need upgrading, and looks at issues that relate directly to health – personal and financial.

The Guide is a response to tightening legislation on environmental protection but is also one step in the Pool's land stewardship program. It is based on the understanding that we must care for this earth because we have only borrowed it from future generations.

This commitment was recognized by the provincial Chamber of Commerce which awarded SWP the Award for Business Excellence (ABEX) in the environmental category.

The Pool's commitment to youth has always been a cornerstone of community involvement. Employees across the province are

active in events and projects ranging from recreation to community development. As a corporation, the Pool's activities in the past year included financial support for the Seager Wheeler Historical Farm Society which has turned the pioneer wheat breeder's farm near Rosthern into an orientation centre. Wheeler's insights into the land, plant breeding and the importance of sound environmental practices put him decades ahead of his time and the Pool's \$15,000 donation is earmarked for a special education facility in the loft of the farm's Old Grey Barn. With an emphasis on interactive displays and games, the loft appeals to children and that makes it a perfect fit with the Pool's commitment to youth education on agriculture.

Saskatchewan Wheat Pool has also supported youth education through a three-year commitment to membership in Agriculture in the Classroom. The business-education partnership with Regent Park School in Regina is another initiative through which Pool employees participate in school activities both in and outside the classroom.

At the close of the fiscal year, the Pool announced its role as the main sponsor for the provincial men's curling championship, now known as the Pool Tankard. This deal provides the company with unique opportunities in the area of community relations and reasserts the organization's support of a major Saskatchewan winter activity.

The Pool is also a major supporter of projects aimed at helping the hungry – in Canada and overseas. Using Pool elevators as the gathering point, farmers were able to donate grain for milling and shipping to where the need was greatest. This project reaffirms the Pool's co-operative roots and heritage of people helping people.



SENIOR MANAGEMENT

seated (l-r): Don Loewen, Glen McGlaughlin

second row (l-r): Neil Moore, Nial Kuyek, Verna Mitura,
Bob Virgo, Lyle Spencer, John LaClare

third row (l-r): Bruce Johnson, Mark Pickard, Bill Hunt,
Dick Pitfield, Mike Roberts, Ron Gorst, Duane Mohn

fourth row (l-r): Allan Laughland, Les Rankin, Terry
Harasym, Richard Wansbutter, David Anderson

SASKATCHEWAN WHEAT POOL FIVE YEAR REVIEW

(all figures in thousands, except items *)

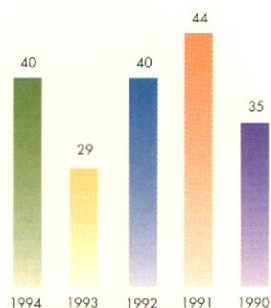
	1994	1993	1992	1991	1990
Operating Results					
Country Services	\$ 6,993	\$ 5,304	\$ 14,457	\$ 17,915	\$ 3,884
Terminal Elevator	22,399	8,705	20,125	21,434	29,142
CSP Foods	(745)	1,332	2,245	2,644	1,056
Livestock	238	794	197	735	601
Western Producer Publications	964	470	(711)	(1,090)	(1,028)
	29,849	16,605	36,313	41,638	33,655
Revenue from associated companies	19,686	15,204	9,333	505	5,071
Other	(9,100)	(3,300)	(5,700)	1,969	(3,386)
Net Earnings	\$ 40,435	\$ 28,509	\$ 39,946	\$ 44,112	\$ 35,340

Handlings and Sales

Country Services – grain handlings (tonnes)	9913	10253	11372	11439	9195
Terminal Elevator – grain handlings (tonnes)	5916	5743	7560	7682	7174
Country Services – farm supplies sales	\$ 259,775	\$ 201,563	\$ 190,256	\$ 171,536	\$ 188,609
CSP Foods sales (tonnes)	100	85	84	79	71
Livestock handlings	517	521	492	474	460
Western Producer circulation	97	100	107	126	133

Other Statistical Data

Total Membership*	83,933	85,037	85,285	88,485	88,362
Number of Employees*	3,202	3,020	3,157	3,236	3,038
Return on Invested Capital* (after tax)	8.2%	6.9%	9.6%	12.0%	11.3%
Current Ratio*	1.20	1.30	1.57	1.28	1.35
Debt:Equity Ratio*	39:61	32:68	33:67	37:63	37:63
Capital Expenditures on fixed assets (net) \$	43,346	\$ 38,647	\$ 24,551	\$ 31,459	\$ 55,470



Net Earnings
(in millions)

MANAGEMENT REPORT

Management is responsible for preparing financial statements and ensuring that all financial information in the annual report is consistent with these statements. This responsibility includes selecting appropriate accounting principles and making judgments 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 consolidated financial statements in detail with management prior to giving their approval for publication of the financial statements.

These financial statements have been examined by the shareholders' auditors, Deloitte & Touche, and their report is presented separately.



D. K. Loewen
Chief Executive Officer



L. A. Spencer
Chief Financial Officer

AUDITORS' REPORT

The Shareholders

Saskatchewan Wheat Pool

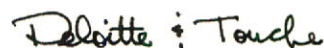
We have audited the consolidated statement of financial position of Saskatchewan Wheat Pool as at July 31, 1994 and the consolidated statements of earnings, members' equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at July 31, 1994 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.

Regina, Saskatchewan

October 12, 1994



Deloitte & Touche
Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JULY 31

Statement 1

	1994	1993
		(in thousands)
Current Assets		
Cash	\$ 6,996	\$ 3,620
Accounts receivable	335,024	247,049
Inventories (Note 2c)	258,179	243,438
Prepaid expenses	8,603	10,563
Prepaid corporate taxes	9,652	12,123
	618,454	516,793
Current Liabilities		
Outstanding cheques	101,512	95,960
Bank loans (Note 3)	145,500	87,600
Notes payable	23,000	—
Members' demand loans	102,796	107,625
Accounts payable	112,485	74,794
Long term debt due within one year	8,663	13,062
Estimated payments to or on behalf of members	21,300	17,600
	515,256	396,641
Working Capital	103,198	120,152
Investments (Notes 2 & 4)	100,136	82,428
Fixed Assets (Note 2e)	276,284	256,841
Funds Invested	\$ 479,618	\$ 459,421
Financed By		
Minority interest	\$ 14,123	\$ 12,280
Long term debt (Note 5)	65,896	65,701
Members' equity (Statement 3)	399,599	381,440
	\$ 479,618	\$ 459,421

Commitments and contingencies (Note 6)

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

On behalf of the Board

Leroy Larsen

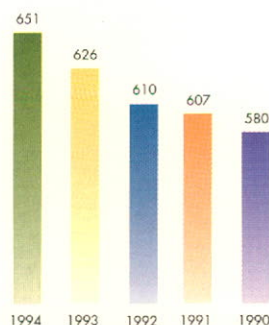
Leroy Larsen

Director

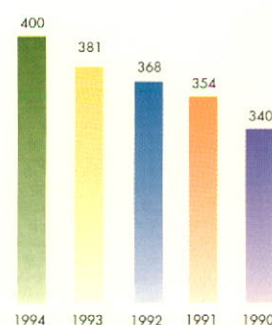
Ray Howe

Ray Howe

Director



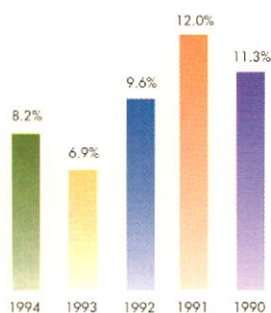
Fixed Assets at Cost
(in millions)



Members' Equity
(in millions)

CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEAR ENDED JULY 31
Statement 2

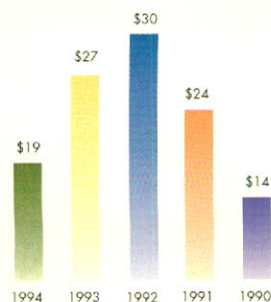
	1994	1993
		(in thousands)
Sales and Other Revenue	\$ 2,088,744	\$ 1,622,493
Cost of Sales and Expenses		
Cost of sales and operating expenses	1,955,235	1,509,479
Selling and administration expenses	66,428	63,042
Depreciation	23,903	22,763
Interest on long term debt	4,977	4,319
Other interest	9,489	5,706
	2,060,032	1,605,309
Earnings from Operations	28,712	17,184
Other income (Note 7)	7,856	4,767
Equity earnings of significantly influenced companies (Note 8)	12,967	9,858
Earnings before Taxes	49,535	31,809
Provision for corporate taxes	(9,100)	(3,300)
Net Earnings	\$ 40,435	\$ 28,509



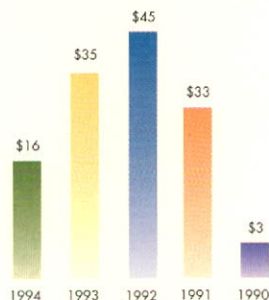
Return on
Invested Capital

CONSOLIDATED STATEMENT OF MEMBERS' EQUITY
FOR THE YEAR ENDED JULY 31
Statement 3

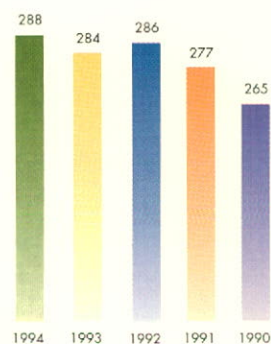
	1994	1993
		(in thousands)
Share Capital (Note 9)		
Balance beginning of year	\$ 284,149	\$ 286,347
New shares allotted	6	9
Allocated from current year's earnings	26,130	15,519
Estimated payments to or on behalf of members	(21,300)	(17,600)
Adjustments of prior year's payments to members	(957)	(126)
Balance end of year	288,028	284,149
Retained Earnings		
Balance beginning of year	97,291	81,272
Current year's earnings (Statement 2)	40,435	28,509
Estimated patronage allocation to members	(26,130)	(15,519)
Adjustment of prior years' corporate taxes	—	2,691
Adjustments of prior year's patronage allocation	(25)	338
Balance end of year	111,571	97,291
Members' Equity End of Year	\$ 399,599	\$ 381,440



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



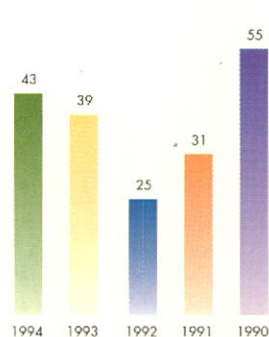
Patronage Dividends
(in millions – out of
previous year's
earnings)



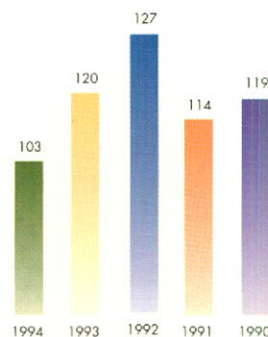
Share Capital
(in millions)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED JULY 31
Statement 4

	1994	(in thousands)	1993
Cash from (Used in) Operating Activities:			
Net earnings (Statement 2)	\$ 40,435		\$ 28,509
Add/(deduct) items not involving cash			
Depreciation	23,903		22,763
Amortization of investment	422		397
Equity earnings of significantly influenced companies before corporate taxes (Note 8)	(16,867)		(9,858)
Provision for disposal of fixed assets	-		5,398
Adjustment of prior years' corporate taxes	-		2,691
	47,893		49,900
Increase in non-cash working capital items (Note 10b)	(54,761)		(177,270)
Cash used in operating activities	(6,868)		(127,370)
Cash from (Used in) Financing Activities:			
New shares allotted	6		9
Estimated payments to or on behalf of members	(21,300)		(17,600)
Increase/(decrease) in long term debt	195		(8,525)
Adjustments of prior year's payments to members	(957)		(126)
Adjustments of prior year's patronage allocation	(25)		338
Cash used in financing activities	(22,081)		(25,904)
Investing Activities:			
Increase in minority interest	1,843		202
(Increase)/decrease in investments	(1,263)		8,069
Purchase of fixed assets	(43,346)		(38,647)
Cash used in investing activities	(42,766)		(30,376)
Increase in Bank Financing	71,715		183,650
Bank Financing/(Cash) Beginning of Year	153,201		(30,449)
Bank Financing End of Year (Note 10a)	\$ 224,916		\$ 153,201



Capital Expenditures
on Fixed Assets (in millions)



Working Capital
(in millions)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 1994

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

2. Accounting policies

a) **Investments** – The accounts of controlled subsidiary companies are consolidated with the accounts of the Corporation.

Earnings of CanAmera Foods for the fiscal periods ending December 31 have been reflected in these financial statements.

The following investments have either been consolidated or accounted for using the equity method.

	Ownership Percentage
AgPro Grain Group	
AgPro Grain Inc.	100%
AgPro Grain (U.S.) Inc.	100%
AgPro Grain Holdings (U.S.) Inc.	100%
CanAmera Group	
CSP Capital Corporation	66 2/3%
SM Prairie Management Ltd.	66 2/3%
CF Edible Oils Inc.	33 1/3%
CanAmera Foods	33 %
Dawn Foods Canada Group	
605056 Saskatchewan Ltd.	100%
605058 Saskatchewan Ltd.	100%
DF Foods Mfg. Inc.	50%
Dawn Foods Canada	49.5%
Burnt Lake Livestock Mart Ltd.	100%
InfraReady Products Ltd.	100%
SWP Venture Capital Corporation	91.9%
Bioriginal Food & Science Corp.	20.8%
Canadian Pool Agencies Limited	33 1/3%
MAALSA Investments Ltd.	40%
Northco Foods Limited	35%
Pacific Elevators Limited	30%
Pool Insurance Company	50%
Pound-Maker Agventures Ltd.	22%
Prairie Malt Limited	42.4%
PrintWest Communications Ltd.	56.2%
Saskatoon Livestock Sales Ltd.	25%
Western Co-operative Fertilizers Limited	33 1/3%
Western Pool Terminals Ltd.	30%
XCAN Grain Pool Ltd.	33 1/3%

b) **Other Investments** – The Corporation follows the cost method for accounting for other investments.

c) Inventories	1994	1993
	(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	\$ 153,973	\$ 166,718
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.	37,193	19,436
Other inventory valued at the lower of cost and net realizable value.	67,013	57,284
	<u>\$ 258,179</u>	<u>\$ 243,438</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 1994

d) 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.

e) Fixed Assets

	1994	1993	Rate of Depreciation
	(in thousands)		
Cost			
Sites, trackage and paving	\$ 26,660	\$ 25,215	0-8%
Buildings	318,770	309,626	5-10%
Machinery and equipment	266,796	266,928	20-30%
Vehicles	14,314	14,065	30%
Work under construction	24,855	9,734	Nil
	651,395	625,568	
Accumulated depreciation	(375,111)	(368,727)	
Net book value	\$ 276,284	\$ 256,841	

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

f) Corporate Taxes – The income tax provision 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 by the Corporation with respect to these deductions. Subsidiary companies do account for deferred income taxes.

g) Pension Costs and Obligations – Pension costs for employees enrolled in defined pension benefit plans are charged to expense as services are rendered. The accrued pension benefits and pension fund assets, at adjusted market value, as of July 31, are as follows:

	1994	1993
	(in thousands)	
Pension fund assets	\$ 158,524	\$ 148,922
Accrued pension benefits	(145,138)	(145,044)
Pension fund surplus	\$ 13,386	\$ 3,878

The Corporation also maintains defined contribution pension plans and is responsible for annual contributions but does not guarantee these funds. The pension expense is equal to the contributions for the year.

3. Bank Loans

Bank loans are unsecured subject to the Corporation meeting certain covenants.

4. Investments

	1994	1993
	(in thousands)	
Investments accounted for using the equity method:		
Shares – net of deferred gains	\$ 49,086	\$ 45,045
Notes and loans receivable – net	23,162	24,310
Net cumulative equity earnings	18,631	3,497
	90,879	72,852
Other investments	9,257	9,576
	\$ 100,136	\$ 82,428

Deferred gains of \$21,303,000 (1993 – \$22,929,000) represent aggregate gains on the investment of non-current assets in companies in which the Corporation has a financial interest. These deferred gains are being amortized on a straight line basis over 15 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JULY 31, 1994

5. Long Term Debt

	1994	(in thousands)	1993
Term bank loan	\$ 58,000		\$ 63,000
Members' term loans	13,479		14,541
Other	3,081		1,222
	74,560		78,763
Portion due within one year	(8,664)		(13,062)
	\$ 65,896		\$ 65,701

The term bank loan is an unsecured demand term credit facility. Interest is payable on a floating basis at rates which will not exceed the lender's prime rate.

Members' loans consist of two-year loans with interest payable semi-annually at interest rates which vary from 4.0% to 7.25%. The maturities of long term debt are as follows:

	(in thousands)
1995	\$ 8,664
1996	14,858
1997	8,712
1998	10,309
1999	10,009
Subsequent years	22,008
	\$ 74,560

6. Commitments and Contingencies

- a) The Corporation supports Western Co-operatives Fertilizers Limited, jointly with two other shareholders, by purchasing sufficient quantities of fertilizer annually until 1996 to enable it to meet obligations under a long term financing arrangement. Borrowing under this arrangement is secured by a guarantee from the Corporation in the amount of \$5,625,000 (1993 - \$11,250,000).
- b) At July 31, 1994, planned future expenditures on authorized capital programs were \$12,325,000 (1993 - \$21,823,000).

7. Other Income

	1994	(in thousands)	1993
Prince Rupert Grain Ltd.	\$ 2,813		\$ 2,781
Pacific Elevators Limited	5,043		4,219
Gain on disposal of investment	-		3,165
Provision for disposal of fixed assets	-		(5,398)
	\$ 7,856		\$ 4,767

Earnings from Pacific Elevators Limited and Prince Rupert Grain Ltd. represent amounts received as the Corporation's share of a return to shippers. For Prince Rupert Grain Ltd., the amount is reduced by amortization of \$422,000 (1993 - \$397,000) of the cost of the Corporation's investment in the terminal.

8. Equity Earnings of Significantly Influenced Companies

	1994	(in thousands)	1993
Equity earnings	\$ 18,841		\$ 12,844
Minority interest	(1,974)		(2,986)
Equity earnings before corporate taxes	16,867		9,858
Provision for corporate taxes	(3,900)		-
	\$ 12,967		\$ 9,858

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JULY 31, 1994

9. Share Capital

The Corporation is authorized to issue an unlimited number of common shares at a par value of \$1 each.

10. Changes in Financial Position

	1994	1993
	(in thousands)	
a) Bank financing includes:		
Outstanding cheques	\$ 101,512	\$ 95,960
Bank loans	145,500	87,600
Notes payable	23,000	—
Cash	(6,996)	(3,620)
Deferred cash ticket deposits	(38,100)	(26,739)
Bank financing end of year	\$ 224,916	\$ 153,201
b) Increase in non-cash working capital items:		
Accounts receivable (net of deferred cash ticket deposits)	\$ 296,924	\$ 220,310
Inventories	258,179	243,438
Other current assets	18,255	22,686
Members' demand loans	(102,796)	(107,625)
Accounts payable	(112,485)	(74,794)
Other current liabilities	(29,963)	(30,662)
Balance end of year	328,114	273,353
Balance beginning of year	(273,353)	(96,083)
Increase in non-cash working capital items	\$ 54,761	\$ 177,270

11. Related Party Transactions

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 goods and services in the normal course of business.

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

	1994	1993
	(in thousands)	
Due from members	\$ 166,120	\$ 117,544
Due from other related parties	\$ 44,395	\$ 46,022
Due to members	\$ 2,428	\$ 2,485
Due to other related parties	\$ 4,783	\$ 602

ALLOCATION OF UNCONSOLIDATED NET EARNINGS

The unconsolidated financial results of the Corporation for the year ended July 31, 1994 are as follows:

	(in thousands)
Earnings before corporate taxes per financial statements	\$ 49,535
Net equity accounting and consolidation adjustments re: associated companies	(12,272)
Unconsolidated net earnings before corporate taxes	<u>\$ 37,263</u>

The Board of Directors recommends that the unconsolidated net earnings before corporate taxes for the year ended July 31, 1994, in the amount of \$37,263,000 be allocated as follows:

	(in thousands)
Patronage allocation on grain at the rate of \$1.55 per tonne for regular deliveries and \$0.75 per tonne for producer cars, estimated	\$ 16,957
Patronage allocation on farm supplies at the rate of 3.7% of purchases, estimated	9,173
Provision for corporate taxes, estimated	9,100
Transfer to retained earnings, estimated	<u>2,033</u>
Total	<u>\$ 37,263</u>

An estimated total of \$3,000,000 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 \$23,130,000 will be applied in payment of shares allocated.

The Board of Directors also recommends that:

The sum of approximately \$18,300,000 be used as required in 1994-1995 for the purchase of equities of members in all eligible categories, namely estates, ceased farming, and with the exception of qualifying shares, repayment in full to members who reach the age of 70, repayment of 20% of share equity of members (upon application) who reach the age of 65 by December 31, 1994 and repayment of 7% of share equity to corporate members.

If the above recommendation is accepted, payments totalling \$21,300,000 will be made to or on behalf of members during the 1994-1995 year.

Board of Directors

President

Leroy J. Larsen (District 15)

First Vice-President

Ray L. Howe (District 11)

Second Vice-President

Barry W. Senft (District 6)

Members of Executive Committee

Kenneth W. Elder (District 10)

Marvin W. Shauf (District 1)

Rodney E.A. Dahlman (District 2)¹

Anthony Hladyboroda (District 8)²

Thomas J. Lowes (District 9)

Mich P. Ozeroff (District 13)

David B. Sefton (District 7)

Henry E. Seidlitz (District 5)

C. Dennis Van Der Haegen (District 16)

Gary L. Wellbrock (District 3)

Marvin D. Wiens (District 4)

Charles E. Weir (District 12)

Harold G. Yelland (District 14)

Secretary to the Board

Verna M. Mitura

Executive Management

Chief Executive Officer

Donald K. Loewen

Executive Director, Policy and Member Services

Glen R. McGlaughlin

Chief Financial Officer

Lyle A. Spencer

General Manager, Grain Group

Bruce L. Johnson

General Manager, Food and Allied Services Group

William E. Hunt

Division Management

Communications Division

Duane B. Mohn, Director

Corporate Development Division

Robert T. Virgo, Director

Corporate Engineering Division

Richard B. Pitfield, Director

Country Services Division

Ron E. Gorst, General Manager

CSP Foods

Neil W. Moore, General Manager

Financial Resources Division

Lyle A. Spencer, Director

Human Resources Division

Michael J. Roberts, Director

Information Technology Centre

David R. Anderson, Director

Livestock Division

D. John LaClare, Director

Marketing and Transportation Division

E. Richard Wansbutter, Manager

Member Relations Division

Nial B. Kuyek, Director

Policy and Economic Research Division

Terry J. Harasym, Director

Terminal Elevator Division

Bruce L. Johnson, acting General Manager

Western Producer Publications Division

Allan W. Laughland, Publisher and General Manager

AgPro Grain Inc.³

Les D. Rankin, Chief Operating Officer

InfraReady Products Limited³

Mark D. Pickard, General Manager

Solicitor

Balfour, Moss

Barristers & Solicitors

Auditor

Deloitte & Touche

Financial Institutions

Bank of Montreal

Canadian Imperial Bank of Commerce

Credit Union Central of Saskatchewan

Royal Bank of Canada

Toronto-Dominion Bank

For copies of this report, contact Communications Division, Head Office.

¹ succeeded Timothy Coulter, April 1994

² succeeded Maurice Kostichuk, April 1994

³ wholly-owned subsidiaries of Saskatchewan Wheat Pool

CELEBRATING **70** YEARS
OF
SERVICE TO AGRICULTURE

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