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**1989
Annual
Report**



Saskatchewan Wheat Pool.

and subsidiary companies



New Crops...

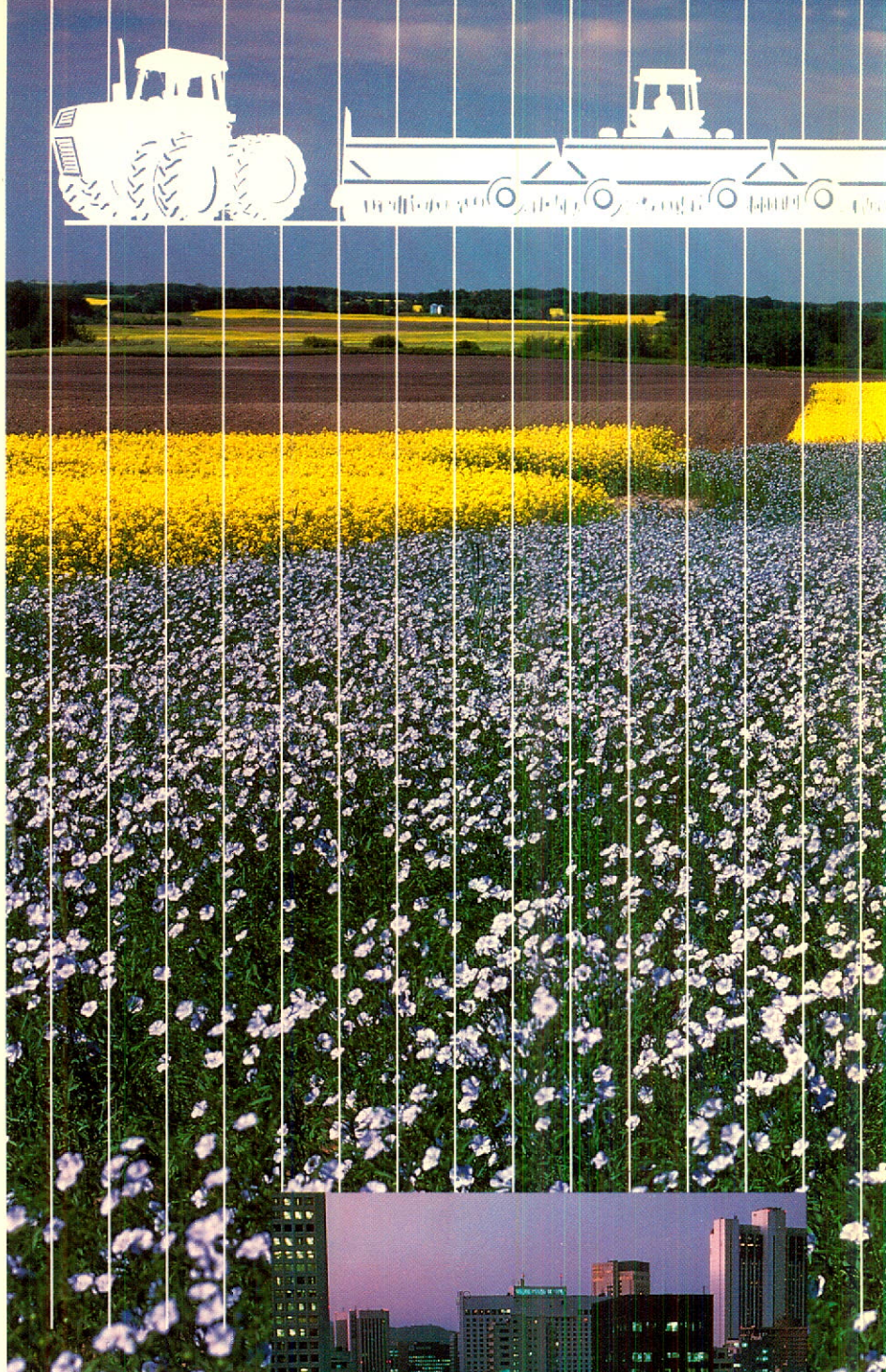
Saskatchewan has long been synonymous with wheat. And wheat — along with some oats and barley — used to be about all that prairie farmers grew. But farmers today are diversifying. They are producing more livestock, and growing more open market crops such as oats, rye and feed grains; canola, flax and sunflowers; specialty crops such as lentils, field peas, canaryseed and mustard.

Today's farmers need special marketing services, and at Saskatchewan Wheat Pool, we offer them.

...and New Markets Around the World

Every year, we intensify our search for new markets on behalf of farmer-members. Through contacts with governments and other purchasing agencies, we are developing these markets, at home and abroad, to use more grains, oilseeds, legumes and livestock — the products of our members' farms.

As an agent of the Canadian Wheat Board, and through subsidiary companies such as XCAN Grain and CSP Foods Ltd., we provide the most complete grain marketing service in Saskatchewan — one which draws on the full resources of the Wheat Board marketing system and the open market alike. Pool marketing specialists, working with partners like these, are finding new markets — from Seoul, Korea, to Alesund, Norway.

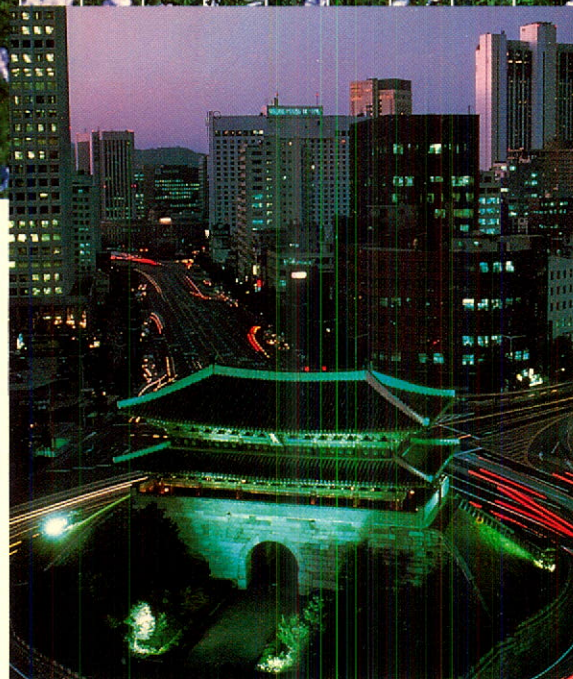


Oilseeds like flax (foreground) and canola (background) are increasingly important crops in Saskatchewan.

On the Cover:

Harvest. Saskatchewan wheat begins its journey to markets around the world.

Trade. Osamu Sakurai (centre), Assistant General Manager, Rice/Wheat Department, with Zen-Noh Co-operative, Japan, meets with Pool President Garf Stevenson (left) and Chief Executive Officer Milt Fair (right) on a recent visit to Saskatchewan.



Seoul, Korea, at night. Rapidly developing Pacific Rim countries represent a growing market for the Pool and its members.



Saskatchewan grain is loaded for the trip from Vancouver to destinations across the Pacific.

“Livestock. Open market crops. Today’s farmers need special marketing services, and at Saskatchewan Wheat Pool, we offer them.”





Saskatchewan Wheat Pool Senior Elected Officials. (L. to r.): Leroy Larsen, Second Vice-President; Garf Stevenson, President; Ray Howe, First Vice-President.

“In recent years, the
Board of Directors has
instructed management
to search aggressively
for new opportunities.”

— Garf Stevenson



The presidents of the three Prairie Pools discussed joint efforts when delegates of the three Pools met for the first time in June 1989. (L. to r.): Doug Livingstone, Alberta Wheat Pool; Garf Stevenson, Saskatchewan Wheat Pool; Bill Strath, Manitoba Pool Elevators.

Board Report

In the crop year just past, farm viability, global trade and deregulation continued to demand attention from Saskatchewan Wheat Pool's Board of Directors.

Farm Viability. Farm debt load continues high, while income dwindles and costs rise. The Board has kept this dilemma in the forefront of discussions with governments and farm organizations throughout the year. The Rural Saskatchewan Stability Program was advanced and, while not adopted in total, some of its elements were reflected in government programs.

Government Relations. Several other public issues demanded considerable attention: the Canadian Crop Drought Assistance Program; proposals for a National Farm Income Assurance Program; the crop insurance review; discussion about the future of the Crow Benefit; Bill C-92, an Act to amend the Canadian Wheat Board Act; and the removal of oats from the jurisdiction of the Canadian Wheat Board.

Trade. Since the signing of the Free Trade Agreement, the Pool has remained vigilant to ensure that agricultural producers realize a net improvement in trade with the United States. Actions initiated by the U.S., however, raise grave doubts about the agreement. The removal of import licenses for oats and oat products, and the countervail against fresh, chilled and frozen pork have both generated significant concern.

Meeting New Challenges

Because of continuing economic and political changes like these, the Board spent a significant part of the past year guiding the Pool through a process of self-analysis, invigoration of policy and member services, and commercial expansion. These endeavors will ensure that the organization can take advantage of opportunities and respond effectively to changes in the decade ahead.

Self-Analysis. The Board has initiated a review of the organization's Aims and Objectives. These statements must be meaningful to both employees and members, and must set standards against which to measure performance in the '90s.

The Pool is a co-operative which exists to serve its farmer-members. Its delegates and directors are active farmers elected by their peers to represent them and to take part in directing their company—the largest business in Saskatchewan. To help these elected officials prepare for their growing roles in the global economy of the '90s, the Board has authorized a review of democratic structure.

Policy and Member Services. Since an important function of the Pool is to develop and promote agricultural policy for the

benefit of members, the Board has acted to strengthen policy functions. For example, it has changed the Corporate Secretary's title to Executive Director, Policy and Member Services. The change reflects the importance of policy development within the Pool, and reaffirms its commitment to co-operative principles. The Board has formed a Policy Strategy Committee, to provide continuing co-ordination of policy advancement functions, and a Crow Benefit Strategy Committee, to manage the method of payment issue as it evolves.

Commercial Expansion. In recent years, the Board has instructed management to search aggressively for new opportunities while viewing diversification, joint ventures and strategic alliances as essential. The crop year 1988-89 was marked by considerable progress in this area.

On September 1, 1988, M.C. Graphics was formed by amalgamating the printing arm of Western Producer Publications with Centax of Canada.

The organization considered options for increased involvement in the livestock sector. Research noted some potential for the Pool to become involved in finishing beef cattle for slaughter. The Board encouraged senior management to explore participation in a feedlot operation.

The Board approved a funding arrangement to support livestock research.

Discussions in progress at year-end led to the joint purchase of Prairie Malt Ltd., with Schreier Malting Co. of Sheboygan, Wisconsin. Investment in the Biggar malt plant was viewed as a means of extending the Pool's involvement in value-added processing.

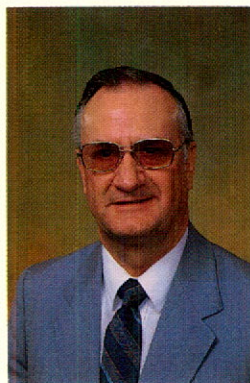
Financing Future Growth

To meet the evolving challenge of the future, Saskatchewan Wheat Pool—and the co-operative system generally—must examine new ways of financing growth. Consideration will be given to allowing employees and members an opportunity to invest—possibly in a development fund, or possibly in specific projects. This is one concept, among many, to be explored as we enter a new decade.

G. (Garf) Stevenson
President



Saskatchewan Wheat Pool Executive Management. (L. to r.): Glen McGlaughlin, Executive Director, Policy and Member Services; Milt Fair, Chief Executive Officer. Photo at right: Ron Kasha, Chief Financial Officer.



“Saskatchewan Wheat
Pool will increasingly
emphasize its marketing
thrust — especially in the
Pacific Rim and the U.S.”

— Milt Fair



Rachel, Tim and Jacqueline Coulter operate a mixed farm near Brierecrest. Mr. Coulter is one of the Pool's 144 delegates.

Chief Executive Officer's Report

Saskatchewan's production of the six major grains fell to 11.4 million tonnes in 1988 — approximately 52 per cent of the previous year's level, and only 600 000 tonnes above the 10.8 million handled by Saskatchewan Wheat Pool alone in the 1987-88 crop year. Because of this drought-related crop failure, the Pool's handlings in the 1988-89 crop year fell more than 40 per cent, to 6.3 million tonnes. While volume decreased, however, the market share increased.

Industry-wide, the percentage of grain shipped westward continued to increase, with West Coast ports gaining share and Thunder Bay losing.

In the livestock industry, beef cow inventories continued to rise last year, despite the expected negative impact of the drought.

Within the Pool, management took unique steps to achieve acceptable results in an extremely difficult time. Terminal Elevator and Livestock Divisions had a fully acceptable year. Despite difficulties in obtaining wheat of suitable milling quality, the Flour and Food Service Division had a reasonable year, supported by the extension of marketing through Robin's Donuts and international exports. The creation of M.C. Graphics, by combining the printing facilities of Western Producer Publications and Centax of Canada, produced a very gratifying year. Overall, the Pool posted a modest net earning of \$4.2 million, down from \$27.5 million a year ago. Considering the impact of the drought, this is considered an outstanding achievement.

The company continued to diversify. Considerable time was invested in negotiating the purchase of a 49 per cent interest in Prairie Malt Ltd. The purchase was completed just after year-end. Other diversification initiatives were explored, but none had been concluded by year-end.

The 1990s: A Decade of Challenge, A Decade of Change

The outlook for agriculture is much different today than it was 10 years ago. We entered the 1980s with a vibrant provincial industry which paid its way. As the decade developed, protracted periods of low prices, persistent droughts, international trade wars and high interest rates hobbled the industry, not only in Saskatchewan but throughout western Canada, and it has survived the last few years on government support programs.

Consequently, as we enter the '90s, agriculture faces a shakeout. Challenges are building on several fronts.

Globalization. In the '80s, the European Community emerged as a major agricultural exporter and a new competitive factor. In

the '90s, we'll see an incredibly different Europe. Fortress Europe of 1992, with a combined market of 350 million consumers, will lower or remove internal trade barriers, thereby becoming more competitive and making it more difficult for the rest of the world to export goods and services into the European Economic Community.

The Pacific Rim is emerging, too—not only as a competitor, but as a market with enormous growth potential. Asia has 60 per cent of the world's population, approximately 50 per cent of global production and 40 per cent of global consumption—and gross national products are on the rise. We must remain alert to opportunities in Asian markets.

Finally, the Free Trade Agreement presents opportunities — as well as challenges—in the United States market.

As an organization, Saskatchewan Wheat Pool will increasingly emphasize its marketing thrust—especially in the Pacific Rim and the U.S.

Environment. If we are to protect our world for future generations, we must be concerned about the damage we are doing to our environment. Europe is placing controls on the use of fertilizers and chemicals, for example. Before the end of the century, we will, undoubtedly, face similar controls. Although a small step, that is why the Pool has joined Philom Bios in its efforts to develop environmentally safe biological farm inputs.

Competition. With ongoing mergers and acquisitions worldwide, competitive pressure continues to build. Saskatchewan Wheat Pool is keenly disappointed that the three prairie Pools were unable, jointly, to overcome the obstacles to amalgamation. Meanwhile, the three organizations have resolved to strengthen their joint efforts, and Saskatchewan Pool has renewed its commitment to move aggressively into the '90s.

Technology. Information and communications technologies will have an increasing impact on business in the '90s. The Pool must use these technologies to build an even closer relationship with its farmer-members. In biotechnology, the Pool and its members will benefit from continuing efforts to commercialize new products. Ongoing developments in cost-effective engineering technology will give us new ways to improve our physical facilities. The viable use of these emerging technologies will be limited only by our imaginations.

J.M. (Milt) Fair
Chief Executive Officer

Report of the Executive Director, Policy and Member Services

Saskatchewan Wheat Pool has long had two senior executives who report independently to the Board of Directors: the Chief Executive Officer, responsible for commercial operations, and the Corporate Secretary, responsible for policy and member services.

In 1988-89, when former Corporate Secretary Allan McLeod was nearing retirement, the Board reviewed the corporate structure. Deciding to retain the dual reporting relationship, they reaffirmed their wish to maintain a strong policy and member services function within the organization, operating at arm's length from commercial operations. At the same time, the Corporate Secretary's title was changed to Executive Director, Policy and Member Services, to reflect more accurately that person's range of responsibilities. These include policy and economic analysis, member relations and corporate communications.

Policy Analysis and Development

Every year, Pool members and their elected representatives discuss policy issues at hundreds of meetings around Saskatchewan. These issues include subjects important to the social and economic well-being of farm families. At the annual meeting of delegates, resolutions and policy statements which reflect the content of member discussions are debated and form the basis for the Pool's public policy for agriculture.

In 1989, Saskatchewan Pool Delegates reviewed key policy issues related to transportation and farm income assurance at a special June meeting, immediately following the first-ever joint meeting of the delegates from all three prairie Pools. Policy and Member Services staff organized the Saskatchewan meeting, and worked closely with Prairie Pools Inc. to plan and co-ordinate the three-Pools meeting, which focused on global economic issues.

Internally, policy analysis and development are the primary responsibility of Research Division, whose staff ensure that the organization's policies are based on sound research, evaluation and analysis. Research staff also help to co-ordinate and develop policy submissions on behalf of Prairie Pools Inc.

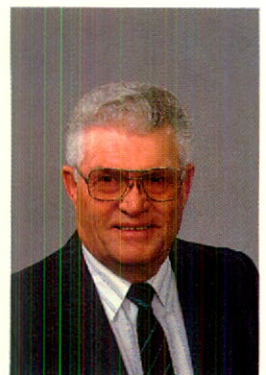
In 1988-89, staff completed a major study which examined opportunities for Saskatchewan beef exports as well as opportunities for the Pool to become involved in feedlots and meat processing. Other major projects included: a proposal for a National Farm Income Assurance Program; developing



*Murray Firth,
Director, District 1*
Until April 1989



*Joe Hinz,
Director, District 13*
Until April 1989



*Buck Sanderson
Director, District 3*
Until April 1989



Saskatchewan Wheat Pool Board of Directors. Seated (l. to r.): Leroy Larsen, Garf Stevenson, and Ray Howe; all of Regina. Standing (l. to r.): Harold Yelland, Porcupine Plain; Leander Buhr, Herbert; Mich Ozeroff, Langham; Maurice Kostichuk, Insinger; Ken Elder, Simpson; Marvin Shauf, Stoughton; Marvin Wiens, Wymark; Aubrey Wood, Ruthilda; Barry Senft, Lipton; Dennis Van Der Haegen, Denholm; Mike Wanner, Weyburn; Gary Wellbrock, Ponteix; Larry Gislason, Foam Lake.

“Our staff assisted
Saskatchewan Pool
and Prairie Pools Inc.
officials to prepare for
their role in GATT
discussions.”

— Glen McGlaughlin

policy and providing direction to government on a drought assistance program for farmers; assisting Saskatchewan Pool and Prairie Pools Inc. officials in preparing for their roles in GATT discussions; studying the feasibility of a producer-controlled marketing board for canola; and participating in a Crow Benefit Steering Committee, which evaluated the impact of alternative methods of payment, and the implications to producers and the industry.

Member Relations and Corporate Communications

The Member Relations Division promotes and facilitates member development and co-operative democracy, which enable members to direct and influence the Pool. Staff participated in a number of significant programs in 1988-89. These included: discussions about co-operative democracy in the '90s; training programs for delegates and directors; agricultural policy development, with particular attention to the resolutions process and the form of policy statements; and winter workshops and meetings at the local level, where attention has focused increasingly on grain handling, marketing and transportation issues.

The Communications Division works to advance the policy positions and commercial activities of the Pool through communications and advertising programs. Staff continued to make effective use of newspaper, radio and television to achieve greater public awareness of the organization and its policies. A telephone survey revealed a high public awareness of Pool advertising. The division also maintained a high level of media contact, and produced a large number of videotapes to support the work of the organization and its various divisions.

Focus on the Future

As we move into the 1990s, the policy and member service divisions will develop new programs to enhance the image of Saskatchewan Wheat Pool with members and the public. Government relations activities will be strengthened; this process will involve active policy development and advancement, working with Prairie Pools Inc. where appropriate. We will find new and innovative methods for increased member involvement and participation, especially for young farm couples. And we will review our corporate communications operation so that it is even more effective in making the company's policies, services and achievements widely known.

G.R. (Glen) McGlaughlin
Executive Director,
Policy and Member Services

Operations

Livestock Division

1988-89 was another good year for Livestock Division, with most categories of handlings approaching—in some cases slightly exceeding—last year's record performance. The division handled 422,000 cattle and calves and 13,000 hogs, as well as assembling 146,000 market hogs for the Saskatchewan Pork Producers Marketing Board. It sold 300 sheep and 1,200 horses, and provided assembly services for the Saskatchewan Beef Stabilization Board and the Saskatchewan Sheep and Wool Marketing Commission.

Cattle prices for the year were relatively stable, with no extreme fluctuations.

Despite the severe drought of 1988 and the resulting feed shortages, Saskatchewan's beef cow herd continued to grow. Summer moisture conditions were good, so there were few problems sustaining the existing herd and the growth trend experienced in the last three years should continue.

The feeder finance plan experienced the third best year in its history, with 81,600 head financed.

The division continued to support 4H activities, to ensure an exciting and productive future for youth in Saskatchewan agriculture.

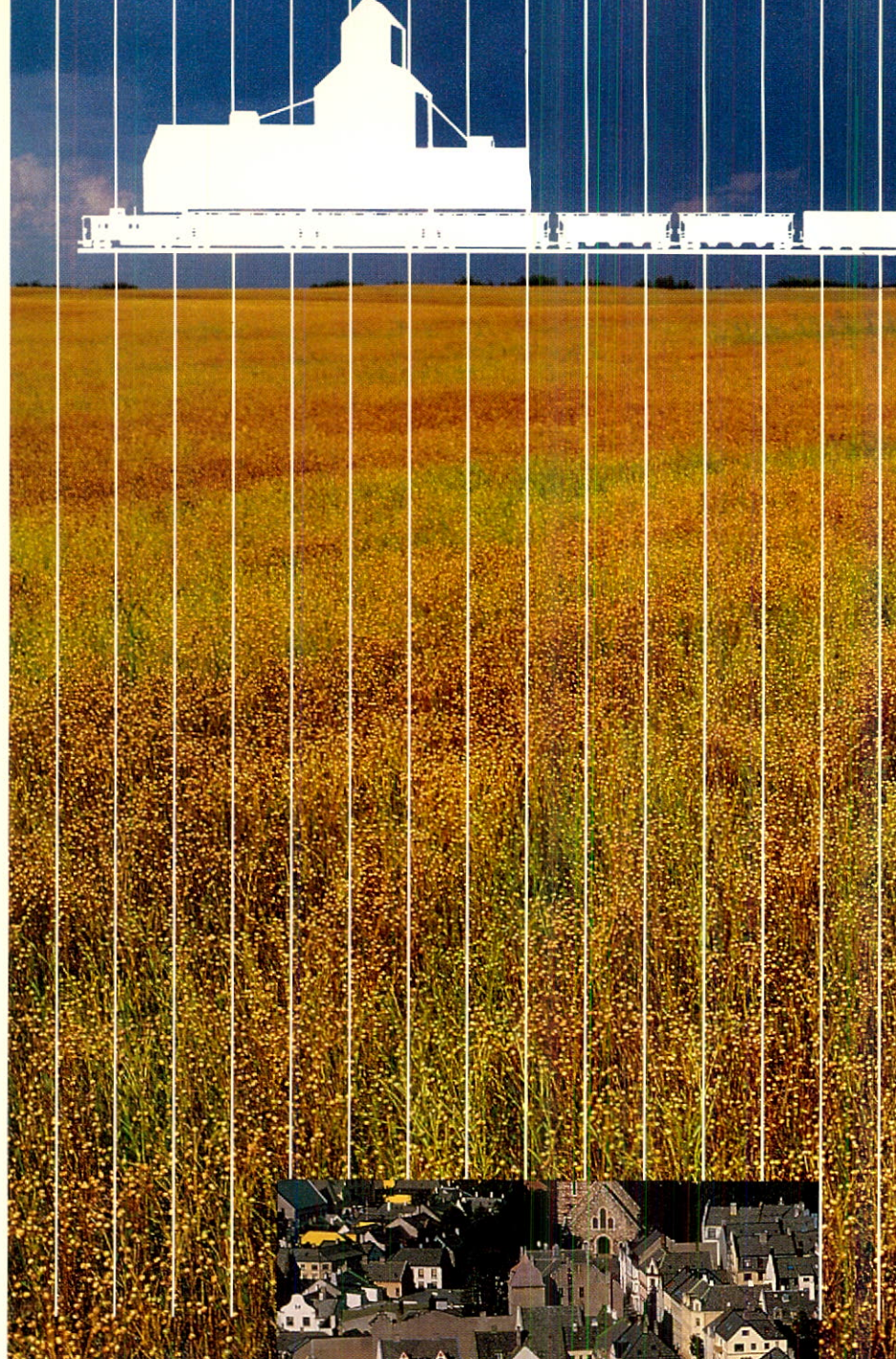
Marketing centres had a good year. Competition in the industry was very strong, but sales staff emphasized customer contact. On-farm and on-ranch visits contributed greatly to the success of the division. Satellite TV sales continued to be an important sales tool.

Livestock Division owns and operates nine marketing centres. It also operates Meadow Lake sales on behalf of the local agricultural society, and owns 25 per cent of Saskatoon Livestock Sales Ltd. During the year, the division completed construction and moved into its new marketing centre in Prince Albert.

Country Services Division

The 1988 drought severely curtailed crop production in Saskatchewan and directly affected the performance of Country Services Division. The provincial crop totalled 11.4 million tonnes, approximately half the 1987 crop and 60 per cent of the five-year average. The grain handling business relies on volume, and the division experienced a loss after handling just 6.3 million tonnes—down from 10.9 million tonnes a year ago.

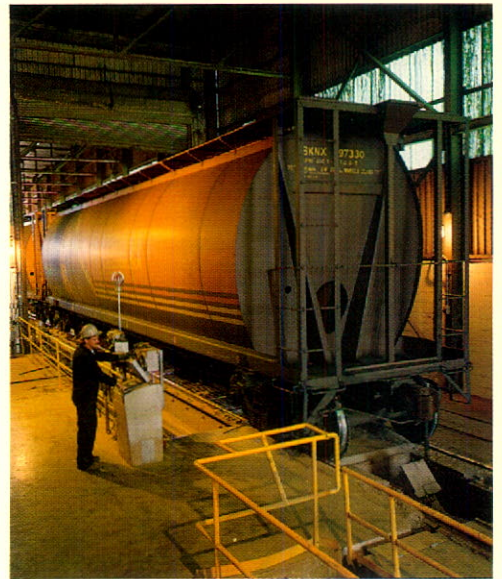
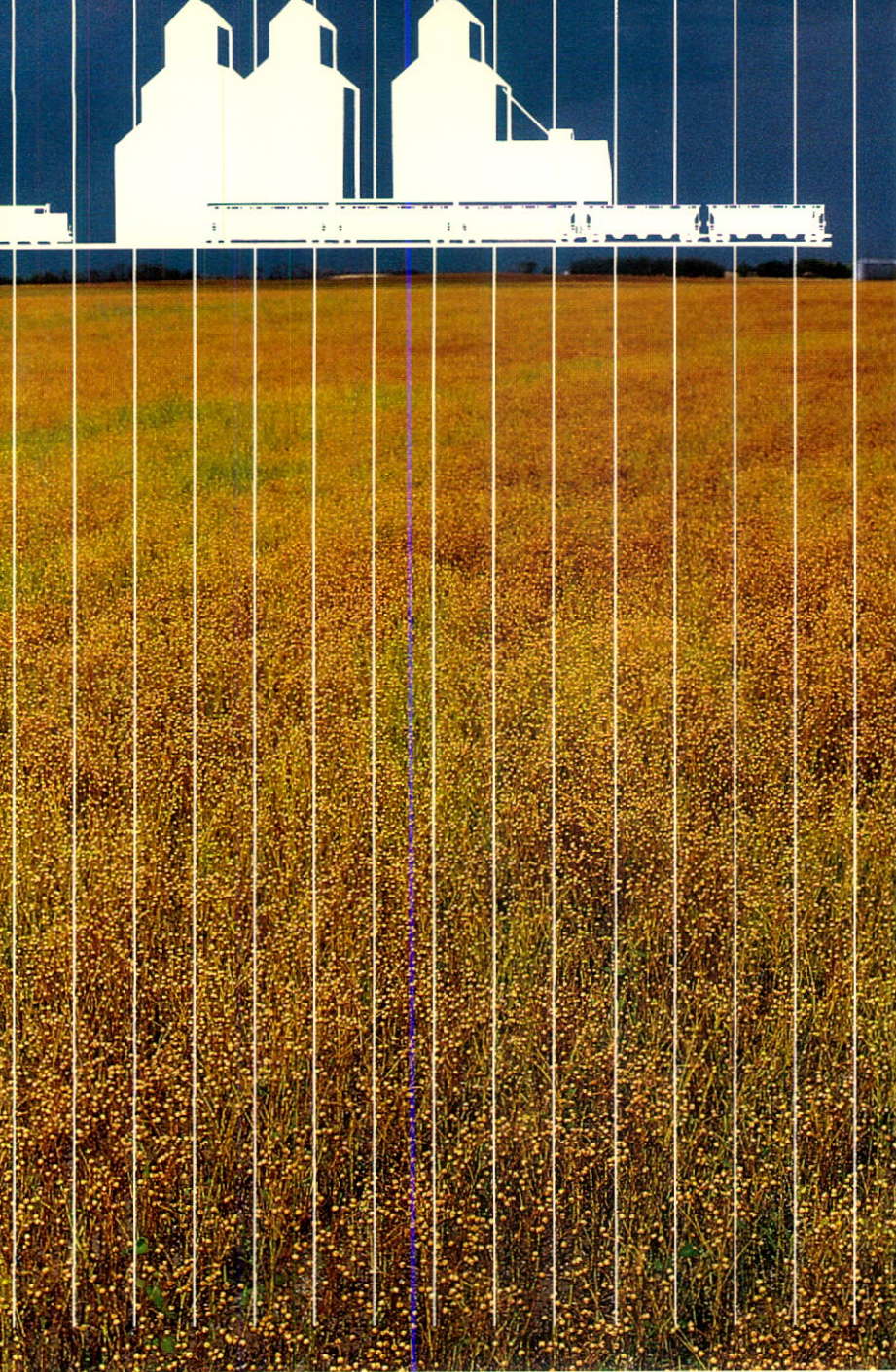
Market share, however, increased narrowly, led by increased shares of wheat and flax. Deliveries of non-Board feed grains were down from last year, but sales were higher.



Saskatchewan-grown flax is marketed worldwide, from the U.S. to the Orient.



Alesund, Norway. Norway is one of many European countries which purchase rye and other Saskatchewan-grown crops.



Victor Harrison, a student hired for the summer, unloads a grain hoppercar at Saskatchewan Wheat Pool's Vancouver terminal.

Livestock. Grain and oilseeds. Farm supplies.

Saskatchewan Wheat Pool is Canada's largest
agricultural marketing co-operative.



Over half of all grain deliveries to Pool elevators — 55.6 per cent — occurred in the first six months of the crop year and 44.4 per cent in the last six months. The hot, dry weather in July resulted in lighter deliveries than expected late in the crop year.

Farm supply sales were marginally higher than in the previous year, with 61 per cent of the total volume taking place in the months of May and June. Grain prices strengthened in 1989, but volumes were reduced. In the resulting economic squeeze, producers delayed grain deliveries and farm supply purchases until the latest possible moment. Late spring rains got the 1989 crop off to a good start and contributed to the spring sales rush. Excellent crop prospects in June, coupled with heavy weed infestations, spurred record sales of crop protection products.

Fertilizer sales fell about three per cent from 1987-88 levels. The moisture came too late to stimulate spring fertilizer use. In the final analysis, the Saskatchewan market was down as a result of a very dry early spring, a reliance on carry-over nitrogen in the soil, and lower grain prices announced in the spring.

Equipment sales fell significantly, primarily due to the impact of the drought on the bin market.

The dollar volume of seed sales showed a slight increase over last year's, but cereal seed sales were at their lowest level in many years. Lack of early spring moisture, lower initial prices, and continued economic pressures resulted in farmers using bin run seed.

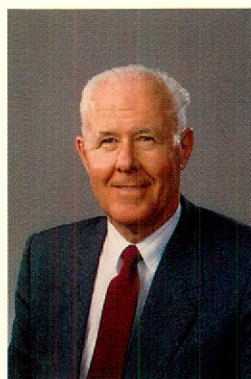
The demand for oilseeds remained constant. Canola sales were down, but flax increased 50 per cent and the demand for mustard doubled.

Feed sales increased over those of the year before, with grain by-product pellets being one of the major products.

The Market Development Department was established late in the crop year. It will be responsible for introducing and launching new products and services, distribution of Philom Bios products, market research, and the division's advertising program.

Product Development had a very large off-station program in 1989, with approximately 150 project sites around the province. Most of these were dedicated to the evaluation of Philom Bios' PB 50, a microbial phosphate inoculant used on wheat. Fifteen wheat lines and five pea lines were entered into the 1989 official trials. The biotechnology program is proceeding on schedule, with wheat lines again being tested in the field.

Major capital projects completed in the past year included a new concrete elevator,



Allan McLeod,
Corporate Secretary*
*Retired July 1, 1989



Harold Whyte,
General Manager,
Operations*
*Retired August 1, 1989



Saskatchewan Wheat Pool Senior Management Group. Seated (l. to r.): Don Allewell, Glen McGlaughlin, Milt Fair, Gerry Liski, Ian Bickle. Standing (l. to r.): Al Carson, Bob Virgo, Allan Laughland (Saskatoon), Alvin Gallinger, David Wartman, Dick Pitfield, Duane Bristow, Don Loewen (Saskatoon), Ron Gorst (Winnipeg), Dan Schmeiser.

"We will pursue
opportunities for
partnership with
other organizations
whose strengths are
complementary to
the Pool's."

— Milt Fair

11 major elevator improvements, three fertilizer plants and major improvements at the Nipawin seed-cleaning plant.

As a result of the normal consolidation program, 12 elevators at 11 stations were permanently closed. The division now operates elevators at 469 stations, plus 29 farm service centres, two seed plants, one distribution centre in Regina, and numerous fertilizer facilities at locations throughout the province's farming area.

Terminal Elevator Division

Terminal Elevator Division handled 5.8 million tonnes in 1988-89, a large reduction from the 8.9 million tonnes handled the previous year. This was a direct result of the disastrous drought of the summer of 1988.

At Thunder Bay, although tonnages were greatly reduced, Saskatchewan Wheat Pool terminals' share of rail car unloadings and outward shipments both increased over the previous period. Pool terminals received 3.4 million tonnes compared to 5.9 million in 1987-88. Outward shipments also totalled 3.4 million tonnes, down from last year's 6.2 million. Total shipments from Thunder Bay fell to 7.5 million tonnes, just over half the 14.4 million achieved in 1987-88.

Dockage levels continued to increase, but the resulting volume of by-products moved well for most of the year.

Several major projects were complete or nearing completion at year-end. At Terminal 7A, a state-of-the-art automated hopper car indexer and unloading system will greatly enhance safe trackshed operations and increase productivity. Upgraded cleaning batteries at Terminal 7A came on stream, and at Terminal 4B another cleaner upgrade was in the commissioning stage at year-end. Saskatchewan Wheat Pool employees played a major role in the construction and installation of all three projects.

The Vancouver terminal also experienced lower handlings despite customers' strong demand for West Coast delivery of grain. Receipts fell to 2.4 million tonnes compared to 2.9 million in 1987-88. Shipments were 2.4 million tonnes, down from 3.0 million the previous year. Receipts were better than anticipated, in part due to an agreement with United Grain Growers to handle grain during the shutdown of their terminal.

High dockage levels resulted in good volumes of by-products, which also moved well throughout the year at Vancouver.

Total West Coast receipts were 11.8 million tonnes compared to just over 17 million for 1987-88. Saskatchewan Wheat Pool supplied 545 000 tonnes to the Prince Rupert terminal and 520 000 tonnes to Pacific Elevators Limited. These amounts



The new Livestock Marketing Centre in Prince Albert is one of nine such centres owned by the Pool in Saskatchewan.

To bring our members'
livestock to market,
the Pool has become
a Canadian leader in
innovative marketing
services.



Jim Desjardins demonstrates the latest products and techniques at CSP Foods' new Baking Centre in Saskatoon.

were down significantly from the previous year's figures of 1.4 million and 1.0 million tonnes respectively.

Major projects completed or in progress include dust control and grain conveyor upgrading, automation of bin gates, spouting improvements and changes to the pelletizing systems.

Flour and Food Service Division

1988-89 was a profitable year for Flour and Food Service Division in spite of the 1988 drought.

Flour and flour product sales maintained their 1987-88 volume. Strong competitive pressure on consumer and export prices affected earnings, and the challenges of processing high-protein, "thin" wheat from the drought-afflicted crop affected operations.

While consumer flour sales rose, export sales declined. Food service sales volumes rose slightly, led by increased sales of mixes and shortenings.

Overall, sales of oil-based products were slow at the beginning of the year, as there was a shortage of refined oil caused by drought-induced panic buying. Margins were hurt by rising oil prices in commodity markets, a phenomenon also caused by the drought. Conditions improved slowly during the year, but sales volumes did not reach the previous year's levels.

In February 1989, a baking centre was opened in Saskatoon to train bakers. From February to July, 115 bakers used the centre's services.

During the year, plans were made to expand service to the division's bakery customers.

Western Producer Publications Division

Western Producer Publications Division publishes *The Western Producer*, *Western people* and Western Producer Prairie Books.

For *The Western Producer*, a modest recovery in the demand for advertising space resulted in larger newspapers compared with 1987-88. In 51 issues, 3,672 pages were published — 3,264 in the newspaper and 408 in *Western people*.

Drought dominated news coverage for much of the year. All staff were heavily involved in reporting the campaign for the November 21 federal election. Increased attention was given to the influence of international affairs on agriculture.

At the same time, *The Western Producer* news coverage of prairie agriculture moved even closer to the grassroots level. One reporting position was transferred from Saskatoon to Calgary, expanding *Producer* links with the important Alberta agriculture sector, and particularly the livestock industry.

The "Farm Living" section covered such issues as rural postal service and child care, and farm health and safety. Popular advice columns continued to bring many responses from readers.

Western people celebrated its 10th anniversary August 4, 1988. The magazine has continued to feature a blend of stories about contemporary western Canadians and pioneers who contributed to the development of the west. More regular features were added, and a second photo contest proved very popular with readers.

For the second consecutive year, the circulation of *The Western Producer* increased modestly, despite the depressed farm economy.

Western Producer Prairie Books published 19 new titles and 11 reprints, selling over 138,000 books. By far the best seller was *Frozen in Time: Unlocking the Secrets of the Franklin Expedition*, by Owen Beattie and John Geiger. The book was on the Maclean's bestseller list for nine weeks and received heavy media coverage from coast to coast.

M.C. Graphics, a new printing company formed in September 1988 by the merger of Modern Press, the division's printing arm, and Centax of Canada, had a favorable year.

Agricultural Outlook

World trade in wheat totalled 98 million tonnes in 1988-89 and is expected to increase to 99 million tonnes in 1989-90. In 1988-89, Canadian wheat exports dropped 48 per cent from a year earlier, to 12 million tonnes, due to the severe drought in western Canada in 1988. To meet the 1988-89 demand for wheat, western Canadian farmers reduced on-farm stocks by almost 70 per cent. For 1989-90, Canadian wheat exports are forecast at 17 million tonnes — an improvement, but still below the average of 20 million tonnes.

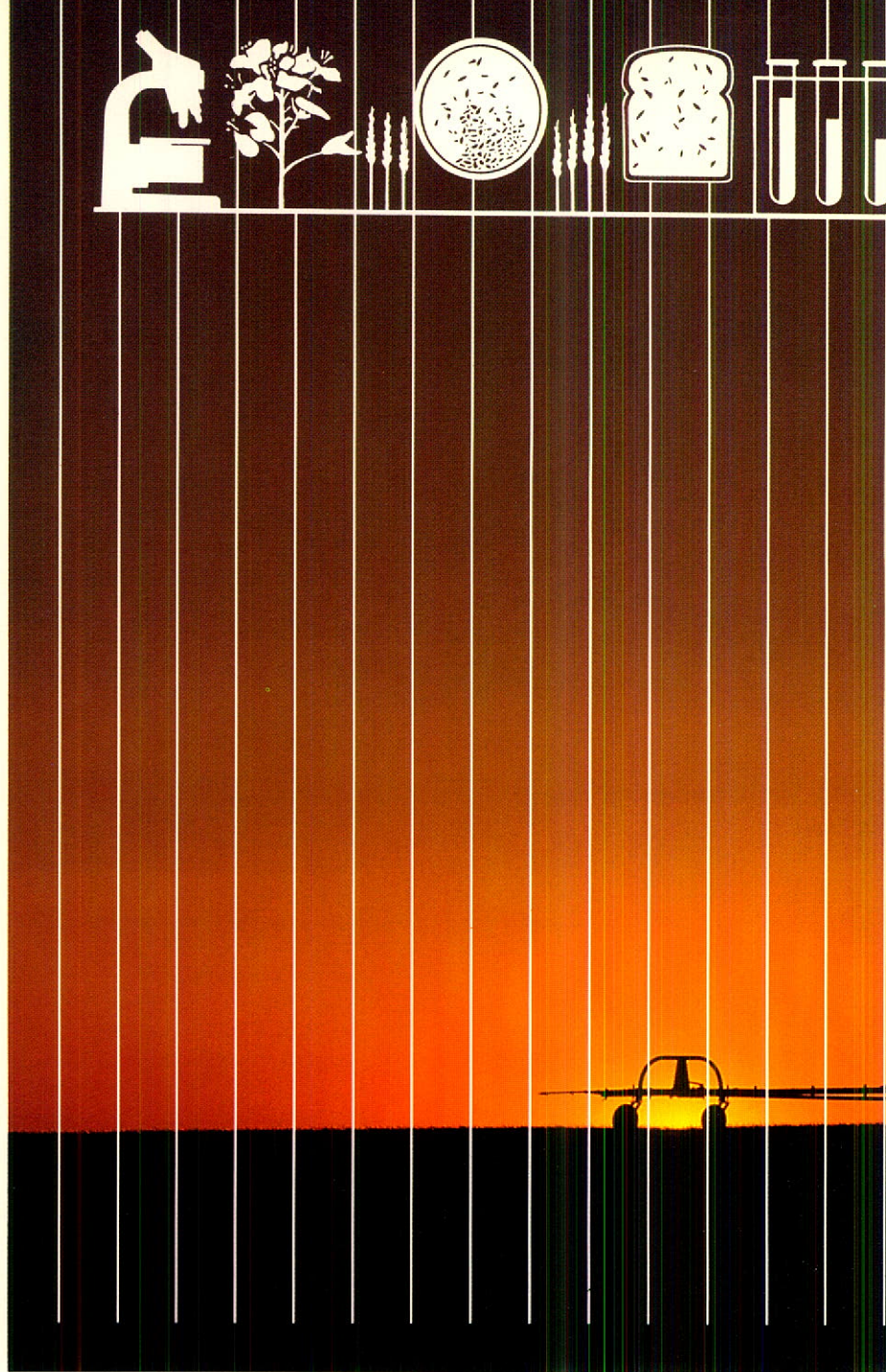
Total world wheat production in 1988-89 was 502 million tonnes and is forecast to increase to 532 million tonnes in 1989-90. If realized, the 1989-90 world wheat crop will be the second largest in history. Although a large crop will be harvested, production is expected to fall short of use, which is forecast at 542 million tonnes. Therefore, world wheat stocks will decline for the third consecutive year.

World coarse grain production is forecast at 800 million tonnes for 1989-90, almost 10 per cent above 1988-89 levels. Use is forecast at a record 814 million tonnes, due primarily to large Soviet import requirements, thus reducing world coarse grain stocks for the third consecutive year.

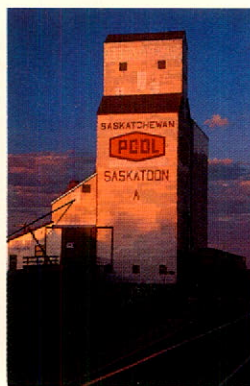
World trade in coarse grains in 1989-90 is expected to remain high at 97 million tonnes, equivalent to 1988-89 levels. Canadian barley production in 1989-90 is estimated at just over 12 million tonnes, 21 per cent above levels a year earlier, and exports are expected to rise 25 per cent, to 3.6 million tonnes. Supplies of high quality malting barley may be tight in Canada due to untimely rains during the 1989 harvest. Canadian oat production in 1988-89 increased 25 per cent, to about 3.7 million tonnes, due to a larger seeded acreage.

World oilseed production is forecast at a record 213 million tonnes in 1989-90, an increase of 6 per cent over a year ago. World exports are expected to reach about 34 million tonnes, 2 million tonnes above 1988-89 levels, with most increased trade being in soybeans. World demand for vegetable oils and meals is expected to recover significantly in 1989-90, resulting in record crushings.

In Canada, total oilseed production in 1989-90 is about 5 million tonnes, down 11 per cent from a year ago, primarily due to a reduction in canola seeded acreage. Canola seed exports in 1989-90 are expected to increase to over 2 million tonnes as a result of larger Japanese demand, but this may be offset by reduced Canadian crushing as low profitability plagues the crushing sector.



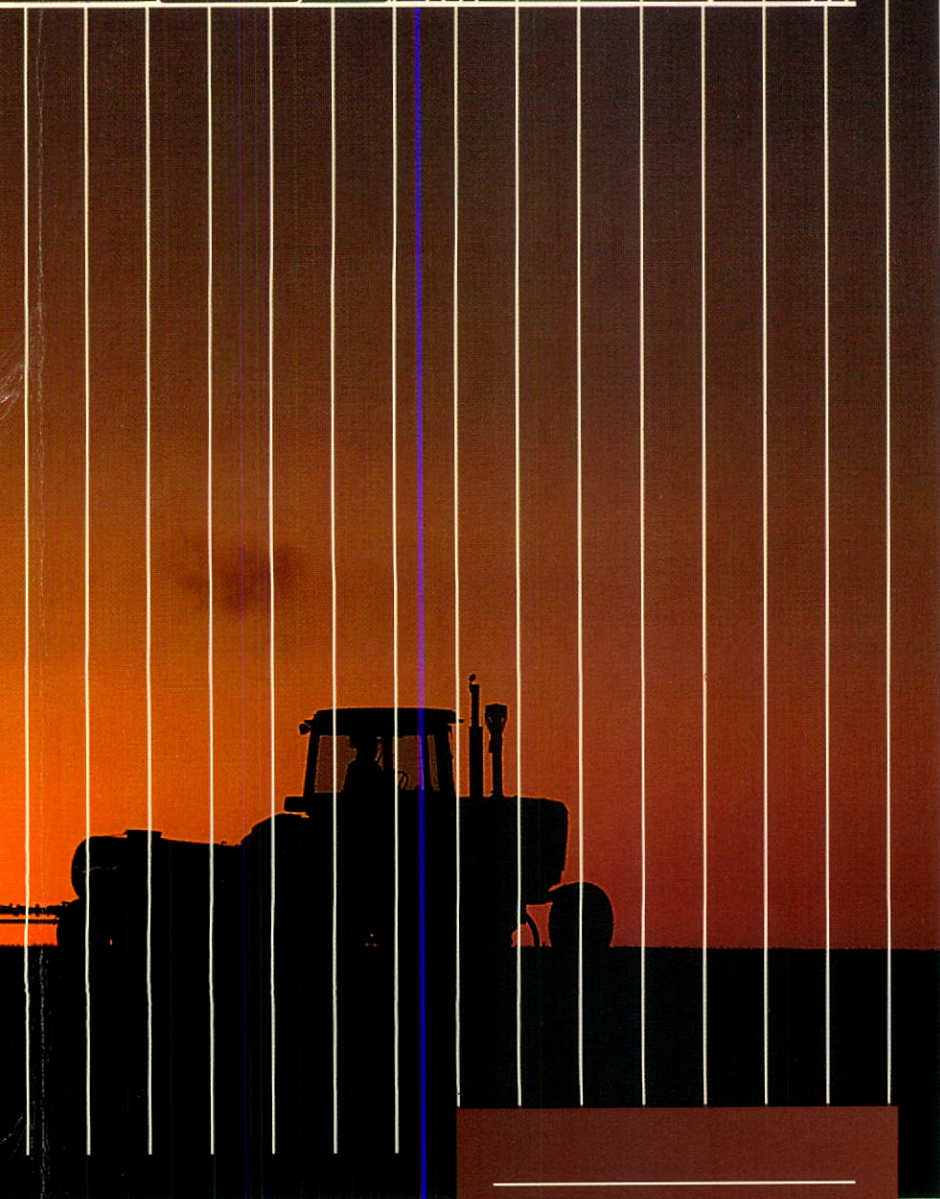
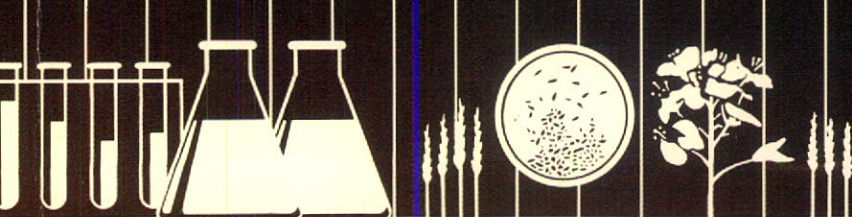
Glen McGlaughlin, Executive Director, Policy and Member Services, meets with Tom Simmonds and Ernie Harach of the Member Relations Division, and delegate Henry Seidlitz.



The country elevator is the farmer's key to world markets.



Saskatchewan cattle are sold in Canada, the U.S. and abroad.



Saskatchewan farmers work long hours to produce crops for people around the world.

“The Pacific Rim, with
its large population, will
continue to demand the
high quality food which
Canada can supply.”

Special crop acreage in Saskatchewan declined about 11 per cent in 1989, to 1.2 million acres, due to lower prices and poor moisture conditions.

World meat supplies are tightening in 1989, given the lowest year-to-year increase in world meat production since 1981. Over the past decade, world per capita production of meat has increased 10 per cent.

World beef markets are showing signs of improvement given such factors as declining beef stocks in the European Community, the gradual opening of the Japanese beef market, and greater access to the U.S. market. At January 1, 1989, there were 11 million head of cattle and calves on Canadian farms, including 800,000 head in Saskatchewan, both up 1 per cent from a year earlier.

Canadian hog numbers at January 1, 1989, remained relatively stable at 10.8 million head. However, Saskatchewan numbers jumped by 9 per cent to 870,000 head. The 3.5 per cent U.S. countervailing duty on Canadian pork products is estimated to cost Saskatchewan pork producers \$2 million in 1989 — potentially \$6 million if hog prices drop in response.

Realized net farm income for Saskatchewan in 1988 was \$1.1 billion, up 20 per cent over the previous year. However, provincial farm income in 1989 is expected to drop to only \$687 million and there is little optimism for improvement in 1990. Such a decline will generate significant economic hardships for the province, and many heavily indebted farmers will be unable to tolerate such a decline in cash flow.

Saskatchewan agriculture has experienced a “boom and bust” cycle in the 1980s. The 1990s will hopefully be years in which it can become more self-sustaining. Policy reform and trade liberalization worldwide is necessary to create an improved environment for farmers and those who service the agricultural industry. The agricultural industry will evolve, and opportunities will be created for those countries which can adapt quickly to the changing environment. The United States will continue to be an important trading partner for our farmers, given the Free Trade Agreement, and the Pacific Rim, with its large population, will continue to demand the high quality food which Canada is able to supply.



Bobbi Coulter (left), Nora Russell (standing) and Melody Casey (right) check the proofs for a new book from Western Producer Prairie Books.

Associated Companies

CSP Foods Ltd.

CSP Foods Ltd. crushed 532 600 tonnes of oilseeds, including 479 000 tonnes of canola—both slightly below last year's record levels. Despite increased shipment of crude and refined oils to the U.S., market share dropped, identifying an increase in the U.S. market and in the number of crushers/refiners now active there.

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

Pacific Elevators Limited/ Western Pool Terminals Limited

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

Receipts for 1988-89 totalled just over 2 million tonnes, down from nearly 3 million a year ago.

Prince Rupert Grain Ltd./ Ridley Grain Ltd.

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

Because of the 1988 drought, handlings were down to 2.8 million tonnes, from just under 4 million a year ago. In 1988-89, Saskatchewan Wheat Pool originated 21.6 per cent of the grain to the facility.

Western Co-operative Fertilizers Limited

WCFL operations for the year ended June 30, 1989, resulted in net earnings for the second consecutive year. It was also the first full year in which the company operated no manufacturing plants. The Medicine Hat plant has been sold, and the Calgary plant remains mothballed. Sherritt Gordon's option to buy the Calgary plant remains in force.

WCFL is jointly owned by the three prairie Pools.

XCAN Grain Ltd.

In 1988-89, XCAN shipped nearly 2.5 million tonnes of grains, oilseeds, special crops and by-products—an increase of 9 per cent over last year. XCAN continues to be the largest Canadian exporter of canola, malting barley and terminal by-products. XCAN is owned by the three Prairie Pools and is their exclusive marketing agent for canola, malting barley, oats, flax and special crops.

Co-Enerco

The Pool is one of a group of Canadian co-operatives which established the Co-operative Energy Corporation. In 1988 the company increased both its production and reserves of petroleum and natural gas.

Canadian Pool Agencies Limited/ Pool Insurance Company

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

Interprovincial Co-operative Limited

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

Other Related Co-operatives

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

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

Prairie Pools Inc.

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

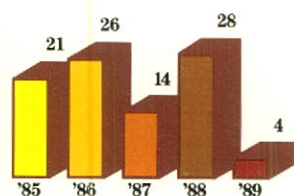


At Prairie Malt Limited, Blair Keith checks the temperature of barley which is being steeped. Steeping is the first step in the malting process.

Press operators at M.C. Graphics prepare for a large press run on the high-speed web press. (Front to rear): Hugh Lock, Wayne Frayling, Al Remenda, Brian Miller.

“As the Company becomes
more diversified, our
relationships with
associated companies
will be more crucial.”

Net Earnings For The Year
(in millions)



Five Year Review

(in thousands, except items*)

		1989	1988	1987	1986	1985
Operating Results	Country Services	\$(13,226)	\$ 5,889	\$ 3,272	\$ (1,836)	\$ 369
	Terminal Elevator	19,626	21,444	21,029	30,279	23,093
	Flour and Food Service	526	1,857	891	791	308
	Livestock	1,005	1,697	1,037	96	(236)
	Western Producer Publications	158	(665)	(543)	(398)	(343)
		8,089	30,222	25,686	28,932	23,191
	Revenue from associated companies	2,467	6,393	3,277	3,447	2,194
	Other charges	(6,384)	(9,079)	(14,589)	(5,918)	(3,944)
	Net Earnings	\$ 4,172	\$ 27,536	\$ 14,374	\$ 26,461	\$ 21,441
Handlings and Sales	Country Services grain handlings (tonnes)	6 383	10 873	10 388	9 036	8 294
	Terminal Elevator grain handlings (tonnes)	5 832	8 851	8 832	7 699	8 542
	Country Services farm supply sales	\$184,011	\$180,823	\$170,903	\$192,976	\$192,034
	Flour and Food Service sales (tonnes)	70	70	73	69	61
	Livestock handlings (cattle and calves)	422	439	384	350	391
	Western Producer circulation	135	134	132	138	142
Other Statistics	*Total membership	87,088	88,588	88,748	89,072	89,449
	*Number of employees	3,201	3,446	3,350	3,513	3,555
	*Return on invested capital	5.3%	9.9%	8.1%	9.0%	8.0%
	*Current ratio	1.32	1.42	1.36	1.29	1.39
	*Debt/equity ratio34	.34	.29	.36	.39

1985-88 — Flour & Food Service Sales (tonnes) restated to exclude duplicate flour tonnes.

Management Report

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

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

Ultimate responsibility for financial statements to shareholders rests with the Board of Directors. The Board reviews the 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 members' auditors, Touche Ross & Co., and their report is presented separately.



J.M. Fair
Chief Executive Officer



C.R. Kasha
Chief Financial Officer

Auditors' Report

The Shareholders
Saskatchewan Wheat Pool

We have examined the consolidated statement of financial position of Saskatchewan Wheat Pool as at July 31, 1989, and the consolidated statements of earnings, members' equity and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at July 31, 1989, and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan
October 12, 1989

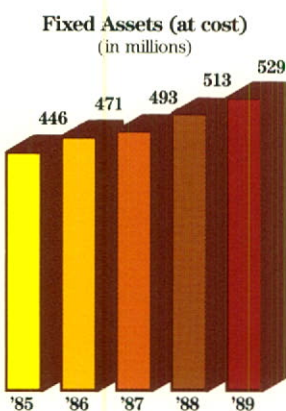
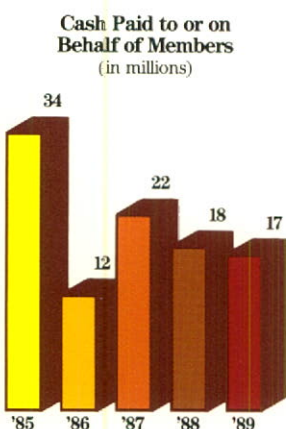
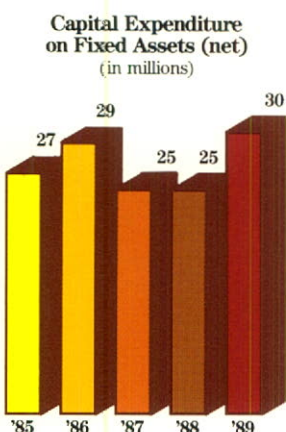


Chartered Accountants

Consolidated Statement of Financial Position

As At July 31

Statement 1



CURRENT ASSETS

	1989	1988
(in thousands)		
Cash	\$ 4,022	\$ 4,371
Short term investments	—	125,000
Accounts receivable	199,345	167,316
Inventories (Note 2c)	247,770	136,475
Prepaid expenses	7,167	9,274
Prepayment of income taxes	2,449	1,433
	460,753	443,869

CURRENT LIABILITIES

Outstanding cash tickets and cheques	100,512	58,296
Bank loans (Note 4)	56,842	—
Notes payable	24,800	—
Demand loan accounts	103,627	118,113
Accounts payable	38,114	109,432
Long-term debt due within one year	13,254	11,407
Estimated payments to or on behalf of members	12,300	15,600
	349,449	312,848

WORKING CAPITAL

111,304 131,021

INVESTMENTS AND MEMBERSHIPS

(Notes 2b & 3) 41,479 41,336

FIXED ASSETS

(Note 2e) 211,347 203,673

FUNDS INVESTED

\$364,130 \$376,030

FINANCED BY

Long-term debt (Note 5)	\$ 33,115	\$ 36,915
Members' equity (Statement 3)	331,015	339,115
	\$364,130	\$376,030

Commitments and contingencies (Note 7)

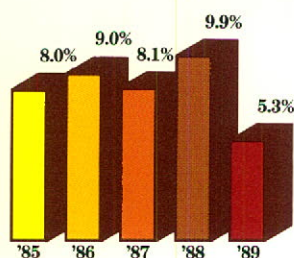
The notes to the financial statements are an integral part of the statements.

On behalf of the Board

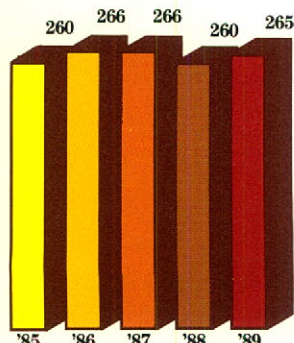
Director

Director

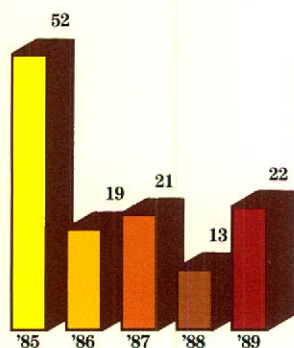
Return on Invested Capital



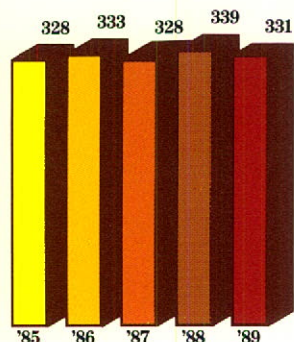
Share Capital (in millions)



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



Members' Equity (in millions)



Consolidated Statement of Earnings

For the Year Ended July 31

Statement 2

	1989	1988
	(in thousands)	
SALES AND OTHER OPERATING REVENUE	\$1,592,151	\$1,804,099
COST OF SALES AND EXPENSES		
Cost of sales and operating expenses	1,497,141	1,688,354
Selling and administrative expenses	48,293	46,831
Depreciation	22,036	23,218
Interest on long-term debt	3,859	4,222
Other interest	12,733	11,252
	1,584,062	1,773,877
EARNINGS FROM OPERATIONS	8,089	30,222
EARNINGS FROM:		
Pacific Elevators Limited	2,096	3,682
Prince Rupert Grain Ltd. (Note 3c)	371	2,065
XCAN Grain Ltd.	—	646
EARNINGS BEFORE OTHER CHARGES	10,556	36,615
OTHER CHARGES (Note 3b)	(6,384)	(9,079)
NET EARNINGS	\$ 4,172	\$ 27,536

Consolidated Statement of Members' Equity

For the Year Ended July 31

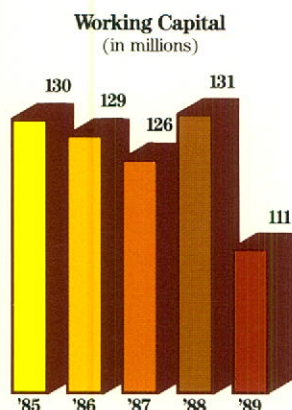
Statement 3

	1989	1988
	(in thousands)	
SHARE CAPITAL (Note 6)		
Balance beginning of year	\$260,210	\$265,603
New shares allotted	8	11
Allocated from prior year's earnings	16,519	4,534
Share redemptions		
Purchased from eligible categories	(7,496)	(6,223)
Authorized annual redemptions	(3,826)	(3,715)
Balance end of year	\$265,415	\$260,210
UNALLOCATED EARNINGS RETAINED		
Balance beginning of year	\$ 68,369	\$ 67,373
Prior year's earnings	27,536	14,374
Income taxes paid	(1,400)	(502)
Patronage allocation to members		
Shares	(16,519)	(4,534)
Cash	(2,921)	(7,027)
Withholding taxes	(2,540)	(1,229)
Balance retained	4,156	1,082
Adjustment of prior years' income taxes	1,623	(181)
Net proceeds in excess of original cost on disposal of fixed assets	80	95
Balance end of year	\$ 74,228	\$ 68,369
NET EARNINGS - UNALLOCATED (Statement 2)	\$ 4,172	\$ 27,536
MEMBERS' EQUITY BEFORE PROVISIONS	\$343,815	\$356,115
Provision for payments to or on behalf of members	(12,300)	(15,600)
Provision for corporate taxes	(500)	(1,400)
MEMBERS' EQUITY END OF YEAR	\$331,015	\$339,115

Consolidated Statement of Changes in Financial Position

For the Year Ended July 31

Statement 4



	1989	1988
	(in thousands)	
OPERATING ACTIVITIES		
Net earnings (Statement 2)	\$ 4,172	\$ 27,536
Items not requiring working capital		
Depreciation	22,036	23,218
Other charges (Note 3b)	1,975	1,676
Amortization of investment (Note 3c)	546	472
	28,729	52,902
Provision for corporate taxes	(500)	(1,400)
Adjustment of prior years' income taxes	1,623	(181)
Working capital from operating activities	29,852	51,321
FINANCING ACTIVITIES		
New shares allotted	8	11
Provision for payments to or on behalf of members	(12,300)	(15,600)
(Decrease) Increase in members' term loans—net	(2,400)	1,809
Current maturity of debenture loans	(1,400)	(1,400)
Other	(1,183)	704
Working capital used in financing activities	(17,275)	(14,476)
INVESTING ACTIVITIES		
Increase in investments	(4,778)	(6,247)
Decrease in investments	2,114	39
Purchase of fixed assets—net	(29,710)	(25,353)
Other	80	95
Working capital used in investing activities	(32,294)	(31,466)
(DECREASE) INCREASE IN WORKING CAPITAL	(19,717)	5,379
WORKING CAPITAL, BEGINNING OF YEAR	131,021	125,642
WORKING CAPITAL, END OF YEAR	\$111,304	\$131,021

Allocation of Net Earnings

The Board of Directors recommends that the net earnings for the year ended July 31, 1989, in the amount of \$4,172,000 be allocated as follows:

	(in thousands)
Provision for income tax, estimated	\$ 500
Transfer to unallocated earnings retained from prior years, estimated	3,672
Total	\$4,172

The Board of Directors also recommends that:

The sum of approximately \$12,300,000 be used as required in 1989-90 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, 1989, and repayment of 7% of share equity to corporate members.

If the above recommendations are accepted by delegates to the Pool's 1989 Annual Meeting, payments totalling \$12,300,000 will be made to members during the 1989-90 year.

Notes to the Consolidated Financial Statements

For the Year Ended July 31, 1989

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

2. Accounting policies

a) Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and its 89.9% owned subsidiary.

All significant inter-company transactions have been eliminated.

b) Investments and memberships

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

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

Canadian Pool Agencies Limited	33 1/3%
CSP Foods Ltd.	50%
MAALSA Investments Ltd.	40%
Northco Foods Limited	25%
Pacific Elevators Limited	30%
Pool Insurance Company	50%
Prairie Cattle Inc.	100%
Prince Rupert Grain Ltd.	32.9%
Ridley Grain Ltd.	32.9%
Saskatoon Livestock Sales Ltd.	25%
SWP Venture Capital Corporation	87 1/2%
Western Co-operative Fertilizers Limited	
(Note 7a)	33 1/3%
Western Pool Terminals Ltd.	30%
XCAN Grain Ltd.	33 1/3%

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

c) Inventories

	1989	1988
	(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.	\$160,136	\$ 22
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.	22,066	70,603
Other inventory valued at the lower of cost (principally average cost) and net realizable value.	65,568	65,850
	\$247,770	\$136,475

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

The major components of fixed assets are:

	1989	1988	Rate of Depreciation
	(in thousands)		
Cost			
Sites, trackage and paving	\$ 20,762	\$ 19,330	0 - 8%
Buildings	260,157	252,622	5 - 10%
Machinery and equipment	224,018	224,051	20 - 30%
Vehicles	11,711	10,327	30%
Work under construction	12,621	7,084	nil
	529,269	513,414	
Less accumulated depreciation	317,922	309,741	
Net book value	\$211,347	\$203,673	

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

f) Pension costs and obligations

The Corporation uses the accrued benefit method of accounting for pension costs and obligations for its contributory defined benefit pension plans.

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

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

	1989	1988
	(in thousands)	
Pension fund assets	\$117,072	\$108,440
Accrued pension benefits	108,072	99,794
Pension fund surplus	\$ 9,000	\$ 8,646

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

3. Investments and memberships

a) Investments and memberships are summarized as follows:

	1989	1988
	(in thousands)	
Companies over which the Corporation has significant influence:		
Shares	\$ 9,381	\$ 8,380
Notes and loans receivable	55,692	54,929
	65,073	63,309
Other investments and memberships, principally shares in co-operatives	15,797	15,443
	80,870	78,752
Less accumulated provision for possible loss on investments	(39,391)	(37,416)
	\$41,479	\$41,336

b) Other charges
Details of other charges are as follows:

	1989	1988
	(in thousands)	
MAALSA Investments Ltd.		
Loans	\$1,975	\$1,661
Canfarm Co-operative Services Limited		
Shares	—	15
Provision for possible loss on investments	1,975	1,676
Provision for possible loss on disposal of fixed assets	—	2,776
	1,975	4,452
Western Co-operative Fertilizers Limited		
Fertilizer Price Adjustment (Note 7a)	4,409	4,627
	\$6,384	\$9,079

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

	1989	1988
	(in thousands)	
Shipper's return	\$ 917	\$2,537
Less amortization of investment	(546)	(472)
	\$ 371	\$2,065

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

	1989	1988
	(in thousands)	
Assets	\$ 572,178	\$573,290
Liabilities	698,793	697,548
Revenues	1,115,573	860,856
Net earnings before extraordinary items	15,159	31,335
Extraordinary income (losses)	(1,510)	3,219
Net earnings distributed	19,442	26,556

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

- e) Certain notes and loans receivable in the amount of \$22,766,000 (1988 - \$23,466,000), due from companies over which the Corporation has significant influence, have been postponed in favour of other creditors of these companies.

4. Bank Loans

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

5. Long-term debt

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

	1989	1988
	(in thousands)	
Members' term loans	\$21,569	\$22,122
9% sinking fund debentures series A	18,800	20,200
Estimated liability under loan guarantee (Note 7b)	6,000	6,000
	46,369	48,322
Portion due within one year	13,254	11,407
	\$33,115	\$36,915

- b) All members' term loans are two-year terms with interest rates from 8% to 11%. 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 eight years for the retirement of \$1,400,000 principal amount annually, with the issue maturing on August 1, 1997. The issue is secured by a floating charge on all property and assets of the Corporation.
- d) The maturities of long-term debt are as follows:

	(in thousands)
1990	\$13,254
1991	11,115
1992	1,400
1993	1,400
1994	1,400
Subsequent years	17,800
	\$46,369

6. Share capital

The number of shares issued to members is as follows:

	1989	1988
Fully paid (par value \$1 each)	265,379,356	260,172,568
Partially paid	70,742	72,182

7. Commitments and contingencies

- a) Western Co-operative Fertilizers Limited (WCFL), in which the Corporation has a 33 1/3% interest, has a 50% interest in a phosphate mining and processing operation. Included in the financing of this operation are debt instruments totalling U.S. \$28,052,000; Cdn. \$33,124,000 as at July 31, 1989 (1988 - U.S. \$35,410,000; Cdn. \$42,888,000), repayable in annual installments until 1996. Up to one-third of the annual payments of principal and interest on these loan agreements are guaranteed by the Corporation, until the acquisition financing has been discharged, through a "take or pay" contract to purchase specified annual quantities of phosphate rock which has been assigned to WCFL for its acquisition of raw materials. In accordance with this contract, the Corporation paid \$4,409,000 to WCFL during the year ended July 31, 1989 (1988 - \$3,106,000), and has included this amount in other charges. No provision for future amounts due under this guarantee commitment is considered necessary at this time.

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

- b) At July 31, 1988, the Corporation had guaranteed 40% of the principal and interest payments on a loan of \$40 million by Credit Union Central to MAALSA Investments Ltd. (MAALSA) due December 31, 1989.

The shareholders of MAALSA had agreed, in principle, to combine MAALSA with certain other jointly-owned companies and to use the resulting cash flows from that reorganized entity to retire the debt. During 1989 it was concluded that such a reorganization was not practicable. The shareholders will continue to seek opportunities to lessen the impact of any possible financial exposure under the loan guarantee.

The market value of the land that is owned by MAALSA has not changed appreciably since 1987 when the Corporation recorded a \$6 million provision for possible loss related to the Corporation's estimated liability under the loan guarantee. Subsequent to July 31, 1989, the maturity date of the loan from Credit Union Central has been extended to August 31, 1992. Therefore, no further provision is considered necessary at this time.

- c) At July 31, 1989, the Corporation has guaranteed other borrowings and obligations of companies in which it has an investment to maximum amounts aggregating \$9,417,000 (1988 - \$17,517,000).
- d) At July 31, 1989, planned future expenditures on authorized capital programs were approximately \$14,970,000 (1988 - \$27,541,000).

8. Related-party transactions

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

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

	1989	1988
	(in thousands)	
Due from members	\$ 89,256	\$ 80,104
Due from other related parties	22,053	20,137
Due to members	106,179	190,984
Due to other related parties	1,028	724

- b) Interest of \$2,755,000 (1988 - \$1,590,000) receivable on interest-bearing notes from companies in which the Corporation has an investment, was waived during the year.

9. Acquisition of M.C. Graphics Inc.

On September 1, 1988, the Corporation acquired 89.9% of the outstanding common shares of M.C. Graphics Inc., a Saskatchewan printing company, in exchange for net assets with an assigned value of \$6,436,000. The Corporation has accounted for this acquisition by recording its share of the fair value of the assets and liabilities of the subsidiary as at the acquisition date and the results of its operations from that date.

10. Subsequent event

On September 1, 1989, the Corporation acquired 49% of the outstanding shares of Prairie Malt Limited. The Corporation has agreed to sell up to 24% of the outstanding shares to the employees of Prairie Malt Limited.

11. Additional information

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

	1989	1988
	(in thousands)	
Interest recovered from The Canadian Wheat Board	\$11,293	\$10,665
Investment income	739	1,847
Patronage refunds	4,558	4,350

12. Comparative figures

Certain 1988 amounts have been reclassified to conform with the 1989 presentation.

Corporate Directory 1989

Board of Directors

President
G. Stevenson (district 7)

First Vice-President
R. L. Howe (district 11)

Second Vice-President
L. J. Larsen (district 15)

L. E. Buhr (district 5)

K. W. Elder (district 10)

L. Gislason (district 9)

M. Kostichuk (district 8)

M. Ozeroff (district 13)

B. W. Senft (district 6)

M. Shauf (district 1)

D. Van Der Haegen (district 16)

M. E. Wanner (district 2)

G. Wellbrock (district 3)

M. D. Wiens (district 4)

A. B. Wood (district 12)

H. G. Yelland (district 14)

Executive Management

Chief Executive Officer
J. M. Fair

Executive Director, Policy and Member Services
G. R. McGlaughlin

Chief Financial Officer
C. R. Kasha

General Manager, Operations
G. L. Liski

Division Management

Communications Division
I. Bickle, Director

Corporate Development and Planning Division
A. J. Carson, Acting Director

Corporate Engineering Division
R. B. Pitfield, Director

Country Services Division
A. J. Gallinger, General Manager*
*Until October 10, 1989

Financial Resources Division
C. R. Kasha, Director

Flour and Food Service Division
D. K. Loewen, General Manager

Human Resources Division
D. B. Wartman, Director

Information Technology Division
R. T. Virgo, Director

Livestock Division
D. M. Allewell, General Manager

Member Relations Division
R. D. Bristow, Director

Policy and Economic Research Division
D. C. Schmeiser, Acting Director

Terminal Elevator Division
R. E. Gorst, Acting General Manager

Western Producer Publications Division
A. W. Laughland, Publisher and General Manager

Head Office

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

Flour and Food Service Division

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

Terminal Elevator Division

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

Western Producer Publications

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

Solicitor

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

Auditor

Touche Ross & Co.

Financial Institutions

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

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



Saskatchewan Wheat Pool