

60 Years

Alberta
Wheat Pool

Annual
Report

1983



Table of Contents



Corporate Highlights	1
1982-83 Highlights and Comparisons	2
Board of Directors' Report	4
Chief Executive Officer's Report	14
Financial Section	24
Auditor's Report	24
Consolidated Statement of Financial Position	25
Consolidated Statement of Operations	26
Consolidated Statement of Earnings Retained from Prior Years	26
Consolidated Statement of Changes in Working Capital	27
Notes to the Consolidated Financial Statements	28
Delegates	32
Corporate Information	IBC

Corporate Highlights

Alberta Wheat Pool is a farmer owned co-operative providing fully integrated grain handling, grain marketing and farm supply services to its members. Country elevator grain facilities are located throughout the grain growing regions of Alberta and north-eastern British Columbia. Grain exports are handled through the Pool's Vancouver terminal, the largest on Canada's west coast. A canola crushing plant supplies domestic and export markets with canola oil and meal.

Through subsidiary organizations, Alberta Pool is active in west coast grain terminal operations, export grain marketing, fertilizer manufacturing and grain handling engineering services.

Alberta Wheat Pool was organized in 1923 and today has 58,700 farmer members and 1,900 employees. Since inception, Alberta Wheat Pool has handled more than 118 million tonnes of grain and has returned \$258 million dollars in patronage refunds to its member owners.



Alberta Wheat Pool's research programs involve the development of new crop varieties.

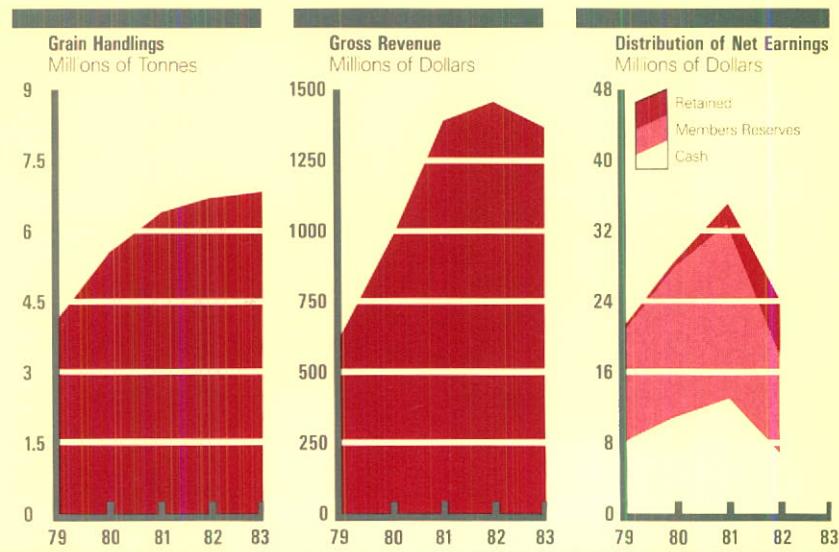
	1983	1982
Gross Revenue	\$1,364,159,000	\$1,455,639,000
Earnings Before Income Tax	30,173,000	24,704,000
Total Assets	502,040,000	464,015,000
Working Capital	70,949,000	55,045,000
Total Funds Invested	\$ 219,225,000	\$ 196,073,000
Financed by: Members Term Loans	44,777,000	34,591,000
Long Term Debt	36,753,000	39,090,000
Equity	137,695,000	122,392,000

HOWARD WESLEY
PRESIDENT
DEC 1983
POOL UNIVERSITY

1982-83 Report Highlights and Comparison

2

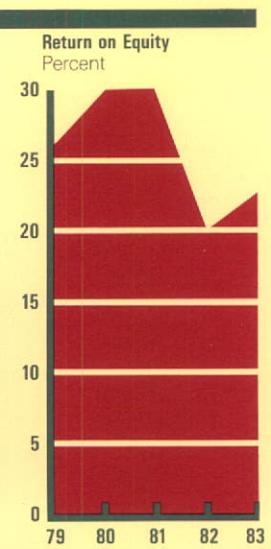
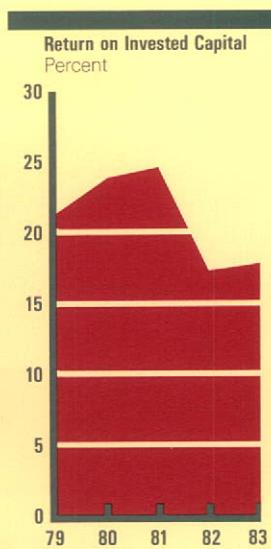
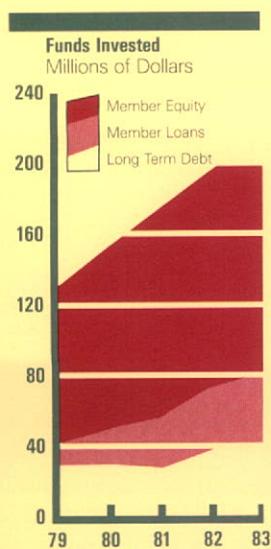
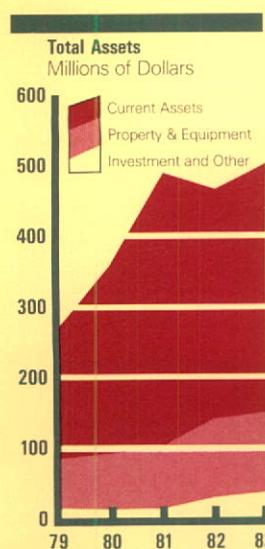
	1983
Handling—Country Elevators, in tonnes	6,810,480
-Forage Seed, in tonnes	10,862
-Cereal Seed, in tonnes	15,861
Percentage of Alberta Grain Deliveries Handled	66.6%
Gross Value of Board Deliveries, Other Sales and Revenues	\$ 1,364,158,673
Farm Supplies Sales (included above)	\$ 125,203,856
Gross Margin	\$ 160,575,706
Total Expenses	\$ 130,182,430
Depreciation	\$ 13,372,628
Earnings before Taxes	\$ 30,172,682
Current Assets	\$ 353,765,000
Current Liabilities	\$ 282,815,683
Working Capital before Disposition of Earnings	\$ 70,949,317
Capital Expenditures on Properties and Equipment	\$ 19,417,921
Total Invested in Capital Assets	\$ 231,997,279
Patronage Refunds Distributed (out of previous year's earnings)	\$ 18,131,558
Reserves Held by Members	\$ 91,460,667
Percentage of Member Business prior year	95.8%
New Members	2,423
Total Membership	58,747
Number of Country Elevators	555
Elevator Capacity—in tonnes—Country	1,724,880
-Terminals	481,980
Number of Employees July 31	1,908



1982-83 Report Highlights and Comparisons

3

1982	1981	1980	1979
6,705,770	6,392,558	5,582,811	4,167,989
9,554	10,002	6,043	5,914
14,193	18,814	19,791	13,616
66.4%	66.5%	66.9%	64.4%
1,455,639,058	1,390,978,341	982,420,430	629,600,962
112,772,630	120,310,267	94,283,451	72,845,164
159,731,722	148,246,404	123,823,526	91,088,196
137,603,922	114,502,508	95,024,483	69,571,549
11,974,311	9,722,170	8,581,259	6,264,236
24,704,397	34,591,919	29,560,915	22,346,864
322,907,008	386,638,088	268,261,256	197,888,159
267,941,957	313,408,413	207,674,585	153,162,831
55,045,051	73,229,675	60,586,671	44,725,328
39,322,416	19,305,769	15,647,451	23,360,174
214,231,624	170,652,955	152,368,833	139,971,526
32,707,288	28,060,145	21,001,982	15,179,288
87,619,569	75,855,717	65,953,690	58,811,946
96.2%	96.1%	94.7%	96.6%
2,185	2,257	2,130	1,808
58,042	57,446	57,324	56,705
581	645	670	711
1,772,320	1,807,210	1,852,120	1,929,970
481,980	481,980	481,980	481,980
2,094	2,112	1,975	1,878



Report of The Board of Directors

4

To Sixty-First Annual Meeting of Delegates

A snapshot of the past crop year shows Alberta Wheat Pool weathered the economic recession and emerged with new performance records, more efficiency in farmer service, and a solid financial base for the future. Much credit for the year's success goes to the farmers who made a conscious business decision to support their Alberta Pool and to employees for their dedication and responsible management. The recession forced fine-tuning of farm service strat-

affected their balance sheet. The higher volume of grain deliveries to country elevators was essential as prices for both wheat and feed grains were depressed.

In the policy area, the Western Grain Transportation issue became an industry obsession as Alberta Pool worked through the Gilson meetings and later in the development of legislation to facilitate the transportation, shipping, and handling of western grain.

Summary of Operations

Farmers delivered 6.8 million tonnes of grain to Alberta Pool Country Managers during the past crop year which sets yet another land mark. Alberta Pool's percentage of provincial deliveries at 66.6% was a fraction over the previous years figure. The volume of elevator receipts was constrained by congestion which was more predominant on the lines served by CN rail.

Unloads at Alberta Pool's Vancouver Terminal totalled almost 3 million tonnes, Pacific Elevators 2.2 million tonnes, and at the existing Prince Rupert Terminal 1.4 million tonnes. The figures for Alberta Pool and Pacific Elevators Terminal represent a decrease of 0.6% and 7% respectively from the previous year. Prince Rupert experienced a 10% increase in handling which is a new level for this terminal. Jointly the three terminals managed by Alberta Pool, at the West Coast, account for 57.6% of the total West Coast handle. Alberta Pool shipments to eastern ports total 1.5 million tonnes, an increase of 68% from the previous year.

Alberta Pool is not only a grain handler but also sold an impressive volume of board and non-board grains valued at over \$213,000,000 during the year.

In farm supplies, Alberta Pool prepared for a decline in sales as grain prices were depressed and inventories high. But farmers were optimistic and purchased agro products valued at \$123.7 million, or an increase of over \$13 million from the previous year. A portion of this increase represents new sales as marketing strat-



Seated l. to r.
T.A. Graham;
W. Davidiuk;
A.J. Macpherson;
Standing l. to r.
D.E. Livingstone;
J.C. Riddle;
G.W. Braithwaite;
H.R. Patching.

egies, management tightened system controls and accelerated the adoption of electronic technology. Some of our subsidiary operations have yet to escape the economic doldrums, but there are encouraging signs, especially in canola crushing. Alberta Pool has maintained its investment in fertilizer manufacturing and the future depends on business viability and the perceived need to remain a force in the fertilizer market.

Record producer deliveries and grain exports mark the 1982-83 crop year. For the fourth consecutive year farmers hauled a record volume of grain to their Pool elevators. These same farmers felt the cost price squeeze tighten considerably as inflation and soaring interest rates

Report of The Board of Directors

5

egies attracted more farmers into Pool elevators and farm supply centres. Alberta Pool's consolidated net earnings for the year's operation is \$29.6 million. It is money that farmers have earned by working with their own co-operative and earnings will be returned to the members' pocket according to his level of business transactions.

Grain Prices and Marketing

Record world grain production and enormous carryover stocks of wheat and coarse grains presented a real challenge to grain marketers. World wheat trade remained virtually the same as in the previous crop year, but coarse grain trade dropped by 14%.

Despite the huge global surpluses the Canadian Wheat Board had the best relative sales record of any major exporter. By the end of the crop year 28.3 million tonnes of bulk prairie grain had been exported compared to 26 million tonnes in 1981-82. Records were set for wheat

exports at 18.3 million tonnes and durum wheat at 2.7 million tonnes. Barley exports fell by 400,000 tonnes from the record movement in the previous year to 5.3 million tonnes. Canola exports dropped slightly to 1.3 million tonnes and other grains showed only slight

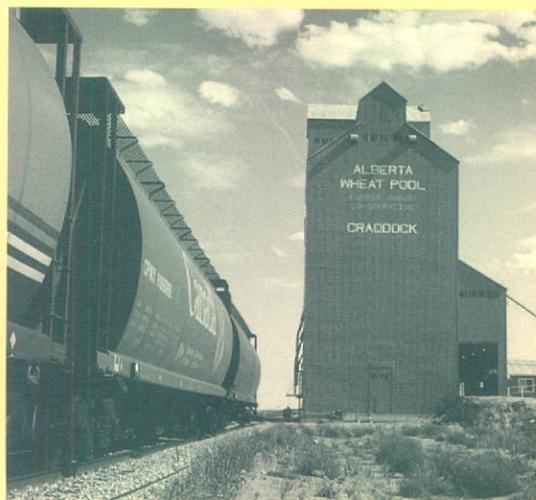
Alberta's harvest.

changes from the previous year. The Soviet Union was Canada's major grain customer—8.5 million tonnes, followed by China—4.5, Japan—3.6, and Brazil—1.5 million tonnes.

Throughout the first part of the crop year grain was selling but at very low prices. As disruptive subsidies such as those applied in the European Economic Community were contemplated, the world came dangerously close to a grain price war. Alberta Wheat Pool and other

Canadian Grain Industry officials met with the Americans to discuss ways of reducing surpluses and avoiding price wars. The United States Government later introduced massive acreage set-aside programs as a means of reducing inventories.

Then in March of 1983 optimism over reduced acreage resulted in a slight upward movement in grain prices. By the end of the crop year, forecasts indicated the United States acreage reduction and drought conditions would reduce the American corn crop by 50% and the soybean production by 35%. Needless to say, prices reacted favourably. As this report is being written, world coarse grain stocks are seen as just adequate, oilseed stocks are low and wheat is in excess supply. Prospects are good for stable prices. In October 1983 the Canadian Wheat Board increased the initial price on barley by \$15.00 per tonne and stocks of barley are in strong demand as the Board attempts to meet sales commitments. Alberta livestock producers in September of 1983 approached the Canadian Wheat Board with a request to restrain the disappearance of feed barley from Alberta until domestic needs are secure.



Record Canadian grain exports.



Canadian Wheat Board

Throughout the crop year Alberta Wheat Pool continued to speak directly with several departments of the Wheat Board to communicate information and constructive comments on grain supplies, delivery patterns, and movement. Despite a few persistent, philosophical critics of

Report of The Board of Directors

6

the Board, your Board of Directors believe the Canadian Wheat Board has performed very well for western farmers.

During the past crop year, a senior United States Department of Agriculture Economist publicly stated, Canada benefits from "very aggressive marketing" and Canadian sales to the Chinese, Asian, and Soviet markets are areas where the Canadian Wheat Board remained strong during the recession, while the United States and other countries fell back.



Crop swathing.

Boards encouragement that led to the Canadian grain terminal expansion, hopper car purchases, and system upgrading in recent years. Alberta Wheat Pool, partially as a response to this initiative, in the past six years has invested \$55 million in country elevators and has spent or committed a further \$42 million in terminal expansion and upgrading.

For the future, minimum population estimates indicate the world should plan to increase grain production each year by roughly the equivalent of Western Canada's record 1982 crop. The Wheat Board has estimated Canadian exports at 36 million tonnes by 1990. Alberta Wheat Pool is confident the elevator and terminal system will be qualified to handle this volume but is concerned about transportation capacity. In the recent economic down turn, grain movement was enhanced by the addition of cars from other commodities. This factor cannot be counted on indefinitely. Canada needs continued expansion in the grain transportation network to meet future marketing obligations and opportunities.

In the Spring of 1983 Alberta Wheat Pool's Manager of Grain Sales, Bill Smith was appointed a Commissioner of the Canadian Wheat Board. We think Mr. Smith will be an excellent member of the Board team.

XCAN Grain Ltd.

XCAN completed its 13th year working on behalf of the three Prairie Pools as a grain exporter. XCAN continued to penetrate international markets and achieved a sales volume of 1.8 million tonnes which is respectable considering the competitive circumstances.

Subsidiary companies XCAN Far East Ltd. and XCAN Grain (Europe) Limited performed well and XCAN Shipping Ltd. chartered 65 vessels.

Prince Rupert Grain Terminal

The Prince Rupert Grain Terminal is progressing on schedule and will soon be an impressive part



Prince Rupert Grain Terminal under construction.

of the Ridley Island Industrial complex. Much of the concrete portion of the structure is complete and work on mechanical and electronic component installation is in progress. Construction of the \$8.5 million rail yard is underway, however, the dispute with CN rail on the financial responsibility and ownership of the project has yet to be decided by the C.T.C.. The objective is to have Canada's newest and most efficient grain terminal operating early in 1985 with a pro-

Report of The Board of Directors

7

jected maximum throughput of over 3.5 million tonnes a year. Expenditures are being monitored daily and are very close to budget.

During the year Micheal Thompson, Project Manager, was named Chief Executive Officer of Prince Rupert Grain Ltd. and will be responsible for managing the 200,000 tonne grain terminal once it begins operating. Alberta Wheat Pool continues to manage the existing Prince Rupert Terminal and reported record throughput and earnings to the shareholders at year end.

Western Co-operative Fertilizers Limited

During the 1970s Western Canadian farmers increased their fertilized acreage by 23 million acres or by 185%. Fertilizer manufacturers, in-



W.C.F.L. Calgary manufacturing plant.

cluding W.C.F.L., expanded and invested for future growth. But early in the 1980s the industry began witnessing surplus supplies, low prices, and by the 1982-83 year the entire North American fertilizer manufacturing industry experienced one of its most severe cyclical downturns. Complete plant shutdowns and large financial losses were common. Following a detailed analysis of position and options the W.C.F.L. Board of Directors decided to continue the manufacturing process but to implement major changes. Early in 1983 the two top W.C.F.L. Executives resigned and Alberta Wheat Pool's J.W. Madill assumed the senior management position on an interim basis. Major cost control and restraint measures were put in

place, such as closing the Medicine Hat Plant. Supply contracts were renegotiated, employee numbers were cut in half, and steps were taken to improve the financial condition of the organization.

W.C.F.L.'s production for the year dropped by 33.6% to 292,878 tonnes of dry fertilizer mainly as a result of plant closure. However, the plants' total shipment to owners increased by 10% over 1982. The increased product take was mostly due to prairie farmers increasing their fertilizer purchases by 8% and an aggressive marketing plan that resulted in more farmers buying from their Pool.

Bill C-155

Working to fulfill the Alberta Wheat Pool Delegates policy directives on transportation presented one of the greatest policy challenges this organization has faced in some time. On February 1, 1983, J.L. Pepin, Minister of Transport announced the Government's "Western Transportation Initiative". Following this announcement Alberta Pool mounted an intense lobby as a legitimate and essential component of the democratic process. Bill C-155 was introduced into the House of Commons on May 10, 1983 for first reading. Following second-reading the Bill was referred to the Commons Transport Committee for public hearings. Your organization participated by making a submission and by attending the Committee's clause by clause review.

The Transport portfolio has now been passed to the Honorable Lloyd Axworthy, and he hopes to achieve Royal Assent of the Bill. At the time of writing the House of Commons is addressing numerous amendments to the Bill with hopes of passing the legislation prior to year end.



**Prime Minister Trudeau
and President Macpherson
in conversation.**

Report of The Board of Directors

8

Alberta Wheat Pool's involvement throughout the entire process would require a separate volume to describe, but it can be documented and your Board believes that very significant improvements were incorporated into the Bill as a result of Alberta Pool's research, analysis and input. The Bill is by no means perfect and our work to amend or provide complimentary legislation must continue; but it is a step closer to providing the railway expansion that Canada's grain industry needs.

Alberta Wheat Pool Act

In June 1983, the Legislative Assembly of Alberta approved a Bill to amend the Alberta Wheat Pool Act as requested by the Alberta Pool Delegates.

Section 8(a) was amended to give the Board of Directors the ability to cancel the memberships of those members whose reserves are purchased on the basis of age and participation as outlined in the new category created by Section 26(g) in 1980.

Section 8.1 was inserted to create a category for associate membership. This allows former members an opportunity to become an associate member and the chance to continue receiving certain membership benefits.

The allegation that these amendments enabled the Board to cancel memberships considered a liability is completely unfounded and emphasizes the need to improve communication with our members of the Legislative Assembly.

We acknowledge the assistance of Mr. Robert Fischer, M.L.A., Wainwright, who sponsored the Private Members Bill and Mr. Parke Dobson, former Director, Alberta Wheat Pool, who appeared before the Private Bills Committee to discuss the intent of amendments.



Harvest underway.

Co-enerco

In 1981 Alberta Wheat Pool Delegates voted in favour of investing \$8 million over a four year period into a proposed energy company. Co-enerco's mandate is to explore and develop oil, gas and other energy sources; to assist in long term security of supply for co-operatives and their members. Co-enerco commenced oil and gas operations early in 1983 by purchasing the assets of Sabine Canada Ltd. In the first six months, or to June 30, 1983 net earnings of



Co-enerco exploring for energy.

approximately \$2.5 million were announced on revenues of \$12.3 million. The company has an impressive reserve volume of crude oil, natural gas liquids and natural gas of which 78% is under contract to sell.

Co-operative members and other Canadians now have a chance to invest in this company.

C.C.I.L.

All major farm implement manufacturers, including Canadian Co-operative Implements Ltd., suffered in the depressed market conditions. C.C.I.L. sales for the fiscal year ended October 31, 1982 were \$82.4 million, down 12% from the previous year. In spite of extensive efforts to maintain sales and to reduce costs, the organization will have further operating losses in 1983.

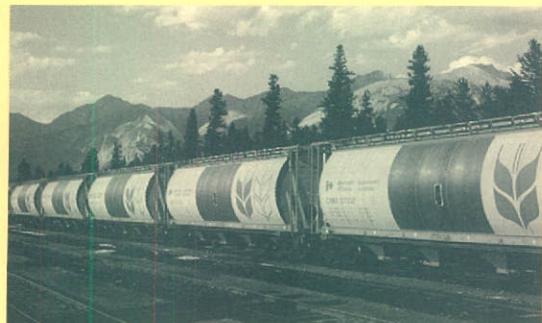
The financial and shareholder re-organization undertaken in the past year has benefited the Company, but survival also depends on Western

Report of The Board of Directors

Canadian farmers purchasing C.C.I.L. equipment and investing further funds.

Rail Line Closures

The Canadian Transport Commission announced decisions to abandon three Alberta rail lines under review during the year. Subsequent appeals were launched and proposed closure dates are now: Stettler—August 31, 1984, Acadia Valley—March 31, 1984, and Bodo—December 31, 1983. Further changes are possible as the C.T.C. decision on Acadia Valley is now being reviewed by the Federal Court of Appeal and attempts are underway to delay closure of the Stettler line. These closures affect nine Pool delivery points and will direct some



Grain hopper cars.

180,000 tonnes to other points. The C.T.C. action, no doubt, benefits the railway but passes costs to producers individually as they haul further and to their grain organization, Alberta Pool, as services are put in place to handle the grain.

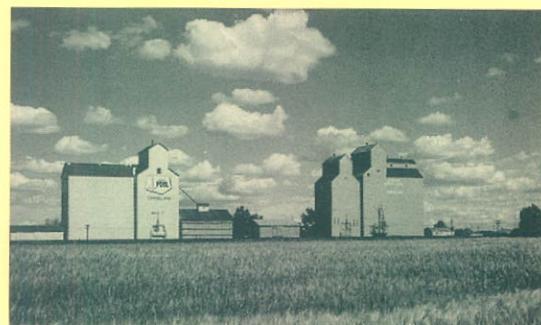
Properties

The Alberta Wheat Pool Co-operative has, in this crop year, invested more capital into grain handling structures, technology, and farm supply services located in Alberta than all competitors combined. The result is that Pool members have built and now own a system that better serves participating producers, provides strong export capability, and yields consistent performance to an important Canadian export function.

The Board of Directors has approved a total capital budget for 1983-84 of \$21.1 million. Once again our investment is significant, but down from the previous two years, reflecting responsible financial management during uncertain economic times.

New elevators are to be built at Bawlf, Blackfoot, Myrnam, and in the Stettler area. Carryover elevator projects include Mundare, Rosebud, and a project to improve Jenner. New annexes will be built at Indus, Veteran, and Didsbury and farm

supply warehouses at Brooks and Bow Island. Alberta Pool plans to move and upgrade three elevators, two annexes, and five warehouses. Our construction staff will install several larger scales, as well as portable bins, blenders, dust collectors, and three second legs. This budget is designed to continue Alberta Pool's leadership in efficiency and farmer service.



Alberta Wheat Pool country facilities.

Election of Delegates

At the close of nominations for Alberta Wheat Pool Delegates in even-numbered sub-districts 18 Delegates were declared re-elected by acclamation. Three new Delegates: Ron Hanzel, sub-district 106, Patrick Durnin, sub-district 208, and Donald Wieben, sub-district 710 were elected by acclamation.

Elections were then conducted in 14 sub-districts and as a result of Bruce Walker's resignation a by-election was held in sub-district 205. Following the audited ballot count eight new Delegates were elected: Bernie McWilliam, sub-district 204, Wayne DeGiano, sub-district 306, William Thompson, sub-district 404, Vernon Schaefer, sub-district 502, Jonathan Wedman, sub-district 506, Kenneth Stanley, sub-district 510, Angela Clarke, sub-district 608, and

Report of The Board of Directors

10

Morris Nikipelo, sub-district 610. In the by-election Bruce Walker was returned by acclamation.

In the past decade the percentage change in the Delegate body has averaged about 12% each year. In 1983 the membership elected 11 new Delegates and thereby created a turnover of 15.7%. The average age of Alberta Wheat Pool's Delegate Body is now 48 years and the average term of office is 6 years.

The Board congratulates all re-elected Delegates and especially our new Delegates who have stepped forward to accept the challenge and responsibility in Alberta Pool's democracy.

In the history of Alberta Wheat Pool numerous women have staunchly supported this organization and this year we welcome the Pool's first lady Delegate.



Pool delegates in discussion.

Board of Directors

Following the 1982 Annual Meeting, Officers of the Board were elected as follows: President, A.J. Macpherson; First Vice-President, H.R. Patching; Second Vice-President, G.W. Braithwaite.

Mr. Macpherson, the Chief Officer of Alberta Pool, continued to act as Chairman of the Prince Rupert Grain Consortium and was re-elected President of Prince Rupert Grain Ltd., Western Pool Terminals Ltd., Ridley Grain Ltd., Chairman of Pacific Elevators Limited, Vice Chairman of XCAN Grain Ltd., and Director of W.C.F.(U.S.) Inc.

Mr. Patching was elected to the Unifarm Board of Directors Executive and Provincial Council. The First Vice-President served on the

Board of the Canola Council of Canada, Western Grain Research Foundation, and worked as Chairman of the Wheat Pool Grain Museum Society.

Your Second Vice-President, Mr. Braithwaite was elected to the Board of XCAN and the Co-operative College of Canada. He is a member of the Regional Council for the College and continues working on the R.E.D.A. Policy Council.

The Executive Board members were elected to the Board of C.C.W.P. Limited. Messrs. Macpherson and Patching represented Alberta Pool on the Board of Canadian Pool Agencies, Pool Insurance Company, and W.C.F.L.

Director Riddle was elected to the Unifarm Board of Directors and Provincial Council.

Messrs. Patching and Livingstone were appointed to the Advisory Council of the Co-operators.

Director Graham was appointed to the Board of the Goldeye Foundation Society.

All Board members were elected to the Boards of Pool Canola Holdings Limited and Japan Alberta Oil Mills Ltd., both wholly owned companies that own the Alberta Food Products partnership.

Chief Executive Officer, J.W. Madill served on the Prince Rupert Grain Consortium, the Boards of Ridley Grain Ltd., W.C.F.L. Executive, XCAN Grain Ltd., Pacific Elevators Limited, Western Pool Terminals Ltd., and Co-enerco. He was Chairman of ABL Engineering Ltd. and Buffalo Beton Ltd., and Chief Executive Officer of Pool Canola Holdings Limited and Japan Alberta Oil Mills Ltd.



Pool Annual Meeting.

Public Relations

The Public Relations Department, under the direction of A.W. Beattie, who reports to the

Report of The Board of Directors

11

Board of Directors, continued the practise of communicating with members and the public at large on a variety of issues. The Department's work is conducted within Delegate established policies and Board directives.

Member Surveys

Over 4,500 active Alberta Pool members were surveyed during the year as an additional means of identifying member needs and desires.

Survey results indicate almost 83% of farmers deliver most of their grain to Alberta Pool; and further that 96% of the farmers think Alberta Pool's grain handling facilities are better or comparable to competitors. The Board believes this reflects considerable confidence. It also presents a challenge to Delegates, Board, and Management to keep moving the organization in a responsive manner for the benefits of participating members.

Affiliation

Alberta Wheat Pool is a member of Unifarm and through it, the Canadian Federation of Agriculture. The Pool is also a member of the B.C. Federation of Agriculture, Co-op Union of Canada, Canola Council of Canada, Credit Union Central of Alberta, Co-operators, Canadian Co-operative Credit Society Limited, Co-op College, Canadian Farm Management Co-operative, Westac, POS Pilot Plant Corporation, Western Grain Research Foundation, and Canada West Foundation.

Canadian Co-operative Wheat Producers

This company, once used as a selling agency for the three Pools, held two formal meetings during the year. The three Pool Boards reviewed operations and marketing. Policies were coordinated for presentation to the Canadian Federation of Agriculture. C.C.W.P. was used to coordinate communications with the Canadian Government, to research railway costing for the Gilson Hearings, and to develop a joint brief in areas of agreement for presentation to the

Transport Committee hearings on Bill C-155. The Pools efforts to reduce costs of capital charged to grain are expected to provide an annual saving of about \$45 million when compared to the original railway request, or approximately \$15 million under the proposed Gilson rate table.

Staff

Nothing is more highly valued than the performance and dedication of staff members who worked as a team throughout the year to meet the objectives of Alberta Wheat Pool and its farmer members.

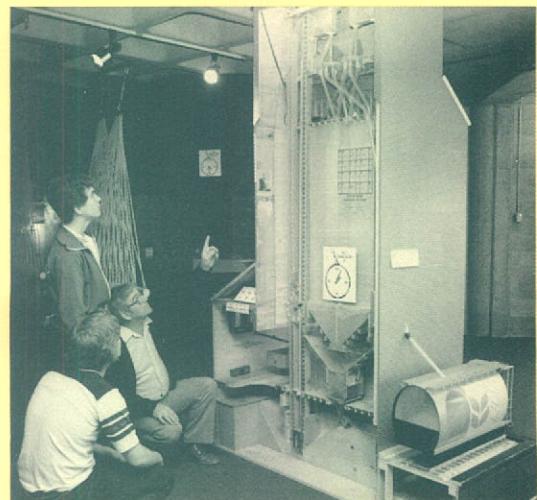
Grain Academy

The World's first and only Grain Academy continued to attract visitors from all parts of Canada and several other countries during the year. Over 55,000 people visited the Grain Academy in Stampede Park to learn about Western Canada's grain industry. The Academy is now featured in Calgary Tourist and Convention Bureau literature and is a recognized educational centre promoted throughout the province.

Following the retirement of Manager-Curator Don Freed, David Brown was appointed to manage the Academy. The Grain Academy is owned and operated by the Wheat Pool Grain Museum Society.

Membership

During the 1982-83 season, 2,423 new members were accepted by the Board compared to 2,185 during the 1981-82 season.



55,000 visitors to Pool's Grain Academy.

Report of The Board of Directors

12

A total of 520 deaths were reported and 1,198 memberships were cancelled.

The net increase in membership totalled 705, increasing the membership strength from 58,042 to 58,747 members as at July 31, 1983.

60th Anniversary

Alberta Wheat Pool's Sixtieth Anniversary was officially celebrated on October 29, 1983. To

commemorate the anniversary the Board authorized publication of a book entitled "Trails in the Sunset". Special lapel pins and caps were designed and manufactured for distribution to members and employees.

In Memoriam

Grain combining. Sincere sympathy is extended to the families and friends of three former elected officials of Alberta Pool who passed away during the year.

Mr. Thomas Baker, of Ponoka passed away in December of 1982. Mr. Baker was an original contract signor and served as Alberta Pool Delegate from 1924 to 1929.

Mr. Jake Frey, farmed in the Acadia Valley district and was an original contract signor with Alberta Pool, passed away in August 1983. Mr. Frey served as Wheat Pool Delegate on three occasions between 1924 and 1959.

Mr. James McFall of the Etzikom area served as Delegate on two occasions between 1933 and 1938. Mr. McFall passed away in April 1983.

Challenges

The cost price squeeze continued to plague producers in the past crop year and is described by some analysts as the worst since the 1930's. In 1982 the Alberta farmers' realized net income dropped by 22% from the previous year and for 1983 the anticipated decline is 7.5%. It shouldn't be surprising that farm families stress levels are high and financial concern is widespread as years of low commodity prices and high operating costs catch up with producers.

A recent observation is that in Western Canada, economic diversification is not taking place and that our best hopes for escape from recession are agriculture and energy. If agriculture is to provide a more sustainable level of economic growth, farm leaders and both levels of government must plan to initiate responsible and stimulating programs. One suggestion would be a reduction of tax on natural gas used to manufacture fertilizer. This action could benefit just about every producer and assist an ailing local industry. The cost of natural gas con-

stitutes about 80% of the cost of producing ammonia fertilizer and the tax portion of the cost per unit of gas is over 50%. This action would compliment the Provincial Government's current elimination of tax on farm fuels. Another concept worth considering is credit or financing

guarantees for sales to developing countries, and the opportunity for an importer to pay over a period of time. Such markets exist but are frequently turned down because the risk to the exporter is too high. A third subject which justifies development of a new program, is to provide



Report of The Board of Directors

13

protection to agricultural businesses against the worst effects of unpredictable interest rates. The hardships and loss of production which attend farm business failures after an unexpected sharp rise in interest rates, could be largely avoided through a financial mechanism involving lending institutions, governments, and farmers. Amendments to the Western Grain Stabilization Act would also be helpful in order that farmers could access their own funds.

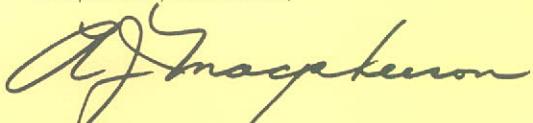
Financial difficulties have also fallen on agriculture policy organizations, particularly the umbrella groups and budgets are being juggled for survival. In addition to the problems of finance some of the policy groups have been fragmented and the farmers voice in Ottawa and Provincial Capitals has been divided into factions consisting of regional and commodity interest. Commodity groups can play a useful role, however, if the unified voice is lost and diversity of opinion continues to prevail, Governments will make more decisions for agriculture. This prospect is alarming, considering that some commodity groups are largely financed by Government funds. Your Board continues to support the Unifarm concept.

As we review the policy efforts of the past year, we are reminded of a serious and damaging split which developed between the grain production sector and those who use grain for livestock feed. The potential for difference of opinion between oilseed processors and the grain exporters did not develop to the same extent. Right from the beginning of the Gilson process Alberta Wheat Pool enunciated a need to address the grain users disadvantage where it could be demonstrated. This philosophy was repeated and emphasized regularly throughout

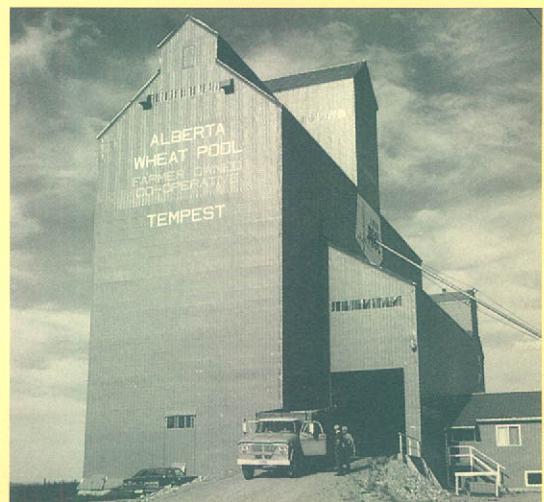
subsequent debate. Alberta Pool to date has supported three different proposals that address the livestock hurt factor, and your Board believes continued discussion is a vital necessity if the various parts of agriculture in Western Canada are to maintain an interdependence that creates mutual good will. Alberta Wheat Pool is prepared to participate willingly in a new process of consultation that may lead to development of a plan to alleviate the grain users demonstrated disadvantage. The solution will be outside the Western Grain Transportation Act, as it should be.

Your Board encourages the Delegate body to address the policies of Alberta Pool during this Annual Meeting to ensure this organization remains a viable service to the active member; and to deal directly with the challenges and problems that face the agricultural industry. The Pool's democracy is in place and now it is up to you, the Delegate, to exercise your democratic rights in a wise and decisive manner.

Respectfully submitted,



A.J. Macpherson
President



New Pool elevator
at Tempest.

H.R. Patching; G.W. Braithwaite; W. Davidiuk;
J.C. Riddle; T.A. Graham; D.E. Livingstone

Chief Executive Officer's Report

14

To The Board of Directors of Alberta Wheat Pool

Gentlemen:

A wide variety of challenges faced Alberta Wheat Pool in 1982-83. Adverse economic conditions had their effect on the farm and business community alike. Net farm income in the province was down 22% in 1982, largely due to a decline in grain prices. In this environment, many farm operations as well as other businesses experienced major setbacks. Associated operations, such as oilseed crushing and fer-

tilizer manufacturing were similarly affected.

Nevertheless, Alberta Wheat Pool was able to respond to these conditions in a way that protected member investment and allowed the organization to record another successful year. Despite the adverse economy, consolidated net earnings of \$29,593,000 were up 22% from 1981-82; the second highest experienced by the organization. Record country grain handlings, aggressive marketing programs, careful cost control and good support from

members and employees contributed to this achievement.

Many new measures were adopted to meet the challenge of the times. An ambitious cost cutting program resulted in operating and administrative costs being well below budget.



I. to r. F.E. Ball;
G.C. Appleby;
J.W. Madill;
G.J. Dewar;
T.M. Volk.

Employee productivity reached new high levels and careful management of subsidiary operations helped reduce the impact of the economic downturn.

While operating losses occurred in oilseed crushing, the situation showed marked improvement over one year ago and the wholly-owned subsidiary, Alberta Food Products, is now well positioned for economic recovery. Recent trends in canola product prices indicate a more optimistic future.

The fertilizer industry also faced difficult conditions in the past year. Since January 1983, Alberta Wheat Pool has been responsible for interim management of Western Co-operative Fertilizers Limited. Although the situation continues to be a difficult one, many cost cutting measures were employed to better equip that company to meet future conditions.

Emphasis continued on providing Pool facilities and services to meet member needs. An active building and maintenance program, along with strong attention to projects which develop new varieties and products, continue as major activities. At the same time, limiting country handling tariff increases at year end to 3%, which is half of the rate of increase in the previous year, reflects concern for the members' situation.

Concentration on maintaining a modern and efficient grain handling system, good service and financial performance continues to provide members with a favourable return on the use of their own Pool facilities.

Country Operations

Alberta Wheat Pool's country grain handling system achieved record receipts for the fourth consecutive year. Handlings totalled 6,810,480 tonnes, up nearly 105,000 tonnes from last year, for an increase in market share from

Chief Executive Officer's Report

66.4% to 66.6%. Careful attention by management to operating costs and staff productivity, resulted in division earnings of \$11,252,000. However, reduced sales margins on non-Board grains and farm supplies were the main factors contributing to a decline of 10% from 1981-82. Grain shipments to Thunder Bay were up 68% from last season to 1,514,000 tonnes. Through the organization's handling agreement with Saskatchewan Wheat Pool, Thunder Bay earnings increased from \$1,306,000 to \$3,452,000.

1982-83 was an excellent year for grain movement from the prairies to export positions. However, the international demand for barley was not sufficient to allow the entire crop to be marketed. The crop year began with good grain car allocations and relatively few congested elevators. Heavy deliveries through the harvest season, followed by the longshoremen's dispute at the west coast, resulted in 132 congested Pool elevators by the beginning of November. This problem subsided, but at year end, 150 stations were again operating under congested conditions.

Rail car allocations dropped by 7%, but the supply of hopper cars increased by about 10%, which combined with regular domestic truck shipments, allowed the handling volume to increase. Alberta Pool continues to experience significant railway shortfalls.

Alberta Wheat Pool's handling to capacity ratio was 4.0 for the crop year, compared to last year's average of 3.8. Country staff and facilities

performed admirably, with station productivity continuing to increase. Seven stations handled over 50,000 tonnes this year and 104 handled over 25,000 tonnes. The average handling per operating unit reached 20,632 tonnes, up over 1,000 tonnes from last year. The average handling per country employee was 8,911 tonnes, 754 tonnes greater than in 1981-82. Based on grain cut-offs at 200 stations, the average overage was only 0.11%, substantially below the Canadian Grain Commission maximum of 0.25%. At July 31, 1983, Alberta Pool had 330 operating units with storage capacity of 1,724,880 tonnes, down 47,440 tonnes from the previous year.

Alberta Pool's market share for Board grains remained virtually the same as last year. In non-Board feed grains, flax and canola, your organization was able to increase market share over last season. Rye was the only non-Board grain in which market share declined.

For the second year, your organization concluded a sale of malting barley to the People's Republic of China. Good quality barley crops in Saskatchewan and Manitoba, with their freight advantage to eastern maltsters, reduced Pool sales of malting barley in the domestic market.

In order to expand grain shipping capabilities and provide improved member services, special emphasis was placed on increasing the rail trackage at stations with limited car spots. Rail siding extensions or double loading tracks were negotiated or planned for seventeen locations during the year.



Analyzing grain sample.



Elevator Manager serving Pool member.

Chief Executive Officer's Report

16

Farm Supplies

Alberta Wheat Pool members faced considerable uncertainty about grain prices and delivery opportunities when making cropping plans for 1983. They reacted by reducing fall purchases of farm supplies and increasing spring purchases.

Excess production capacity in the fertilizer industry and the declining demand for fertilizer in North America were factors in an 11% general decrease in provincial fertilizer prices. Alberta

farmers increased their fertilizer usage by 3% to 869,116 tonnes in 1982-83.

Total sales of farm supplies by Alberta Pool rose 12% over last year to \$123,661,000. Real growth in sales is estimated to be 14%, since the average price of Pool farm sup-

plies decreased slightly from 1981-82. Financial performance shows considerable improvement from last year, but still reflects the extremely competitive farm supply marketing environment. In addition, Alberta Pool's strategy to increase its share of the fertilizer and crop chemical markets affected the ability to generate a profit. The net operating loss for the department was \$367,000, compared to a \$2,973,000 loss last year.

Fertilizer margins were the lowest of any farm supply product line, down 4% from last year. Alberta Pool's market plan for fertilizer and chemicals called for competitive pricing at individual stations and increased efforts in promoting the sale of Pool products. The sales efforts



Farm supply sales grew by 14 per cent.

resulted in six stations selling more than \$2 million in farm supplies and 28 stations registering over \$1 million in sales.

Alberta Pool's fertilizer sales increased 18% in volume and 5% in dollar terms resulting in your organization gaining 3% in market share. Bulk fertilizer accounted for 84% of all fertilizer sales, up 5% from last season. With a trend to the purchase of farm supplies close to the time of use, provision of adequate service in a two month period becomes more difficult. May and June were the principal months of farm supply activity, with 62% of the year's fertilizer sales and 70% of chemical sales transacted in those months.

Fertilizer usage and services are becoming more sophisticated with increasing use of soil testing and custom fertilizer blends.

The Pool established its first liquid fertilizer facility at Granum in response to strong indication of member interest in the product.

Sales of crop chemicals rose 15% to a record \$45.3 million and market penetration increased by an estimated 4%.

Poor spraying weather in June prevented chemical sales from being even higher than the record achieved this year. The Alberta acreage treated with crop chemicals declined for the second consecutive year, due in large part to weather conditions



Seed analyzing.
during the spraying season.

A total of 27,745 tonnes of seed was purchased from members for \$11.6 million, a per tonne increase of 15%. The U.S. payment-in-kind program (PIK) took U.S. grain acreage out

Chief Executive Officer's Report

17

of production causing prices for forage seeds to increase. Demand was strongest for red, alsike and sweet clovers. In total, sales of forage seed increased 59% over 1981-82. Domestic sales increases for pedigreed wheat and canola were particularly notable, up 60% and 29% respectively. In addition to direct purchases of seed, Alberta Pool also contracted 11,000 acres of pedigreed cereal seed with members, providing them with an assured market for their production.

Alberta Wheat Pool continued to develop markets for forage seeds and beans by participating in market development missions to Europe, South America and China. Pool seed is currently under test in fifteen countries throughout the world. Long term research efforts continue towards

development of improved grain and forage varieties. Plant breeding activities are focusing on the development of yellow seed canola with very encouraging results achieved to date. Alberta Pool has entered two wheat, six barley and three canola varieties in the Western Canada Co-operative Tests, the final tests before licensing.

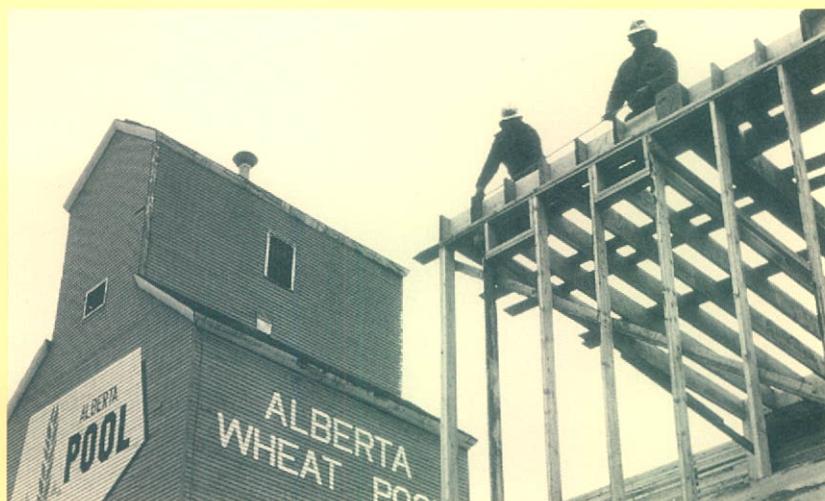
The depressed world market for beans was the major factor in a difficult year for the Bow Island Bean Plant. Prices were unsatisfactory to bean growers and plant inventories were high. While Alberta Pool managed a break-even position on the operation, the average price paid for beans was \$14.49 per hundredweight, down 24% from one year ago.



Bagging Pool seed.
ieties in the Western Canada Co-operative Tests, the final tests before licensing.

Engineering, Construction and Maintenance

Provision of modern, high throughput elevators and farm supply facilities to serve the needs of members is a prime objective of Alberta Wheat Pool. In 1982-83, capital projects in country



operations totalled \$18.5 million. At year end, \$11.5 million had been expended with the balance still under construction. New wooden elevators were constructed by Pool crews at Craddock, Elk Point, Stavely and Tempest. Alberta Wheat Pool also contracted construction of four elevators, two in wood and two in concrete, which were completed during the year. The wooden elevators were constructed at Niobe and Rosedale. ABL Engineering Ltd., the Pool affiliate, designed and built concrete elevators at Lyalta and Foremost. These two facilities were the new Buffalo 2000 style of elevator designed specifically to meet the needs of Alberta Wheat Pool.

Pool crew
constructing new
elevator.

Chief Executive Officer's Report

18

In addition to these major projects, three crib annexes and two steel tank complexes were added to existing elevator facilities. Upgrading projects involved five crib annex moves and six elevator moves plus associated improvements to the equipment and plants. Sixteen receiving scales were installed at elevators to improve scale capacity for the longer and heavier trucks members are using to deliver grain. New office facilities were built at two stations and office renovations were completed at three other locations.

In the farm supply area, seven grain elevators were converted to bulk fertilizer plants to keep pace with the increasing demand for bulk fertilizer. Two new bulk plants were constructed and several existing fertilizer facilities were relocated to new stations.

Nine blenders were in-

stalled at bulk facilities to meet the need for custom fertilizer blending.

As the elevator system undergoes consolidation and modernization, some elevators and annexes are no longer required. During the crop year 24 elevators and 36 annexes were dismantled. Maintenance to existing facilities involved the expenditure of \$4 million to ensure good operating conditions. As the year closed, Pool crews were building new elevators at Mundare and Blackfoot.

Terminal Operations

West coast terminal receipts during the crop year were 11,345,000 tonnes, about 1% below the record volume established in 1981-82. Two major labour disruptions and a nine day closure of the C.P. rail line through the Rogers Pass prevented the terminals from setting a new throughput record. The B.C. Maritime Employers Asso-

ciation and the International Longshoremen's and Warehousemen's Union were involved in a strike-lockout situation in October seriously affecting terminal operations for sixteen days. Then, during the contract negotiations between the B.C. Terminal Elevator Operators' Association and the Grain Workers' Union, a withdrawal of union overtime services reduced peak performance for four weeks.

Alberta Wheat Pool's terminal handled 2,999,906 tonnes, down less than 1% from the 1981-82 record. Receipts of wheat were up over 150,000 tonnes from last season, but the volume of barley was down by more than 170,000 tonnes. Earnings from the operations were \$14,228,000, down only slightly from last year.



Pool terminal handled 3 million tonnes.

The Pacific Elevators terminal handled 2,164,343 tonnes, down 7% from last season's volume. Receipts of wheat were up nearly 130,000 tonnes from 1981-82, but barley was down over 300,000 tonnes. Despite handling less grain, effective management and cost controls allowed earnings to rise to \$12,135,000, up \$1,235,000 over last year.

Chief Executive Officer's Report

19

Alberta Pool also managed the terminal at Prince Rupert for the Prince Rupert Grain Consortium. This facility handled a record 1,375,447 tonnes of wheat during 1982-83, up 125,000 tonnes from last year. This was accomplished in spite of severe weather conditions and receipts of more wheat grades than usual. Earnings for Prince Rupert Grain Ltd. totalled \$3,840,935, up substantially from the \$1,137,159 earning in 1981-82.

Together, Alberta Wheat Pool and Pacific Elevators handled

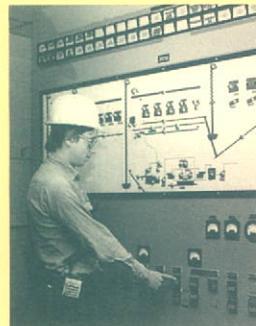
51.6% of the grain moved through the port of Vancouver in 1982-83, nearly the same market share as last year. More grades of grain arrived at west coast terminals this year, reducing operating efficiency.

Management began a major study of Alberta Wheat Pool's Vancouver terminal operations, facilities, equipment and automation requirements for both the short and long terms.

Subsidiaries

Pacific Elevators Limited and Western Pool Terminals Ltd.

Pacific Elevators Limited, the operating company for the terminal, is owned on a 60:30:10 basis by Alberta Wheat Pool, Saskatchewan Wheat Pool and Manitoba Pool Elevators with management provided by Alberta Pool. The earnings of Pacific Elevators Limited are distributed under agreement to other grain shipping companies in relation to their volume of grain consigned to the facility. The terminal is owned by Western Pool Terminals Ltd., which has the same shareholders as Pacific Elevators Limited. Pacific Elevators earned \$5,049,000 for your organization.



Automated controls.

Alberta Food Products

The canola crushing industry was again subjected to one of its poorest years. The economic recession reduced edible oil consumption, the freight rate disparity between seed and processed products disadvantaged western crushers, frost reduced the quality of the crop, and canola was in short supply and at a price premium to soybeans. With many crushing plants on the verge of closing during 1982-83, the Alberta Government introduced a \$40 per tonne subsidy to assist plants in continuing operations.

The objective set for A.F.P. was to operate at a lower loss than would have been incurred by shutting down the plant. Stringent cost controls were put in place and all non-essential capital projects were curtailed. Careful attention was given to providing the optimum margin protection for the type of market environment being experienced.

A.F.P. crushed 124,000 tonnes of canola during the year, resulting in a loss of \$3,472,000, significantly better than budget. It reflects a marked improvement from the \$14,283,000 loss incurred in 1981-82.

The combination of the U.S. PIK program and the drought in their soybean production area has dramatically reduced the 1983 soybean crop. This will result in better markets for oilseeds and oilseed products and improved canola crushing margins.



Receiving canola at Alberta Food Products.

Chief Executive Officer's Report

20

Affiliated Companies

Western Co-operative Fertilizers Limited

The fertilizer industry experienced one of its worst years in 1982-83. World-wide recession, excess production capacity, surplus inventories and weak prices adversely affected all North American operations. Large operating losses were common throughout the industry.

The experience at W.C.F.L. was similar and the company incurred a \$25.5 million operating loss. To finance the loss, W.C.F.L. sold its surplus land holdings adjacent to the Calgary and Medicine Hat

plants. As a result of this infusion of funds, consolidated net earnings for the year were \$13.9 million. Nevertheless, the road to recovery will be slow and difficult.

Fertilizer shipments for the year totalled 643,613 tonnes, slightly ahead of last year's volume. With lower production, year end inventories were down 65%. Through higher sales to the owners, the company was able to increase its prairie market share by 1.8% to 25.5%.

Negotiations for the sale of anhydrous ammonia from the Medicine Hat plant were successfully concluded after the end of the 1982-83 crop year. The sale will allow the Medicine Hat plant to resume operations on a limited scale.

Based on strengthening grain prices, crop acreage expansion in the U.S. and improving



Pool fertilizer application equipment.

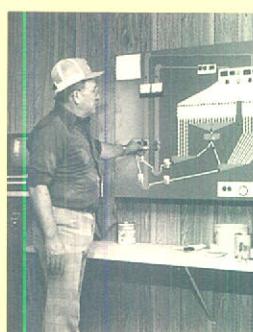
North American demand, the outlook for the fertilizer industry appears cautiously promising. Management will continue to emphasize the supply of competitively priced fertilizer to its owners and to protect the interests of members.

Prince Rupert Grain Ltd.

Earnings to Alberta Pool from the Prince Rupert terminal totalled \$661,000, up substantially from the \$225,000 earning in 1981-82.

XCAN Grain Ltd.

The operations of XCAN Grain Ltd. were at a reduced pace during 1982-83. Earnings for the grain trading company, owned by Alberta, Saskatchewan and Manitoba Pools were down 39% from last year. From the company's earnings in 1981-82, patronage refunds to Alberta Wheat Pool totalled \$237,000.



Computer controls.

ABL Engineering Ltd.

Operations at ABL Engineering Ltd. were affected by the reduced demand for new elevator construction. With the completion of the Lyalta and Foremost Buffalo 2000 grain elevators for Alberta Wheat Pool, ABL Engineering negotiated its first international sale of Buffalo sloped bin grain elevators. The sale of design, engineering and construction technology to Brazil's grain storage organization involved five Buffalo 4000 grain elevators with capacities of 27,000 to 100,000

tonnes per hour.

Chief Executive Officer's Report

21

tonnes. While Alberta Wheat Pool is not involved in the financing or construction arrangements, the organization will receive its share of royalty payments from the sale of technology.

Finance and Administration

In response to difficult economic conditions, management adopted cost restraints, more stringent management practices and financial controls with reduced capital expenditure programs. These efforts were effective and will continue to be important aspects of the way Alberta Pool management conducts business.

Increased productivity in all divisions of the organization resulted in pre-tax earnings of



Computers improved member services.

\$30,172,000 up \$5,468,000 or 22% from 1981-82. Consolidated net earnings after provision for income taxes were \$29,593,000. This represents the second highest level of earnings for Alberta Pool and was accomplished under much more difficult economic, competitive and operating conditions.

Alberta Wheat Pool's financial position has improved substantially. Working capital has increased \$15,904,000 to \$70,949,000. Capital provided by members through reserves and member loans has increased members' invest-

ment in the Pool to a record \$135,932,000. Member loans increased by 30% from last year and now total \$44.5 million.

Earnings for each operating division of Alberta Pool and associated companies are described below with last year's comparative figures.

	1982-83	1981-82
Country Operations	\$11,252,000	\$12,512,000
Thunder Bay Operations	3,452,000	1,306,000
Farm Supplies	(367,000)	(2,973,000)
Terminal Operations	14,228,000	14,580,000
	\$28,565,000	\$25,425,000
Pacific Elevators Limited	\$ 5,049,000	\$ 4,956,000
Western Pool Terminals Ltd.	65,000	144,000
Alberta Food Products	(3,472,000)	(8,570,000)
Prince Rupert Grain Ltd.	661,000	225,000
	\$ 2,303,000	\$ (3,245,000)
Extraordinary Items and Tax	\$ (1,275,000)	\$ 2,161,000
Net Earnings	\$29,593,000	\$24,341,000

Consolidated returns on invested capital were 17.8%, up from 17.3% in 1981-82. Typically, businesses will strive for a return on invested capital of 1.67 times the average prime bank interest rate. Average returns on members' equity increased from 20.2% last year to 22.8% in 1982-83. Return on equity of this magnitude is considered good performance.

Effective control of Pool administrative costs and lower interest rates halted the upward spiral of expenses in this division. Administrative costs were reduced by \$2,638,000 from 1981-82 to \$16,072,000 and were \$560,000 below 1980-81 costs. As a measure of the productivity improvement achieved, administration costs de-

Chief Executive Officer's Report

22

clined by \$0.43 per tonne of grain handled. In terms of constant dollars, after eliminating the effects of inflation, administrative costs per tonne of grain handled were equivalent to 1978-79 levels.

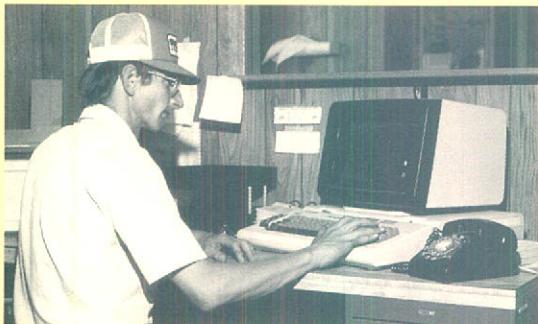
During the past year management resources have been directed towards maintaining the strong financial position of Alberta Pool. The importance of this action has been all too clearly evident in the difficulties encountered by all segments of the business community. From the

experiences this year, it is clear that Alberta Pool will emerge from the recession on a sound financial base, with renewed vitality and the ability to manage in uncertain environments.

Alberta Wheat Pool continued its leadership in the data processing capabilities of

the Country Management Information System. The network of mini-computers was expanded by 52, bringing total installations in the country to 289. The C.M.I.S. network was enhanced with applications to support farm supply sales, grain shipping, cash collection transactions, country inventories and electronic mail. Most of Alberta Pool's record volume of grain and farm supply transactions were handled by C.M.I.S., increasing the accuracy and timeliness of reports to head office and the Canadian Wheat Board.

The recession has produced a large surplus of office space in Calgary. As a result, Alberta Pool has postponed plans to develop a new head office facility. Plans and negotiations to maintain a beneficial, yet flexible position in this very difficult market situation will continue for some time.



C.M.I.S. network expanded to 289 locations.

From the 1981-82 earnings, patronage refunds amounted to \$7,278,377 in cash and \$10,853,181 in member reserves for a total of \$18,131,558. The reserves are Alberta Pool members' equity in the organization. As directed by delegates at the 1982 annual meeting, reserve purchases totalled \$7,012,084. In addition to the revolving membership number basis, reserves were purchased from retired members, estates of deceased members, members reaching 66 years of age and members over 66 years who have not received a patronage refund in the last three years.

Human Resources

The staff restraint program, which began in 1982, was maintained and supplemented with new programs, resulting in the need for renewed efforts by all staff members to achieve higher individual productivity. Your staff in the country, on the west coast, in the Winnipeg office and the Calgary head office responded to the needs

of the organization and are commended for their part in the Pool's successful performance this year. Alberta Wheat Pool, as a member service co-operative, is critically dependent on its employee-member relations. The high caliber, effectiveness and integrity of your em-



High calibre employees. Your staff in the country, on the west coast, in the Winnipeg office and the Calgary head office responded to the needs of the organization and are commended for their part in the Pool's successful performance this year. Alberta Wheat Pool, as a member service co-operative, is critically dependent on its employee-member relations. The high caliber, effectiveness and integrity of your em-

ployees was readily evident in their achievements under the difficult circumstances of 1982-83.

At year end, the Pool's staff numbers were 1,908, a reduction of 186 in 1982-83, bringing

Chief Executive Officer's Report

23

the total reduction since the program began sixteen months ago to 247. Most of the decrease was accomplished through normal attrition of staff and a reallocation of duties. A special early retirement program was offered to employees near their normal retirement age as part of the restraint program. Only essential recruiting was permitted and that will continue to be the policy for 1983-84.

In line with Alberta Wheat Pool's commitment to the principle of the federal government's wage restraint program, total human resource costs were only 5.5% above those experienced last year. Audits of the employee benefit plans revealed methods of reducing costs to the organization without changing either the costs or benefits to employees.

The Olds College training program which was terminated last year as part of the overall organizational restraint, will be reinstated in 1983-84 to continue the development of country management staff. Performance appraisal systems and succession planning will be increasingly used to develop the potential of all employees and plan for the continuity of Pool management. Safety and accident control continue to receive a high priority. Alberta Pool medical surveillance and dust monitoring programs are standard for country operations employees.

Outlook

The outlook for 1983-84 is more optimistic than last year. The general economy is beginning a slow recovery from the recession and farm income is not expected to continue the decline experienced in recent years. Grain prices have strengthened and the international demand for barley has increased. The fertilizer industry expects that an improved balance in supply and demand will reduce the losses incurred in 1982-83. Positive canola crushing margins are a healthy change from last year's situation.

Alberta Wheat Pool is in a very sound financial position to provide members with the best possible grain and farm supply services. It will be a year for careful stewardship of your organization, with tight grain handling margins and



continued competitiveness in marketing farm supplies. Management will continue to emphasize cost effectiveness and productivity in 1983-84.

The 1983-84 capital expenditure program of \$21.1 million will allow Alberta Pool to maintain its leadership in providing modern member facilities and services. Through continued member support and employee dedication, Alberta Wheat Pool will be effective in maximizing returns to members from the use of their own organization.

**Alberta Wheat Pool,
building for the future.**



J.W. Madill
Chief Executive Officer

Auditors' Report

24

The Members Alberta Wheat Pool

We have examined the consolidated statement of financial position of Alberta Wheat Pool as at July 31, 1983 and the consolidated statements of operations, earnings retained from prior years and changes in working capital 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 Alberta Wheat Pool as at July 31, 1983 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.

Calgary, Alberta
October 12, 1983

Touche Ross & Co.
Chartered Accountants

Consolidated Statement of Financial Position

Alberta Wheat Pool and
subsidiary companies
July, 31, 1983

25

	1983	1982
Current Assets		
Cash	\$ 2,334,359	\$ 1,656,358
Inventories (Note 2)	238,442,767	215,382,752
Accounts and accrued items receivable	103,484,585	100,765,032
Prepaid expenses	9,503,289	5,182,866
	353,765,000	322,987,008
Current Liabilities		
Cheques and cash tickets outstanding	91,448,413	84,075,562
Bank loans	125,621,591	118,848,828
Call and short-term loans	19,938,600	22,116,775
Accounts payable and accrued charges	29,481,204	27,732,388
Staff savings	11,480,759	10,839,249
Current maturities of long-term debt	4,845,116	4,329,155
	282,815,683	267,941,957
Working capital	70,949,317	55,045,051
Property and equipment (Note 3)	115,003,770	112,335,754
Investments and memberships	30,082,988	26,352,983
Development and preoperating costs	2,074,258	2,338,798
Deferred foreign exchange loss	1,114,208	—
Funds Invested	\$219,224,541	\$196,072,586
Financed By		
Term loans from members and co-operatives (Note 4)	\$ 44,777,330	\$ 34,591,442
Long-term debt (Note 5)	36,752,389	39,089,138
Members' equity		
Reserves (Note 6) Authorized: \$100,000,000		
Issued to members	91,460,667	87,619,569
Earnings retained from prior years	16,640,879	10,431,149
Net earnings for the year	29,593,276	24,341,288
	137,694,822	122,392,006
	\$219,224,541	\$196,072,586

Approved on behalf of the Board



A. J. Macpherson, Director



H. R. Patching, Director

Consolidated Statement of Operations

Alberta Wheat Pool and subsidiary companies for the year ended July 31, 1983

26

	1983	1982
Revenue		
Sales and other operating revenue	\$1,364,158,673	\$1,455,639,058
Cost of sales (Note 7)	1,203,582,967	1,295,907,336
	160,575,706	159,731,722
Expenses		
Country facilities	40,609,176	39,552,168
Administration and supervisory	26,330,667	25,361,137
Interest	25,391,303	36,122,830
Terminal operations	24,478,656	24,593,476
Depreciation	13,372,628	11,974,311
	130,182,430	137,603,922
Net earnings before extraordinary item	30,393,276	22,127,800
Extraordinary item (Note 8)	(800,000)	2,213,488
Net earnings for the year	\$ 29,593,276	\$ 24,341,288

Consolidated Statement of Earnings Retained from Prior Years

Alberta Wheat Pool and subsidiary companies for the year ended July 31, 1983

	1983	1982
Net earnings for previous year	\$24,341,288	\$33,743,897
Less patronage refunds distributed		
In cash	7,278,377	13,053,355
In member reserves	10,853,181	19,653,933
	18,131,558	32,707,288
	6,209,730	1,036,609
Earnings retained at beginning of year	10,431,149	9,394,540
Earnings retained at end of year	\$16,640,879	\$10,431,149

Consolidated Statement of Changes in Working Capital

Alberta Wheat Pool and
subsidiary companies
for the year ended
July 31, 1983

27

	1983	1982
Source of Working Capital		
Net earnings for the year	\$29,593,276	\$24,341,288
Add items not affecting funds		
Depreciation	13,372,628	11,974,311
Provision for investment loss	800,000	800,000
Amortization of development and preoperating costs	264,540	176,631
Amortization of goodwill	—	180,516
	44,030,444	37,472,746
Increase in term loans from members and co-operatives	10,185,888	6,071,528
Investment tax credits	5,561,187	1,118,169
Proceeds from disposal of property and equipment	2,082,957	1,505,877
Assumption of long-term debt	—	8,405,920
Increase in long-term debt	—	5,187,081
	61,860,476	59,761,321
Application of Working Capital		
Additions to property and equipment	19,417,921	30,022,762
Increase in investments	8,796,871	15,473,920
Patronage refunds paid in cash	7,278,377	13,053,355
Members' reserves purchased	7,012,084	7,890,081
Decrease in long-term debt	1,820,788	—
Deferred foreign exchange loss	1,114,208	—
Increase in current maturities of long-term debt	515,961	2,166,443
Assets acquired in purchase of Japan Alberta Oil Mill Co. Ltd.	—	9,339,384
	45,956,210	77,945,945
Increase (decrease) in working capital during the year	15,904,266	(18,184,624)
Working capital at beginning of year	55,045,051	73,229,675
Working capital at end of year	\$70,949,317	\$55,045,051

Notes to the Consolidated Financial Statements

Alberta Wheat Pool and subsidiary companies for the year ended July 31, 1983

28

1. Accounting Policies

Alberta Wheat Pool ("the Association") is incorporated by special Act of the Alberta Legislature. In preparing its financial statements, the Association follows generally accepted accounting principles, the application of which is consistent with previous years. The following is a summary of the significant accounting policies adopted by the Association:

a) Principles of consolidation

The 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 Food Products	100%

All significant inter-company transactions have been eliminated.

b) Property and equipment

Property and equipment are recorded at cost less investment tax credits earned. Depreciation is charged using the declining balance method at rates of 4% to 30%, designed to amortize the cost of the assets over their useful lives.

c) Investments and memberships

Investments and memberships are carried on the cost basis. The Association's investments primarily consist of investments in and advances to two co-operative joint ventures, Western Co-operative Fertilizers Limited and XCAN Grain Ltd. In addition, there is a significant investment in Ridley Grain Ltd. relating to the Terminal project at Prince Rupert and in the Cooperative Energy Corporation.

Revenues from the co-operative joint ventures are recognized in the accounts when patronage dividends are declared.

d) Development and preoperating costs

Development and preoperating costs represent those recorded in the accounts of Alberta Food Products and are being amortized on a unit of production basis.

e) Recognition of income

The basis of valuing grain held in country storage facilities results in a deferral of handling revenues until deliveries are made to terminal facilities.

f) Foreign currency translation

Foreign currency long-term debt financing has been recorded at the rate of exchange in effect at the year-end. Exchange gains and losses of this long-term debt are being amortized on a straight-line basis over the term of the debt.

The adoption of this policy reflects a change from that used in the previous year and complies with the recently issued accounting recommendations of the Canadian Institute of Chartered Accountants.

The effect of this change is not significant to these financial statements.

g) Net earnings for the year

Net earnings for the year, after providing for income taxes, will be distributed by way of patronage refunds according to the decisions of the delegates at the annual meeting. Income taxes of \$579,406 (1982-\$363,109) are included in administration expenses.

Notes to the Consolidated Financial Statements

Alberta Wheat Pool and
subsidiary companies
for the year ended
July 31, 1983

29

2. Inventories

Inventories are comprised of:

	1983	1982
Grain purchased for delivery to Canadian Wheat Board, valued at established delivery prices, after allowance for handling revenues yet to be earned	\$165,796,903	\$152,951,581
Grain valued on the basis of open sales contract and future contract prices, after allowance for margins yet to be earned	26,058,356	23,102,413
Other inventories, including seed and agro supplies, valued at the lower of cost and net realizable value	46,587,508	39,328,758
	\$238,442,767	\$215,382,752

3. Property and Equipment

Property and equipment are classified by operating divisions as follows:

	1983	1982
Country facilities	\$137,834,137	\$124,620,735
Terminal operations	58,274,930	56,047,827
Processing plant	25,890,097	25,799,301
Administration	9,998,115	7,763,761
	231,997,279	214,231,624
Less:		
Accumulated depreciation	110,035,793	96,232,475
Investment tax credits	6,957,716	5,663,395
	\$115,003,770	\$112,335,754

4. Term Loans

Substantially, all term loans from members and co-operatives are on a demand basis. However, experience has shown that such loans are outstanding for longer than one year and accordingly they are not included in current liabilities.

Notes to the Consolidated Financial Statements

Alberta Wheat Pool and
subsidiary companies
for the year ended
July 31, 1983

30

5. Long-Term Debt

	1983	1982
Alberta Wheat Pool		
Income debenture	\$ 6,300,000	\$ 7,500,000
Promissory note	5,500,000	7,200,000
Capital lease	1,249,183	—
Western Pool Terminals Ltd.		
6 $\frac{1}{8}$ % mortgage	4,141,072	4,317,927
Advances from minority shareholders	3,429,250	3,385,566
Alberta Food Products		
9 $\frac{1}{4}$ % notes payable - U.S. \$17,000,000	20,978,000	21,014,800
	41,597,505	43,418,293
Less current maturities	4,845,116	4,329,155
	\$36,752,389	\$39,089,138

- a) The income debenture is secured by a first mortgage on land and a first floating charge on all the Association's undertakings, property and assets. The debenture carries interest at half of prime rate plus three quarters of a percent, and is repayable in quarterly installments of \$300,000, terminating in 1988.
- b) The amount payable under the demand promissory note represents the Association's liability for shares of Cooperative Energy Corporation. The terms provide for quarterly payments ending in 1986. Payments in arrears bear interest at prime rate.
- c) The obligation under the capital lease expires in 1988. Interest is payable at 14% throughout the lease period.
- d) The 6 $\frac{1}{8}$ % mortgage is secured by the property and equipment of Western Pool Terminals Ltd. and is payable in annual installments of \$462,918, including interest.
- e) The 9 $\frac{1}{4}$ % notes payable to the Prudential Assurance Company of America are secured by a first fixed mortgage on the land, a first floating charge upon the interests of Alberta Wheat Pool in Alberta Food Products, upon all of the property and assets thereof, and by guarantees of the Association. This long-term debt is repayable in annual installments to 1994.

Repayment of long-term debt for the next five years ending July 31 are as follows:

1984-\$4,845,116	1985-\$4,884,595	1986-\$5,045,172
1987-\$3,593,302	1988-\$3,478,340	

6. Reserves

Details of reserves issued to members are as follows:

	1983	1982
Balance at beginning of year	\$87,619,569	\$75,855,717
Deduct members' reserves purchased	7,012,083	7,890,081
	80,607,486	67,965,636
Add patronage refunds allocated as members' reserves	10,853,181	19,653,933
Balance at end of year	\$91,460,667	\$87,619,569

Notes to the Consolidated Financial Statements

Alberta Wheat Pool and subsidiary companies for the year ended July 31, 1983

31

7. Cost of Sales—Government Assistance

During the year, the Association recorded government assistance; principally from the Government of Alberta of \$5,468,826 (1982—\$429,010), as a credit against cost of sales.

8. Extraordinary Item

At July 31, 1983, the Association provided for \$800,000 to reflect a potential reduction in the realizable value of one of its investments.

9. Commitments

- a) The construction of certain property and equipment has been authorized by the directors of Alberta Wheat Pool to the extent of approximately \$21,140,000. (1982—\$22,300,000).
- b) Western Co-operative Fertilizers Limited, in which the Association has a 25% interest, has, through a U.S. subsidiary acquired a 50% interest in a phosphate mining and processing operation. As of July 31, 1983, the balance of the debt instruments amounted to U.S. \$43,875,000 (Canadian \$52,123,646) 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 Association, until the acquisition financing has been discharged, through a contract to purchase specified annual quantities of phosphate rock. This take or pay contract has been assigned to Western Co-operative Fertilizers Limited for the acquisition of raw materials in its normal course of business.
- c) The Association participates to the extent of a 34% interest in the construction of a major grain handling facility at Prince Rupert, British Columbia. This venture is being financed by the participating joint venturers and the Government of Alberta. The Association's total investment will be approximately \$20,400,000 of which \$12,777,000 has been contributed to July 31, 1983. The remainder of the contributions are expected to be made over the next two years.

10. Contingencies

- a) In the ordinary course of its business, the Association is contingently liable to producers for the custody of grain delivered to country elevators on storage tickets.
- b) The Association guarantees up to \$8,000,000 in connection with the financing obligations of Western Co-operative Fertilizers Limited.
- c) The Association is contingently liable for any deficiency in security pledged against a loan of \$16,000,000 due by an associated company in 1988. The estimated current market value of the security is \$14,400,000.
- d) Income tax reassessments for \$570,000 are outstanding relating to inventory allowances claimed by the Association. No provision has been made in the financial statements for this amount as the Association has filed its objection to these reassessments.

11. Related Party Transactions

The Association conducts a significant portion of its business activities with related parties consisting of corporations, partnerships and cooperative joint ventures owned in concert with other organizations. Amounts due from related parties of \$2,982,000 and amounts due to related parties of \$2,995,000 are included in the Association's assets and liabilities at July 31, 1983.

Delegates 1983-84

32

District One

101	Gogolinski, Barney	Orion
102	Schmitt, Ray C.	Milk River
103	Simanton, Vernon	Foremost
104	Wocknitz, Robert	Magrath
105	McGlynn, Dallis H.	Twin Butte
106	Hanzel, Ron A.	Lethbridge
107	Nemeth, Frank	Picture Butte
108	Rempel, Henry S.	Vauxhall
109	Thurston, Clarence F.	Bow Island
110	Lewis, Stanley J.	Claresholm

District Two

201	Chambers, William E.	Lomond
202	Williams, S. Evan	Vulcan
203	Berger, John C.	Nanton
204	McWilliam, Bernie	Blackie
205	Walker, Bruce	Gleichen
206	Duhn, Robert L.	Delacour
207	Schmaltz, Clarence M.	Beiseker
208	Durnin, Patrick	Kathryn
209	Carney, Pat F.	Three Hills
210	Bird, Lionel M.	Carstairs

District Three

301	Hagel, Robert J.	Schuler
302	Lemare, Carl	Acadia Valley
303	Aasen, Alfred Lawrence	Brooks
304	Bothi, Steven C.	Bassano
305	Johnson, Jim G.	Drumheller
306	DeGiano, Wayne R.	Craigmyle
307	Johnston, Vernon R.	Oyen
308	Kloberdanz, John	Kirriemuir
309	Hepp, Melvin F.	Castor
310	Petersen, Leslie M.	Erskine

District Four

401	Redmond, Donald R.	Edgerton
402	Chynoweth, Stanley J.	Wainwright
403	Harbin, Clifford T.	Rivercourse
404	Thompson, William C.	Mannville

405 Oberg, Wilmer L.

Forestburg

406 Ash, Robert W.

Viking

407 Pearson, John F.

Donaldda

408 Pepper, Clifford G.

Ohaton

409 Jacobsen, Norman

New Norway

410 Rude, Lars E.

Tofield

District Five

501 Silver, Neil D.

Huxley

502 Schaefer, Vernon F.

Innisfail

503 Nelson, Glen R.

Bentley

504 Wagner, Albert F.

Lacombe

505 Baker, Percy A.

Ponoka

506 Wedman, Johnathan K.

Wetaskiwin

507 Rebus, John A.

Stony Plain

508 Lappenbush, W.F. (Bud)

Mayerthorpe

509 Anderson, Hubert N.

Barrhead

510 Stanley, Kenneth

Westlock

District Six

601 Bober, John R.

Derwent

602 Pidruchney, Albert L.D.

Myrnam

603 Farion, Orest

Vegreville

604 Hennig, Harold H.

Andrew

605 Galloway, Kenneth D.

Fort Saskatchewan

606 Mulligan, Earl

Bon Accord

607 Ewaskow, Russel F.

Thorhild

608 Clarke, Angela

Waskatenau

609 Shalka, Kenneth Rudy

Fort Kent

610 Nikipelo, John Morris

Boyle

District Seven

701 Crone, James B.

High Prairie

702 Galigan, Douglas

Falher

703 Nikolaychuk, Mike

Woking

704 Bohn, Jack F.

La Glace

705 Erickson, Rae G.

Tangent

706 Watson, Allen B.

Dawson Creek

707 Vander Linden, Dale

Clayhurst

708 Sydnes, Kenneth J.

Brownvale

709 Kosiorek, Con

Hotchkiss

710 Wieben, Donald O.

Fairview

Board of Directors

A.J. Macpherson
President
Delta

H.R. Patching
1st Vice-President
Lethbridge

G.W. Braithwaite
2nd Vice-President
Bowden

W. Davidiuk
Grassland

J.C. Riddle
Carstairs

T.A. Graham
Spirit River

D.E. Livingstone
Vermilion

D.V. Riddell
Corporate Secretary

A.W. Beattie
Director-Public Relations

Management Executive

J.W. Madill
Chief Executive Officer

G.C. Appleby
Director-Human Resources

F.E. Ball
Director-Country Operations

G.J. Dewar
Director-Terminal Facilities

T.M. Volk
Director-Finance and Administration

R.W. Jiggins-Acting General Manager
Alberta Food Products

J.E. Patterson
Manager
Winnipeg Office

**Legal Counsel**

MacKimmie Matthews

Auditors

Touche Ross & Co.

Bankers

Bank of Montreal
Royal Bank of Canada
Bank of Nova Scotia
Canadian Imperial Bank of Commerce
Toronto-Dominion Bank
Bank of British Columbia

