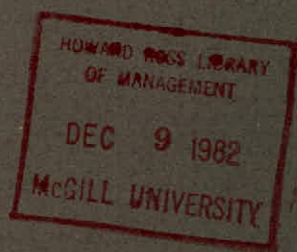


Alberta Wheat Pool

**Annual Report
1982**



T A B L E O F C O N T E N T S

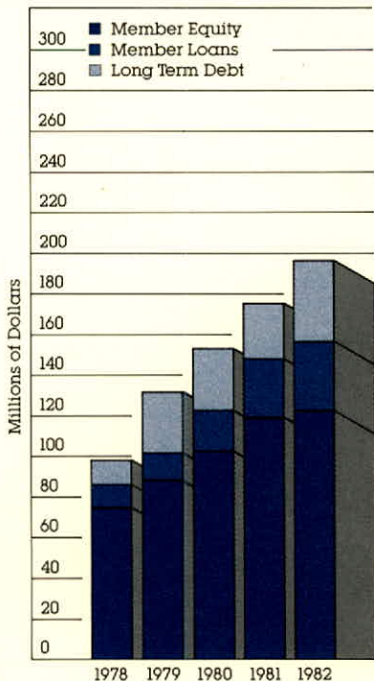


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Funds Invested





C O R P O R A T E H I G H L I G H T S



Financial Highlights

	1982	1981
Gross Revenue	\$1,455,034,000	\$1,390,978,000
Earnings Before Income Tax	24,704,397	34,592,000
Total Assets	464,015,000	488,585,000
Working Capital	55,045,000	73,230,000
Total Funds Invested	\$ 196,073,000	\$ 175,177,000
Financed by: Members Term Loans	34,591,000	28,520,000
Long Term Debt	39,090,000	27,663,000
Equity	122,392,000	118,994,000

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 58,000 farmer members and 2,000 employees. Since inception, Alberta Wheat Pool has handled more than 4.5 billion bushels of grain and has returned \$240 million dollars in patronage refunds to its member owners.

C O R P O R A T E H I G H L I G H T S

1981-82 Report Highlights and Comparisons

	1982
Handling — Country Elevators, in tonnes	6,705,770
— Forage Seed, in kilograms	9,553,673
— Cereal Seed, in kilograms	14,193,348
Percentage of Alberta Grain Deliveries Handled	66.8%
Gross Value of Board Deliveries Other Sales and Revenues	\$1,455,639,058
Marketing Division Sales (included above)	\$ 112,772,630
Gross Margin	\$ 159,731,722
Total Expenses	\$ 137,603,922
Depreciation	\$ 11,974,311
Earnings before Taxes	\$ 24,704,397
Current Assets	\$ 322,987,008
Current Liabilities	\$ 267,941,957
Working Capital before Disposition of Earnings	\$ 55,045,051
Capital Expenditures on Properties and Equipment	\$ 38,406,040
Total Invested in Capital Assets	\$ 208,568,229
Patronage Refunds Distributed (out of previous year's earnings)	\$ 32,707,288
Reserves Held by Members	\$ 87,619,569
Percentage of Member Business prior year	95.32%
New Members	2,185
Total Membership	58,042
Number of Country Elevators	581
Elevator Capacity — in tonnes — Country	1,772,320
— Terminals	481,980
Number of Employees July 31	2,094

*Estimated

C O R P O R A T E H I G H L I G H T S

1981	1980	1979	1978
6,392,558	5,582,811	4,167,989	4,483,130
10,002,202	6,042,824	5,913,623	7,264,818
18,813,822	19,791,476	13,615,808	15,095,193
66.5%	66.9%	64.4%	66.2%
1,390,978,341	982,420,430	629,600,962	642,329,306
120,310,267	94,283,451	72,845,164	64,545,177
148,246,404	123,823,526	91,088,196	77,610,900
114,502,508	95,024,483	69,571,549	61,822,952
9,722,170	8,581,259	6,264,236	5,128,396
34,591,919	29,560,915	22,346,864	15,787,948
386,638,088	268,261,256	197,888,159	163,385,607
313,408,413	207,674,585	153,162,831	139,785,804
73,229,675	60,586,671	44,725,328	23,599,803
19,305,769	15,647,451	23,360,174	23,758,912
170,652,955	152,368,833	139,971,526	118,439,698
28,060,145	21,001,982	15,179,288	14,703,791
75,855,717	65,953,690	58,811,946	52,256,211
96.11%	94.66%	96.6%	96.5%
2,257	2,130	1,808	2,404
57,446	57,324	56,705	56,375
645	670	711	735
1,807,210	1,852,120	1,929,970	1,958,000
481,980	481,980	481,980	403,580
2,112	1,975	1,878	1,817

BOARD OF DIRECTORS' REPORT



Report of the Board of Directors Alberta Wheat Pool To Sixtieth Annual Meeting of Delegates

Gentlemen:

In the 1981-82 crop year Alberta Wheat Pool's ability to handle grain and serve its members was put to a strenuous test. As we look back, the overall results are gratifying. But there are areas of disappointment to consider.

Alberta Wheat Pool remains the farmers' first choice as a grain handler. Record volumes of grain were trucked to the farmers' own Pool elevator system and Alberta Pool concluded the year by setting all-time records for grain handled in the country and at the terminal positions. For years Alberta Pool has claimed its facilities have never been fully tested. That statement is still true and the volume of grain handled in the crop year is proof that Alberta Pool is equal to the challenge.

Alberta Pool invested millions of dollars into facilities and operations during the year. Included was the first large scale installation of country

elevator computers in Canada's grain industry and further innovation in elevator design.

As national economies moved into deeper recession, Alberta Pool and its subsidiaries were tested in other ways. The cost estimate on building a world scale terminal at Prince Rupert came in alarmingly high. Margins in rapeseed processing were negative and large inventories of phosphate fertilizer overshadowed the North American market. The resulting price adjustments caused a shift in market share.

The Federal Government appointed Dr. C. Gilson to head a consultation process intended to develop a framework for sharing of grain transportation costs. Alberta Pool Delegates met on two separate occasions to review and update the Pool's transportation policy and evaluate the long range effects of recommendations made in the Gilson Report. Your Board participated fully in the Gilson consultation process and negotiated on the basis of policy laid down by the Delegate body.

For the farmer, grain prices were disappointingly low during the year forcing him to adjust his expenditures accordingly.

BOARD OF DIRECTORS' REPORT

Summary of Operations

Alberta Wheat Pool has set record country grain handling figures for the third consecutive year. Total handlings for 1981-82 were 6.7 million tonnes. In 1973-74 only one Alberta Pool Manager handled a million bushels but in this crop year we had 93 Managers achieve this milestone, and 4 Managers have handled over 2 million bushels each.

At Vancouver the two terminals managed by Alberta Wheat Pool received a record 5.4 million tonnes or half the grain delivered to that port. Prince Rupert Terminal, owned by Prince Rupert Grain Ltd., and managed by Alberta Wheat Pool, also increased its throughput by handling 1.3 million tonnes.

Alberta Wheat Pool farm supply sales were down slightly from the previous year with a dollar value of \$110.3 million.

Earnings from operations for the year are \$33.3 million, down slightly from a year ago. The consolidated net earnings, after providing for the Organization's share of Alberta Food Products losses and income taxes, are \$24.3 million. This money will be returned to active Pool members on the basis of their patronage.

Grain Prices and Marketing

After a year of record grain prices, the 1981-82 crop year opened on a downward course. As the year progressed huge crops of wheat, corn and soybeans were harvested in the United States. Interest rates soared and the general economic recession gripped the world. Grain prices suffered. Rapeseed prices probably fared the best and on the average declined by only 3%, compared to wheat at 13% and barley at 15%, from the previous year.

To move the large Canadian crop the Canadian Wheat Board sold aggressively and set a 26 million tonne export target. The previous record export was 21.7 million tonnes. Alberta Wheat Pool and other participants in the grain handling and transportation system responded with exceptional performance. In the final analysis exports of the six major grains increased by 23% from the previous year, and the Board's target of 26 million tonnes was exceeded by almost 49 thousand tonnes. Record export figures were established for wheat, durum, barley and rye. The sale and subsequent export of rapeseed and flax declined slightly from the previous year. This record export achievement demonstrated to our foreign customers that Canada's system can set world

standards and still be uniquely Canadian.

Domestic consumption of the six major grains was 5.9 million tonnes or 14.6% below last year's figure.

Western Co-operative Fertilizers Limited

Western Co-operative Fertilizers Limited faced some very difficult decisions this year. Material and transportation costs remained high, supplies of phosphate fertilizer exceeded demand and prices did not cover costs of production. The temptation to adjust price had to be weighed against market share, the need for volume production, plant viability and the long term interest of member owners.

W.C.F.L. was not alone. Several fertilizer plants in Canada and the United States were shut down and have remained closed. Those that continue to operate hope to reap any volume benefits possible. In the United States exports plunged and domestic use dropped 15% - 25%. Alberta farmers purchased 1.7% less fertilizer than during the previous year. Prices of all fertilizers were soft, reflecting the over supply.

W.C.F.L. maintained its policy of serving Western Canadian farmers first, but came under heavy criticism for exporting surplus product at reduced prices as a means of earning volume benefits. The plant's most efficient production is at maximum capacity. W.C.F.L. received a lot of attention for this action even though its shipments were smaller than some other manufacturers.

During the year Management shut down phosphate production for three months, reduced staff, delayed or cancelled capital projects and implemented strict operating controls. Production was reduced by 100,000 tonnes, but year end inventories remained high.

BOARD OF DIRECTORS' REPORT

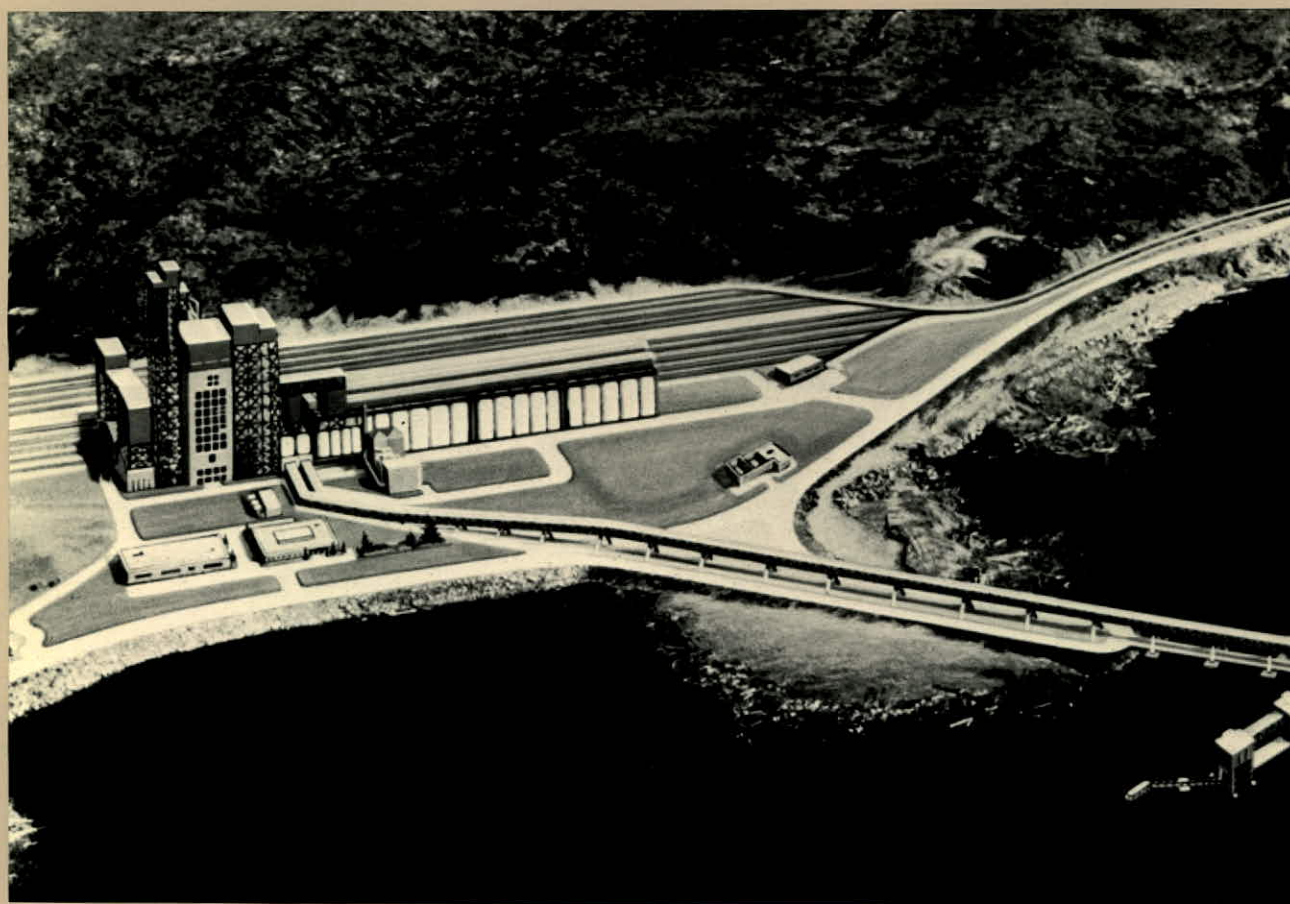


W.C.F.L. produced 440,939 tonnes of dry fertilizer during the year, down 19.3% from the previous year. Alberta Wheat Pool received 149,841 tonnes of product.

The outlook for the 1982-83 fertilizer year is for continued large inventories, further production cutbacks and prices that reflect supply/demand situation and general economic conditions.

Alberta Wheat Pool has implemented an integrated marketing plan with W.C.F.L. to increase market share and to improve member services. Competitive pricing and aggressive marketing will be in force.

Farmers' support for the plant they own will be critical and may well determine the dependability of future fertilizer supplies to farmers in Western Canada. This is a time farmers need to make wise fertilizer purchase decisions that will reap long term benefits.



Prince Rupert Terminal

Following months of planning, negotiating and uncertainty, the Prince Rupert Terminal project was approved in July of 1982. The construction of this 200,000 tonne export terminal on Ridley Island is now underway with a completion target of early 1985. The terminal will provide an alternate route for grain moving westward and will increase the terminal handling capacity on the West Coast by approximately 30% or by some 3.5 million tonnes of grain per year. For some of our major customers Prince Rupert's natural harbour will be a real advantage. For the Japanese it is 700 kilometres closer than Vancouver.

The terminal budget is \$277.5 million with a contingency sum of \$22 million. The province of Alberta will loan 80% of the finances, with the consortium of six grain companies providing the remaining 20% share of the first \$300 million capital cost. Without the support of the Alberta Government this project would be unfeasible. Farmers will also be asked to contribute for a brief period by paying a surcharge on grain moving west.

Alberta Wheat Pool holds the largest share of Prince Rupert Grain Ltd. (34%) and the three Prairie Pools together hold a 67% interest.

Alberta Wheat Pool's investment will be \$20.4 million. Your Board is particularly proud of this project as the original idea germinated in a meeting of Alberta Wheat Pool Delegates.

Alberta Food Products

After a few years of growth, Western Canada's canola crushing business received a severe economic blow. Even though plants were operated efficiently, several factors beyond the owners' control led to a dim financial performance for all crushers.

Early in the crop year domestic crushers were operating on negative crushing margins. As the financial stress persisted at least one company declared bankruptcy. Alberta Food Products reduced operations and took steps to manage the business through the maze of financial problems.

B O A R D O F D I R E C T O R S ' R E P O R T



When our Japanese partners at Alberta Food Products decided to withdraw from the oilseed crushing business in Alberta the Pool agreed to purchase Jalom's 40% interest. In addition to receiving a reasonable price based on plant value and market outlook, funds were added to cover current and anticipated losses. Our former partners behaved in a very responsible manner throughout the negotiations. An excellent working relationship has been maintained with the Japanese companies and they will continue to provide some technical and market assistance to the operation. Alberta Wheat Pool is now the sole owner of Alberta Food Products. Your Board believes that in the long term the business of adding value to raw seed will be beneficial to the producer and Alberta Wheat Pool. The edible oil business has historically been cyclical and the next market move should be upward.

The Alberta Government recently announced a subsidy to canola crushers amounting to \$40 per tonne based on 90% of the previous year's crush. This action by the Provincial Government should allow crushers to continue operating on a break

even basis as opposed to temporary closure of the plants. This means producers' alternative market for canola seed will be maintained.

Adequate seed supply is currently a major concern of crushers and exporters. The immediate challenge to farmers is to increase production of canola seed or risk losing established markets.

Co-enerco

The Co-operative Energy Project, which involves 17 Co-operatives and Credit Union organizations across Canada, finally received parliamentary approval for oil and gas exploration and energy development. Canadian Co-operatives committed \$58 million to the venture which was matched by the Federal Government. Alberta Wheat Pool, on the authority of its Delegates, will invest \$8 million into Co-enerco over a four year period. Co-enerco recently bought Sabine Canada Ltd. from its U.S. parent and now holds significant oil and gas producing

BOARD OF DIRECTORS' REPORT

properties and land holdings in Western Canada. Co-enerco remains a private company, but plans to go public in the future. Share purchases will be restricted to Canadians. Co-enerco's objectives are to involve Co-operatives and Credit Unions in ensuring an energy supply; to create an attractive investment vehicle, and to play an intricate role in Canadian control of a natural resource.

The farmers' dependence on energy remains strong and therefore the Alberta Wheat Pool's participation in Co-enerco should be beneficial to food producers over the long term.

Canadian Co-operative Implements Limited

Every major farm implement manufacturer reportedly fell into the grasp of economic recession and Co-op Implements is no exception.

Recognizing the importance of Co-op Implements, a \$45 million refinancing program was devised which includes the Federal Government, the three Prairie Provincial Governments, major Co-operatives including Alberta Wheat Pool, Credit Unions and the Canadian Co-operative Credit Society.

The future of this Co-operative is largely in the hands of our country's economic recovery and farmers who choose to support this Canadian owned industry.

XCAN Grain Ltd.

XCAN, the export arm of the three Prairie Pools, had total sales of 1.8 million tonnes during the year and achieved satisfactory earnings.

Subsidiaries of XCAN Grain Ltd. include XCAN Shipping Ltd. which chartered 63 vessels during the year, XCAN Far East Ltd., a Tokyo company that was the number one seller of Canadian canola in Japan and XCAN Grain (Europe) Limited, a London based Company, completed its first year as a wholly owned subsidiary with operations throughout Europe.

Canadian Wheat Board

The basic concept of the Canadian Wheat Board acting as a single selling agency proved extremely beneficial during the year. International grain trade is now concentrated in a few hands and most large purchases are made by Government Agencies. Only four of the world's top twenty buyers of wheat and flour import solely through private buyers. For coarse grains only six of the top twenty importing countries utilize

private buyers and of these six, the number of companies is very small. With the concentration of international marketing the Board's bargaining power is all important to Canada's grain producers. It is important to know that the Board also has a list of over twenty accredited exporters. These companies, of which Alberta Wheat Pool is one, range from small to some of the world's largest multinationals. These companies can sell grain in the international market and take delivery at a specified port from the Canadian Wheat Board.

The Board's barley marketing decision during the year proved very beneficial to Alberta where barley is still the major crop. The Board made significant barley sales into new markets and to existing customers, with shipment early in the crop year.

The Wheat Board also introduced a system for the 1982-83 crop year to increase the quota base for farmers who use intensive farming practices or have a small portion of land in summerfallow. This program will achieve a better balance in delivery opportunity. Alberta producers have much to gain from this adjustment.

The quota system, administered by the Canadian Wheat Board, continues to be vitally important to grain producers and grain handlers. Even in the feed grain marketing, equal delivery opportunity on the basis of a quota is a right that should be guarded.

Government Communication

Alberta Wheat Pool's business interacts with numerous areas of Federal and Provincial Government. In turn Government action frequently impacts Alberta Wheat Pool, its members and employees.

Knowing this relationship exists and the likelihood that it will grow, your Board has adopted a policy of active and ongoing communication with Ministers and bureaucrats. By discussing topics prior to legislation Alberta Pool can, in a constructive and forceful way, emphasize the impact government action will have on Alberta Pool or its farmer members. The objective is to be pro-active rather than reactive.

With so many select groups being formed to influence government on behalf of their specialized segment of agriculture, Alberta Wheat Pool must give Government Communication a high priority to ensure that decision makers have a balanced and overall view.

BOARD OF DIRECTORS' REPORT

Your Board's executive and senior staff members have had almost weekly communication with Government observers in Edmonton and Ottawa. Regular contact has been made with bureaucrats. Your President is active in the Co-operative Union of Canada's Legislative Affairs Committee, and has personally visited key senior Cabinet Ministers in Ottawa on one or more occasions. He presented a brief to the Provincial Agriculture Caucus, and has met Provincial Ministers for talks on agriculture and economic development.

Properties

In the past decade alone Alberta Wheat Pool has invested over \$33 million into new elevator construction, \$32 million to upgrade other country facilities and \$29 million to enhance the efficiency of West Coast terminals. This level of investment by the farmer-owned Alberta Pool contributed greatly to the record grain movement during the crop year. If we intend to reach the 30 million tonne objective of the Canadian Wheat Board by 1985, further investments in new technology and improved facilities must continue.

The Board of Directors has approved the Capital Budget for 1982-83 totalling \$15.6 million plus a carry over of \$6.9 million for a total of \$22.5 million. Compared to the previous year the budget has been reduced reflecting the need for restraint and good financial management in recessionary times. The Pool Board has authorized modern elevators for members in the Mundare, Foremost and Rosebud communities and new warehouses for Bow Island, Brooks and Craddock members. Four fertilizer blenders will be installed, 12 new scales and several other items that will contribute to upgrading member service and operation of the organization.

Rail Abandonment Hearings

The Canadian Transport Commission (CTC) continued holding public hearings to determine the future of rail lines. With the recent decision to abandon the Stettler sub from Morrin to Edberg, the Commission is apparently under pressure to speed up rail rationalization. There is danger that the retained portions of this line will also go in five years time and farmers served by the Stettler line will then be hauling some 150,000 tonnes of grain to points farther away. Mileage penalties to alternate points were referred to as "unreasonable" by the Prairie Rail Action Committee.

The CTC has also issued abandonment orders for Acadia Valley sub (August 31, 1983), Endiang sub (October 31, 1983), and the Furness sub (August 31, 1985). The action to eliminate rail service will save railways money but costs will be transferred largely to the farmer, the elevator system he owns, and the County or Government that collects taxes to build roads.

Alberta Wheat Pool worked with communities prior to each hearing and presented briefs at all hearings. Alberta Pool launched three appeals and was successful in delaying closure dates on two occasions.

Appeals will be made by Alberta Pool to extend the closure date on the Acadia Valley and Stettler lines to August 1985.

Board of Directors

The elected officers of your Board were President, A. J. Macpherson, First Vice-President, H. R. Patching and Second Vice-President, G. W. Braithwaite. Other members of the Board were Parke Dobson, William Davidiuk, Jack Riddle and Alex Graham. Messrs. Macpherson and Patching are full time Directors but retain their farms at Delia and Lethbridge respectively. All other members of the Board are active farmers in their own district.

Mr. Macpherson served as Chairman of the Prince Rupert Grain Consortium, President of Prince Rupert Grain Ltd., Western Pool Terminals Ltd., Ridley Grain Ltd., Chairman of Pacific Elevators Limited and the Management Committee of Alberta Food Products, Vice Chairman of XCAN Grain Ltd., a member of the Executive Committee of W.C.F.L., a Director of W.C.F.(U.S.) Inc. and Goldeye Foundation.

Mr. Patching was elected to the Uniform Board of Directors Executive and Provincial Council. He 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.

Mr. Braithwaite was elected to the Board of XCAN Grain Ltd. and the Co-op College of Canada. He is a member of the Regional Council for the College and continued his work on the R.E.D.A. Policy Council.

BOARD OF DIRECTORS' REPORT

All three members of the Board Executive were elected to the Board of Canadian Co-operative Wheat Producers. Messrs. Macpherson and Patching served on the Boards of Canadian Pool Agencies Limited, Pool Insurance Company, Western Co-operative Fertilizers Limited and the Management Committee of Alberta Food Products.

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

Directors Dobson and Patching were appointed to the Advisory Council of the Co-operators.

Former Director Lorencz represented Alberta Wheat Pool on the Canadian Water Resources Association and served on the Western Grain Standards Committee as did former Delegate Eric Axelsen.

Chief Executive Officer J. W. Madill served on the Prince Rupert Grain Consortium, the Boards of Ridley Grain Ltd., Prince Rupert Grain Ltd., W.C.F.L., 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 a member of the Alberta Food Products Management Committee.

During the year Directors and senior staff continued to serve on numerous industry associated committees as technical and policy spokesmen.

Election of Delegates

In the past crop year our seventy member Delegate body experienced a turnover rate of 10%. Theoretically at this rate the Delegate body would be replaced every ten years.

Following the election in all odd-numbered sub-districts, 25 Delegates were re-elected by acclamation and three new Delegates, Vern Simanton 103, Bruce Walker 205, Robert Hagel 301 were elected without opposition. Elections by ballot were held in six sub-districts and following the ballot count two new Delegates were elected: Dallis McGlynn 105 and Norman Jacobsen 409. Sitting Delegates re-elected were John Berger 203, Pat Carney 209, Orest Farion 603, Ken Galloway 605. With the election of Alex Graham to the Board of Directors, a By-election was called for sub-district 706 and Allen Watson of Dawson Creek, B.C. was successful. Following the By-election in sub-district 307, Vernon Johnston was re-elected by acclamation.

Sitting Delegate Eric Axelsen resigned and following a by-election, Steven Bothi of Bassano now represents the members in sub-district 304.

The Board congratulates all re-elected Delegates and is pleased to welcome the new Delegates. As you accept the challenge of being an Alberta Wheat Pool Delegate, you will find our democratic system calls for a high standard of individual performance.

Your input into the policy of your organization will be the most important part in keeping Alberta Wheat Pool responsive to farmer members.

Membership

During the 1981-82 season 2,185 new members were accepted by the Board as compared to 2,257 during the 1980-81 season.

A total of 618 deaths were reported, and 971 memberships were cancelled.

The net increase in membership totalled 596 increasing the membership strength from 57,446 to 58,042 members as at July 31, 1982.

Member Surveys

Alberta Wheat Pool continued the practise of surveying members to determine attitudinal trends and opinions in Pool policies, performance and key issues facing the agricultural industry.

Over 5,000 active producers were surveyed during the year and the results provide a valuable critique and basis for future policy development. Survey results were published for all members to review.

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-op Credit Society, Co-op College, Canfarm, Westac, POS Pilot Plant Corporation, Western Grain Research Foundation, Canada West Foundation and the Co-operative Future Directions Committee that disbanded late in the year.



Grain Academy

The positive response and educational value of Alberta Wheat Pool's Grain Academy has been far greater than expected. Over 55,000 people visited the Academy, which is located in Calgary's Stampede Park, during the first full year of operation and were exposed to the story of grain. Visitors came from every Canadian province, every state in the Union, most European and Asian countries, Australia, New Zealand and Japan. Groups came from the Canadian International Grain Institute, Universities, Schools, Scouts, Churches and of course numerous farm people visited the Academy.

The impact of Alberta Pool's Grain Academy is difficult to measure, however its potential as a teaching facility is limited only by imagination.

BOARD OF DIRECTORS' REPORT

Canadian Co-Operative Wheat Producers

This organization was used by the three Pools as a means of co-ordinating mutual policy objectives. In January 1982, the Pool Boards met to review operations and discuss markets with the Canadian Wheat Board. Policy issues were reviewed prior to the C.F.A. meeting. In July the Boards met again and discussed grain transportation policy and freight rates with Federal Government Ministers and senior staff.

C.C.W.P. commissioned a major study on railway costing and levels of compensation for the railways' grain handling activity.

Goldeye Foundation Society

The progress made by the Goldeye Foundation Society in administering operation of this educational centre is most gratifying. Facilities have been improved, utilization is up significantly and fund raising activities for 1981-82 have netted almost \$463,000. The Alberta Government has recognized the educational value of Goldeye for youth development and leadership training and contributed \$250,000 with a further \$250,000 commitment that has now been received.

Alberta Wheat Pool continues to support Goldeye Foundation with a yearly grant and staff assistance.

Co-operative Future Directions Project

In 1979 a group of visionaries decided that a vision of the future for Canadian Co-operatives and Credit Unions should be developed. A three year course of action was prepared and through research projects, regional seminar workshops and analysis committees, co-op leaders identified the crucial issues facing co-ops and developed ways to resolve them. The program terminated when 350 participants attended the Co-operative Future Directions Congress in Ottawa.

At this congress a vision statement was developed and action areas were identified. It was recommended that economic viability of co-operatives be given a high priority to ensure co-operative objectives can be met.

Staff

On behalf of Alberta Wheat Pool's 58,000 members, the Board sincerely thanks staff members for their service to farm people, their dedication to productivity and for the team effort in meeting Alberta Wheat Pool's objectives.

In Memoriam

Sympathy is extended to the friends and family of the late Mr. Ingvald Ness of Kingman, Alberta, who passed away during the year. Mr. Ness had served as Pool Delegate from 1958 to 1976. His contribution to Alberta Wheat Pool is gratefully acknowledged.

Challenge for the Future

The decade of the Eighties was to be the Golden Age for farmers and agro business. Now we find new economic and political uncertainties instead of prosperity. Net farm income on the prairies for 1982 is estimated to decline by 26% from last year. For grain producers the near term outlook is not very promising. Economists forecast that low prices for wheat, coarse grains and oilseeds will continue in 1982-83. If we look at Canadian wheat prices in real terms, they have buying power equal to one half of prices in 1973-74 and are close to the severely depressed prices of 1976-77. Clearly, price improvements are necessary. Alberta Wheat Pool is an advocate of reasonable price incentives as a means of stimulating production.

In the past crop year, farmers have watched interest rates as they watch the weather. In 1981, interest indebtedness became the largest expense item in Canadian Agriculture. Chase Econometrics calculated that a one percentage point increase in the prime rate reduces the total net farm income of Canadian farmers by \$50 to \$60 million or by about 1.5%.

Interest rates also played a part in the record number of farm bankruptcies. But farmers were also affected by the number of bankrupt grain buyers, oilseed processors and machinery dealers. In recessionary times, farmers were tempted to deal on price alone and unfortunately a few who did so became the victims of companies teetering on bankruptcy.

Underlying these economic factors, we must look at long term concerns of feeding more people and the capacity of Canada not only to produce but to transport. The Canadian Wheat Board has set an export target of 30 million tonnes by 1985 and 36 million tonnes by 1990. There are no insurmountable land base or technological constraints to the production of this grain in the west. However transportation capacity is at risk. The decisions made after the evaluation of Dr. Gilson's proposal will largely determine future export capacity. Since 40% of the Canadian farmer's income depends on exports, settlement

BOARD OF DIRECTORS' REPORT

of the western transportation issue may well be one of the most important issues facing the grain producer this century.

Dr. Clay Gilson presented his recommendation for a comprehensive approach to deal with the potential problem of rail capacity. As a grain handling organization owned entirely by grain producers, our current challenge must be to see the future turn of events if Dr. Gilson's recommendations are adopted. Some of the effects we see are western feeders who purchase a large percentage of the feed grain produced in Alberta and Northeastern British Columbia will benefit from lower prices and this means economic stimulation to the livestock industry. Canola crushers will benefit as the rate disparity between seed and processed products will be eliminated. The grain producer will be faced with a reduction in net income. One calculation shows that the producer's share of the cost of transporting grain will increase from about 22% in 1983 to almost 40% in 1990. In dollar terms this means \$5.22 per tonne in 1983 rising to \$16.71 by 1990, and if you extend it to 2000, \$43.55 per tonne. Can a Canadian farmer who sells on the world market but produces with made in Canada costs handle this additional expense?

A third effect will be a shrinking of the grain handling and transportation system. The push for earnings will see the railways attempt to close branch lines and introduce variable rates. The railways can benefit but there will be a direct cost transfer to the producer of grain. In summary grain farmers are being asked to pay more with the prospect that some of the additional cost will be offset by increased volume sales.

There is general agreement that if the changes occur as recommended by Dr. Gilson, there will be a benefit shift from the grain producer to the livestock producer. The magnitude of this advantage is a point of contention because it makes assumptions about the market's ability to absorb increased livestock production at a favourable price. It may result in both sectors facing inadequate prices and incomes. The Prairie Pools by working together have developed a realistic alternative to the Gilson recommendation. The proposal removes inequities caused by the existing freight rates on prairie feed grains, it is relatively simple and could be administered at minimal extra cost to the taxpayer and grain producer. Most important, it makes the subsidy payable to the railways as a transportation subsidy should be, and therefore provides maximum leverage to ensure railway performance.

Alberta Pool has worked hard to point out the many benefits of the proposal and hopes logical analysis will continue.

Alberta Pool is increasingly concerned that rail transportation costs may rise above the grain producers' ability to pay. Now we have our greatest challenge, for it will shape not only the grain handling system but the economic viability of the producer, who is the key player in this scene.

Your Pool has been speaking forcefully on your behalf but now it is time for individual members to let the decision makers in Ottawa know just what they want to happen in the future.

Your Board hopes the Delegate body will give the question of rail capacity, freight rates and rationalization of the grain handling and transportation system a serious indepth review, for the future of our grain industry may be decided in the next few weeks.

A.J. Macpherson
H.R. Patching
G.W. Braithwaite
Parke Dobson
W. Davidiuk
J.C. Riddle
T.A. Graham

CHIEF EXECUTIVE OFFICER'S REPORT



To the Board of Directors of Alberta Wheat Pool

Gentlemen:

The 1981-82 crop year was one of extremes for Canadian farmers, agri-business and business in general. High interest rates, the weak Canadian dollar, low grain prices, continued inflation and worldwide economic recession were news headlines throughout the year. Alberta Wheat Pool and its members suffered from the effects of these conditions. Only through careful management and control over resources will agricultural producers and their industries successfully deal with current economic difficulties.

Alberta Wheat Pool achieved a record throughput of grain in the country elevator network and Vancouver terminals. To some extent, this accomplishment offset difficulties experienced in other activities. However, extremely competitive crop product marketing conditions coupled with lower farm demand for fertilizer reduced the organization's sales to members. Canola crushing margins deteriorated steadily and significant losses were incurred in the Alberta Food Products crushing operation. These influences had a major impact on net earnings. Earnings from operations for the year are \$33.3 million, down slightly from a year ago. The consolidated net earnings, after providing for the Organization's share of Alberta Food Products losses and income taxes, are \$24.3 million. While this is less than our record last year, it can be considered favorable compared to the performance of other businesses and the economy in general.

Alberta Wheat Pool continues to be a leader and innovator among farm cooperatives and the grain industry. The Pool opened another high throughput concrete Buffalo Sloped Bin elevator, the third of its kind since its introduction two years ago. At year end another new design for a concrete facility was under construction at two locations. In addition, the Pool completed its installation of mini-computers at major stations throughout Alberta and the Peace River block of British Columbia. Most other grain organizations are now developing similar computer systems.

To more effectively manage Alberta Wheat Pool, a senior management reorganization was undertaken. Four senior staff positions now report to the Chief Executive Officer for the following divisions: Country Operations, Terminal Facilities, Finance and Administration, and Human Resources. The new management structure broadens responsibilities in all divisions and permits management to devote more effort to the management and direction required by subsidiaries. The restructured management team has been better able to respond to the complex situations created by changing economic conditions.

During the year the importance of stable cooperative grain handling organizations became more apparent to members with the financial difficulties experienced by several grain dealers. Many farmers and companies were subjected to unexpected losses by those unfortunate situations.

Alberta's 1981 grain crop was harvested under ideal weather conditions and set a production record. The size of the crop, its quality and a record export movement to the west coast terminals helped to compensate grain producers for lower prices and higher costs of production. Through dedication and hard work, Alberta Wheat Pool's employees responded to the challenges in handling and marketing the crop.

Country Operations

In country grain handling, Alberta Wheat Pool achieved a record volume of grain receipts for the third consecutive year. During the 1981-82 crop year Pool members delivered 6,705,770 tonnes of grain, an increase of 5% from last season. Overall, the organization improved its market share to 66.8% of grain elevator deliveries in Alberta and B.C. Notable advances in market share occurred in non-Board wheat, barley, rye and canola receipts. Compared to 1980-81, the Pool's market share of Board grain deliveries was maintained.

CHIEF EXECUTIVE OFFICER'S REPORT



The record performance of country grain operations was accomplished through member support for Pool services, improved country staff productivity and a strong demand for Canadian grain exports. On a per elevator manager unit basis, grain receipts rose 9% to 19,605 tonnes. Per elevator employee, deliveries increased 3% to 8,157 tonnes. Ninety-three stations handled over 25,000 tonnes during the crop year.

With the high quality barley harvest experienced in 1981, Alberta Wheat Pool was able to increase its participation in domestic and export malting barley markets. The organization was a major participant in two new export markets for Alberta malting barley—the People's Republic of China and the U.S.S.R.—contributing to a doubling of Pool export sales.

Early in the 1981-82 crop year Alberta Pool's ability to receive member deliveries was affected by widespread elevator congestion and sizeable railway shortfalls in car spotting. From a peak of 228 congested elevators in September, the congestion gradually improved to only 23 elevators congested in January. An excellent rail movement and efficient grain car allocation for the balance of the crop year allowed members to maximize their delivery

opportunities. Improved shipping performance demonstrates the importance of country elevator organizations in supporting and generating export grain sales for Canada.

Alberta Wheat Pool lost four elevators by fire during the year. Fires started at six other locations but were quickly detected and extinguished, averting potential losses of \$24.6 million. Elevator inspection and fire prevention programs were upgraded and remain a high priority.

Elevator audits conducted at 145 stations showed an average overage of 0.149%, well below the Canadian Grain Commission's maximum tolerance of 0.25%. On July 31, 1982, six elevator locations were closed and during the year one elevator trade was completed. Alberta Pool operated 342 elevator manager units at year end with a storage capacity of 1,772,320 tonnes.

The new Member Services function created this year is designed to enhance Country Operations' awareness of member needs, service requirements and responsiveness to members.

Farm Supplies: Farmers took a more cautious approach to their purchase of crop inputs this year. High interest rates, higher product costs and weakening grain prices were factors that influenced Alberta farmers in their decision to use 1.7% less fertilizer and to delay purchase until the product was needed.

The North American fertilizer industry was severely affected by high interest rates, the high value of the U.S. dollar, reduced demand for fertilizer, a drastic reduction in overseas sales, a large imbalance of supply over domestic demand and declining prices and margins. These and other factors resulted in lower prices in the U.S. relative to Canadian produced product, causing marketing problems.

Total sales of farm supplies by Alberta Wheat Pool were \$110,338,000, a 4.4% decrease from the previous year. Highly competitive marketing situations prevailed throughout the year resulting in reduced farm supply margins. The value of Alberta Pool fertilizer sales was down by 2.2% from last year, but volume declined by 13.5% and as a result the organization lost market share. Crop chemical sales increased by 6% over 1980-81 and market share was maintained. Fewer sales of grain bins and driers accounted for most of the 38.6% decline in agro product sales value.

CHIEF EXECUTIVE OFFICER'S REPORT



A total of 24,175,978 kilograms of forage and cereal seed was purchased from members for \$8,839,377, a decline of 16.1%. High inventories of forage seed during a period in which market prices rapidly declined resulted in losses on these operations. The excellent quality of the 1981 grain crop was a major factor responsible for a 23% decline in cereal seed sales. Efforts in developing markets for forage and cereal seed were continued by participating in seed missions and promoting seed to visiting delegations from other countries. Alberta Pool seed is currently being tested in 18 countries.

The Canola Breeding Project initiated last year continued with winter nursery work, greenhouse work and an extensive cross breeding program in the summer of 1982. While new varieties cannot be expected for seven to ten years, good progress has been made. A foreign canola variety has been tested in western Canada and is now entered in the Western Canada Co-operative Tests, the final testing before licensing. Two wheat lines and seven barley lines have been entered in these same tests through the co-operative efforts of the three prairie Pools.

The Bow Island Bean Plant generated \$2.4 million in sales during the year but declining prices for dry edible beans resulted in growers receiving an average price of \$19.02 per hundredweight, a drop of 37.8% from one year ago. Inventories of unsold beans were high at year end.

CHIEF EXECUTIVE OFFICER'S REPORT



Engineering, Construction & Maintenance: In responding to member needs for improved services, new elevator capital expenditures totalled \$9.4 million during the year with facilities completed at Bashaw, Bow Island, Cayley, High Level, Vegreville and Waskatenau. At the end of the 1981-82 crop year, two more were almost complete and four others were under construction. Of the six elevators completed, five were high throughput wood plants and Vegreville was a high throughput Buffalo Sloped Bin concrete facility. Two concrete elevators of the new Buffalo 2000 design were under construction at Lyalta and Foremost.

Upgrading of existing facilities included six cribbed annexes, two steel tank complexes and seven new elevator offices plus twenty-two receiving scale and six shipping leg installations. During the crop year, twenty-six obsolete elevators and forty-one balloon annexes were dismantled. Elevator repair costs were \$4.1 million, up 7% from last season and reflecting a strong emphasis on providing members with effective facilities.

Crop product facilities were expanded with the construction of three bulk fertilizer plants, three warehouses, conversion of three elevators to bulk fertilizer and installation of five fertilizer blenders.

CHIEF EXECUTIVE OFFICER'S REPORT

Terminal Facilities:

West coast terminal receipts in 1981-82 reached a record 11,492,000 tonnes, surpassing the 1980-81 total by almost 19%. Receipts at Alberta Wheat Pool and Pacific Elevators terminals increased by similar percentages to 3,017,599 tonnes and 2,327,996 tonnes respectively. Together these two terminals handled 52% of the Vancouver port's throughput, up slightly from last year's percentage. The Pool terminal handling established a record volume for west coast terminal throughput. Despite a difficult winter for railroad operations to the port, the Prince Rupert terminal, managed by Alberta Pool for the Prince Rupert Grain Terminal Consortium, set a record export volume of 1,283,300 tonnes, up 4% from the previous year.

At the Pool's Vancouver terminal the record throughput was generated by larger volumes of wheat, barley and canola. In particular, barley receipts increased by 51% from the previous year. Pacific Elevators Limited substantially increased its handlings of wheat and barley compared to 1980-81.

During the 1981-82 crop year, weekly unloads at Vancouver terminals averaged 2,850 grain cars, an improvement of 16% over last year. Hopper cars represented over two-thirds of the total cars unloaded at the port. The increasing percentage of hopper cars in the grain fleet resulted in an average of 70 tonnes unloaded per car, up from 65 tonnes last year.

The canola car exchange program was formally adopted in March 1982 after a one year test period. The principal benefit of the program accrues to the railways in reduced car sorting.

Labor relations remained stable during the year and the absence of any disruptions allowed the terminals to perform well. Negotiations with the Grain Workers Union for a new collective agreement retroactive to January 1, 1982 were still underway at year end.

Subsidiaries:

Pacific Elevators Limited handled near record volumes of grain during 1981-82. Ownership of this company is divided between Alberta, Saskatchewan and Manitoba Pools on a 60:30:10 basis with Alberta Pool providing the operating management. The earnings of Pacific Elevators are distributed to other grain shipping organizations in proportion to their grain consigned to the terminal. The Pacific

Elevators terminal is owned by Western Pool Terminals Ltd. whose owners are the same as Pacific Elevators Limited. This terminal facility will require examination in the near future to determine its upgrading requirements, modernization potential and capital expenditure costs and benefits.

Alberta Food Products, the canola crushing plant at Fort Saskatchewan, experienced a difficult year of operations due to poor crushing margins, low prices for competing soybean oil and meal, comparatively high prices for canola due to Japan's influence in the export market and the freight rate differential between unprocessed canola and processed canola products. The year ended with Alberta Food Products reporting a sizeable loss, despite several periods of plant shutdown and intense efforts by management to minimize the loss. Just prior to year end, Alberta Wheat Pool purchased Japan Alberta Oil Mill Co. Ltd., the company which now owns the other 40% interest in the Alberta Food Products partnership. While the outlook for crushing in 1982-83 is not optimistic, an Alberta government



CHIEF EXECUTIVE OFFICER'S REPORT



program to subsidize canola crushing operations by \$40 per tonne could reduce the financial impact of continued adverse crushing margins. Alberta Wheat Pool consolidated the results of Alberta Food Products into its financial statements in proportion to its 60% ownership.

ABL Engineering Ltd., owned 50% by Alberta Wheat Pool and 50% by Buffalo Engineering Ltd., changed its basis for operations during the year. Due to a reduced pace of new elevator construction in western Canada, the activities of the construction subsidiary, Buffalo Beton Ltd., declined. ABL Engineering Ltd. was successful in negotiating its first international sale of Buffalo Sloped Bin elevator technology to Brazil's grain storage organization—Cibrazem. The sale agreements call for design and engineering services for up to seventeen terminals ranging in size to 35,000 tonnes. As a consulting engineering firm, ABL Engineering Ltd. was retained by the Alberta government to develop two off-track grain handling concepts for the Peace River region.

Finance and Administration

Influenced by difficult economic conditions, Alberta Wheat Pool earnings from operations were \$33.3 million. This is a small decline from the previous year in spite of increased handlings. After allowing for Alberta Pool's share of losses experienced by Alberta Food Products and payment of income taxes, consolidated net earnings were \$24.3 million. Record capital expenditures to improve Pool services and facilities, investment in Ridley Grain Ltd. and Co-Enerco were the principal activities responsible for reducing working capital to a lower but still adequate \$55.0 million.

CHIEF EXECUTIVE OFFICER'S REPORT

Considering the economic recession and the depressed business climate in 1981-82, Alberta Wheat Pool's financial performance compared favorably with the business community. High interest rates experienced in the entire Canadian economy during the crop year, produced a 26% greater interest cost for Alberta Pool. However, a large proportion of the interest relates to grain purchased on behalf of the Canadian Wheat Board and as such is recoverable from that organization. In the end result, effective financial and inventory controls allowed the Pool to reduce its net interest cost by 30% from last year. With Prime interest rates ranging as high as 22¼% during the year, the reduction in net interest costs was a major accomplishment.

The high interest rates and economic recession adversely affected both Pool members and Pool grain customers. Financial instability, receiverships and bankruptcies of farms and agricultural businesses rose dramatically during the year. To reduce exposure and risk, Alberta Wheat Pool tightened its credit policies to all customers and increased its account collection activities. As is the case with all businesses operating in these economic conditions, Alberta Pool was forced to increase its allowances for bad debts and uncollectable customer accounts.

Implementation and operation of the grain industry's first and most sophisticated computerized Country Management Information System (C.M.I.S.) was achieved on schedule and on budget this year. Alberta Wheat Pool now has on-site computer data processing and data transmission to the Calgary head office from 225 country elevators, 8 farm supply centres and 3 crop product warehouses. The C.M.I.S. computers currently handle all grain purchase and storage transactions at the connected elevators. Grain shipments and farm supply sales and inventory are the next phases of the system to become operational. An immediate benefit of the system has been the acceptance of electronic data transmission by the Canadian Wheat Board. The daily transactions at the elevator are transmitted to the Pool's head office computer which in turn forwards the information directly to the Board's Winnipeg computer. This rapid flow of information increases Alberta Pool's interest and carrying cost recoveries for Board grains.

An in-depth analysis of Alberta Pool's Calgary office requirements and alternatives resulted in an agreement whereby the organization will sell the head office building property. However, arrangements will not be finalized until December, 1984. As a first step in developing new office space, land was purchased outside the downtown

core in Calgary. Space and architectural planning have now been initiated for the new office structure. Current market conditions for office space will require careful review before committing to construction.

Opportunities for product development, market development, research and diversification were given careful scrutiny during the year. A program to more clearly define Alberta Wheat Pool's strategy for both the short and long term was initiated as part of the management reorganization. An effective budgeting process will support this strategic management process in Alberta Pool.

From the 1980-81 earnings, patronage refunds to members totalled \$13,053,850 in cash and \$19,653,932 in reserves. The reserves represent Pool members' equity in their organization. At the direction of the Pool delegates at their 1981 annual meeting, \$7,900,669 of member reserves were purchased. The purchase program is now revolving the reserve structure about once every twenty-two years, a reduction from twenty-four last year, to keep the equity in the hands of active Pool members. Reserves were purchased from retired members, estates of deceased members, members reaching 66 years of age, members 66 years or more who have not received a patronage refund in the last three years and from members on the revolving membership number basis. Members' equity in Alberta Pool totalled \$122,392,006 at year end, comprised of \$87,619,569 in member reserves, \$10,431,149 in retained earnings from non-member business and \$24,341,288 from this year's earnings.

Human Resources

The economic recession resulted in a change in emphasis for human resources management. In March 1982 a staff restraint program was introduced to increase operational and administrative efficiency and reduce costs. By July 31, head office staff had been reduced by 7% and country operations staffing requirements were under examination. The recession brought into focus the need for all organizations to become leaner in order to survive and avoid financial difficulties.

With introduction of the federal government's six and five percent wage and price restraint program, Alberta Pool will endeavor to limit increases to the guidelines. While a restraint program began in Alberta Pool prior to the federal government's initiatives, the organization will wherever possible,

CHIEF EXECUTIVE OFFICER'S REPORT

support the 6 and 5% program in the next two years.

Examination of the compensation and benefit programs provided for Pool employees revealed new methods of improving performance incentives and reducing benefit costs to the organization. An innovative concept developed for country operations staff is the Shared Earnings Program to replace sales commissions. The program recognizes overall station performance in relation to the total organization. The first payment to employees for their performance in the 1981-82 crop year will be issued in November 1982.

Manpower planning and development continue to receive attention. The Elevator and Warehouse Management Training Program held at Olds College graduated 32 trainees this year. After five years of successful operation, the program was terminated as part of the Pool's economic restraint measures. The Update Program for elevator managers and assistant managers also held at Olds College increased the knowledge and capabilities of sixty existing staff members.

Consistent emphasis on Pool employee health and safety has kept the organization's country operations accident rate well below the industry average. Similarly, the accident rate at the terminals is declining. Not only does attention to safety prevent employee disabilities, but rebates of Workers' Compensation Board premiums for low accident rates are substantial. To monitor and improve country employee health, Alberta Wheat Pool operates medical surveillance and dust monitoring programs.

Outlook

For 1982-83, economic recovery in Canada will be slow. Grain producers will again realize effectively lower returns on grain production due to lower selling prices, lower crop quality and higher production costs. The uncertainty associated with the export market demand for Canadian grains which faces stiff competition from the large volume of U.S. wheat, corn and soybean crops, has implications for Pool members and their organization. Alberta Wheat Pool and its members will be required to be leaner, more efficient and more effective managers during the next year.

Prospects for the oilseed crushing industry, including Alberta Food Products, are not bright for 1982-83 but effective cost controls and the Alberta government's crushing plant assistance

program are expected to have some effect on performance. The outlook for fertilizer is not as promising since production capacity at existing plants is about twice as large as demand for fertilizer. Fertilizer marketing will again be extremely competitive and plants will not be able to operate at a profit. Alberta Wheat Pool and Western Co-operative Fertilizers Limited have developed a new marketing strategy for fertilizer this year which is intended to recapture lost market share. Competitiveness in the marketplace will be the principal emphasis of the new strategy.

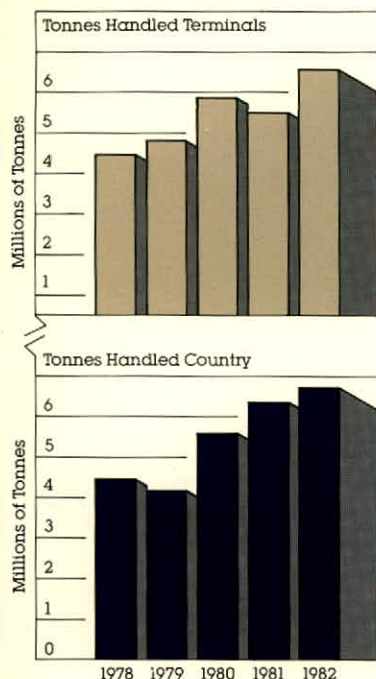
Resolution of the Crowsnest freight issue, if enacted, will have an impact on the way members manage their farms and operate their grain handling system. Alberta Wheat Pool needs to prepare for the potential changes to its operations under the various scenarios proposed.

The year ahead will require prudent management of financial resources. It will be a time for cost restraint, effective cash management to minimize debt and carefully controlled capital expenditures. Alberta Wheat Pool will more than ever require the continued dedication and support of both its members and employees.

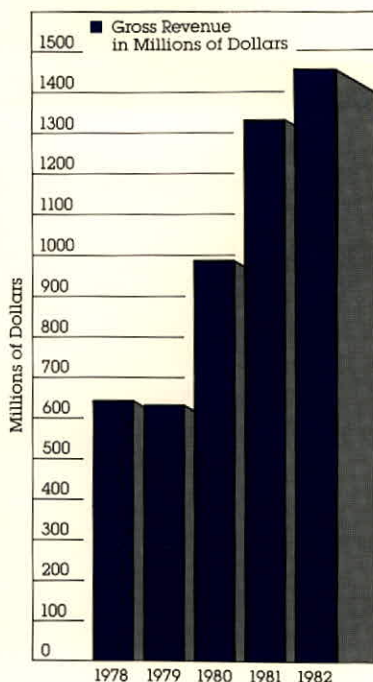


J.W. Madill
Chief Executive Officer
Alberta Wheat Pool

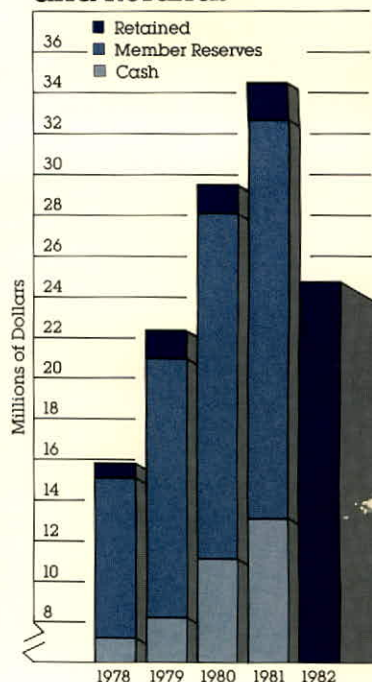
Grain Handlings



Gross Revenue



Net Earnings and Refunds



Auditors' Report

The Members Alberta Wheat Pool

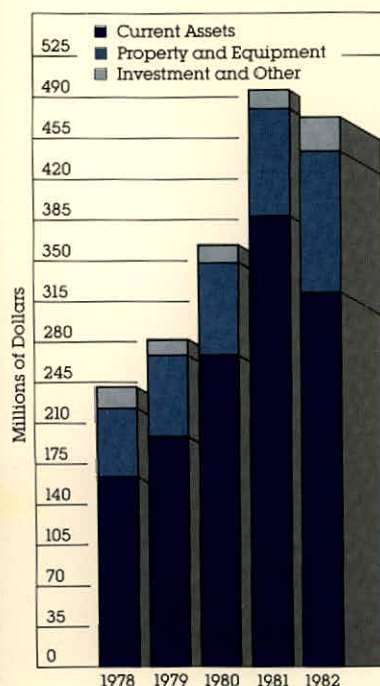
We have examined the consolidated statement of financial position of Alberta Wheat Pool as at July 31, 1982 and the consolidated statements of operations, earnings retained from prior years and changes in working capital for the year then ended. Our examination was made in accordance with generally accepted 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, 1982 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.

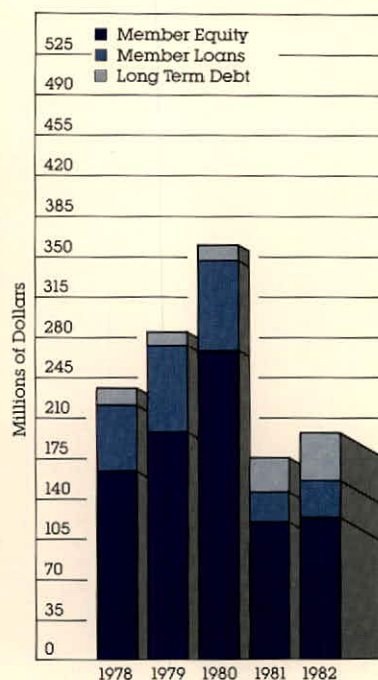
Calgary, Alberta
October 18, 1982

Touche Ross & Co.
Chartered Accountants

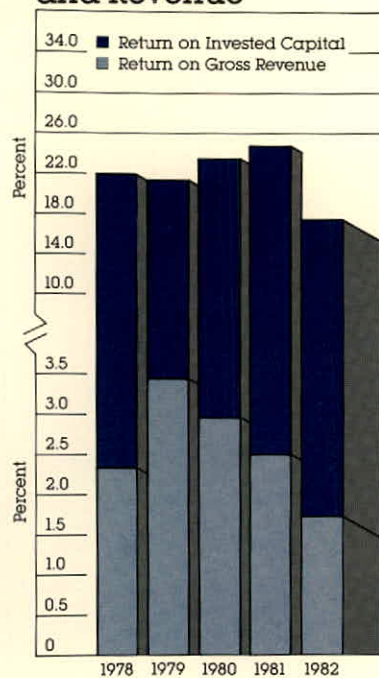
Total Assets



Funds Invested



Return on Capital and Revenue



F I N A N C I A L S E C T I O N

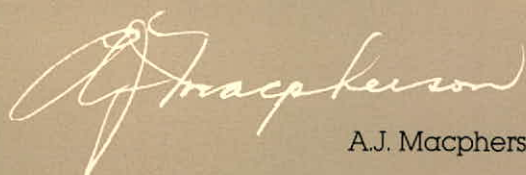
Consolidated Statement of Financial Position

Alberta Wheat Pool and subsidiary companies
July 31, 1982

	1982	1981
Current assets		
Cash	\$ 1,656,358	\$ 1,204,105
Inventories (Note 2)	215,382,752	265,289,800
Accounts and accrued items receivable	100,765,032	115,317,799
Prepaid expenses	5,182,866	4,826,384
	322,987,008	386,638,088
Current liabilities		
Cheques and cash tickets outstanding	84,075,562	110,261,587
Bank loans (Note 3)	118,848,828	150,692,682
Call and short-term loans	22,116,775	1,993,200
Accounts payable and accrued charges	27,732,388	39,183,707
Staff savings	10,839,249	9,114,525
Current maturities of long-term debt	4,329,155	2,162,712
	267,941,957	313,408,413
Working capital	55,045,051	73,229,675
Property and equipment (Note 4)	112,335,754	88,528,071
Investments and memberships	26,352,983	11,658,476
Development and pre-operating costs	2,338,798	1,579,910
Goodwill	—	180,516
Funds invested	\$196,072,586	\$175,176,648
Financed by		
Term loans from members and co-operatives (Note 5)	\$ 34,591,442	\$ 28,519,914
Long-term debt (Note 6)	39,089,138	27,662,580
Members' equity		
Reserves (Note 7)		
Authorized: \$100,000,000		
Issued to members	87,619,569	75,855,717
Earnings retained from prior years	10,431,149	9,394,540
Net earnings for the year	24,341,288	33,743,897
	122,392,006	118,994,154
	\$196,072,586	\$175,176,648

See accompanying notes to the financial statements

Approved on behalf of the Board



A.J. Macpherson, Director



H.R. Patching, Director

F I N A N C I A L S E C T I O N

Consolidated Statement of Operations

Alberta Wheat Pool and subsidiary companies
for the year ended July 31, 1982

	1982	1981
Revenue		
Sales and other operating revenue	\$1,455,639,058	\$1,390,978,341
Cost of sales	1,295,907,336	1,242,731,937
Gross margin	159,731,722	148,246,404
Expenses		
Country facilities	39,552,168	33,004,055
Interest	36,122,830	29,266,277
Administration and supervisory (Note 1)	25,361,137	22,128,985
Terminal operations	24,593,476	20,381,020
Depreciation	11,974,311	9,722,170
	137,603,922	114,502,507
Net earnings before extraordinary items	22,127,800	33,743,897
Extraordinary items (Note 8)	2,213,488	—
Net earnings for the year	\$ 24,341,288	\$ 33,743,897

Consolidated Statement of Earnings Retained from Prior Years

for the year ended July 31, 1982

	1982	1981
Net earnings for previous year	\$33,743,897	\$28,799,043
Less patronage refunds distributed		
In cash	13,053,355	11,140,655
In member reserves	19,653,933	16,919,490
	32,707,288	28,060,145
	1,036,609	738,898
Earnings retained at beginning of year	9,394,540	8,655,642
Earnings retained at end of year	\$10,431,149	\$ 9,394,540

F I N A N C I A L S E C T I O N

Consolidated Statement of Changes in Working Capital

Alberta Wheat Pool and subsidiary companies
for the year ended July 31, 1982

	1982	1981
Source of working capital		
Net earnings for the year	\$24,341,288	\$33,743,897
Add items not requiring a current outlay of funds		
Depreciation	11,974,311	9,722,170
Amortization of goodwill	180,516	180,517
Amortization of development and pre-operating costs	176,631	213,299
Provision for investment loss	800,000	—
	37,472,746	43,859,883
Assumption of long-term debt	8,405,920	—
Increase in long-term debt	5,187,081	—
Proceeds from disposal of property and equipment	1,505,877	928,113
Increase in term loans from members and co-operatives	6,071,528	8,290,207
Investment tax credits	1,118,169	925,394
Decrease in current maturities of long-term debt	—	22,111
	59,761,321	54,025,708
Application of working capital		
Additions to property and equipment	30,022,762	19,305,769
Assets acquired in purchase of Japan Alberta Oil Mill Co. Ltd.	9,339,384	—
Patronage refunds paid in cash	13,053,355	11,140,655
Members' reserves purchased	7,890,081	7,017,463
Increase in investments	15,473,920	1,889,414
Decrease in long-term debt	—	2,029,403
Increase in current maturities of long-term debt	2,166,443	—
	77,945,945	41,382,704
(Decrease) increase in working capital during the year	(18,184,624)	12,643,004
Working capital at beginning of year	73,229,675	60,586,671
Working capital at end of year	\$55,045,051	\$73,229,675

Notes to the Consolidated Financial Statements

Alberta Wheat Pool and subsidiary companies
July 31, 1982

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%
Japan Alberta Oil Mill Co. Ltd.	100%
Pool Canola Holdings Limited	100%

All significant inter-company transactions have been eliminated.

On July 30, 1982, the Association acquired all the issued share capital of Japan Alberta Oil Mill Co. Ltd. which has a 40% partnership interest in Alberta Food Products. Pool Canola Holdings Limited was incorporated to acquire the Association's 60% interest in that partnership. As at July 31, 1982, the partnership interests are included in the consolidated financial statements on a line-by-line basis.

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.

Computer software costs amounting to \$1,440,000 have been capitalized and are being amortized at 20% on a straight-line basis. These costs were previously expensed as incurred.

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 pre-operating costs

Development and pre-operating 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 I N A N C I A L S E C T I O N

f) Foreign currency translation

Foreign currency long-term debt financing has been recorded at the rate of exchange in effect at the transaction date. Exchange gains and losses are recognized on the current portion of long-term debt.

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 \$363,109 (1981 — \$848,022) are included in administration expenses.

2. Inventories

Inventories are comprised of:

	1982	1981
Grain purchased for delivery to Canadian Wheat Board, valued at established delivery prices, after allowance for handling revenues yet to be earned	\$152,951,581	\$187,534,448
Grain valued on the basis of open sales contract and future contract prices, after allowance for margins yet to be earned	23,102,413	34,975,634
Other inventories, including seed and agro supplies, valued at the lower of cost and net realizable value	39,328,758	42,779,718
	\$215,382,752	\$265,289,800

3. Bank Loans

Bank loans are secured by stocks of grain, seed and agro supplies and by a general assignment of book debts.

4. Property and Equipment

Property and equipment are classified by operating divisions as follows:

	1982	1981
Country facilities	\$120,994,426	\$ 98,520,005
Terminal operations	54,792,360	51,837,623
Administration	6,982,142	5,597,221
Processing plant	25,799,301	14,698,106
	208,568,229	170,652,955
Less accumulated depreciation	96,232,475	82,124,884
	\$112,335,754	\$ 88,528,071

F I N A N C I A L S E C T I O N

5. 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.

6. Long-term Debt

	1982	1981
Alberta Wheat Pool		
Income debenture	\$ 7,500,000	\$ 8,700,000
Promissory note	7,200,000	—
Western Pool Terminals Ltd.		
6½% mortgage	4,317,927	4,483,794
Advances from minority shareholders	3,385,566	3,289,653
Alberta Food Products		
9¼% notes payable — U.S. \$18,000,000	21,014,800	13,296,240
8½% term bills of exchange	—	55,605
	43,418,293	29,825,292
Less current maturities	4,329,155	2,162,712
	\$39,089,138	\$27,662,580

- 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 6½% mortgage is secured by the property and equipment of Western Pool Terminals Ltd. and is payable in annual installments of \$462,918, including interest.
- d) The 9¼% 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 Partnership interests of Pool Canola Holdings Limited and Japan Alberta Oil Mill Co. Ltd. in Alberta Food Products and upon all of the property and assets of the Partnership, 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:

1983	\$4,329,155
1984	\$4,551,072
1985	\$4,563,565
1986	\$4,658,135
1987	\$3,172,338

F I N A N C I A L S E C T I O N

7. Reserves

Details of reserves issued to members are as follows:

	1982	1981
Balance at beginning of year	\$75,855,717	\$65,953,690
Deduct members' reserves purchased	7,890,081	7,017,463
	67,965,636	58,936,227
Add patronage refunds allocated as members' reserves	19,653,933	16,919,490
Balance at end of year	\$87,619,569	\$75,855,717

8. Extraordinary Items

At July 31, 1982, the Association recorded the following extraordinary items:

- a) The amount of \$2,000,000 received from the former shareholders of Japan Alberta Oil Mill Co. Ltd. pursuant to the agreement under which that company was acquired by the Association.
- b) A provision in the amount of \$800,000 to reflect a potential reduction in the realizable value of one of the Association's investments.
- c) The Association has capitalized computer software costs which had been expensed in previous years' accounts. The effect of these adjustments results in the sum of \$1,013,488 being recognized as income in 1982.

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 \$22,300,000. (1981 — \$43,130,000).
- 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, 1982, the balance of the debt instruments amounted to U.S. \$44,375,000 (Canadian \$52,746,913) 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 to be financed by the participating joint venturers and the Government of Alberta. The Association's total investment will be approximately \$20,400,000 of which \$5,455,000 has been contributed to July 31, 1982. The remainder of the contributions are expected to be made over the next three years.

F I N A N C I A L S E C T I O N

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) During the year, income tax reassessments for \$570,000 were received 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.
- c) The Association is contingently liable as a joint guarantor of bank loans payable by ABL Engineering Ltd. At July 31, 1982, these loans amounted to \$1,500,000.

11. Related Party Transactions

The Association conducts a significant portion of its business activities with related parties consisting of corporations, partnerships and co-operative joint ventures owned in concert with other organizations. Amounts due from and payable to related parties are included in the Association's assets and liabilities at July 31, 1982.

12. Subsequent Event

Subsequent to year-end, the Association guaranteed up to \$8,000,000 under the terms of new financing obtained by Western Co-operative Fertilizers Limited.

C O R P O R A T E I N F O R M A T I O N

Board of Directors

A.J. Macpherson

President

Delia

H.R. Patching

1st Vice-President

Lethbridge

G.W. Braithwaite

2nd Vice-President

Bowden

Parke Dobson

Paradise Valley

W. Davidiuk

Grassland

J.C. Riddle

Carstairs

T.A. Graham

Spirit River

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.J. Chamberlain

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



Marie Germain Advertising

D E L E G A T E S

DISTRICT FIVE

501	Silver, Neil D.	Huxley
502	Johnson, Kris K.	Red Deer
503	Nelson, Glen R.	Bentley
504	Wagner, Albert F.	Lacombe
505	Baker, Percy A.	Ponoka
506	Rasmuson, Clarence H.	Wetaskiwin
507	Rebus, John A.	Stony Plain
508	Lappenbush, W. F. (Bud)	Mayerthorpe
509	Anderson, Hubert N.	Barrhead
510	Rimmer, Laurence M.	Pibroch

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	Din, Alexander	Warspite
609	Shalka, Kenneth Rudy	Fort Kent
610	Zachkewich, Emil	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	Sydney, Kenneth J.	Brownvale
709	Kosiorek, Con	Hotchkiss
710	Morrison, D. James	Bluesky

D E L E G A T E S



Alberta Wheat Pool

List of Delegates 1982-83

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	Orcutt, Darrel	Coaldale
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	Rogers, Edward L.	High River
205	Walker, Bruce	Gleichen
206	Duhn, Robert L.	Delacour
207	Schmaltz, Clarence M.	Beiseker
208	Fowler, Alvin W.	Airdrie
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	Nelson, Norman E.	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	Livingstone, Douglas E.	Vermilion
405	Oberg, Wilmer L.	Forestburg
406	Ash, Robert W.	Viking
407	Pearson, John F.	Donalda
408	Pepper, Clifford G.	Ohaton
409	Jacobsen, Norman	New Norway
410	Rude, Lars E.	Tofield



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