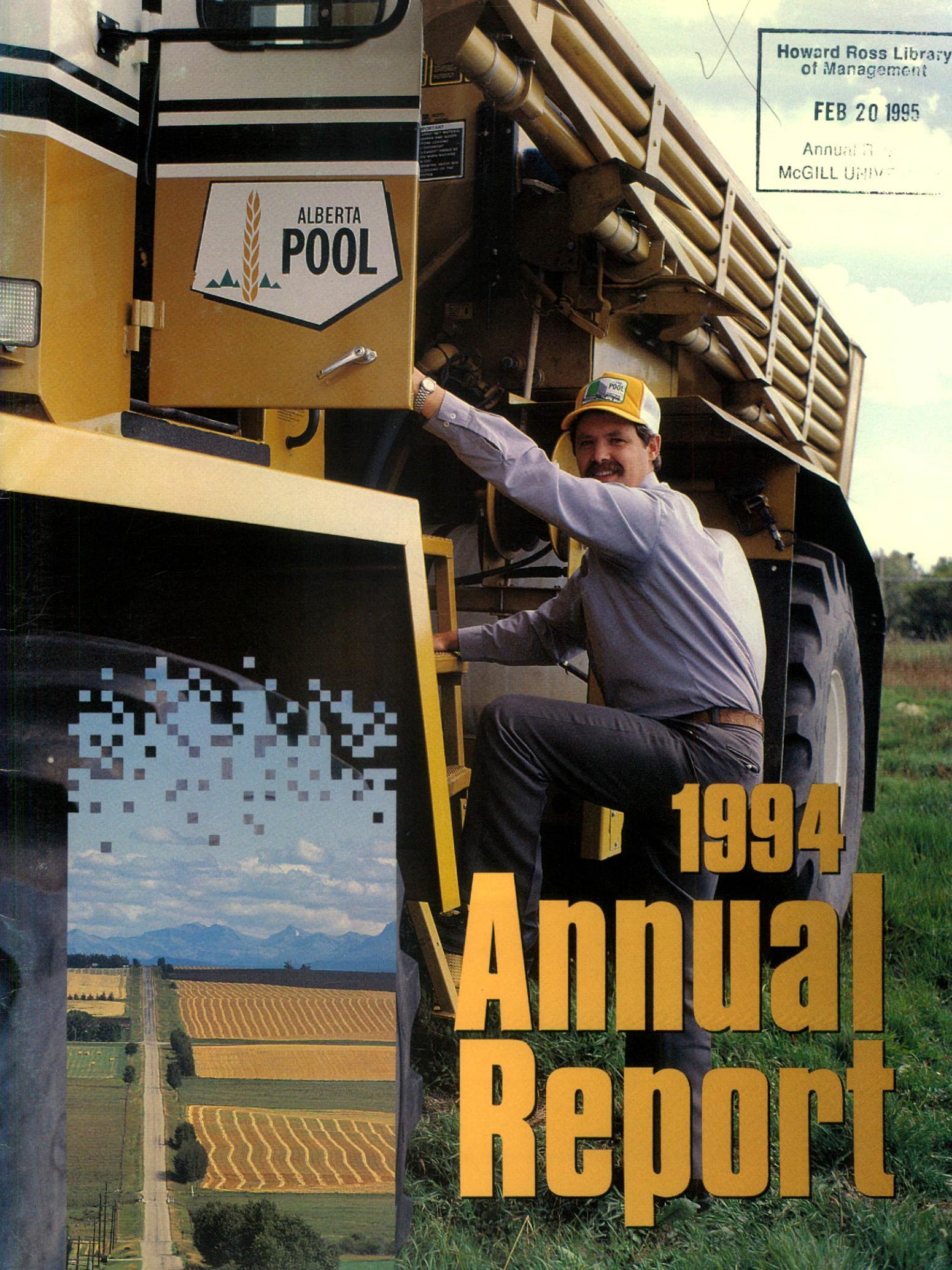


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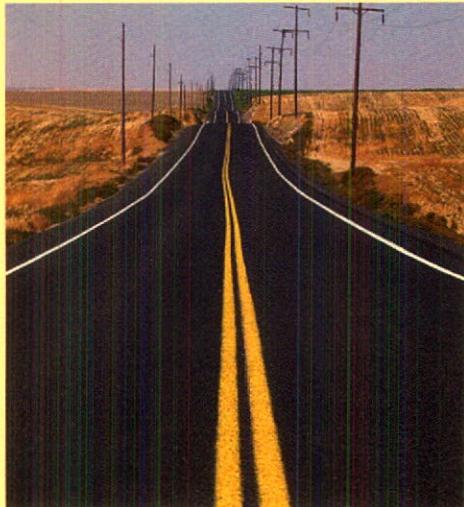
FEB 20 1995

Annual Report
McGILL UNIVERSITY

1994 Annual Report



Preparing for the Road Ahead



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In today's changing world, foresight is essential. Alberta Pool has a proud and rich history in the agricultural sector, but we're not relying on the past to take us into the future. Instead, we've made a commitment to meet the demands of our domestic and foreign customers by proactively preparing for the road ahead.

Preparing for the road ahead is not an easy task. It takes courage, innovation, a willingness to chart new paths and take risks. Over the past year, we took great strides to change the way we conduct business. We found new and better ways of doing things, we brought new facilities and new technologies to our customers, we introduced new services and new products, and we spent time exploring options to generate increased capital that will allow Alberta Pool to grow and develop well into the future.

The road travelled during the past year was governed by our mission to help farmers feed the world. It certainly was not without its potholes and sharp curves - that's almost a given in today's changing environment. Nevertheless, we covered a considerable amount of ground. As we continue on this path, the strategies we've put in place will ensure Alberta Pool, its customers and its employees are well positioned for what lies ahead.

Contents

Alberta Pool's 1994 Annual Report looks at the activities of the cooperative during the past crop year and highlights where we're headed in the months to come. Complete financial results for the 1993/94 crop year ending July 31, 1994 are also included.

Additional information on areas of Alberta Pool's business that could benefit your farming operation has also been included. If you would like further details on any of the initiatives or services outlined in this report, please call Alberta Pool at:

1-800-332-1416 (in Alberta)
1-403-290-4910 (outside Alberta)

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MISSION:

Helping Farmers Feed the World

VISION:

To be the leading agribusiness, consistently seeking to understand what customers value and exceeding their expectations.

To successfully link farmers to world customers.

To be the preferred employer in Canadian agribusiness.

To build on the principles and uniqueness of our cooperative enterprise.

To combine the skills of our farmer members and staff to achieve as a team what no one can do alone — help farmers feed the world.



Helping Farmers Feed The World

Corporate Profile

Alberta Pool is a farmer-owned cooperative. It handles and markets grain, oilseeds and special crops for its farmer-members both domestically and internationally. A broad range of farm supplies and services are offered to farmers through Pool agro centres and elevators.

Alberta Pool is a world leader in developing grain handling technology and has introduced new, improved crop varieties to benefit farmers and develop new markets. Through its investment in diversified companies such as Demeter Agro, Prairie Sun Grains Ltd. of Camrose and Drummond Brewing Company Ltd. of Red Deer, Alberta Pool also plays an active role in the value-added food industry in the province.

For 70 years, Alberta Pool has made a significant contribution to the rural economy of Alberta. As the province's largest cooperative, the Pool contributes to the provincial economy by paying over seven million dollars in taxes annually to local communities and also issues close to one billion dollars annually to farmers who deliver grain to Pool facilities.

Organized in 1923, Alberta Pool today has 57,497 members and employs 1,469 people in Alberta, northeastern British Columbia, Vancouver and Winnipeg. Since its creation, the Pool has handled close to 183 million tonnes and returned \$369 million to its member-owners.



Board of Directors' Report

In an environment characterized by decreasing regulation, increasing competition and shifting world markets posed many challenges for Alberta Pool in the 1993/94 crop year. This is not startling news. Agriculture - like any segment of today's economy - has seen rapid changes. As a major player in Canadian agriculture, Alberta Pool has not escaped these unstable, yet exciting times.

Economic pressures on governments, farmers and agricultural businesses have resulted in extensive examination of the country's agricultural policies, programs and regulations. There are new world trading partners, new crops, and new customer requirements.



Front (from left): J.F. Pearson, First Vice-President; T.A. Graham, President; N.D. Silver, Second Vice-President.

Back (from left): A.L. Aasen, B. Lindeman, A.L. Oberg, D. Nanninga, A.L. D. Pidruchney, W.J. Sutherland.

This is the environment Alberta Pool found itself operating in during the past year. Other isolated circumstances such as poor weather, rail car shortages, and U.S. trade retaliation added to the already unusual picture. Despite these challenges, Alberta Pool and its staff worked hard to build on its position as one of the leading agribusinesses in the country.

THE CROP

A dry spring followed by an excessively wet June and July resulted in below normal crop development. Severe weather damage to most areas in mid-August followed by a late harvest and early frost sealed the fate of the 1993 crop. The end

result was record production of 18.5 million tonnes but a crop which fell well below the ten year average for quality.

The high quantity, low grade crop posed many marketing challenges - particularly when combined with the large carryover of low quality grains from 1992. Traditionally known as a marketer of top quality grains and oilseeds, Canadian exporters scrambled to find new customers for the unusually high amount of feed grains. This change in markets resulted in poor export shipping opportunities during the busy fall season. There were also challenges in the domestic market, but these challenges offered considerable potential for Alberta Pool. The domestic market flourished and our concerted effort to market the 1993/94 crop allowed Alberta Pool to become the largest marketer of non-Board grains in Canada.

FOCUS

The focus of the Board of Directors during the past year was twofold:

- position Alberta Pool to meet the challenges of today's competitive environment by providing vision and sound strategic direction to ensure future growth;
- continue to strengthen our presence with federal and provincial governments on agricultural policy issues.

AGRICULTURAL POLICY

The Board's agricultural policy focus over the past year centered on generating improvements to programs and policies affecting farmers. Within the context of any discussion concerning agricultural policy, the Board focused on the need to balance the concerns of its members with the commercial needs of the cooperative. The Board's role in policy related matters was to participate in consultative discussions and provide economically-sound, factual information to farmers and government in order that both groups could make informed choices on issues affecting the industry.

This objective was achieved by providing our recommendations to several government mandated processes such as the federal Regulatory Review process examining the structure and practices of the Canadian Wheat Board and the Canadian Grain Commission, and the Producer Payment Panel looking at changes to the Western Grain Transportation Act (WGTA). Alberta Pool also provided input and guidance to the federal government on international trade relations under the Canada-U.S. Free Trade Agreement (CUSTA) and the North American Free Trade Agreement (NAFTA).

Alberta Pool was represented on the Grains Industry Council formed by Federal Agriculture Minister Ralph Goodale in May 1994. Participation in this group gave Alberta Pool the opportunity to examine current issues affecting Canadian agriculture and recommend solutions to improve inefficient processes and procedures. This group was instrumental in addressing the issue of efficient and orderly movement of grain to export position. Several solutions were put forth and implemented to prevent a reoccurrence of the 1993/94 rail car shortage and maintain Canada's reputation as a reliable supplier to world markets.

STRATEGIC PLANNING

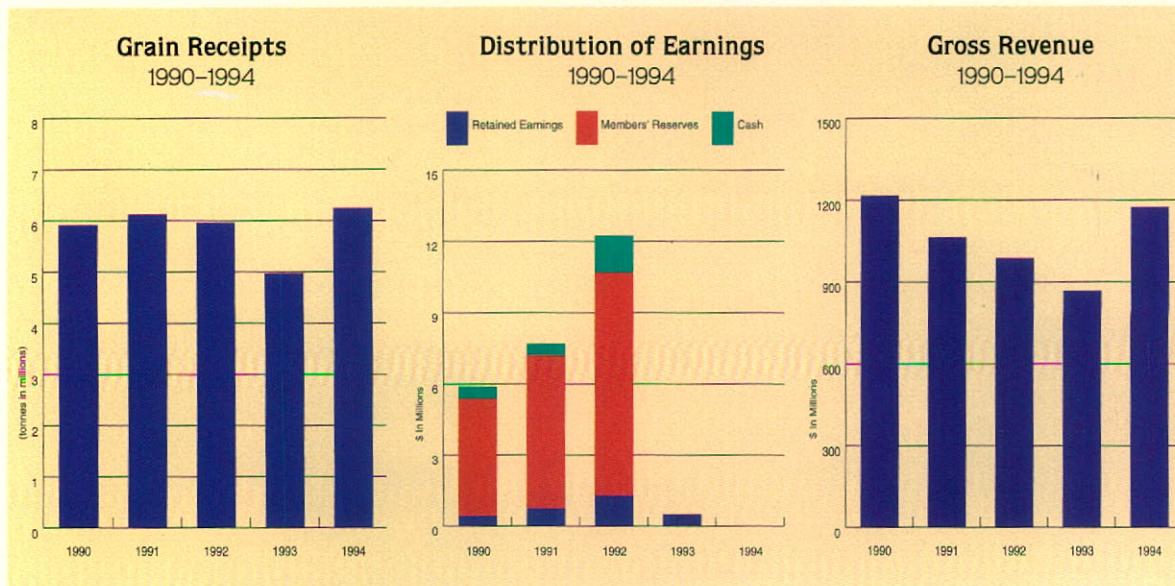
Alberta Pool continued its commitment to the implementation of the Country Plan for both the

grain and agro segments of our business. The Country Plan is Alberta Pool's blueprint for the entire country system and charts out locations where the Pool plans to capitalize on its market presence through the construction of new, highly automated and advanced facilities.

The consolidation of our country system will allow Alberta Pool to strengthen its operating units and realize greater operating efficiencies. These efficiency gains will be passed along to farmers and give Alberta Pool an edge in providing quality customer service in today's competitive environment. It is an ambitious plan requiring capital investment of \$140 million in the grain segment and \$10 to \$12 million in the agro segment of our business over the next five to ten years.

During 1993/94, the Board approved a capital budget for the Country Division of \$25.1 million. Construction began on two new high throughput grain facilities - Smoky River and Legacy Junction. Both facilities feature condominium storage units which provide personalized and specified storage space to producers at a reasonable investment cost of \$10,000 per 4,000 bushel unit. At the end of September 1994, Alberta Pool had sold 176 of the 274 available condominium storage units.

Several agro product warehouses, constructed to meet strict environmental guidelines governing





the safe storage and handling of crop protection products, were completed and opened for business in 1993/94. These new facilities not only support Alberta Pool's commitment to provide new and improved services and technology to its customers, but also support our desire to operate in an environmentally responsible manner for the protection of human health and the environment.

As part of its focus on the future, the Board of Directors also participated fully in the implementation of a new customer-driven management

philosophy called the "Heart, Mind and Bottom Line." This strategic direction is aimed at preparing Alberta Pool to find and keep customers for life and inspire and motivate its employees. The Board of Directors fully supports this process because of its potential to position the business to better serve its customers and fulfill our mission of helping farmers feed the world.

LONG-TERM CAPITAL REQUIREMENTS

The most critical issue addressed by the Board over the past year was the examination of long-term capital financing. This work has been driven largely by increased financial pressures felt by both Alberta Pool and its members. The current challenge is to finance Alberta Pool to meet the long-term capital needs of our business and the equity expectations of our members.

The factors driving the need for a more effective capital structure are the need to expand/upgrade grain handling and agro facilities; finance growth, particularly in the areas of non-Board grain sales and farm input supplies; and provide additional funding for diversification. These needs are by no means unique to Alberta Pool. Several North American companies – including many cooperatives – are faced with the ongoing challenge of generating sufficient capital to allow for future expansion and strength.

A number of options are presently being reviewed. The option receiving the majority of attention is the infusion of capital from third-party sources. This option has challenged Alberta Pool to look at two very pressing issues: the investment attractiveness of Alberta Pool and the extent to which our membership is willing to consider options that may be viewed as outside the realm of our traditional cooperative structure. Improved financial results and increased capital are necessary to capitalize on future growth opportunities and meet the challenges of today's rapidly changing business environment. Discussions related to the long-term capital requirements of Alberta Pool will continue to be a top priority in the coming crop year. To this end, the financial advisory firm of Nesbitt Burns has been retained to help Alberta Pool explore its options surrounding alternate capital structures. Nesbitt Burns' familiarity with the

Prairie grain trade and the unique ownership and philosophy of cooperatives will serve Alberta Pool and its members well in the coming months.

THE ROAD AHEAD

Alberta Pool has always had a strong commitment to servicing the needs of its members and customers and this commitment will continue as we prepare for the road ahead. A top priority will be to continue to adapt to the changes in agriculture, keeping in mind the central focus of a cooperative – its member owners.

Our vision for the organization touches every segment of our operations and was developed with our mission in mind. We have made some progress over the past year towards seeing this vision become reality. We are by no means where we want to be but we have made a significant start in positioning Alberta Pool for the future.



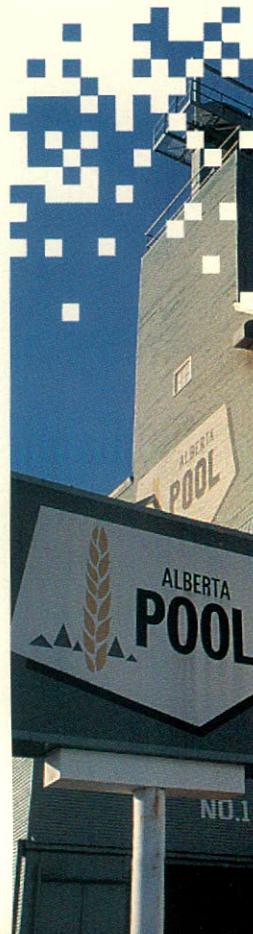
There is good reason to be optimistic about potential growth opportunities in the agricultural sector. World population is growing, demand for grains and oilseeds is high and the shifting market focus towards Asian countries has opened up many new and profitable markets for Canadian agricultural products.

World trade has stabilized somewhat with what appears to be the successful conclusion of the Uruguay Round of the General Agreement on Tariffs and Trade (GATT). Limits on the use of export subsidies under GATT are expected by early 1995. These limits will bring some sanity back into the world market place – production declines and increased prices are anticipated. With restricted use of damaging subsidies by the United States and European Community, Canada will be well positioned to compete under the new trading rules.

In the months to come, our forward-looking strategy will continue to enhance our competitiveness and better serve our customers. Our vision for the future of agriculture builds on our past successes and looks ahead to potential opportunities. It is our vision to be the leading agribusiness, consistently seeking to understand what customers value and exceeding their expectations. Alberta Pool will strive to link farmers to world customers and be the preferred employer in Canadian agribusiness. In our achievement of this vision, we will build on the principles and uniqueness of our cooperative enterprise and combine the skills of our members and staff to achieve, as a team, what no one can do alone – help farmers feed the world.

Alex Graham
President

John Pearson – First Vice President
Neil Silver – Second Vice President
Brian Lindeman – Director, District One
Wilson Sutherland – Director, District Two
Alf Aasen – Director, District Three
Allan Oberg – Director, District Four
Albert Pidruchney – Director, District Six
Dennis Nanninga – Director, District Eight



Chief Executive Officer's Report

"It was the best of times. It was the worst of times." These familiar words best describe the 1993/94 crop year. It was one of the most satisfying, and at times, one of the most frustrating years I have experienced in my 37 years in the agriculture industry.

We were successful in making some substantial improvements in our business. Our market share of grain handled increased by almost two per cent. We had our best-ever year in agro sales. Our gains in the area of non-Board marketing and handling were most impressive. Our staff made measurable strides in seeking to better understand the needs of our customers and adapting to a new culture within the organization.

There were also a number of circumstances facing our business that negatively affected our bottom line. Road blocks such as poor weather, a low quality crop, slow export markets that impeded movement, transportation problems that limited our ability to effectively move grain to export position, and incomprehensible demurrage charges challenged us at every

importance was the value-added segment of our business and our philosophy to get more value for our members' products and expand markets both domestically and internationally.

The operating results in many of our individual divisions reflect our success in finding and keeping customers for a life - a goal prevalent in the day to day activities of all Alberta Pool staff. Net earnings for the year ended July 31, 1994 were \$4.3 million, up from the previous year's earning of \$515,000. Total volume of grain handled jumped to 6.2 million tonnes from 4.9 million tonnes the previous year - an increase of 26.5 per cent. Our improvement in total volume of grain handled resulted in improved market share of 58 per cent, up from the previous year's 56.2 per cent.

These improvements are heartening news, particularly in a year characterized by such unpredictability. It shows we're moving in the right direction and making some measurable progress in repositioning our business to respond to the changing environment. At the same time, we know there is a need to do better. A careful review of our performance over the past year has helped us refine our approach and build on what we have done well.

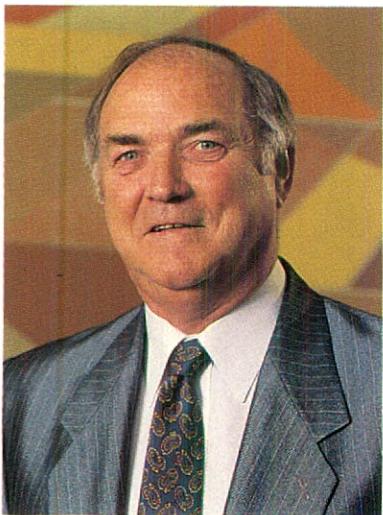
We're not just talking about improving - we're doing it. Our budget for the coming year calls for a total net earning of \$25 million. We have every confidence this is an achievable figure. How will we realize this goal? An aggressive approach to fiscal responsibility, diversification, cost reduction and improved margins will continue to define our operating plans as we strive to meet the very real demands of constructing new facilities, expanding services, and satisfying the desire of our members for a return of their equity.

OPERATING RESULTS

The 1993/94 business plan focused on our core operations of grain and agro handling and marketing. We placed a high priority on seeking to understand our customers, improving the level of service we provide, and increasing the volume of grain handled through Alberta Pool points. We continued to look for ways to strengthen our organization through acquisitions, mergers or amalgamation. Of particular

KAIZEN

The Japanese concept of "kaizen" refers to the ability to do a little better every day, to continually improve or find a better way. This philosophy was adopted by many of our business units over the past year. The end result has been some very real



Chief Executive Officer, Garry Dewar

turn. In many areas of our business we responded and were effective. In others, our efforts - although genuine - did not translate into substantial returns for Alberta Pool.

Some of these factors were beyond our control. Others we worked hard to fix. Despite these difficulties, our ability to respond to the many curves thrown our way has given us renewed confidence to continue on the path we've charted for our business - a path that will strengthen Alberta Pool for the road ahead.

OPERATING RESULTS

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progress in attracting new customers, improving our quality of service, finding new markets, and generating employee commitment to meeting the needs of our growing customer base.

Our performance in the marketing of non-Board grains was remarkable despite the demands of handling a poor quality crop for the second consecutive year. Quick rethinking of our marketing strategy and the ability of our staff to respond with some innovative initiatives propelled Alberta Pool into top spot as the largest non-Board marketer in Canada. Sales of non-Board grains increased 94 per cent and tonnage sold increased 88 per cent to 3.7 million tonnes.

The demand for domestic seed, fertilizers and chemicals was extremely solid. Strong marketing programs and an aggressive approach led to increases in both volume and market share. Agro sales of \$190 million smashed our previous agro sales record of \$163 million set in 1989/90.

The acceptance of new and exciting Ultrabred seed varieties continued to grow, offering both a top quality product to our customers and positive returns to Alberta Pool. We realized a record \$9.8 million in sales of Ultrabred seed (a 26 per cent increase) and registered five new varieties during the past year. We also successfully negotiated an agreement with AgrEvo that gives Alberta Pool exclusive distribution rights to market the first genetically engineered, herbicide-resistant canola variety to be offered in Western Canada. Extensive export market

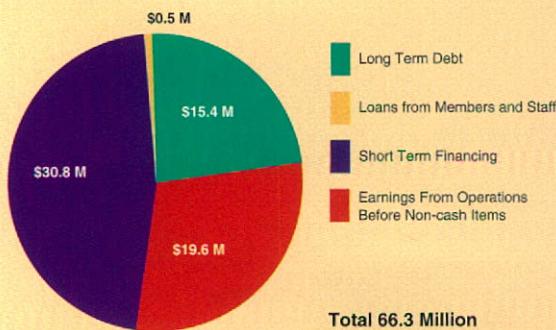
development was initiated which holds excellent potential for growth, particularly in the Pacific Rim.

Our Special Crops Business Unit - in its second full year of operation - continued to make significant gains. Total volume of special crops sourced was 111,000 tonnes, an increase of 370 per cent over the previous year. Pea tonnage achieved the largest gain of any special crop, increasing 251 per cent over the previous year.

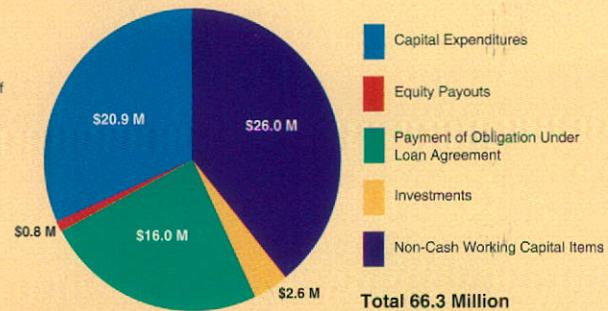
Our Terminal Operations Division was affected by many of the same conditions that pervaded our country operations. The end result was severe underutilization of available west coast terminal capacity. When combined with labor unrest, which prevented the movement of grain to export customers, the overall volume of grain moved through the west coast dropped. Total volume of grain moved through west coast terminals in 1993/94 reached 16.5 million tonnes, down from the previous year's clearance of 17.9 million tonnes.

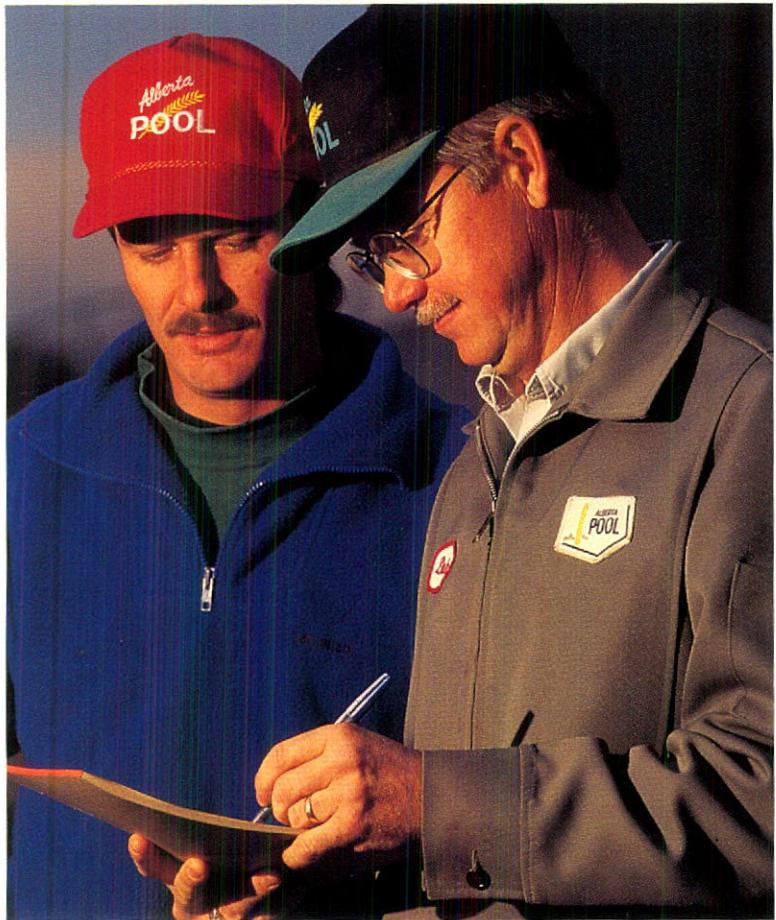
Clearances at Alberta Pool Terminal reached 2.7 million tonnes, down slightly from the 2.9 million tonnes realized in 1992/93. Pacific Elevators Limited (PEL) terminal saw its clearances drop to 2.6 million tonnes after outperforming all other terminals in the Port of Vancouver last year with a handle of 3.0 million tonnes. The new country originations formula adopted by the B.C. Terminal Elevator Operators Association and reduced international sales early in the crop year played a large role in the lower handle in our Terminal Division.

1993-94 Cash Provided By:



1993-94 Cash Used For:





THE CUSTOMER

To improve our service to the customer requires two things. The first and most important is process: pushing decision-making down to our front lines, empowering our employees to do what needs to be done to satisfy customer requirements. The second is proper structures to facilitate high performance: new facilities, new equipment, new and improved products. During the past year we made progress in both these areas and the results are evident in a number of new initiatives aimed at our customers.

We extended a number of our supply agreements with various value-added Alberta businesses. Agreements to source product for companies such as Alberta Distillers Limited, Canada Malt and Maple Leaf Mills were renewed and refined, guaranteeing markets for Alberta Pool and a substantial volume of high-quality product for the end-use customer.

A first-ever agreement was signed with Canbra Foods of Lethbridge that will see Alberta Pool elevators source canola for Canbra in the southern part of the province. This relationship with the largest canola crusher in Alberta will enhance our presence as a handler and marketer of canola and provides increased flexibility to our customers.

Grain marketing continued to be a high priority and we looked at all avenues to find new markets and better prices for our customers. In addition to a comprehensive package of grain and oilseed marketing options, we offered customers expertise in designing production and marketing contracts to generate better returns on their grain. Over 300 Pool employees completed extensive training in commodity marketing. Improved effectiveness in the distribution of market and pricing information to our country staff has prepared them to make more informed decisions.

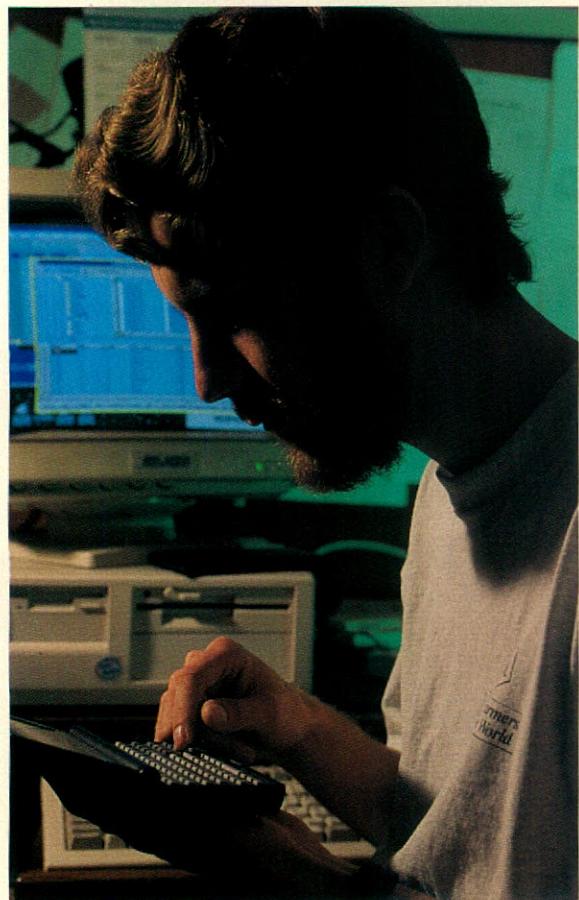
Pool Commodity Trading Service (PCTS) – a division of XCAN Grain Pool Ltd. established in 1992 – was expanded in Alberta. PCTS is a brokerage firm that links growers to various commodity markets by providing trading services to farmers who want to use the futures market to price their grain. An additional broker was added to PCTS's operation in Red Deer, Alberta to meet the demands of increased customer growth.

We continued to experience incredible gains in the special crops business. To meet this demand and expand marketing opportunities for Alberta pea growers, our Special Crops Business Unit proceeded with the development of a pea meal processing facility to service both growers and buyers of Alberta-grown feed peas. This expansion holds great potential for the establishment of a strong domestic pea market in our province.

Alberta Pool's Management Information Systems (MIS) and Country Planning group made considerable progress on the development of a corporate customer data base. The MIS group has also worked closely with our Grain Sales department to actively employ new technology that allows Alberta Pool to better allocate rail cars throughout our country system. This technology was recently recognized by the Alberta Research Council as one of the outstanding projects of the year.

COUNTRY PLAN

Alberta Pool's Country Plan has been in place since 1992. This plan applies to both the grain and agro segments of our business and charts out a clearly-defined path to follow as we work towards consolidation of our country system. Part of the Country Plan focuses on the construction of new facilities, but that is by no means the guts of the plan. A more important and critical aspect of our Country Plan is its focus on a new way of thinking: a new and better way of doing business.



Today's environment requires careful and prudent management of available capital. Increased emphasis on decentralization and regulatory changes in the grain business will result in a vastly different country landscape. The planning we do today, will prepare Alberta Pool for what lies ahead. Successful completion of the Country Plan will position us to make the best and most efficient use

of our available facilities and provide improved service to our customers.

Critical issues such as grain volumes, competition, railway service, volume freight discounts and other customer requirements were considered in the establishment of our strategic plan. Our ultimate goal will be to trim our country elevator network from its present size of over 250 facilities to approximately 100 points. The benefits for customers and for Alberta Pool operations will come in the form of new technologically advanced equipment that will increase efficiencies and offer a more comprehensive package of services to our customers. All proposed locations for new construction are analyzed with these issues in mind.

Within the design plans for construction of facilities at Smoky River and Legacy Junction, provisions were included for inland cleaning. Alberta Pool's decision to proceed with cleaning capabilities at Legacy Junction and be in the position to add cleaning at Smoky River is related to concerns regarding the labor situation at the west coast. The ability to clean grain on the Prairies will offer flexibility to Alberta Pool in instances when terminal operations are shut down as a result of labor disputes. As a business, we simply cannot afford to be defenceless against the damaging impacts of future work stoppages.

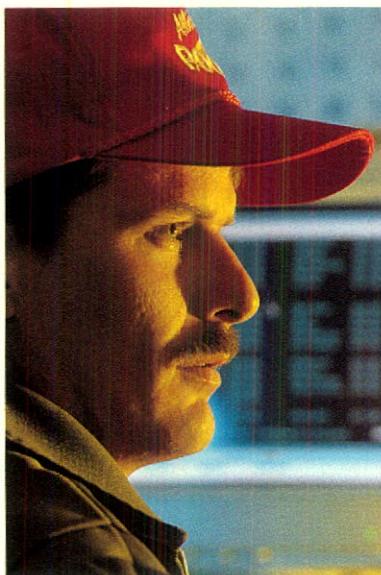
A NEW DIRECTION

Preparing for the road ahead requires clear direction to realize achievement of our goals. To successfully manage the change, we have embarked on a renewal process for the commercial segment of our organization. This management philosophy - called The Heart, Mind and Bottom Line - proposes there are two simple things any company must do to achieve business success:

- find and keep customers for life
- inspire and motivate employees

The focus of this consultative process has been to look at where Alberta Pool is today and where we need to take the organization to meet the needs of our customers in the future. When complete, Heart, Mind and Bottom Line will see all staff trained and empowered as a team to meet the short and long-term objectives of our customers.





A lot has been accomplished in the past year. We completed discussions with staff, Board members, delegates, competitors and suppliers. We even spoke with customers who were not doing business with us to gain some first hand insight into how they viewed Alberta Pool. We essentially bared our soul for all to evaluate and judge. As a result of these meetings, six strategic thrust committees were formed to evaluate and recommend solutions to achieving the long-term requirements of Alberta Pool. These strategic thrust committees are:

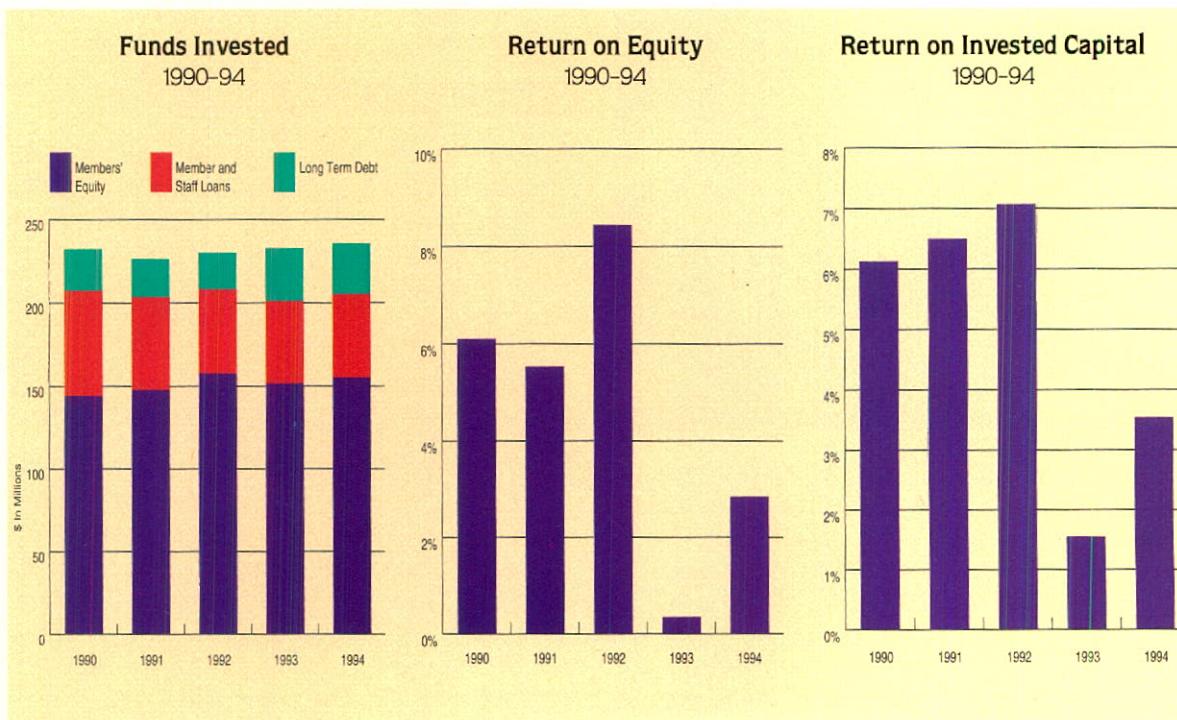
political; end-users; customer needs; management information systems; permanent capital; and employee recognition/motivation.

These committees have worked extremely hard over the course of the year; their most important achievement being the development of a team of employees that is dedicated to the process of find-

ing and keeping customers for life. We've also taken the responsibility to empower our staff to assure the success of our mission and the future well-being of the organization.

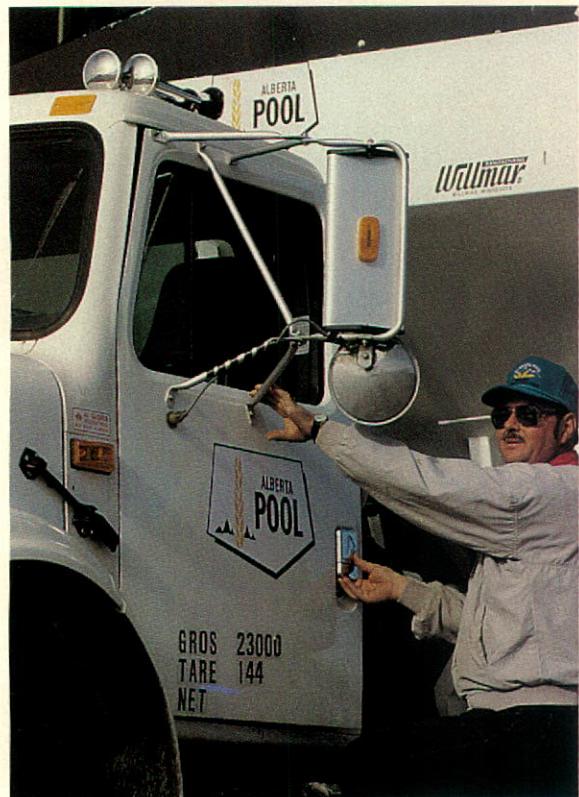
The first stage of this journey is complete and we are now shifting our focus. Over the course of the next year, we must deal effectively with the need to reduce organization-wide costs and produce efficiencies within our system that distinctly set us apart from our competitors. This task will involve a complete evaluation of all processes in the organization with the final target being a more responsive, efficient, cost effective approach to meeting the needs of our customers.

We have been successful in finding a better way to do business. The road we're headed down is a long one where paramount improvements will not materialize overnight. We are just into the second year of this program and I truly believe it will take another year or two to see some significant improvements. Nevertheless, our new attitude has turned some heads. Customers are starting to notice that it's no longer 'business as usual' at Alberta Pool.



THE ROAD AHEAD

There is still significant work to be done. Our future depends on contending with a number of major issues: the restructure of our equity, implementation of our Country Plan, pursuing three Pool discussions, and making further headway with our customer-service initiatives as outlined under the Heart, Mind and Bottom Line process. We are committed to developing innovative ideas in all these areas in order to provide better value to our customers and improved returns to our members.



Our business plan for the coming year provides Alberta Pool with the focus required to generate these changes. There's no doubt in my mind we will once again be challenged by external circumstances but there is considerable reason for optimism. First, we remain committed to meeting the vision and goals we have set for this organization by doing what needs to be done to turn our plans into action. Second, significant changes and improvements in operations over the past year confirm that we're headed in the right direction. Finally, there is considerable room for growth in agriculture, both in

domestic and export markets. A recent vision set for the Canadian grain industry calls for a doubling of our current capability to export and process grains and oilseeds. As one of the larger players in the Canadian agricultural sector, Alberta Pool will play an active role in making this vision a reality.

How will we get there? Positioning Alberta Pool for the road ahead will require a commitment to consistently understand what customers value and make sure we have the necessary structures in place to allow our employees to provide it. It will also require strategic planning in order to manoeuvre around the curves and sharp bends that will inevitably lay in the road ahead. Strategic planning is particularly important for Alberta Pool in light of the many factors affecting our business. Pressures associated with deregulation, consolidation, diversification, demand for new products and services, and the need for increased capital to support future growth and satisfy the desire of our members to have their equity paid out have escalated in recent years and must be addressed.

Most important, any future success will require the dedication and competence of a motivated and well directed team. Alberta Pool has that team and we will continue to strive to be more competitive, more aggressive, more profitable, more innovative and more responsive to our members and customers in the months ahead. With these destinations in mind, Alberta Pool is heading down the road ahead with renewed confidence. A strong commitment to our new direction will strengthen our business and provide better value to our customers. In short, it allows us to meet our mission of helping farmers feed the world.

Garry Dewar
Chief Executive Officer



Affiliated Companies

DRUMMOND BREWING COMPANY LTD. Alberta Pool has held a 50 per cent ownership in Drummond Brewing Company Ltd. of Red Deer, Alberta since July of 1991. Drummond is the third largest brewer in Alberta, marketing its products in Alberta, British Columbia, Saskatchewan and Japan. Results to August 31, 1994 showed a slight market share decline in comparison to the previous year. Drummond successfully launched a private label brand beer called Banff Springs to the Japanese market in 1993. The product has been enthusiastically received in Japan and is presently enjoying successful consumer sales.

in 1993. Pool Insurance Company refunded \$4.6 million to its policy holders.

PRAIRIE SUN GRAINS LTD. Prairie Sun Grains Ltd., formerly Byers Flour Mill, was purchased by Alberta Pool in the spring of 1991. The mill, located in Camrose, processes high quality wheat and flour for bakeries and other similar institutions, as well as pancake mixes for retail markets. Sales for the year ending July 31, 1994 increased 14.5 per cent in dollar value and 10.1 per cent in volume over the previous year. Production volumes of flour and milling products also increased.

PRINCE RUPERT GRAIN LTD. The Prince Rupert Grain terminal handles grain for a consortium of grain companies and other western Canadian grain handling organizations. The 1993/94 crop year was the fifth highest year experienced for receipts and shipments. PRG recorded receipts of 4.4 million (down from last year's receipts of 4.9 million tonnes), and shipments of 4.5 million tonnes (down from last year's shipments of 4.8 million tonnes).

WESTERN CO-OPERATIVE FERTILIZERS LIMITED The fiscal year ended June 30, 1994 was the most successful year Western Co-operative Fertilizers Limited (WCFL) has experienced since its start in 1965. Net earnings for the year nearly doubled to \$20.6 million from the previous year's \$10.5 million. WCFL also increased its market share to 24 per cent in 1993/94. Shipments increased over 12 per cent to 812,000 tonnes, the highest level achieved in WCFL's history. Shipments taken by the three prairie Pools also increased to 670,000 tonnes (a 14.5 per cent increase).

XCAN GRAIN POOL LTD. XCAN is the export marketing arm for the three prairie Pools. During the year ended July 31, 1994, XCAN maintained its distinction as Canada's largest exporter of canola, malting barley, flax, oats, rye, special crops and terminal by-products. XCAN also markets Western feed grains and terminal by-products into the Eastern Canadian and U.S. feed markets. Over the past year, XCAN shipped a record total of 5.2 million tonnes of grain, oilseeds, special crops and by-products, an increase over the 3.4 million tonnes or 52 per cent in comparison to 1993. The increase is primarily due to increased volumes of canola to Canadian crushers and Mexican and European buyers; malting barley to foreign markets; and oats to the U.S. market.



PACIFIC ELEVATORS LIMITED Pacific Elevators Limited, the company that operates Pacific Elevator Terminal in Vancouver, experienced lower handling volumes in comparison to the previous two years. PEL recorded a handle of 2.6 million tonnes, down from the 3.0 million tonnes handled in 1992/93. Net earnings of \$12.4 million were achieved in spite of several negative factors impacting on activity. Alberta Pool is a 60 per cent owner of PEL.

INSURANCE COMPANIES Canadian Pool Agencies Limited and Pool Insurance Company are jointly owned by the three prairie Pools. Canadian Pool Agencies places insurance on Pool facilities and associated companies, most of it with Pool Insurance Company. Canadian Pool Agencies allocated \$121,359 for distribution to member-patrons

Highlights and Comparisons

\$(000s)

	1994	1993	1992	1991	1990
Revenue					
Board Grain Margins	\$ 23,445	\$ 24,891	\$ 40,212	\$ 41,211	\$ 33,830
Non-Board Marketing Margins	31,480	22,142	18,621	16,998	35,492
Agro Margins	30,299	24,807	27,774	28,499	26,322
Specialty Crop Margins	5,046	1,289	670	1,259	1,087
	90,270	73,129	87,277	87,967	96,731
Terminal Services	57,227	57,839	62,108	54,152	52,162
Storage	13,978	13,149	12,820	13,856	11,329
Interest	6,941	10,525	6,256	6,102	9,867
Other	8,437	11,698	12,581	13,422	17,113
	\$ 176,853	\$ 166,340	\$ 181,042	\$ 175,499	\$ 187,202
Net Earnings	\$ 4,269	\$ 515	\$ 12,263	\$ 7,734	\$ 5,912
Capital Expenditures	\$ 21,077	\$ 14,912	\$ 24,429	\$ 25,069	\$ 31,754
Working Capital	\$ 60,437	\$ 65,240	\$ 52,953	\$ 60,766	\$ 73,489
Equity Issued to Members	\$ 118,367	\$ 119,136	\$ 125,602	\$ 117,077	\$ 114,318
Return on Equity (%)	2.83	.34	8.43	5.52	6.09
Current Ratio	1.2	1.3	1.3	1.3	1.4
Other Statistics					
Grain Receipts (tonnes 000s)	6,250	4,974	5,962	6,129	5,918
Number of Licensed Primary Elevators	256	263	264	269	272
Licensed Elevator Capacity (tonnes 000s)					
Country	1,336	1,381	1,402	1,443	1,478
Terminals	482	482	482	482	482
Total Membership	57,497	57,429	58,493	57,967	58,988
Number of employees	1,469	1,457	1,497	1,481	1,696

Certain comparative figures have been reclassified to conform with the current year's method of presentation.



Feature Reports

GRAIN MARKETING

The business of farming has become increasingly complex. To remain competitive, farmers must know as much about marketing grain as they do about growing it.

Keeping up with the changes in commodity markets, exchange rates, transportation considerations and supply and demand is a full-time job. That's where the grain marketing services provided by Alberta Pool can help.

Alberta Pool has many grain marketing programs aimed at easing the challenge of marketing your crop. Our staff investigate markets, evaluate the marketability of various crops, develop new and innovative contracting options and offer growers a range of marketing alternatives.

lemen, but because we deliver directly to the party who is purchasing the grain for use, we have a better understanding of the market. This understanding makes it easier to respond to our customer's demands.

For instance, last year's poor quality crop challenged the grain marketing and transportation departments to find available markets for feed quality grains. An incredible amount of product was moved to local Alberta feedlots and into the U.S. To keep up with the demand, Alberta Pool had an average of 1,200 trucks per week on the road.

There are a number of contract options available through Alberta Pool; each one designed to serve a growers' best interest in various situations. Collectively, these contract options offer the grower infinite flexibility. The contract options currently available include:

- Delivery Options - elevator deliver; producer car or on-farm pickup.
- Payment Options - cash; ticket or deferred settlement.
- Contract Options - forward price deferred delivery; grain pricing order; guaranteed minimum price; production contract; basis contract; partial payment contract; canola cash contract; or special crop production contract.

While all farmers dream of selling at the top of the market, it is not realistic and seldom achieved. Many farmers target the top third of the market. Whatever your target or goal, Alberta Pool can provide a wide range of tools to help you choose the best marketing plan for your individual farm. If you'd like further information on any of the grain marketing options or contracts offered by Alberta Pool, please talk to your local Pool Manager.

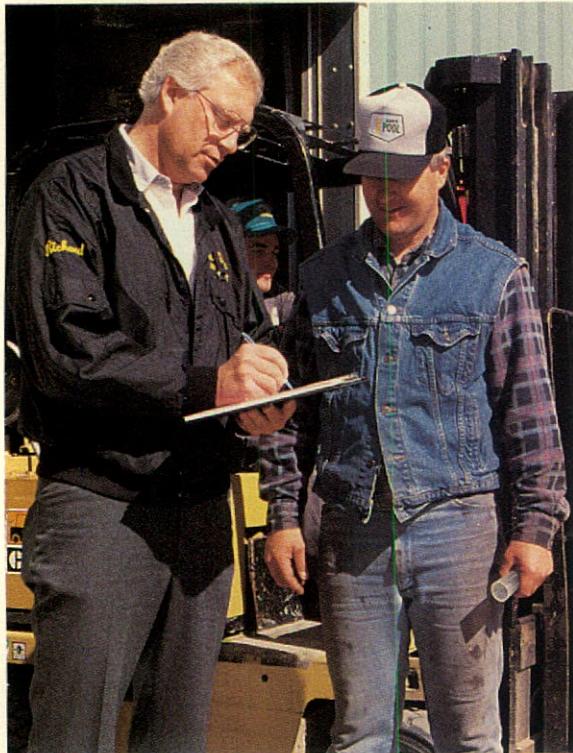
POOL COMMODITY TRADING

Alberta Pool offers futures trading for growers and users of commodities through Pool Commodity Trading Services (PCTS). Today, interest and activity in futures trading is flourishing.

PCTS is a division of XCAN Grain Pool Ltd. It was formed in 1992 by the three prairie Pools to focus specifically on the agriculture industry and related commodities. It's essentially a brokerage firm



The marketing of Alberta-grown crops is one of the primary functions of Alberta Pool. The Pool's policy is to market aggressively to both domestic and international end-users of Alberta grains. Many other grain marketers work through various mid-



that links growers to the various commodity markets by providing trading services to farmers who want to use the futures market to price their grain.

Through PCTS, customers can access the Winnipeg Commodity Exchange, as well as all U.S.-based exchanges. Prior to PCTS being formed, farmers who wanted to trade futures actively had limited opportunity as trading usually had to be conducted through securities firms located in major centres. Today, regional offices are located in all three prairie provinces with Alberta's office based out of Red Deer.

Trading volume rose 44 per cent between January 1992 and April 1994 and revenues during the same period increased 99 per cent. "Our active client base in Alberta has increased more than 224 per cent since January 1992," says Bevyn Litke, PCTS manager. "In today's tight-margin markets, more and more farmers are looking to agencies like PCTS to give them access to the futures market and the potential for improved returns."

For more information on PCTS and the services it provides, call Alberta Pool's Red Deer Regional Office at 1-800-661-7252 and ask for any member of the PCTS team.

AGRO OPERATIONS

Alberta Pool's commitment to expand the agro side of its business and provide new and improved products to its customers was reaffirmed several times during the 1993/94 crop year. The construction of new state-of-the-art agro warehouses was completed at Rockyview, Broxburn and Magrath. At the same time, numerous upgrades to existing agro sites were completed in an effort to expand the range of products and services available at Pool outlets.

Alberta Pool's long-range plan for the agro business highlights strategic locations where Alberta Pool plans to construct new facilities or upgrade existing ones. During the past year, close to \$9 million was invested in projects aimed at improving service to Pool customers. Over the next five years, a total of \$22 million is targeted for Alberta Pool's agro plan.

The Division has led the industry in meeting the changing needs of farmers and society. Investment in new agro product warehouses has been heavy as Alberta Pool strives to comply with warehouse standards initiated by the Crop Protection Institute. Along with the construction of new warehouses, there has been a substantial investment in application equipment and training of staff to meet the ever changing needs of our increasingly sophisticated customer base.

"Our ability to provide specialized agro services to our customers is enhanced by the construction of new facilities and the training of our people," explains Rob Haag, Alberta Pool's Agro Business Development Advisor. "The new facilities allow us to offer new technologically-advanced equipment, professional agronomic advice and custom application services to a broader-base of farm customers."

Increased prices for farm products, a renewed optimism in the farm community and Alberta Pool's efforts to improve customer service in the agro segment of its businesses led to exceptional growth in Alberta Pool's farm supply business in 1993/94. Sales from agro products reached a record \$190 million this past year and Alberta Pool was successful in gaining market share in most product lines. Overall sales of fertilizer, crop protection products and twine increased by an incredible \$35.5 million or 22.9 per cent.



Feature Reports

SEED BUSINESS UNIT

Alberta Pool's Seed Business Unit was formed in 1991 to bring all the operational areas of Alberta Pool's seed business into one division. Located in Camrose, the SBU has quickly become one of Alberta Pool's most efficient and successful divisions.



The primary function of the SBU is the processing and procurement of seed but the Unit also provides support to Alberta Pool's country system on the retail end of the seed business. Everything from helping farmers test seed samples and signing contracts for the production of B-1602, to accepting tenders for forage seed is handled by the experienced staff of the SBU. The focus of the Unit is on both the farm customer and the end-user of Canadian grown seed.

The unit concept adopted by Alberta Pool's SBU has generated efficiency improvements and created several potential opportunities for growth and development. It's also meant better service and better selection for Pool customers domestically and internationally.

During the past crop year, the SBU acquired rights to ten new varieties, increasing the number of Ultrabred varieties marketed by the Pool to 30. Of this number, ten were registered in 1993/94. A strong market for seed and an aggressive sales approach by Pool staff resulted in sales for the unit of \$27.6 million in 1993/94, up \$31 million the previous year.

"Once again, our Unit was lead by Ultrabred seed sales which increased 26 per cent to \$9.8 million," said SBU Manager Clarence Mastel. "Ultrabred seed is becoming the brand name of choice for many Alberta growers because of its strong agronomic characteristics and reliability. Our research program is second to none in western Canada and its reputation is showing results in many of the new varieties being brought to market under the Ultrabred name."

RESEARCH & DEVELOPMENT

Alberta Pool's Research and Development Department and the Ultrabred brand name have pooled their efforts to produce a winning combination for farmers. This past year, there were several success stories for both divisions.

The Research and Development Division of Alberta Pool continued its commitment to provide improved varieties to both producers and end-users. The department maintained several important partnerships with other plant breeding organizations and is continuing to seek other partnerships and alliances that will be beneficial to Alberta Pool.

In 1993/94, five new varieties (one barley and four canola) were supported for registration. In addition, the department also supported Alberta Pool's Seed Business Unit (SBU) in acquiring an additional five varieties through a tendering process.

The department also assisted the Board of Directors in finalizing an agreement with the University of British Columbia on the breeding and development of Creeping Red Fescue and was

active in market development, particularly in the former USSR and in the Pacific Rim. This latter area offers the best immediate opportunity for increased sales of western Canadian crops.

In the spring of 1994, the department completed a long-term agreement with the University of Alberta on canola breeding: an agreement that greatly strengthens the organization's ability to secure improved canola varieties in the future.

"The pooling of resources with the University of Alberta offers efficiencies in research, logistics and genetic evaluation not available if the programs run separately," explains Dick Klaffke, Alberta Pool's Manager of Research and Development. "This new collaboration offers potential for very high returns to the agricultural grains industry of western Canada."

Alberta Pool outbid many competitors for the exclusive rights to one of the University of Alberta's most promising Argentine canola varieties this past year. Klaffke says this particular variety has shown outstanding yield potential – as much as 17 per cent higher than standard canola varieties –

and also has impressive resistance to blackleg. Alberta Pool is hoping to register this new canola variety in 1995 and if approved, it could hit the market the same year.

ULTRABRED VARIETIES

Alberta Pool's Research and Development Department has teamed up with the Pool's Ultrabred program to produce a number of proven varieties for western Canadian farmers. Among these varieties are Oslo and Conway wheats, Legend, Colt and Horizon canola, Express peas and B-1602 malt barley. WL225 alfalfa, Carneval peas and Legacy canola are the latest to join the list.

"Ultrabred is a product line developed and evaluated in western Canada to fit the needs of farmers in western Canada," says Keith Martin, Ultrabred's Marketing Supervisor. "Ultrabred's field evaluation program permits research personnel to provide farmers with a complete information and performance package about every variety licensed. It's practical, useful information that has years of testing behind it."

BUSINESS SEGMENTS

For the Year Ended July 31, 1994 (\$000s)

	GRAIN		TERMINALS		AGRO		ELIMINATIONS		TOTAL	
	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993
Revenue										
External										
Inter-Segment	890,485	623,722	73,592	73,653	210,395	170,760			1,174,472	868,135
	3,169	3,527	2,677	2,914			(5,846)	(6,441)	0	0
	893,654	627,249	76,269	76,567	210,395	170,760	(5,846)	(6,441)	1,174,472	868,135
Operating Income	13,602	15,215	16,441	17,094	6,592	2,391			36,635	34,700
General Corporate Expense									(24,606)	(28,302)
Interest Expense									(6,902)	(8,272)
Equity (Loss) Income of Affiliates									(638)	1,919
Taxes									(220)	470
Net Earnings									4,269	515



Feature Reports

Six new Ultrabred varieties were supported for registration the past year; three canola, two barley and one oats. In addition, Alberta Pool secured the rights to market the first genetically-engineered canola variety in western Canada. Klaffke says this new variety is up for registration in 1995 and if accepted, will result in a whole new production package for farmers.

Several new varieties with higher yield potential or better disease resistance are also in the works. In 1994, Alberta Pool marketed the new canola variety Legacy and registered the new cultivars Frontier (AK88528) and B2014.



Some malt barley varieties registered in the past two years are also showing promise. A two-row malt barley called B1215 is in the market development phase and results to date show it has superior agronomic characteristics to Harrington. "The most encouraging aspect of B1215 is that it has market potential in the domestic, U.S. and foreign markets, particularly in Japan," says Klaffke.

Klaffke says there is also considerable potential in many of the Pool's six-row malt barley varieties. AC-Buffalo (a variety acquired from the Agriculture Canada Research Centre in Brandon) and BT926 (a variety developed with American brewing giant Anheuser-Busch), are both in the market evaluation phase and have yielded some promising results to date.

"As technology improves, better varieties are coming out much quicker," says Martin. "The new marketplace contains several new varieties and our customers know they can rely on Ultrabred seed

because we do everything we can to ensure a variety performs before it gets into the marketplace."

For more information on Alberta Pool's research program or Ultrabred varieties, farmers can call Dick Klaffke at (403) 290-4904 or Keith Martin, Ultrabred Supervisor at (403) 679-5144.

SPECIAL CROPS

The popularity of special crops has been rapid in recent years. This past year was no exception. More and more farmers are including special crops like peas, mustard, lentils or spices in their cropping rotations.

The 1993/94 crop year was the second year of operation for Alberta Pool's Special Crops Business Unit. The SCBU realized a 370 per cent increase in the total volume of special crops sourced in 1993/94 when compared with the previous year.

Alberta Pool's SCBU provides farmers with a stable, aggressive, service-oriented source for marketing and processing special crops. It contracts acreage on peas, lentils, mustard, safflower, canary seed and spice crops. This past year, the Unit also entered into a joint venture with Wilbur-Ellis to process Timothy Hay for export to Far East markets.

One of the SCBU's more exciting ventures over the course of the last year has been the completion of a new pea meal processing facility in Camrose. The Unit is now actively marketing pea meal and Peagan meal to the feeding industry.

"One of our main areas of focus in the special crops business is to make sure we do what is necessary to open up new markets for pea growers," says Macfarlane. "In the past, feed mills, feeders and others have been approached about expanding the use of peas as a feed stuff, but to really establish the market, lay the foundation for future growth, and ensure consistency and stability of supply, we felt we needed to take this step."

The new plant is now fully equipped to clean, blend and mill peas into a pea meal that meets the consistency and quality requirements of hog growers in the province. For hog growers, the pea meal production facility should be welcome news because consistency of protein in peas is something the new facility will guarantee.



Macfarlane says that when hog farmers grow or purchase peas, protein levels can vary dramatically. The blending and cleaning equipment and detailed analysis of product coming out of the Camrose plant will eliminate any uncertainty about protein levels and allow hog growers to build their rations with confidence that they've met their protein requirements.

In addition to producing pea meal, the plant also produces a special blend of peas and canola - called Peacan - that ensures performance, but is a lower cost alternative to soy meal. Peacan is a blend of 1/3 canola meal and 2/3 pea meal. In short, says Macfarlane, Peacan is Alberta's home-grown replacement for soy.

"Our trials show pea meal and Peacan meal give similar results to all-soya diets, but at current market prices, Peacan meal offers a cost savings of \$2.00 per shipped pig over soya," notes Macfarlane.

Additional information about Alberta Pool's Special Crops Business Unit or the Camrose Pea Mill is available by contacting the facility directly at (403) 672-3829; Special Crops Trader Dave Macfarlane at (403) 382-3412; or Special Crops Business Unit Manager Blair Roth at (403) 382-3405.

CONDOMINIUM STORAGE

Condominium storage is the newest, most innovative service to hit the grain industry in years and it's available from Alberta Pool.

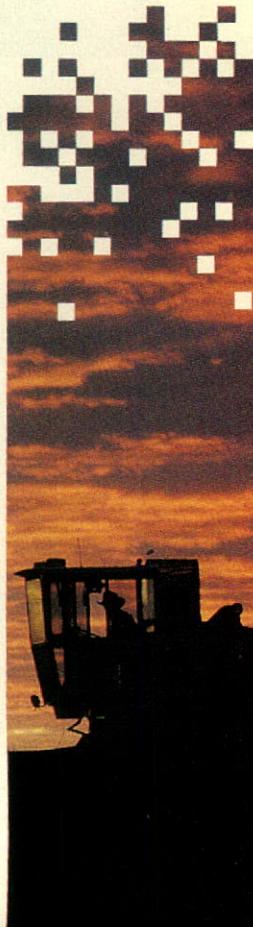
The condominium concept provides personalized and specified storage space to a producer. Unlike traditional on-farm storage bins, condominium storage is situated adjacent to an on-track grain elevator. Alberta Pool presently offers storage space in 4,000 bushel units at Legacy Junction, Falher and Vermilion.

Alberta Pool's condominium storage agreement allows farmers to purchase a defined volume of space with flexibility to utilize the storage as they see fit. Grain delivered to the elevator is co-mingled with like grades and varieties delivered by other owners.

Alvin French, Alberta Pool's Operations Manager in Falher, says the advantages of condominium storage include increased storage capacity, flexibility to haul grain at your own convenience (thereby avoiding road bans and inclement weather), and the ease of a phone call to the elevator manager if you want to sell your grain.

"Farmers are also attracted by the fact that Alberta Pool assumes liability for the condition of grain, we cover the taxes, repairs and maintenance during the first five years, and guarantee the purchase price during that same five year time frame," said French.

Each 4,000 bushel condominium storage unit sells for \$10,000 (\$2.50 per bushel). Attractive financing arrangements are available for farmers interested in purchasing a condo storage unit. For a personalized consultation on condominium storage call: Don Gordash, Operations Manager, Camrose (403) 672-2280; Alvin French, Operations Manager, Falher (403) 837-2093; or Russell Stewart, Operations Manager, Vermilion (403) 853-1979.



Feature Reports

ENVIRONMENTAL INITIATIVES

Alberta Pool is committed to protecting the environment in the conduct of its operations and in all activities under its control.

Increasing public concern about the environment, new environmental protection laws and tougher penalties for environmental pollution demand that Alberta Pool undertake actions that minimize any impact on the environment.



In 1991, Alberta Pool adopted an Environmental Code of Conduct that forms the basis for employees to incorporate environmental considerations into all business activities. All the policies we've developed to date address responsibility to the environment, sustainable agriculture, ethical and moral business standards and conservation of our resources.

Among the environmental management initiatives undertaken during 1993/94 were:

Environmental Audits Thirty five (35) projects had environmental impact assessments and audits carried out as part of the due diligence process. Most of these were conducted by outside consultants under the direction of the Construction and Engineering Department and the Corporate Planning Group.

Waste Minimization In keeping with our environmental goals to reduce, reuse, recycle and recover a number of waste saving projects were undertaken. Initiatives to recycle and reuse combined to generate efficiency gains and cost savings of over \$86,000.

Warehousing Standards The upgrading and building of new warehouses for the storage and handling of pesticides to meet industry and government standards continued in earnest this past year. The standards which come into force March 31, 1995 will ensure Alberta Pool facilities meet new environmental rules, safeguard employee and public safety and protect the environment. When completed in 1995, the plan will see the number of warehouse storage facilities consolidated to around 350 in Alberta and to about 80 in the Alberta Pool system.

Farm Environmental Assessment Manual Alberta Pool introduced the Farm Environmental Assessment Manual to Alberta farmers last winter. The manual - a self-administered, formal plan for measuring and quantifying a farm's environmental performance - was made available to over 3,000 farmers and a large number of agricultural associations and government departments.

Conservation 2000 Program During the year, responsibility for management of the Conservation 2000 program was shifted from the Communications Department to the Environmental Policy and Planning Department. Early in 1994, the Conservation 2000 Foundation members (Dupont, Monsanto, WCFL and AWP) initiated a strategic renewal process for the program. A new mission and goals were developed and the terms of reference expanded beyond soil and water conservation to resource management and new technology transfer.

Environmental Award Program A program that recognizes the efforts of employees to develop processes that reduce environmental impact was established this past year and will be introduced in 1994/95. The program will be a team driven program and will reward departments that clearly demonstrate an ability to meet corporate environmental goals and the bottom line requirements of Alberta Pool in a positive, tangible and measurable way.

Alberta Pool remains committed to leading the agriculture industry in protecting the environment. Where ever business is conducted, we will take the initiative to develop innovative solutions to those environmental issues that affect our business. There is much evidence of a new approach within Alberta Pool - an approach that ensures we include environmental considerations from the very beginning to the very end of all our activities.

Management Report

The accompanying consolidated financial statements of Alberta Wheat Pool and its subsidiaries, together with other information contained in this annual report have been prepared by Management, who have full responsibility for them, and approved by the Board of Directors. The statements reflect the results for the year ended July 31, 1994, and the financial status of the organization as at that date.

Management's responsibility includes ensuring that the financial statements are presented in accordance with generally accepted accounting principles, and that appropriate systems of internal control are in place to provide reasonable assurance as to the reliability of the financial information, as well as the safety of all of the organization's assets. The Board of Directors' approval of the financial statements and related information is carried out principally through its Audit and Finance Committee which reviews them with Management and recommends their approval by the Board.

These consolidated financial statements have been examined by the Members' auditors, Deloitte & Touche, whose report is presented separately. Concurrent with their examination, the auditors had full access to the Audit and Finance Committee on all matters pertaining to the financial presentation and internal controls, as well as other related issues.



G. J. Dewar
Chief Executive Officer



L. J. Gracie
Acting Chief Financial Officer

Auditors' Report

To the Members of Alberta Wheat Pool:

We have audited the consolidated balance sheet of Alberta Wheat Pool as at July 31, 1994 and the consolidated statements of operations and retained earnings and changes in cash for the year then ended. These financial statements are the responsibility of the Association'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 statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Association as at July 31, 1994 and the results of its operations and the changes in cash for the year then ended in accordance with generally accepted accounting principles.

Calgary, Alberta
October 13, 1994


Chartered Accountants

Consolidated Balance Sheet

As At July 31, 1994

	1994	1993
	\$(000s)	
ASSETS		
Current Assets		
Cash	6,908	4,858
Accounts receivable	175,980	135,115
Inventories (Note 3)	157,186	135,450
Prepaid expenses	7,177	3,929
	<hr/> 347,251	<hr/> 279,352
Property and Equipment (Note 4)	152,221	145,815
Investments and Memberships (Note 5)	22,149	21,009
Other Assets	556	518
	<hr/> 522,177	<hr/> 446,694
LIABILITIES		
Current Liabilities		
Cash tickets outstanding	38,321	22,153
Short-term loans	165,271	148,600
Accounts payable	82,840	43,001
Current maturity of long-term debt	382	358
	<hr/> 286,814	<hr/> 214,112
Loans From Members, Staff and Co-operatives (Note 6)	49,945	49,455
Long-Term Debt (Note 7)	26,636	11,223
Obligation Under Loan Guarantee (Note 8)	-	16,000
Minority Interest	3,555	4,177
	<hr/> 366,950	<hr/> 294,967
MEMBERS' EQUITY		
Equity Issued to Members (Note 9)	118,367	119,136
Retained Earnings	32,591	32,076
Net Earnings	4,269	515
	<hr/> 155,227	<hr/> 151,727
	<hr/> 522,177	<hr/> 446,694

APPROVED BY THE BOARD

T. A. Graham, Director

J.F. Pearson, Director

Consolidated Statement of Operations and Retained Earnings

For the Year Ended July 31, 1994

	1994	1993
	\$(000s)	
Revenue		
Sales and other operating revenue	1,174,472	868,135
Cost of sales	997,619	701,795
	<hr/>	<hr/>
	176,853	166,340
Expenses		
Human resources	82,197	82,193
Other operating	17,680	14,294
Depreciation and amortization	15,137	14,887
General and administrative	13,482	12,185
Repairs and maintenance	12,017	10,508
Property taxes	9,588	9,543
Interest	6,902	8,272
Rentals	6,608	5,680
	<hr/>	<hr/>
	163,611	157,562
Earnings from operations	13,242	8,778
Gain on disposal of investment	-	2,110
Earnings attributable to others (Note 10)	<hr/>	<hr/>
	(8,753)	(10,843)
Earnings before provision for taxes	4,489	45
(Provision for) recovery of taxes	<hr/>	<hr/>
	(220)	470
NET EARNINGS	<hr/>	<hr/>
	4,269	515
Retained earnings, beginning of year	32,076	32,079
Less patronage refunds allocated as members' equity	-	3
	<hr/>	<hr/>
Net earnings allocated	32,076	32,076
RETAINED EARNINGS, END OF YEAR	<hr/>	<hr/>
	515	-
	<hr/>	<hr/>
	32,591	32,076

Consolidated Statement of Changes in Cash

For the Year Ended July 31, 1994

	1994	1993		
	\$(000s)			
Cash provided by (used in):				
Operating Activities				
Earnings from operations	13,242	8,778		
Items not affecting cash:				
Depreciation and amortization	15,137	14,887		
Earnings attributable to others	(8,753)	(10,843)		
Write down in investment	1,000	1,000		
(Provision for) recovery of taxes	(220)	470		
(Gain) loss on sale of property and equipment	(48)	97		
Minority interest	(622)	47		
Equity (earnings) loss from investments	(120)	1,523		
	19,616	15,959		
Change in non-cash working capital items	(26,010)	(73,205)		
	(6,394)	(57,246)		
Financing Activities				
Increase in long-term debt	15,437	9,072		
Payment of obligation under loan guarantee	(16,000)	-		
Members' equity payments	(769)	(6,466)		
Increase (decrease) in loans from members, staff and co-operatives	490	(929)		
	(842)	1,677		
Investing Activities				
Purchase of property and equipment	(21,077)	(14,912)		
(Increase) decrease in investments and memberships	(2,604)	8,094		
(Increase) decrease in other assets	(146)	659		
Proceeds on disposition of property and equipment	274	240		
	(23,553)	(5,919)		
DECREASE IN CASH				
Cash, beginning of year	(30,789)	(61,488)		
Cash, end of year	(196,684)	(165,895)		

Cash is defined as cash tickets outstanding and short-term loans, net of cash.

Notes to the Consolidated Financial Statements

For the Year Ended July 31, 1994

1. NATURE OF BUSINESS

Alberta Wheat Pool ("the Association") is incorporated by a special Act of the Alberta Legislature and is primarily engaged in the supply of services to the Agriculture industry. A significant portion of its transactions is with members of the Association.

2. ACCOUNTING POLICIES

In preparing its financial statements the Association follows generally accepted accounting principles. The following is a summary of the significant accounting policies adopted by the Association:

Principles of consolidation

These consolidated financial statements include the accounts of Alberta Wheat Pool and its subsidiaries:

	Percentage Ownership
Western Pool Terminals Ltd.	60%
Pacific Elevators Limited	60%
Alberta Wheat Pool Financial Corporation	100%
Prairie Food Holdings Inc.	100%
Demeter (1993) Inc.	100%
Alberta Industrial Mustard Company Ltd.	50%

All significant inter-company transactions have been eliminated.

Investments and memberships

The Association uses the equity accounting method for recording the carrying value of its investments in certain affiliated companies over which it has significant influence.

Portfolio investments are stated at cost less provisions for permanent decline in value when appropriate.

Property and equipment

Property and equipment are recorded at cost less investment tax credits earned. Depreciation is charged on either a straight-line or a declining balance basis at annual rates varying from 4% to 30%, designed to amortize the cost of the assets over their useful lives.

Other assets

Goodwill and patent rights are amortized on a straight-line basis over five years.

Notes to the Consolidated Financial Statements

For the Year Ended July 31, 1994

2. ACCOUNTING POLICIES (continued)

Recognition of income

Handling revenues related to country and terminal elevators are considered earned at the time that shipments are made from the facilities.

Revenues from grain overages registered in advance at the terminal elevators are recorded at the time of registration.

Foreign currency translation

The Association has an investment in an integrated foreign operation in the United States. The temporal method is used to translate the financial statements of the foreign operation.

Net earnings

Net earnings are allocated by way of patronage refunds according to the equity targets established by the Board.

Income taxes

The Association follows the tax allocation method of accounting. Taxes otherwise payable for the year have been eliminated primarily through the allocation of tax deductible patronage dividends.

3. INVENTORIES

	1994	1993
	\$ (000s)	
Grain purchased for delivery to the Canadian Wheat Board, valued at established delivery prices, after deferral of unearned handling revenues	96,477	85,024
Grain valued at cost, with unrealized gains or losses on contracts being deferred until the contracts are closed	11,773	2,918
Other inventories, including seed and agro supplies, valued at the lower of cost and net realizable value	48,936	47,508
	157,186	135,450

4. PROPERTY AND EQUIPMENT

Property and equipment are classified by operating division as follows:

		1994	1993
		\$ (000s)	
		Accumulated Cost	Net Book Depreciation
Country facilities	206,724	130,267	76,457
Terminal operations	142,040	79,740	62,300
Other	29,059	15,595	13,464
	377,823	225,602	152,221
			145,815

During 1994, interest of \$73,000 (1993 - \$1,376,000) was capitalized on major projects under construction.

5. INVESTMENTS AND MEMBERSHIPS

		1994	1993
	% Ownership	\$ (000s)	% Ownership
Equity investments			
Ridley Grain Ltd.	26.2%	7,081	29.1%
Drummond Brewing Company Ltd.	50.0%	4,373	50.0%
XCAN Grain Pool Ltd.	33.3%	4,444	33.3%
Lloydminster Joint Venture	50.0%	3,009	-
Other	-	2,450	-
		21,357	20,269
Portfolio investments and memberships			
	-	792	740
		22,149	21,009

6. LOANS FROM MEMBERS, STAFF AND CO-OPERATIVES

Substantially all loans from members, staff and co-operatives are on a demand basis. However, experience has shown that such obligations are outstanding for longer than one year and accordingly they are not included in current liabilities. Interest paid during the year was \$2,665,000 (1993 - \$2,925,000).

Notes to the Consolidated Financial Statements

For the Year Ended July 31, 1994

7. LONG-TERM DEBT

	1994	1993
	\$(000s)	
Alberta Wheat Pool Term loan	25,795	10,000
Western Pool Terminals Ltd. 6-5/8% mortgage	1,223	1,581
	27,018	11,581
Less current maturity	382	358
	26,636	11,223

Three term facilities totalling \$25,795,000 have been entered into by the Association. As of July 31, 1994, the full amount of two facilities had been drawn.

The first facility is a \$15,000,000 revolving term loan. This facility has a one-year revolving period during which interest is payable at prime, bankers' acceptances plus 5/8% or London Inter-Bank Offer Rate plus 5/8%. On an annual basis the revolving period may be extended an additional year or converted to a reducing four-year term loan. Upon conversion to a reducing term loan, interest is payable at prime, bankers' acceptances plus 3/4% or London Inter-Bank Offer Rate plus 3/4%. The loan is repayable in quarterly installments of \$562,500 with the balance due at the end of the four-year term.

A second facility for \$10,000,000 represents a five year term loan. During the first year of the loan a floating interest rate is in effect with the option to convert to a fixed interest rate upon written notice. The floating interest rate is set monthly at a rate equal to the 30-day Government of Canada Treasury Bill yield plus 1.40%. At the end of the first year or on written notice during the first year, the loan converts to a fixed rate four year term. The fixed interest rate becomes the average of the five-year Government of Canada Bond yields for three business days before conversion plus 1.40%. Principal is due at the end of the five years.

The third facility is a \$2,200,000 interest free five year term loan of which \$795,000 was drawn as of July 31, 1994. Installment payments of \$232,207 are due in 1996 and 1997. The balance of the loan is due and payable July 1998.

The mortgage is secured by the property and equipment of Western Pool Terminals Ltd. and is payable in annual instalments of \$463,000, including interest, to 1997.

Interest on long-term debt was \$1,330,000 (1993 - \$125,000).

7. LONG-TERM DEBT (continued)

Assuming that the loan is converted to a reducing term loan at the end of the current one-year revolving period, repayments of long-term debt for the next five years ending July 31 are as follows:

1995	\$ 382,000
1996	\$ 2,771,000
1997	\$ 2,798,000
1998	\$ 2,817,000
1999	\$ 18,250,000

8. OBLIGATION UNDER LOAN GUARANTEE

The Association was released from an obligation under a loan guarantee on July 15, 1994 after direct payment of an affiliated company's loan.

9. EQUITY ISSUED TO MEMBERS

Members' equity is comprised of reserve and surplus plans. The reserve plan consists of the members' initial membership fees plus any earnings allocated to members that have not been paid in cash. The surplus plan account includes the amount by which each member's equity exceeds their individual reserve target amount. These accounts are eligible to be paid out in any year when the Association has distributable equity.

Members' equity at beginning of year
Deduct members' equity purchased

Members' equity at end of year

	1994	1993
<hr/>		
	\$ (000s)	
Members' equity at beginning of year	119,136	125,602
Deduct members' equity purchased	769	6,466
Members' equity at end of year	118,367	119,136

As at July 31, members' equity is comprised of the following balances:

Reserve plan	70,463	70,718
Surplus plan	47,904	48,418
	118,367	119,136

Notes to the Consolidated Financial Statements

For the Year Ended July 31, 1994

10. EARNINGS ATTRIBUTABLE TO OTHERS

The Association has investments in companies for which it is the majority shareholder but not the sole owner. The pro rata income of these affiliated companies attributable to other shareholders is allocated to the other shareholders as minority interest. In the case of Pacific Elevators Limited, the earnings are not distributed on the basis of share ownership but rather are distributed pursuant to a signatory shippers agreement which distributes earnings on the basis of volumes handled through the terminal.

	1994	1993
	\$(000s)	
Net earnings (loss)		
Pacific Elevators Limited		
Allocation to signatory shippers	8,652	10,796
Minority interest		
Alberta Industrial Mustard Company Ltd.	117	-
Western Pool Terminals Ltd.	(16)	47
	<hr/> 8,753	<hr/> 10,843

11. LEASE COMMITMENTS

The Association leases a variety of equipment under various operating leases which will be in effect until July 31, 1999. Future lease payments aggregate \$8,725,000 as follows:

1995	\$ 2,714,000
1996	\$ 2,319,000
1997	\$ 1,649,000
1998	\$ 1,333,000
1999	\$ 710,000

12. COMMITMENTS AND CONTINGENCIES

The Association has guaranteed and is contingently liable for up to \$5,625,000 of the debt owed by affiliated companies.

13. PENSION PLANS

The Association has defined benefit pension plans covering substantially all of its employees. The most recent actuarial valuation of the Association's obligation was made as of January 1, 1993 and indicated an obligation of \$66,983,000. Based on the January 1, 1993 valuation, a projected obligation for July 31, 1994 was set at \$66,387,000 (1993 - \$66,796,000). The market value of the assets at July 31, 1994 is \$66,012,000 (1993 - \$67,206,000).

14. RELATED PARTY TRANSACTIONS

The Association operates as a cooperative and, as such, conducts a substantial portion of its business activities with related parties consisting primarily of the Association's shareholder members and companies owned or significantly influenced by the Association together with other western Canadian cooperatives. In addition to transactions with members, including grain purchases and sale of farm products, the Association acquires from and sells to other related parties certain other goods and services in the normal course of business.

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's method of presentation.

Delegates 1994-95

DISTRICT ONE

101	Sauer, Richard	Maleb
102	Ford, Ross H.	Coutts
103	Zobell, John W.	Raymond
104	Neilson, Thomas	Cardston
105	Tsukishima, Mutt	Coaldale
106	Dillenbeck, Bryan R.	Foremost
107	Zeinstra, John	Picture Butte
108	Jacobson, Lynn	Enchant

DISTRICT TWO

201	Paulsen, Howard	Stavely
202	Pasolli, Alan K.	Champion
203	Monner, Michael	Milo
204	Smith, Gary	High River
205	Groeneveld, George	Blackie
206	Moulton, Gordon	Hussar
207	Bird, Lionel M.	Carstairs
208	Duhn, Robert L.	Delacour

DISTRICT THREE

301	Fischer, Marvin A.	Hilda
302	Evens, Dean	Oyen
303	Skriver, Gordon	Tilley
304	Smillie, Gordon R.	Bassano
305	Reiffenstein, A. Laurie	Drumheller
306	McNaughton, Mel	Rumsey
307	Gordon, Maxwell	Craigmyle
308	Anderson, Donald J.	Consort

DISTRICT FOUR

401	Degenhardt, Terry-Lee	Hughenden
402	Jackson, Edward	Irma
403	Haydu, Richard	Paradise Valley
404	Ulan, Walter	Blackfoot
405	Bury, Michael	Mannville
406	Loveseth, Kevin	Viking
407	Ponto, Robert	Galahad
408	Thomas, Harvey R.	Alliance

DISTRICT FIVE

501	Farmer, Richard	Acme
502	Parry, Brian	Three Hills
503	Schaefer, Vernon F.	Innisfail
504	Hoppins, Dennis	Huxley

DISTRICT FIVE (continued)

505	Scheerschmidt, Douglas	Stettler
506	Northey, Robert E.	Red Deer
507	Hilman, Perry	Red Deer
508	Wymenga, Dick	Leslieville

DISTRICT SIX

601	Lawrence, John A.	Clandonald
602	Gordyko, Pat	Two Hills
603	Ziegler, Arden	Vegreville
604	Fedun, David	Andrew
605	Galloway, Peter W.	Ft. Saskatchewan
606	Forcade, Loenard	Legal
607	Severin, Dwayne M.	St. Paul
608	Shalka, Kenneth R.	Fort Kent

DISTRICT SEVEN

701	Lunty, Donald W.	Forestburg
702	Holmberg, James S.	Rosalind
703	Rasmussen, Earl	Gwynne
704	Loov, Bill	Bluffton
705	Rude, Lars E.	Tofield
706	Appleby, Kenneth	Tofield
707	Besler, Richard	Thorsby
708	Hagman, Earl	Mayerthorpe

DISTRICT EIGHT

801	Feniak, Robert	Warspite
802	Ewaskow, Russel F.	Thorhild
803	Jenkins, Charles L.	Grassland
804	Trueblood, Brian	Dapp
805	Miller, Lawrence L.	Barrhead
806	Adolphson, Norman	Valleyview
807	Blanchette, Rene	Girouxville
808	Larison, Raymond D.	Peace River

DISTRICT NINE

901	Woronuk, Brian	Rycroft
902	Balderston, Gilbert	Sexsmith
903	Harris, Peter	Beaverlodge
904	Smolik, Garry	Dawson Creek
905	Parker, Doug J.	Clayhurst
906	Moskalyk, Ralph G.	Fairview
907	Anderson, Leonard	Grimshaw
908	Fedeyko, William S.	High Level

Corporate Information

Board of Directors

T.A. Graham
President
Spirit River

J.F. Pearson
First Vice-President
Donalda

N.D. Silver
Huxley
Second Vice-President

A.L. Aasen
Rainer

B. Lindeman
Milk River

D. Nanninga
Barrhead

A.L. Oberg
Forestburg

A.L.D. Pidruchney
Myrnam

W.J. Sutherland
High River

J.R. Anderson
Corporate Secretary

Management Executive

G.J. Dewar
Chief Executive Officer

R.E. Butler
General Manager
Terminal Operations

B.D. DuPont
Director
Human Resources

A.K. Froehlich
General Manager
Country Division

L.J. Gracie
Acting Chief Financial Officer

D.V. Riddell
Director
Corporate Affairs

M.M. Thomas
Manager
Corporate Planning

Legal Counsel

MacKimmie Matthews

Auditors

Deloitte & Touche

Bankers

Bank of Montreal
Toronto Dominion Bank

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Facsimile: (403) 290-5550

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Facsimile: (403) 539-3033

Region II Office

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St. Albert, Alberta
T8N 5J9
Telephone: (403) 460-3400
Facsimile: (403) 460-7113

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Suite 203, 4406 Gaetz Avenue
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Facsimile: (403) 341-4949

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2802 - 5th Avenue North
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Facsimile: (403) 320-6877



OUR COMMITMENT TO THE ENVIRONMENT — To support our corporate commitment to environmental responsibility and conservation of our resources, this year's Annual Report is recyclable. It was printed with a vegetable-based ink containing canola oil that performs exceptionally well and produces bright, clean colours. At Alberta Pool, we incorporate environmental considerations into all our operations, including the production of this Annual Report.



**Helping Farmers
Feed The World**

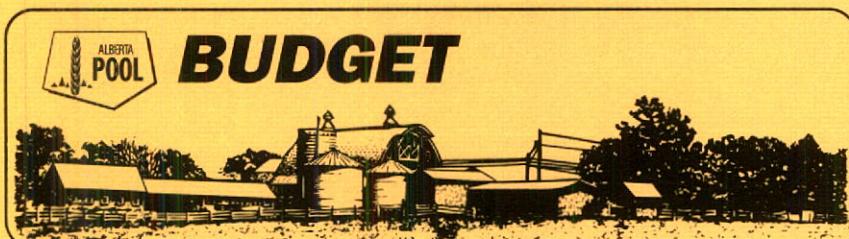


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