To the Shareholders of

United Grain Growers

78th ANNUAL REPORT

For the year ended July 31, 1984

JOHN DEERE 7

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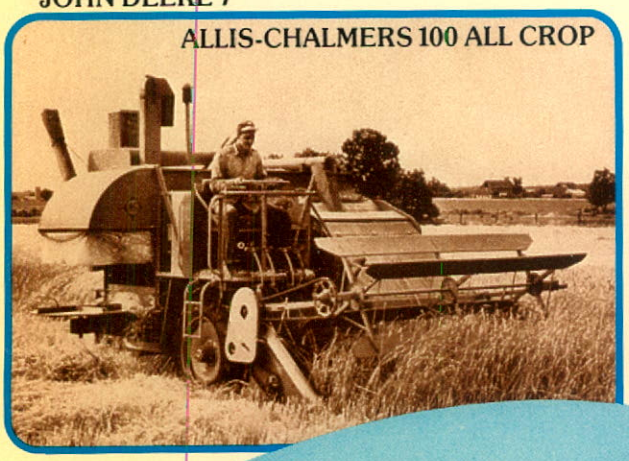

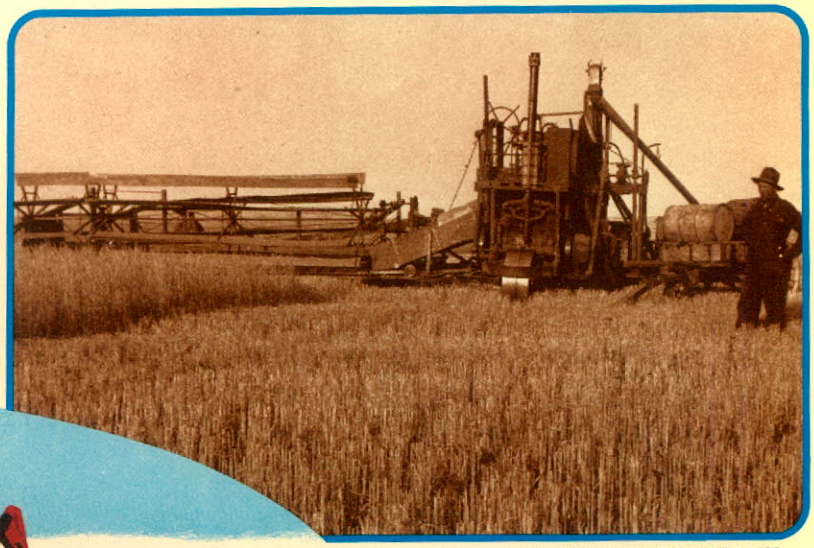

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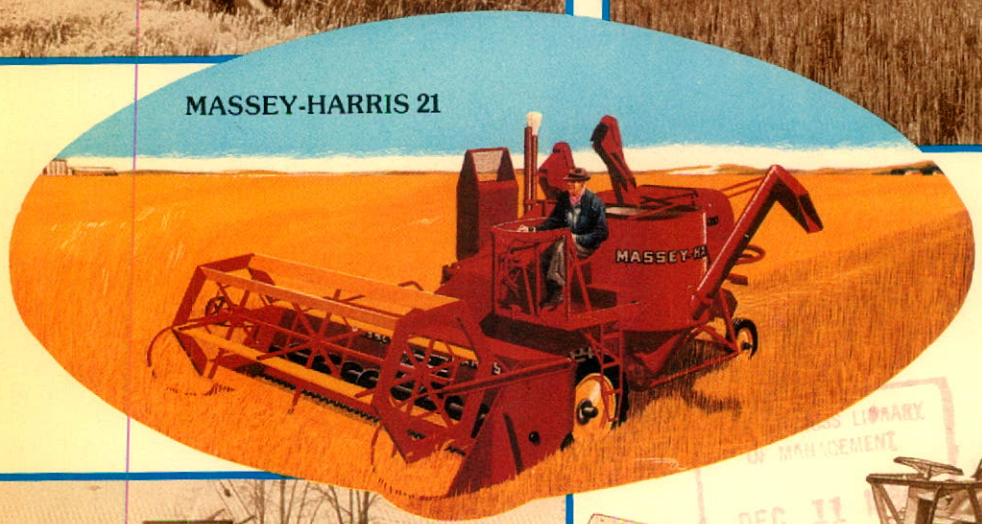

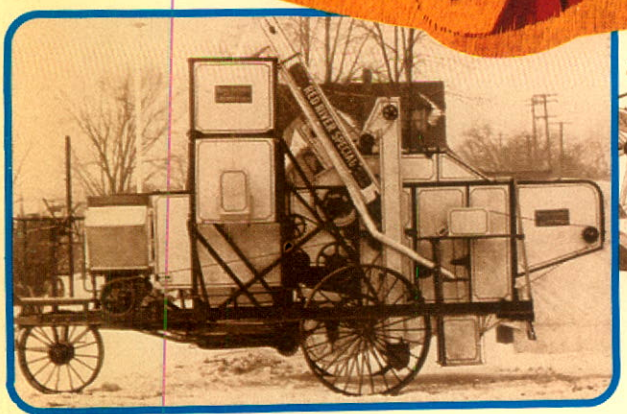

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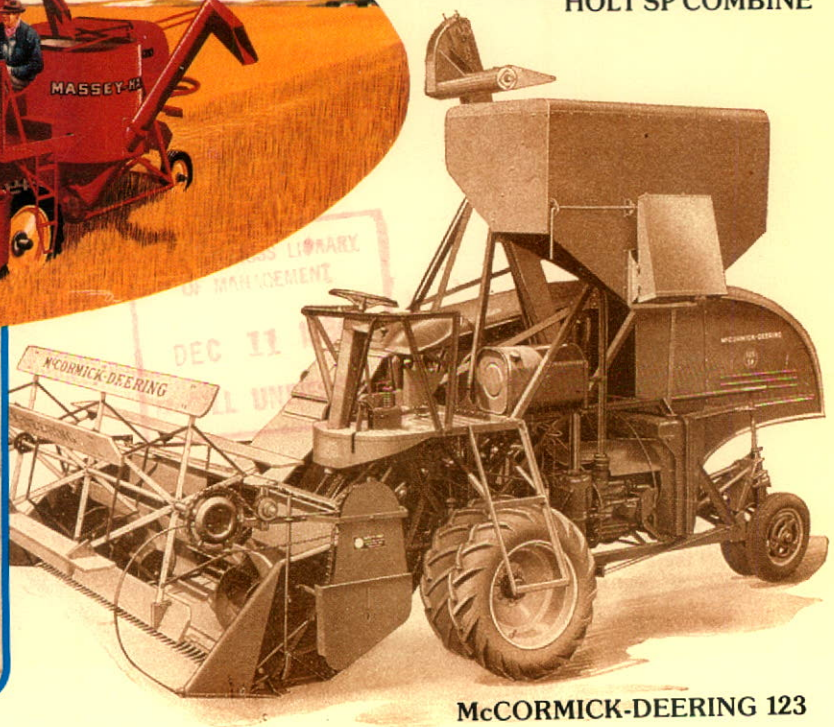

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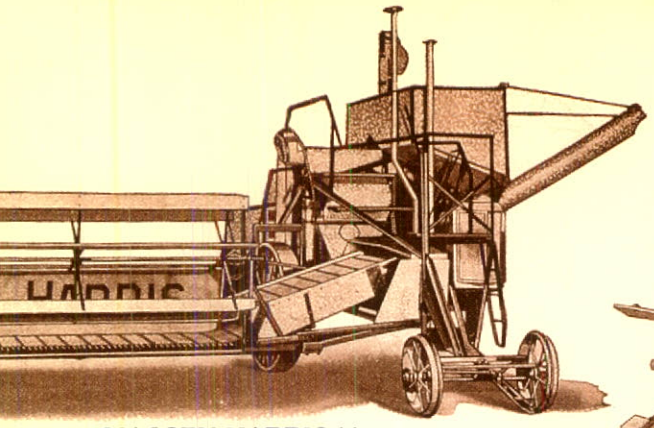
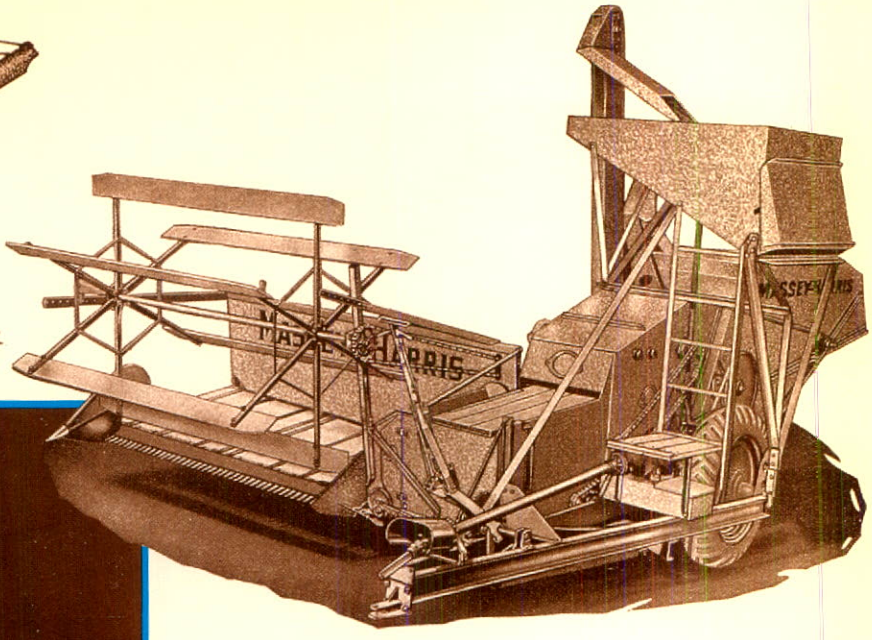


MASSEY-HARRIS 14



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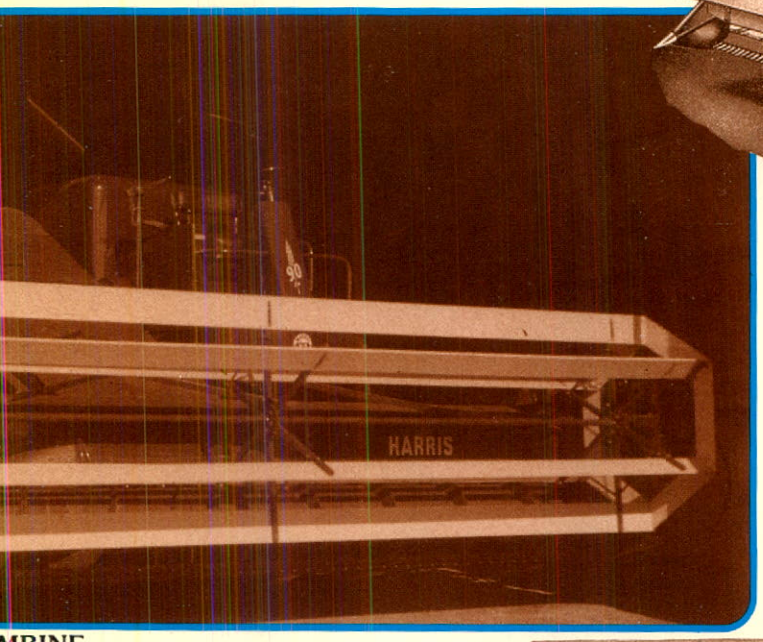

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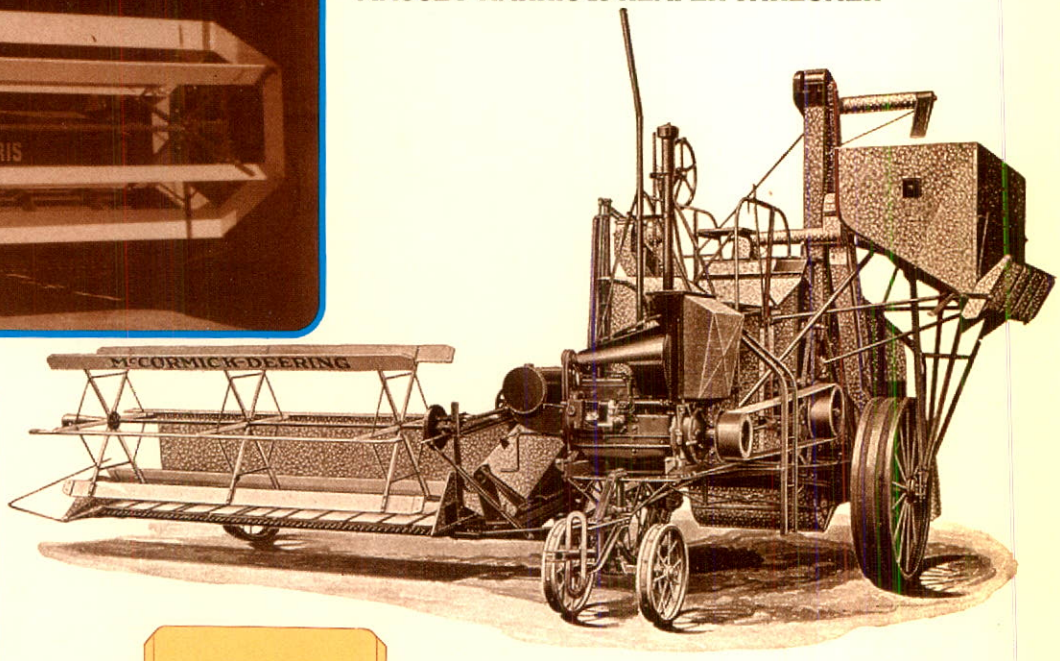
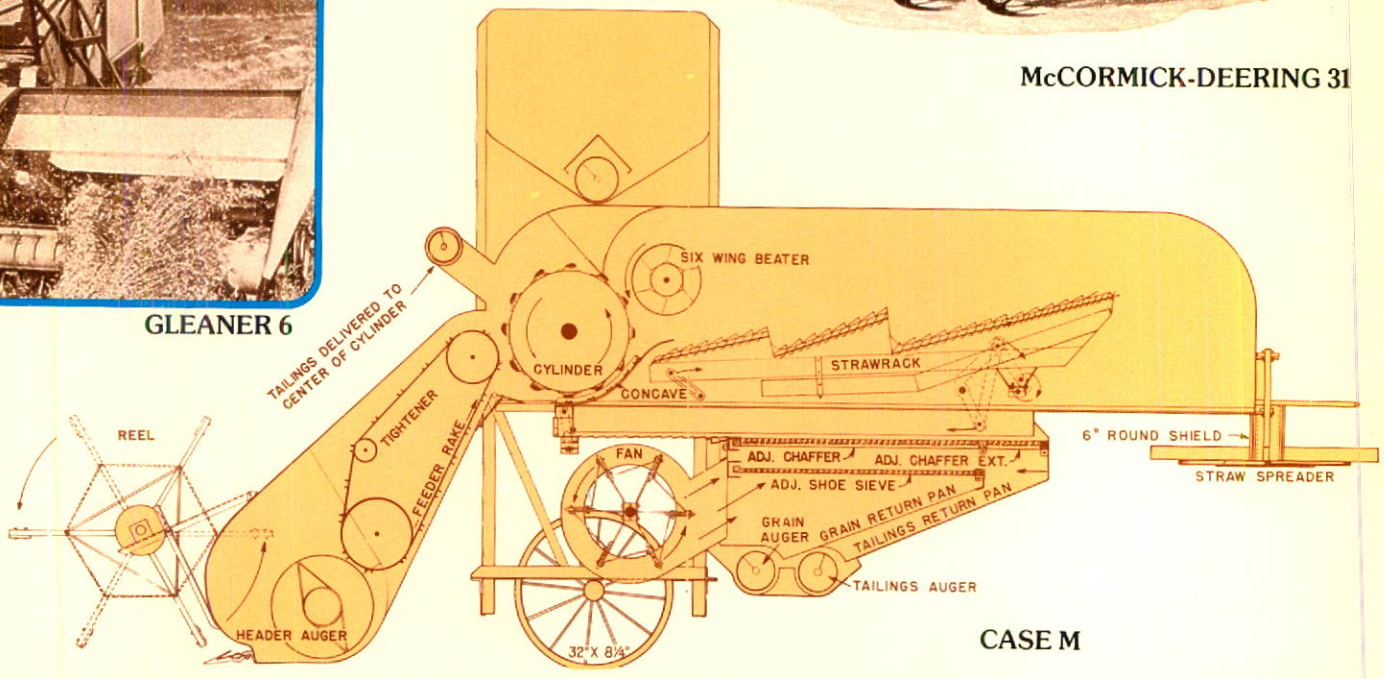


McCORMICK-DEERING 31

GLEANER 6



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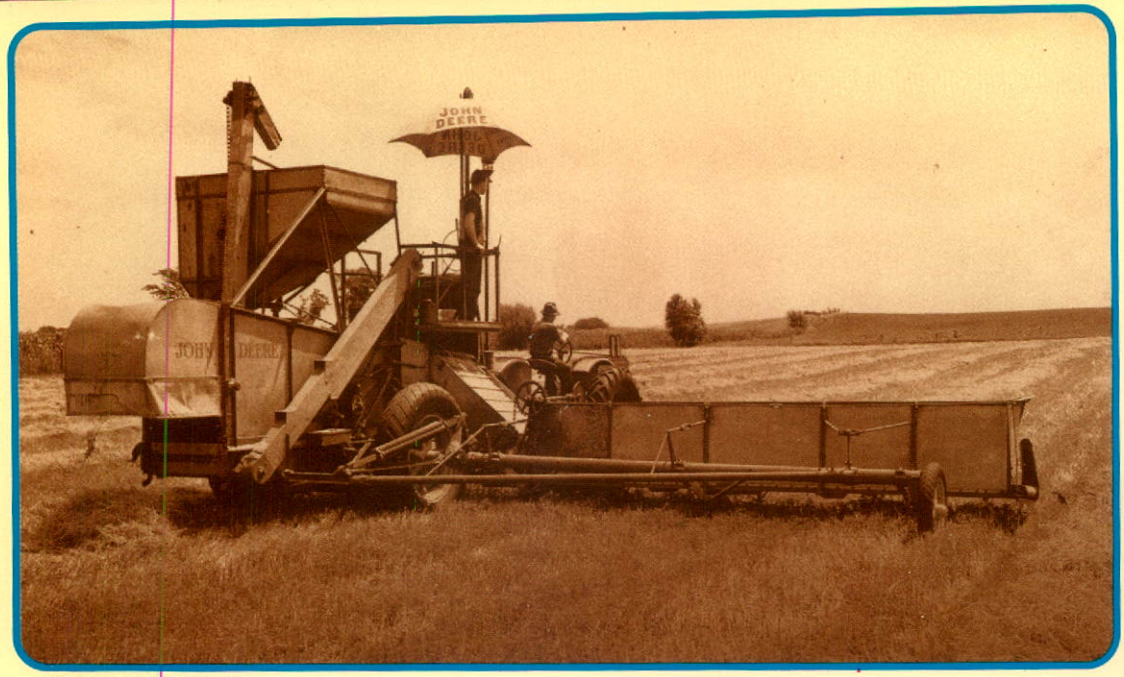
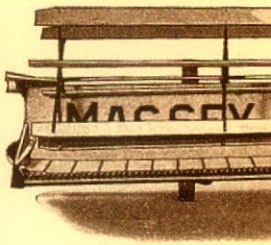
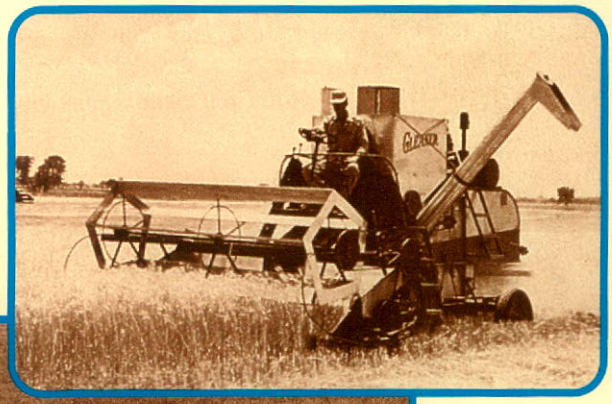


JOHN DEERE 17





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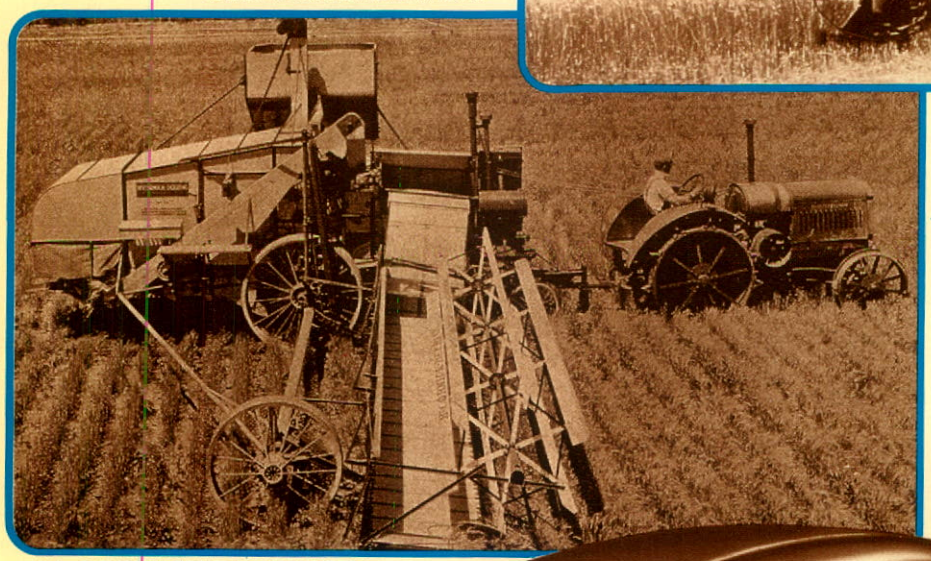
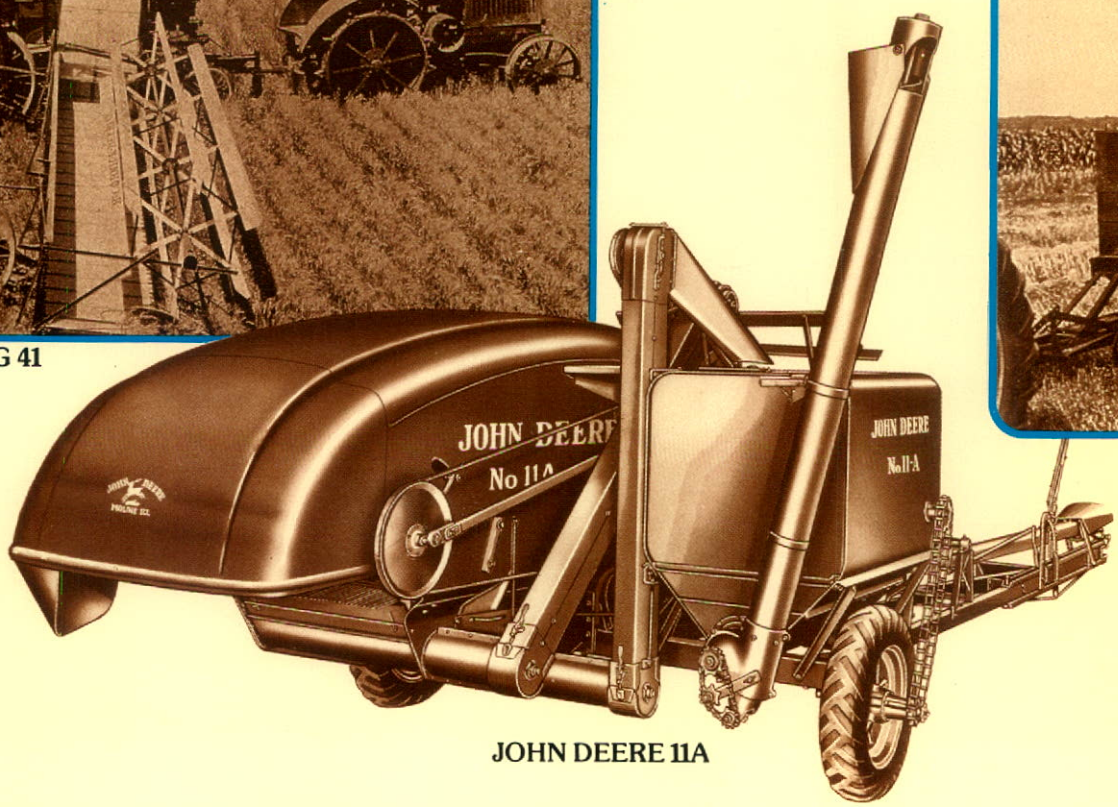


McCORMICK-DEERING 41



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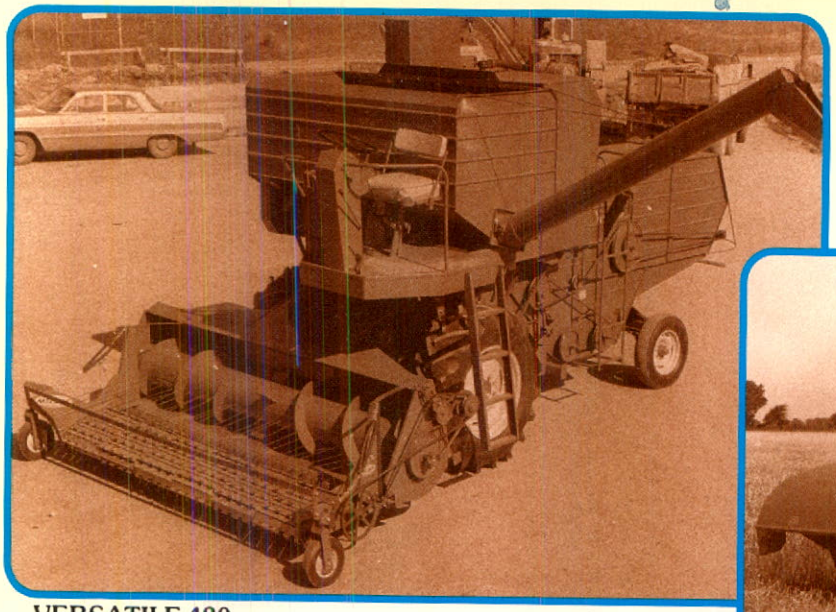

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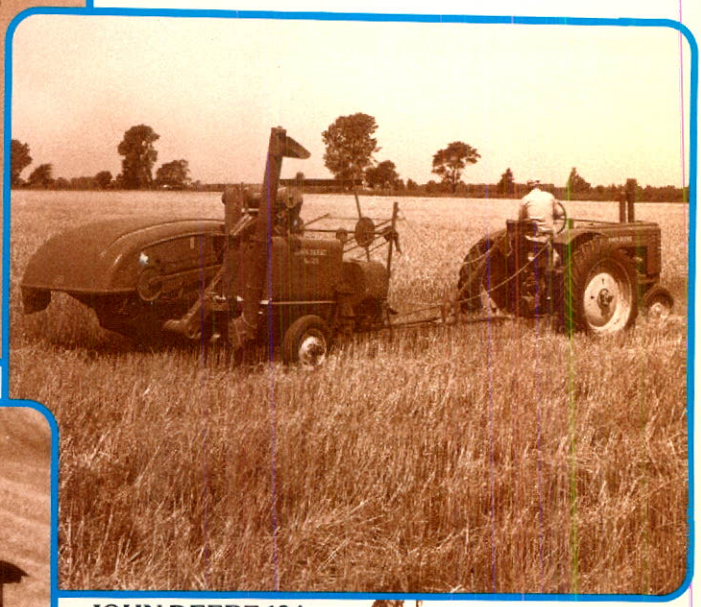

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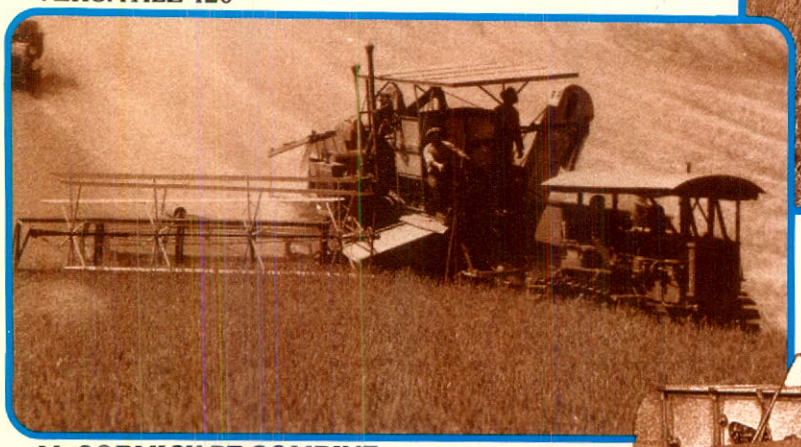
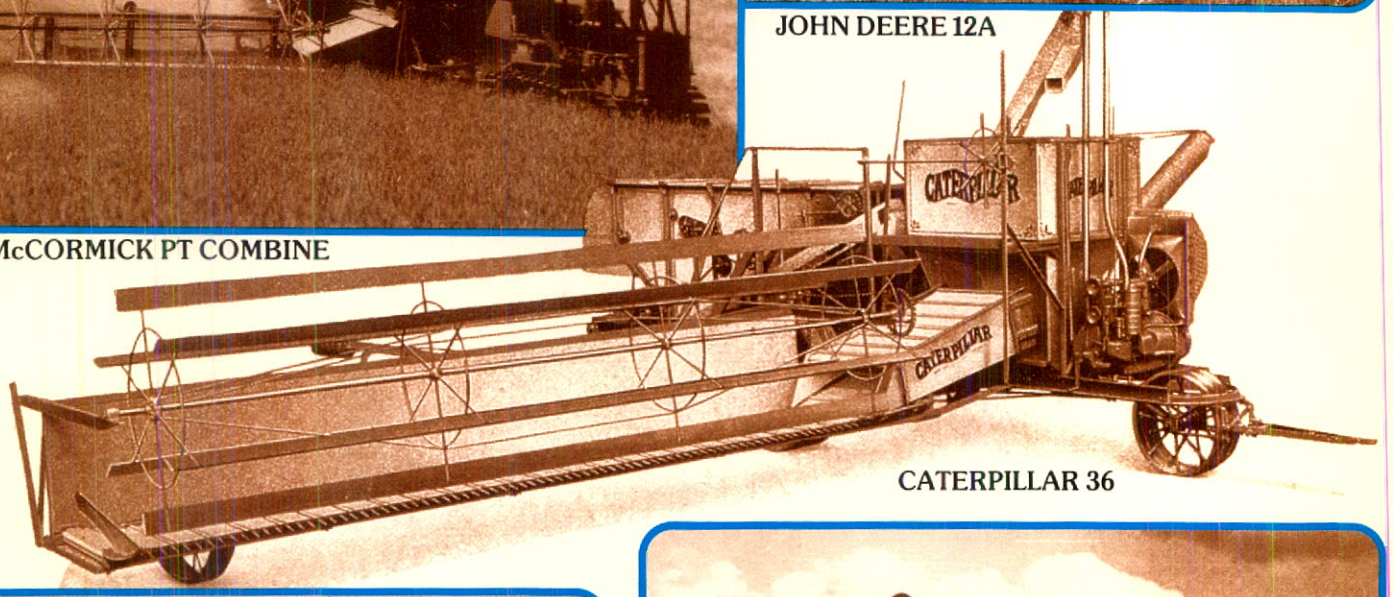


McCORMICK PT COMBINE



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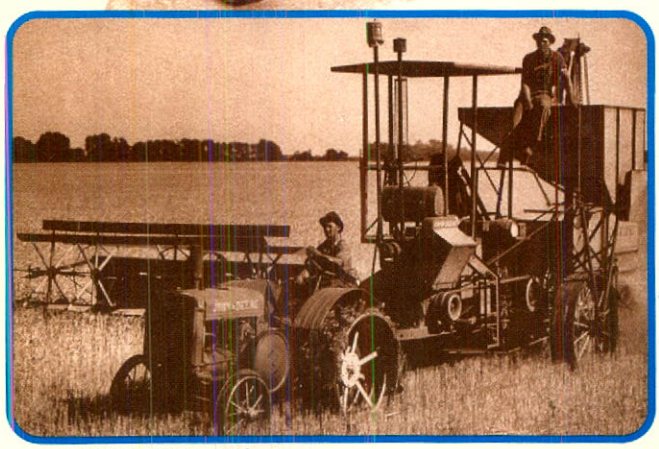

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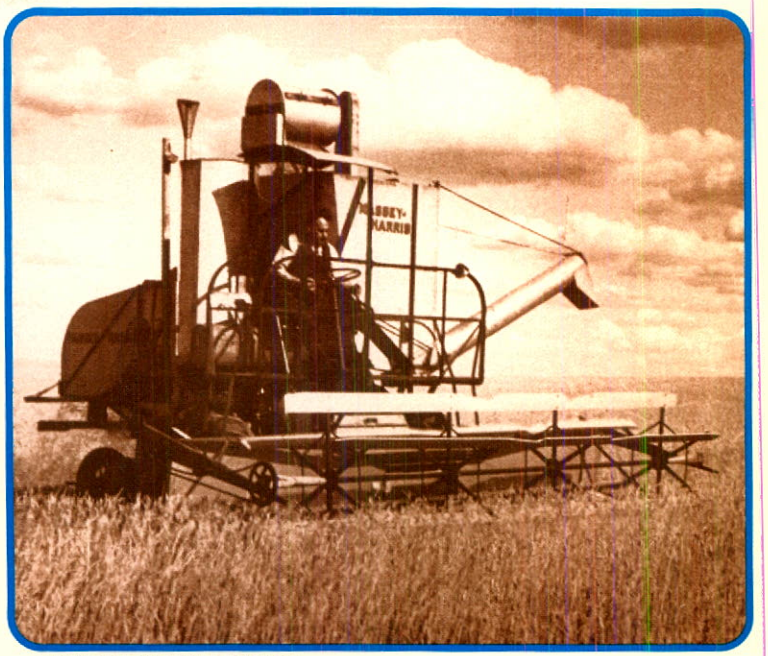


MASSEY-HARRIS 20

COVERS: In line with a policy established nine years ago, the directors of United Grain Growers again present a cover to the annual report that they hope will be of interest and permanent use to farm people. In past years, 63 kinds of field crop seeds, 26 breeds of beef cattle, 51 weed seeds, 23 breeds of horses, 44 wild flowers, 45 kinds of birds that overwinter on the Prairies, 42 Song Birds of the Prairies, and 37 early gasoline and diesel tractors have been illustrated. This year the 35 most popular combines used on Prairie farms the first half of this century are shown.

God also said, I give you all plants that bear seed everywhere on earth and every tree bearing fruit which yields seeds: they shall be yours for food.

— GENESIS 1:29

Harvesting has always been the most spectacular operation on the farm. To the farmer and his family it means payday: reward for months of work, skill and faith.

Nothing was quite so romantic as harvesting either — or, except for haying, such hot work. Binders. Sheaves. Stooks. Rack Wagons. Field pitchers. Threshing machines. Black smoke. Steam. Big, long wide belts. Wagons full of grain and straw stacks — the year-round playground of farm kids.

Man's ingenuity ended all that. The combined harvester-thresher, invented in Michigan in 1836 but abandoned 10 years later because it had no future, led to the demise of the straw stack and the mountains of food prepared by farm wives for neighbors by the dozen.

Any discussion of combines in western Canada must start with the Holt combine. Ben Holt was building well-engineered harvesters in 1885, when most of the modern firms were hammering out twisted clevises, double trees and walking plows. At that time, there were at least 10 manufacturers in the Pacific northwest building giant combines with varying degrees of success, but Holt gained leadership.

The first combines in Canada came in from Washington and Oregon, shipped by farmers who had used them in those big Western winter wheat fields. Horse-powered models were ground-driven by bull wheels in the earliest years, 33 horses or mules for a medium-sized machine. When steam came into use, a separate 2-cylinder engine was mounted over the front wheel of the combine and operated by a high-pressure steam hose from the boiler of the traction engine.

Conversion to gasoline engines began in 1904. Ten years later, Holt had a 22-foot, self-propelled combine, driven by a track on the right side. The wheel over on the left side could also help out in a pinch, by virtue of a dog clutch and a lever. A big Holt self-propelled is now in the Saskatoon museum.

United Grain Growers Limited

Associated Companies

United Oilseed Products Ltd.
Prince Rupert Grain Ltd.
Ridley Grain Ltd.

Contents

Seated (l. to r.): Allan Smith, W. G. Morken, L. F. J. Hehn, T. M. Allen, D. R. Cusitar
Standing (l. to r.): R. W. Piper, B. F. Spencer, T. J. Mathieson, J. G. Omichinski, D. L. Dobson, Walter Van De Walle, Sam Sych

Board of Directors

L. F. J. Hehn
Markinch, Sask.

Allan Smith
Red Deer, Alta.

W. G. Morken
Sturgis, Sask.

J. G. Omichinski
Oakville, Man.

Sam Sych
Brownvale, Alta.

T. M. Allen
Taber, Alta.

Walter Van De Walle
Legal, Alta.

D. R. Cusitar
Russell, Man.

R. W. Piper
Elrose, Sask.

D. L. Dobson
Manitou, Man.

T. J. Mathieson
Watson, Sask.

B. F. Spencer
Nobleford, Alta.

Officers

L. F. J. Hehn, *President,* Winnipeg, Man.
D. R. Cusitar, *First Vice-President,* Russell, Man.
T. M. Allen, *Vice-President,* Taber, Alta.
W. G. Morken, *Vice-President,* Sturgis, Sask.
G. W. Moore, *General Manager,* Winnipeg, Man.
J. G. L. Bennett, C.A., *Treasurer,* Winnipeg, Man.
M. Sherman, *Secretary,* Winnipeg, Man.

Auditors: Price Waterhouse, Chartered Accountants

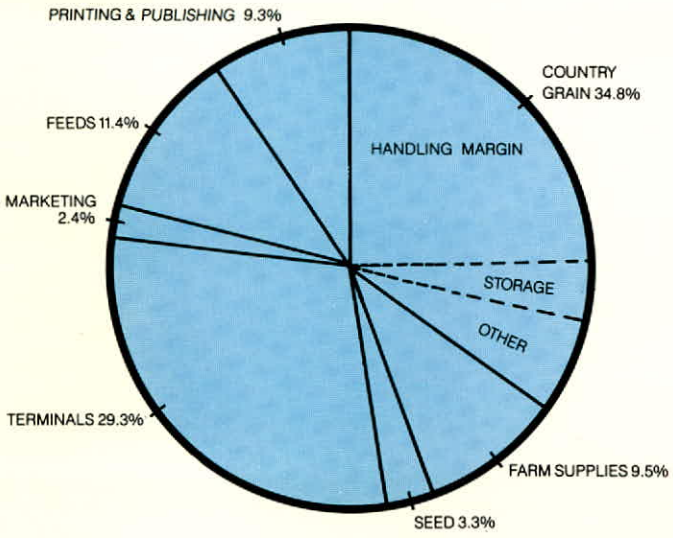
Head Office, Winnipeg, Canada

Highlights

Financial	1984	1983
Sales and revenue from services	$1,279,965,000	$1,158,058,000
Operating revenues	139,548,000	122,193,000
Earnings before patronage dividends and income tax	27,883,000	20,902,000
Net earnings	10,137,000	8,346,000
Working capital	39,790,000	30,747,000
Capital expenditures	21,891,000	19,505,000
Total investment in fixed assets	198,505,000	183,043,000
Accumulated depreciation on fixed assets	75,813,000	69,061,000
Paid-up share capital	21,567,000	19,745,000
Shareholders' equity	90,511,000	79,933,000
Cumulative total of shareholders' dividends	21,961,000	20,609,000
Cumulative total of patronage dividends, including interest thereon	82,151,000	71,385,000
Statistical		
Country handling — in tonnes	4,908,000	5,283,000
Elevator licensed storage capacities — in tonnes		
Country	1,352,000	1,385,000
Terminals	424,000	424,000
Number of country elevator manager-units	343	345
Number of shareholders	95,957	94,003
Number of shareholders' locals	287	288

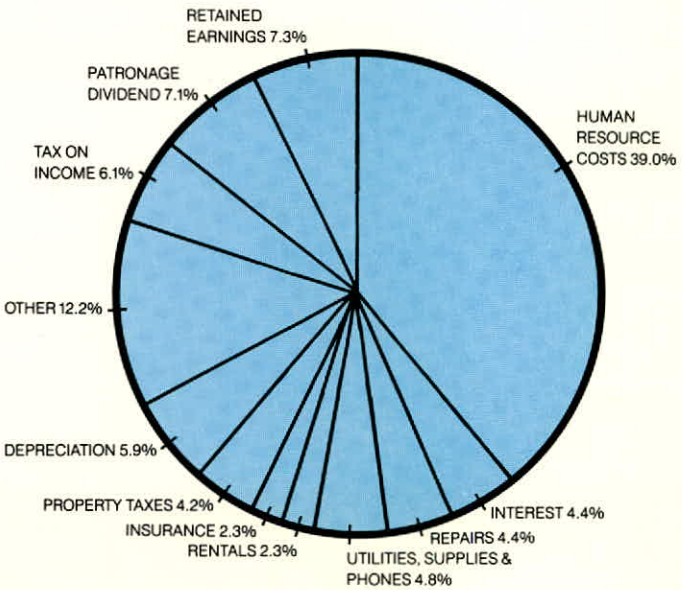
TOTAL REVENUES
$139,548,000 = 100%

Your Company's Operating Revenue of $139,548,000 was earned this way



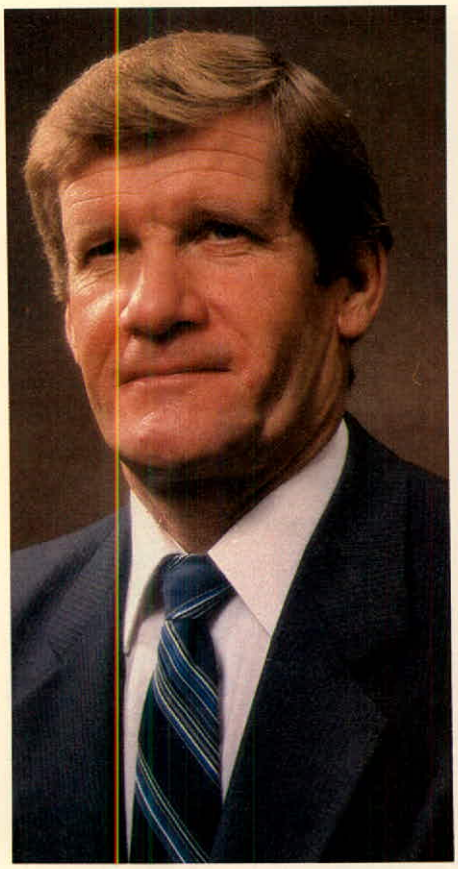
TOTAL DISTRIBUTIONS
$139,548,000 = 100%

Your Company's Operating Revenue of $139,548,000 was distributed this way



Report of the President

on behalf of the Board of Directors



L. F. J. HEHN
President

The 1984 fiscal year of United Grain Growers was the best financially in your company's 78-year history.

Earnings, before patronage dividends and income taxes, of $27.9 million were $7 million more than the previous year. These earnings allowed your directors to provide for a record patronage dividend of almost $10 million.

After spending nearly $22 million in new and improved facilities, investing an additional $2 million in the Prince Rupert terminal, and retiring $8 million of the company's long term debt obligations, the working capital position of your company improved by $9 million to an all time high of $39.8 million. Other contributions, besides earnings, that led to improvement in working capital included the proceeds from a long term loan of $3 million, investment tax credits of $4.6 million, and proceeds of $4.9 million from property disposals, mainly fire losses — a sum which will be reinvested in new facilities.

Key financial and operating results during the year under review were these:

- Earnings from country elevator operations were $10.2 million, down from the previous year's $11.4 million. Grain handlings of 4.9 million tonnes were down 0.4 million tonnes from 1983 and expenses were higher. Farm supply earnings were higher than the previous year due to improved margins on fertilizer sales and larger volume of sales.

- Terminal elevator operations in the 1984 fiscal year contributed a record profit of $10.2 million, well up from last year's $6.5 million, on record handlings of 4.4 million tonnes. The sharp improvement in earnings was due, not only to the increased handlings, but also because all three plants were in operation for the full year, unlike the year before.

- Grain marketing operations in 1984 earned $452,000 compared to $530,000 the previous year. Tonnage sales were down slightly from 1.54 million to 1.49 million and interest costs for carrying grain were higher than during the 1983 fiscal year.

- United Feeds this past year earned $1.6 million on sales of 278,000 tonnes of processed feed, compared to earnings of $1.3 million on sales of 257,000 tonnes in 1983. The increase in earnings is due mainly to increased sales at somewhat lower margins.

- Seed operations earned $146,000 in the 1984 fiscal year. This was down considerably from 1983 earnings of $977,000, which included the extraordinary profit from large sales of legume and grass seed in response to the PIK program in the United States.

- Earnings of Public Press, the printing and publishing operations of your company, were $1.3 million, up substantially from last year's $0.4 million. Increased advertising in *Country Guide* and *Cattlemen*, and increased sales at better margins in printing were responsible.

- Prince Rupert Grain Ltd., an associated company, handled 1.4 million tonnes at the No. 1 Terminal and earnings increased to $6.7 million from $3.8 million the previous year. Your company's share of this income is $1 million.

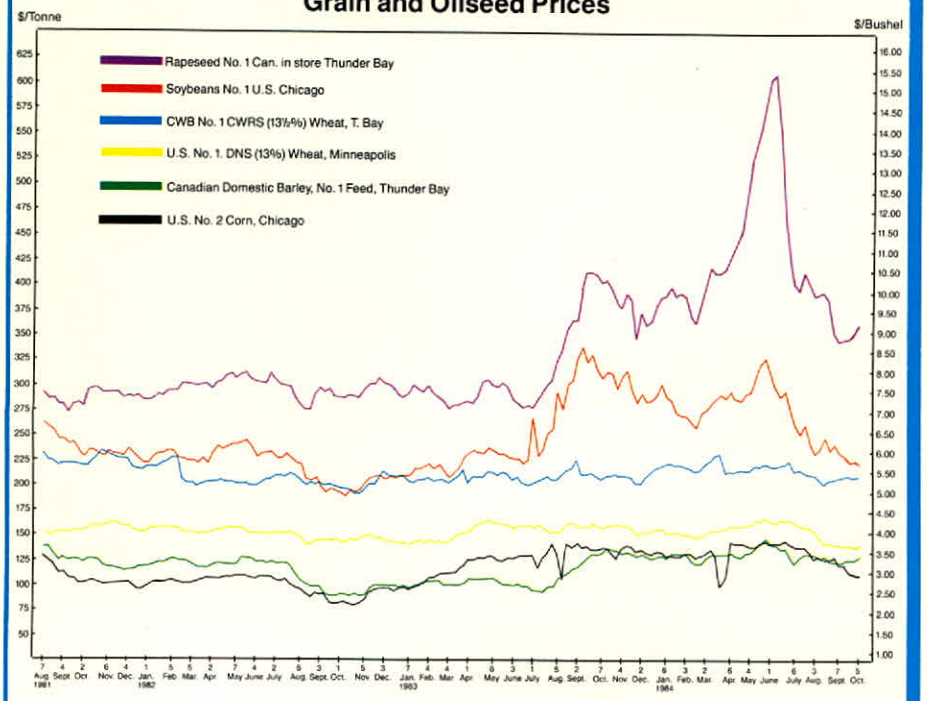
- Another associated company, United Oilseed Products Ltd., earned $1.3 million, after taxes, which compares to $7,000 the previous year. UGG's share of this income is $634,000.

- A gain of over $3 million on property disposals was recorded during the year under review. A major part of this gain represents the fire loss recovery over the net book value of elevator facilities lost at Lucky Lake, Yellow Grass, Saltcoats and the feed mill at Wynyard.

In its 79th year, United Grain Growers expects a substantial drop in earnings, down more than 50 per cent from this past year. Total output of the six major grains produced in Western Canada in 1984 is 35.5 million tonnes, a reduction of 14 per cent from 1983, and carryover stocks of grain are low. Since your company serves all of Western Canada, it is expected the handling of grain in the country and the terminals will be reduced by about 20 per cent. United Grain Growers announced this past fiscal year it would not increase tariffs in the country elevators, and the tariff increase at the terminal locations this fiscal year is only 2 per cent. In addition to the above, operating expenses are estimated to increase by about 5 per cent. Insurance premiums, because of the unfortunate loss experiences with fires this past year, will be 66 per cent higher in 1985.

It would appear, then, that reduced handling, coupled with minimal tariff increases and higher costs, could halve company earnings in the current fiscal year. It represents a real challenge to the board of directors of your company

Figure 1 — Average Weekly North American Grain and Oilseed Prices



and to management to ensure all the assets of the company are employed in an efficient and productive manner to obtain the best return possible. It may also mean capital programs for new facilities and improvements will have to be curtailed to keep United Grain Growers in a sound financial position.

Grain Exports

For the fifth year in a row, new grain export records were set in 1983-84. More than 30 million tonnes of grain and their products were exported this past crop year.

Exports of grain and oilseeds (Table 1) set a new record of 29.4 million tonnes, surpassing the previous year's record of 28.3 million tonnes by four per cent.

Export highs were set for wheat and rye, and the volume exported for each grain increased, except for durum wheat, from the previous year.

Wheat shipments totalled 18.7 million tonnes for an increase of three per cent from the previous year's record. Wheat sales increased to the USSR, Egyptian Arab Republic, India, Iran and Iraq. Decreased amounts of wheat went to the People's Republic of China, Poland and Indonesia.

Durum wheat exports decreased slightly from the previous crop year's record high to 2.5 million tonnes. Algeria increased its purchases by 59 per cent to become Canada's largest customer for durum wheat. Other major importers included the USSR, Italy, Libya and the Netherlands.

Drought in 1984 reduced wheat production by 20 per cent which will limit exports to about 17 million tonnes in 1984-85.

Barley exports in 1983-84 remained steady compared to the previous year at 5.3 million tonnes. Shipments to East Germany, under a new long-term agreement, increased while shipments to the USSR decreased substantially. Japan, the EEC and East Germany accounted for over half the 5.3 million tonnes exported last crop year. Major new markets were developed in Singapore, Turkey, Syria, Mexico and Eastern Europe where 1.7 million tonnes were shipped.

Oats exports were 120,700 tonnes. The U.S. purchased 118,000 tonnes to remain the largest customer.

Rye exports totalled 738,900 tonnes, surpassing the previous record of 547,000 tonnes sold during the 1981-82 crop year, and over double the previous year's 251,300 tonnes. The main customers for rye included Japan, South Korea, and Taiwan.

Flaxseed exports of 531,600 tonnes were higher than the previous year's shipments of 383,000 tonnes. Major importers included West Germany, Japan, and the Netherlands.

Canola/rapeseed exports were up 18 per cent to 1.5 million tonnes. Japan remained the largest customer with imports of 1.1 million tonnes. Korea and Taiwan were the next most important customers.

Table 1 — Canadian Grain Exports
(tonnes)

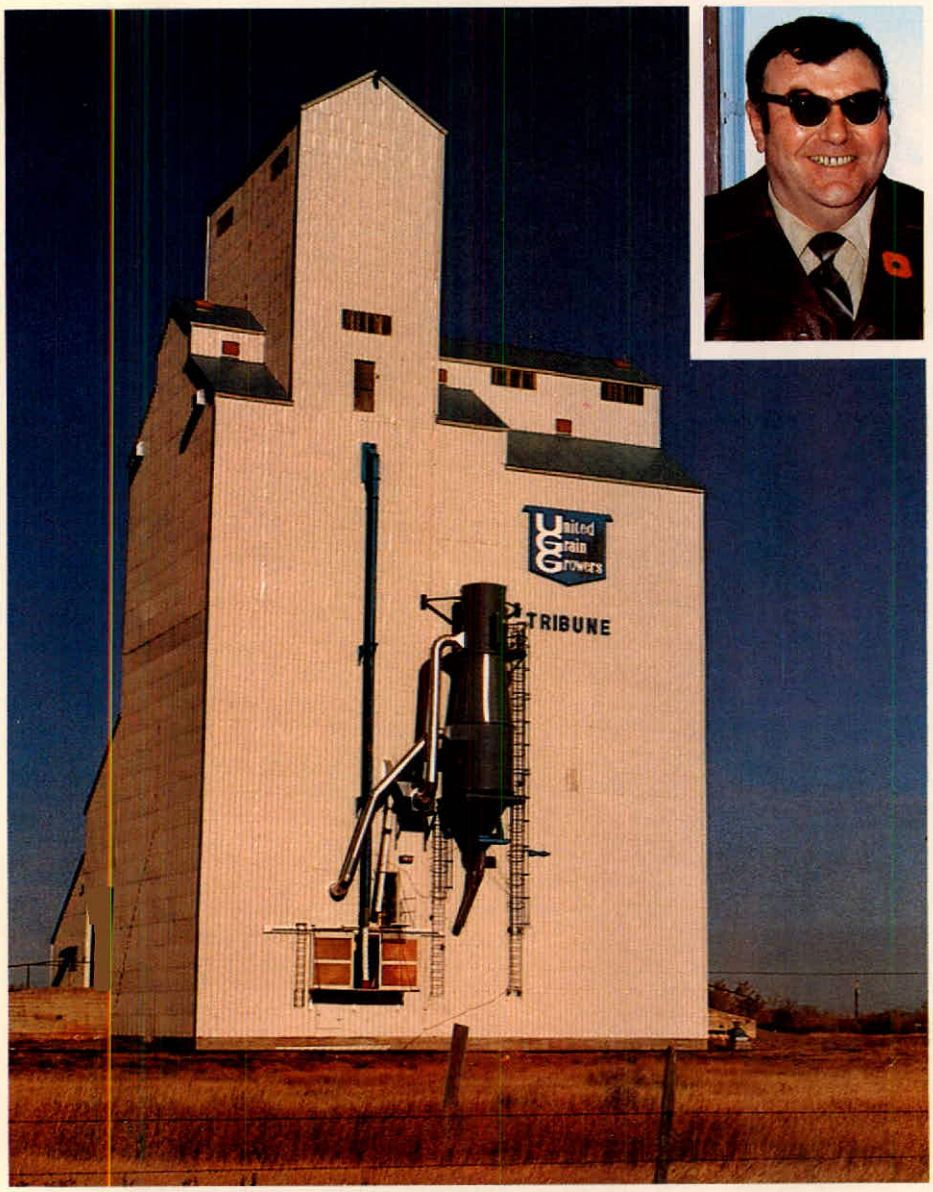
	1983/84	1982/83
Wheat	18,730,100	18,268,700
Durum	2,546,200	2,687,100
Oats	120,700	103,900
Barley	5,262,100	5,330,100
Rye	738,900	251,300
Flaxseed	531,600	383,000
Canola	1,496,800	1,271,300
TOTAL	29,426,400	28,295,400

Prairie farmers financial situation

Cash receipts. Mid-summer estimates by Statistics Canada forecast Prairie farmers would have cash receipts of $9.67 billion, up marginally from 1983. Income from the Western Grain Stabilization Fund, crop insurance and other drought relief programs will bring total income to about $10 billion.

The impact of the 1984 drought will not likely be reflected in 1984, but receipts will be seriously affected in 1985. While the dry summer in the southern Prairies sharply reduced grain supplies for 1984-85, grain deliveries through mid-October, 1984 from western farms were 21.5 per cent higher than for the same period in the previous crop year.

The increased fall deliveries reinforce the probability of a sharp drop in cash receipts among grain farmers in 1985.



The new UGG elevator at Tribune, Sask. was one of six elevators built during the year. Inset: Local board chairman Gordon Ernst.

Table 2 shows stocks of grain July 31 were drawn down almost 5.7 million tonnes from last year due to the record heavy export levels in 1983-84. Of the total 12.3-million-tonne carryover, only 29 per cent of these stocks were on farms — the lowest level in 10 years.

The 1984 Canadian crop of 48 million tonnes, down 5 million from 1983, leaves total available supplies of grain at 50.9 million tonnes (Table 3). This is 17 per cent less supplies than last year and will likely lead to a 25 per cent drop in exports.

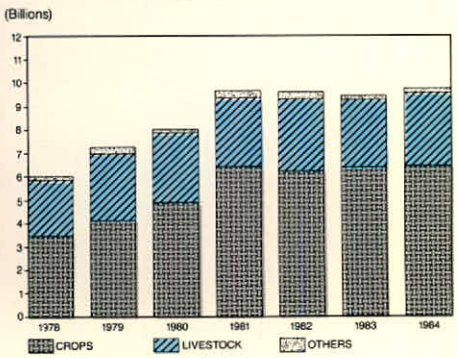
Figure 2 summarizes the farm cash-receipt status of Prairie farmers over the last 7 years.

Operating & Depreciation Expenses. Statistics Canada estimates Prairie farm expenses will increase about seven per cent in 1984, continuing the gradual rise in expenses that has characterized the 1980's so far.

Among the major expense categories, interest expenses are forecast to rise 12.1 per cent. With interest rates about the same, the increase in interest expense is due to an overall increase in the level of farm debt and changes in farmers' credit sources, from lower-interest rate sources to higher-interest rate sources.

Machinery expenses are projected to be up almost seven per cent in 1984, in line with the overall rate of increase in expenses. Fertilizer expenses grew by

Figure 2 — Farm Cash Receipts, by Source



18.1 per cent to $702 million, while pesticide expense rose by 9.5 per cent.

Realized Net Income. Realized net farm income is calculated by subtracting operating and depreciation charges from the gross farm income.

Based on Statistics Canada's most recent estimates, net farm income in 1984 is expected to drop for the fourth year in a row. As Figure 3 shows, recent declines in net farm income have resulted from significant expense increase while farm cash receipts increased only slightly.

It is likely farm cash receipts will be lower in 1985 as the impact of the smaller 1984-85 supplies works its way through the farm economy. Farm expenses cannot be trimmed much further, therefore 1985 net farm income will not reach 1984 levels.

Net Cash Flow. Net cash flow is the sum of realized net income plus depreciation. It is the money farmers have for living expenses and to retire debts or invest.

In some years, the impact of lower farm income can be buffered by the influence of depreciation, since depreciation is not an out-of-pocket expense. In these years, the farm economy withstands adversity to some extent by "living off depreciation."

Figure 4 shows the net cash flow position of Prairie farmers since the late 1970's. Despite the buffering effect depreciation can have, it is apparent that the overall net cash flow position of farmers has deteriorated in recent years.

Table 2 — July 31 Total Stocks — Canada
— thousand tonnes —

	ALL WHEAT	OATS	BARLEY	RYE	FLAXSEED	CANOLA	TOTAL
1979 .	14,911	1,520	4,895	502	392	1,068	23,288
1980 .	10,721	891	2,006	406	587	1,477	16,088
1981 .	8,570	760	3,203	222	344	1,328	14,427
1982 .	9,758	855	4,161	334	259	692	16,059
1983 .	10,048	1,175	5,204	651	467	486	18,031
5 yr av	10,802	1,040	3,894	423	410	1,010	17,579
1984 .	8,960	692	1,968	444	157	112	12,333

Source: Statistics Canada

Table 3 — Total Supplies Of Major Grains In Canada
— thousand tonnes —

	1979-83 Average	1983-84	1984-85
All Wheat	33,724	36,636	30,072
Oats	4,130	3,948	3,377
Barley	15,472	15,500	12,149
Rye	1,162	1,481	1,101
Flaxseed	995	913	851
Canola	3,529	3,111	3,318
TOTAL. . . .	59,012	61,589	50,868

Source: Statistics Canada

Influence of Inflation. Farmers export most of their commodities and are large consumers of imported products, therefore incomes accruing to farmers are sensitive to the effects of inflation. Inflation reduces the buying power of the farm economy, unless overall income increases at the rate of inflation or better.

The decline of Prairie net farm income in recent years is even greater when inflation is factored into the equation. When projected net income for 1984 is adjusted for inflation, farm income in deflated dollars is at a 10-year low. Figure 5 shows farm income in current dollars and adjusted for inflation.

Productivity and Profits. Gross revenue is a function of price and volume marketed, and net farm income is receipts less expenses.

In recent years, Canadian grain exports have increased significantly. Since 1978, when exports were about 20 million tonnes, Canada's overall export volumes have grown by close to 50 per cent. This trend is outlined in Figure 6.

Despite this trend, cash receipts have remained fairly constant since 1981, and

Figure 3 — Farm Cash Receipts, Expenses, Net Income

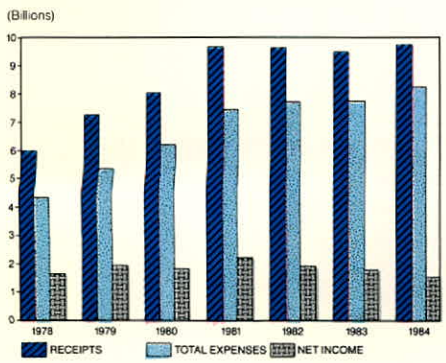
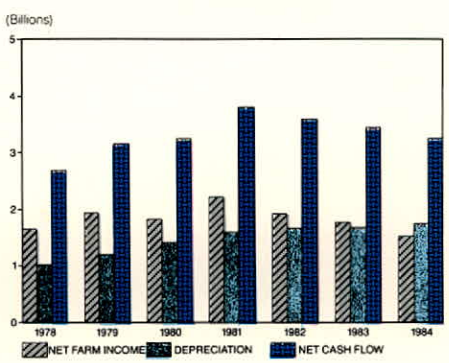


Figure 4 — Net Cash Flow of Prairie Farmers



net income, both in inflated and deflated dollars, has fallen. This implies profit per tonne marketed has decreased.

Figure 7 shows the trend in net farm income per tonne of export, adjusted for inflation. It illustrates vividly why farmers are having debt-servicing problems. Profit margins per tonne are dropping as a result of productivity gains. This is generally referred to as the "cost-price squeeze," but is more accurately described as a revenue-expense squeeze.

Income/Debt Problem

The key challenges to farmers in the 1980's are low net income, high debt, volatile interest rates and lower liquidity. This changing financial structure is affecting the very survival of many farmers as it never has before.

Compared to other small businesses, farming has always been considered stable. Even though land prices have fallen 20 per cent since 1980, the most recent Farm Credit Corporation study shows farmers at the 82-per cent equity level in 1984 — exceptionally high relative to any other industry.

Traditionally, too, the rate of exit from farming due to financial pressures has been low compared to other businesses. This is changing. Bankruptcies of farm enterprises jumped dramatically from 117 in 1970 to 488 in 1983 and over 600 farmers are expected to go bankrupt in 1984. This figure, while it has attracted national attention, is still considered low by lenders, and they point to the fact that half the farmers owe no

Figure 5 — Prairie Net Farm Income

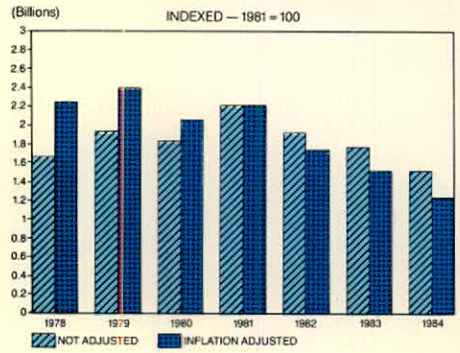


Figure 6 — Exports of the Six Major Grains

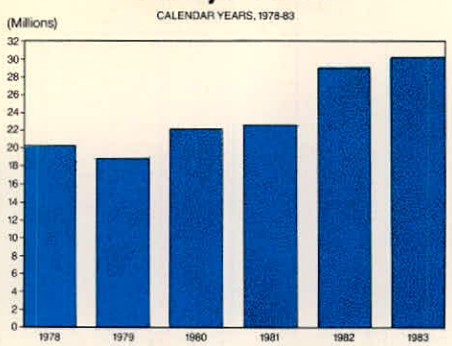
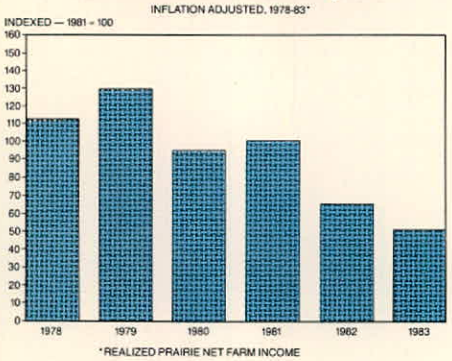


Figure 7 — Farm Income Per Tonne of Grain Export



debt and less than five per cent are currently defaulting on their loans. Lenders are concerned, however, that as many as 20 per cent of farmers may be susceptible to financial failure — particularly starting farmers and smaller-scale farmers who expanded in the 1970's. These farmers are now being whipsawed between huge debts and declining net incomes.

The directors of your company view this as a disturbingly high number of farmers who face foreclosure, either forced or voluntary. Further, this changing financial structure, if it continues as expected, will severely affect the present generation of active farmers when they attempt to retire from farming, as it will those who buy their land and try to finance the purchase.

In attempting to gauge the reasons for the current financial stress among farmers and the implications for the future, the directors of your company point to several developments in the 1980's which may serve as useful economic indicators.

- Net farm income has decreased as a percentage of gross income (Fig. 8). In 1974, net farm income was 38 per cent of gross farm income, fell to 26 per cent by 1978 and in 1983 net income was only 14 per cent of gross farm income.

- Farm debt has been increasing at the same time, rising from $5.7 billion in 1973 to $20.2 billion in 1982, the most recent year for which figures are available (Fig. 9).

- With the income level slowing and the debt rising, this has increased the debt-to-income ratio. The ratio represents the number of years if farmers used *all* their income to service debt, they could pay the debt off (Fig. 10). Debt-to-income ratios in 1974, which averaged less than 1.5, had increased to 3.5 by 1978 and in 1982 was almost 5. This rising debt-to-income ratio means farmers must commit more of their future income to debt servicing, and less income will be available for expansion and reinvestment in the farm or for an improved standard of living.

- In addition to a larger debt load, interest rates have risen in both nominal and real terms, rising from 11 per cent of operating expenses in 1970 to 16 per cent in the current year (Fig. 11). It means farmers not only have a larger debt load and annual principal payments, their interest payments have also increased dramatically. Not only are higher interest rates expected to continue through this decade, but rates are expected to be quite volatile, thereby increasing the financial risk a borrower faces.

Farmers now find themselves much more vulnerable to changes in production, prices, interest rates and input costs, thus leaving them more susceptible to financial failure. In earlier times, farmers survived years of low profits by pulling in their belts and operating well below their typical costs. This allowed them to meet their immediate cash flow needs because they held considerable reserves of earnings, in the form of family resources such as labour, management and equity, to meet with short-run crises. Now, minimum cash flow needs

are higher due to more dependence on purchased inputs, larger debts and higher interest rates. These have reduced the resilience of farmers and made them much more vulnerable to downside risks on both the income and expense side of farming.

While farmers generally benefitted from the inflationary land price increases during the 1970's, aided by relatively low interest rates, and realized capital gain increases that outmatched the decline in real net incomes, the gains came to an abrupt halt in 1980 and land prices have slipped since then in both nominal and real terms. This has put some farmers who expanded in the late 1970's under extreme pressure and is the main reason for higher foreclosures. With continuing high interest rates and low margins, many farmers are prevented from expanding or entering farming now, while others are being squeezed out.

New entrants to farming must appreciate the critical role debt servicing has to their living standards and very survival as farmers.

Returns to capital invested in agriculture in Canada chronically have been three per cent or less. At a three per cent rate, return to capital in a $500,000 farm business would be $15,000. If the business were owned free and clear, that $15,000 would be available for living expenses. However, if the business was composed of $450,000 of equity and $50,000 debt, and the interest rate was 12 per cent, debt servicing would leave only $9,000 or a two per cent return on capital. The situation worsens as interest rates or the size of the debt increases. Table 4 illustrates the impact of debt on return to equity, and emphasizes the extreme risk a highly-leveraged farmer faces.

The foregoing is not meant to portray a dismal future for agriculture, but to point out that strict financial management is much more an element of farming than it was a decade ago. Farmers as a group remain in a relatively strong financial position. Owning 82 per cent of their assets, the average equity of farms in 1984 was $508,000.

It is just that high capital requirements are now making the farm too expensive for too many people. New financing, taxation and other measures are needed to make farmers less vulnerable to changing costs and prices.

Considering the impact of a 20 per cent drop in land values since 1980, it also appears obvious that farm organizations and farmers must pay more attention to the management of asset values, rather than placing exclusive emphasis on farm production and operating finances. Asset management is critical to the *timing* of entry into farming since this determines more than anything else the potential for land increasing or decreasing in value. It is apparent farmers must be critical in evaluating entry or expansion with the idea of maintaining capital values. It makes little sense to work hard to generate current income only to see asset values fall by greater amounts due to falling land prices and other asset value declines. This matter of timing of entry into farming is so critical, the directors of United Grain Growers commissioned a special study on the subject and it appears in Appendix C.

The directors of United Grain Growers have been focusing on the development of new financial strategies with different levels of government and with other farm organizations. Hopefully, better measures that recognize the conditions of the 1980's will be developed soon.

Table 4 — How Debt Cuts Return To Equity

Debt-to-asset ratio (in %)	Interesting on outstanding debt			
	7%	10%	12%	14%
	Return to equity			
0	4.0	4.0	4.0	4.0
10	3.6	3.3	3.1	2.8
16	3.4	2.8	2.4	2.0
20	3.2	2.5	2.0	1.5
30	2.7	1.4	0.6	-.03
33	2.5	1.0	0.0	-1.0
40	2.0	0.0	-1.3	-2.7
50	1.0	-2.0	-4.0	-6.0
60	0.0	-5.0	-8.0	-11.00

Figure 8 — Canadian Net Farm Income As a Percent of Gross Farm Income

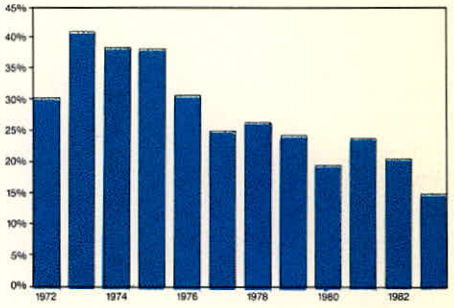


Figure 9 — Total Farm Credit Outoutstanding, Canada

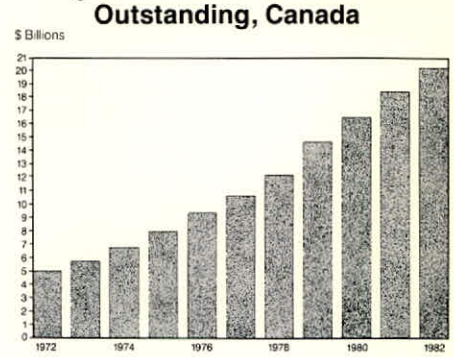


Figure 10 — Prairie Farms, $ Debt Per $ Income

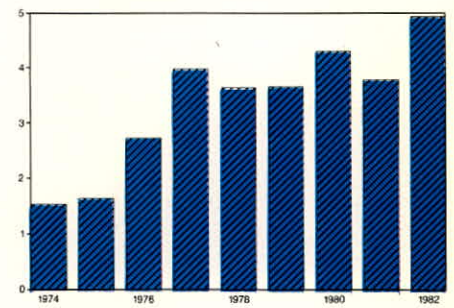
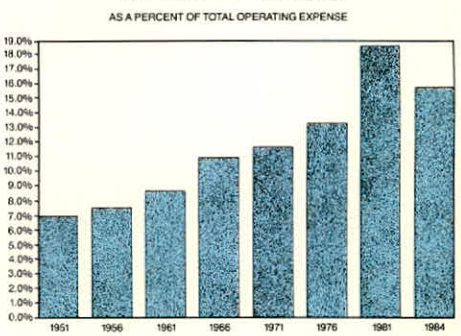


Figure 11 — Interest Expense of Prairie Farmers



Operations Review

Country Operations

The main business of United Grain Growers is to handle, merchandise and store grain in western Canada.*

Country Elevators

United Grain Growers operated country elevators at 71 points in Manitoba, 134 in Saskatchewan, 135 in Alberta and 3 in British Columbia during the 1984 fiscal year.

The total capacity of the UGG country system, as licensed by the Canadian Grain Commission, is 1.35 million tonnes.

The country operations division of United Grain Growers is responsible for developing and operating a primary elevator system. The division operates under the board of directors' policy to maintain standards consistent with the directors' policy of good service at least cost.

A well-defined planning strategy is essential to accomplish this goal. The 1984 fiscal year plans were first established in May, 1983. The plan took into account a projected 16.1-million-tonne carryover projected at July 31, 1983, and market signals that indicated record exports of western Canadian grains.

The country operations plan for the 1984 fiscal year called for a profit of $11.3 million, based on budgeted handlings of 5.5 million tonnes and farm supply sales of $61.5 million.

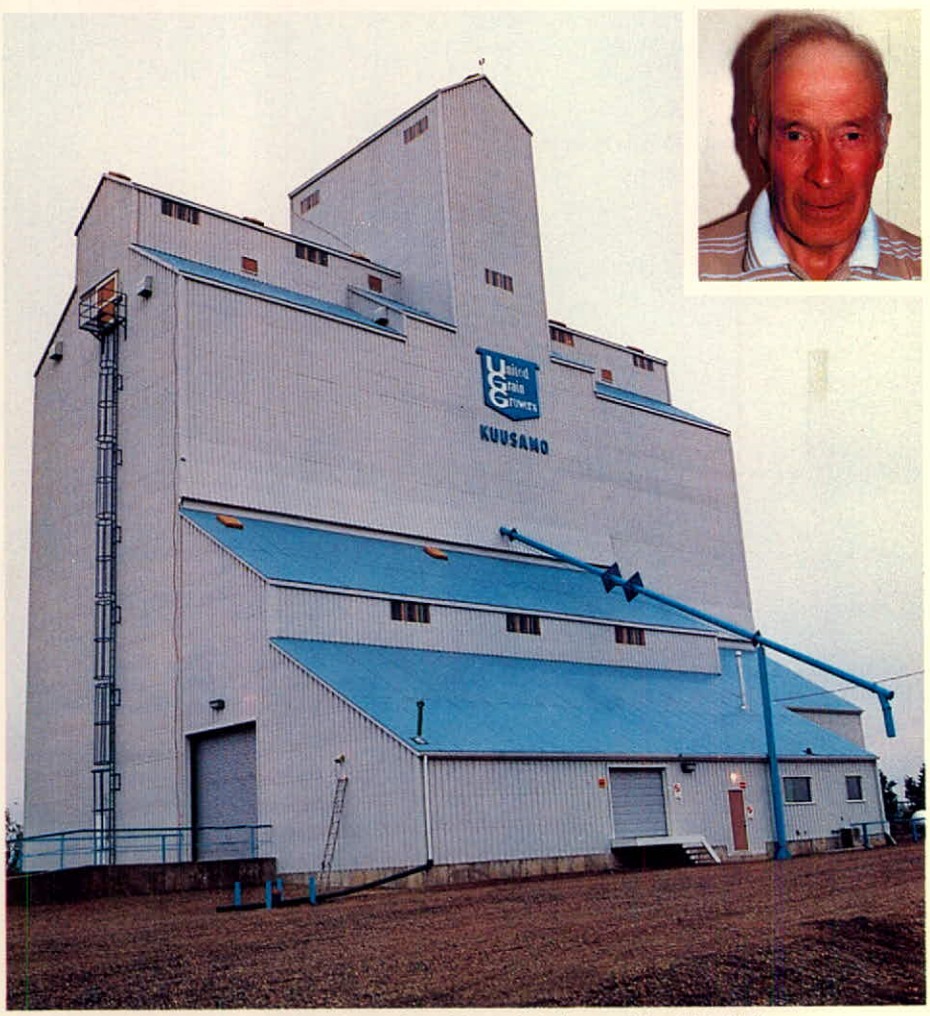
* Elevators perform an essential function in the movement of grain. In a sense, they are a public utility and have been so recognized in the statutory declaration that Canadian elevators are "works for the general advantage of Canada."

Country elevators are premises where United Grain Growers acts as agent for The Canadian Wheat Board, and pays the initial price for wheat, oats and barley to be sold by the Board. These elevators are also merchandising premises where your company buys and sells canola, flax, rye, feed wheat, feed barley, feed oats and certain special crops grown under contract, and keeps a stock for domestic trade. At its terminal elevators, United Grain Growers also owns some grain and screenings in its capacity as a merchant.

Table 5 — Flow of grain to country elevators throughout the 1983-84 season

		Receipts for Month	Monthly % of Total
August	1983	296,347	6.0
September	1983	483,511	9.8
October	1983	386,762	7.9
November	1983	612,128	12.5
December	1983	376,149	7.7
January	1984	249,479	5.1
February	1984	264,122	5.4
March	1984	273,636	5.6
April	1984	385,234	7.8
May	1984	343,035	7.0
June	1984	549,932	11.2
July	1984	687,757	14.0
		4,908,092	100.0

Actual tonnes handled reached 4.9 million tonnes (Table 5.), down from the previous year's actual by .4 million, a decrease of eight per cent. Deliveries in the three provinces were Manitoba 1.0 million tonnes, Saskatchewan 2.0 mil-



New elevator at Kuusamo, Alta. Inset: Local board chairman Lloyd McNeil.

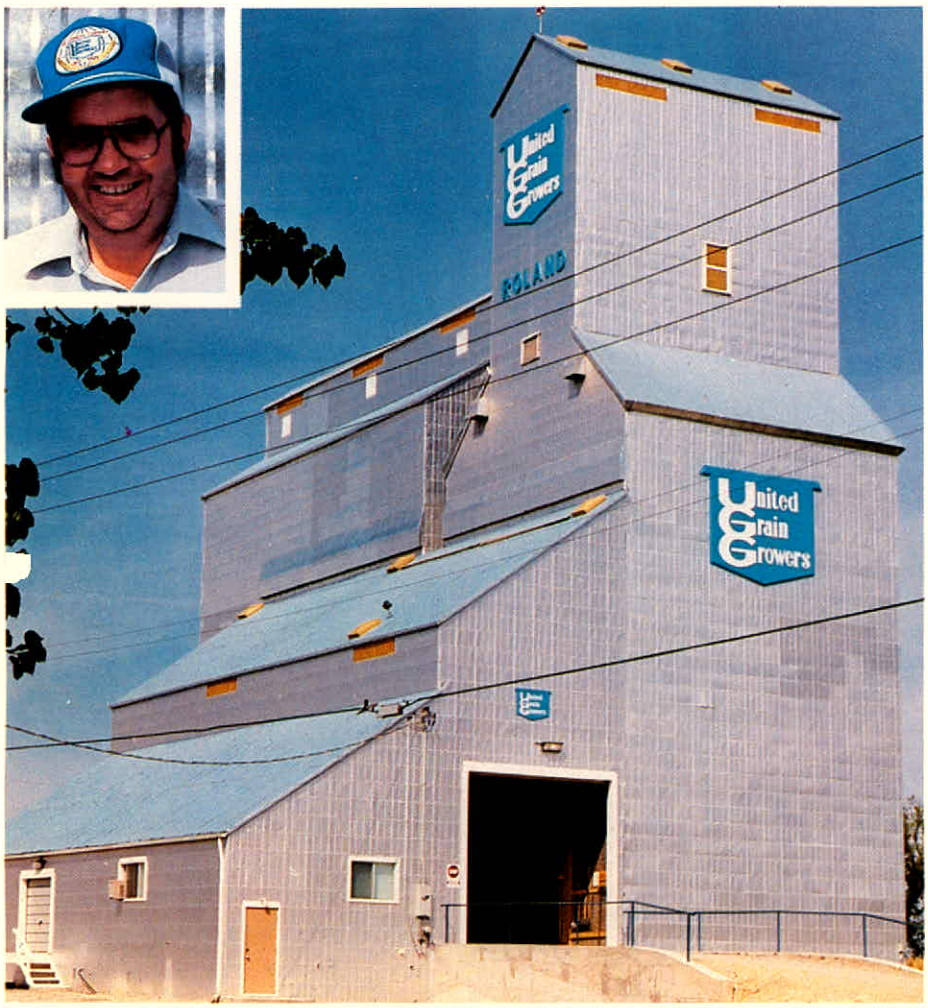
lion tonnes, and Alberta (B.C. Block) 1.9 million tonnes. The reduction in deliveries to the country elevators resulted because of limited inventories on farms as the year drew to a close and the drought of 1984.

Because of good delivery opportunities and excellent moisture conditions this spring, farmers applied record amounts of fertilizer. Herbicide sales were strong because of the bumper crop prospects until late June. As a result, year-end farm supply sales reached $62.9 million.

Earnings were plowed back into your country elevator system at near-record levels. The original plan called for expenditures of $16.3 million in capital improvements, new facilities, maintenance and repair. During the year $13.4 million was spent on upgrading facilities and a further $3.2 million was spent on maintenance and repair, making a total expenditure of $16.6 million for improvements in the elevator system.

Table 6 — 1983-84 Capital Appropriations & Expenditures

New Elevators	$ 6,250,683
New Annexes & Steel Bin Storage	$ 363,079
Major renovations	$ 1,522,425
Scales & Driveways	$ 288,479
Dust collectors	$ 122,583
Farm Supplies	$ 947,904
Dwellings	$ 515,148
Land Purchases & Rail Spur Development	$ 505,817
Grain & F.S. Miscellaneous	$ 2,846,216
	$13,362,334



Newly renovated elevator at Roland, Man. Inset: Local board chairman Dennis Garlick.

Capital Construction. The number of projects your company can undertake in one year is directly related to capital funds available. Building costs during the year continued to increase, with the cost of a new composite elevator of 3,500 tonnes (140,000 bushels) capacity now exceeding $1 million. A major overhaul of an existing elevator, including a new driveway, scale and office, costs as much as $350,000 or more. Development costs in a new market can run as high as $1.75 million if farm supply facilities, land, and trackage are included.

Elevator Construction. This past year, new elevators were constructed at Eston and Tribune, Sask., at High Prairie and Kuusamo, Alta. and at Newdale and Norman, Man. New elevators and annexes are under construction at Yellow Grass, Lucky Lake and Hague, Sask. and at Vegreville, Alta. Major elevator renovations were completed at Birch Hills and Wilkie, Sask., Bashaw, Rosalind, and Turin, Alta., and Kane, Rignold, and Roland, Man. Capital expenditures on new elevators alone amounted to $6.3 million, and $1.5 million was spent on major renovations (Table 6.).

Fire Losses. A partially completed crib elevator was destroyed by fire at Yellow Grass, Sask. along with the main operating plant on June 17. The UGG elevators at Saltcoats, and Lucky Lake, Sask. were also destroyed by fire.

Closures and Trades. Four stations were closed this past fiscal year. These were at Myrtle and Gunton, Man., Ponteix and Verlo, Sask. Trades during the crop year resulted in acquisition of Alberta Wheat Pool's No. 2 elevator at Elk Point for UGG's storage elevator at Boyle, and saskatchewan Wheat Pool's elevator at Palmer for the UGG elevator at Dilke.

In the past 10 years, major changes have taken place in the Prairie country elevator network. The total system, in 10 years, has reduced from 2,814 manager units at the end of the 1975 fiscal year, to 1,938 manager units at the end of this past year — a reduction of 876 or 31 per cent. UGG, in comparison over the same time period, reduced from 472 to 343 manager units, a reduction of 129 units or 27 per cent.

Economic factors such as interest rates, operating costs, fixed costs, and grain volumes, continue to guide the consolidation of your elevator operations. The division's long-term plan is to consolidate, with average handlings per unit approaching 20,000 tonnes, ranging from 11,000 tonnes to 50,000 tonnes. That figure could change sharply, particularly if incentive rates and multiple car loadings were possible and farmers tended to choose this type of facility. It could also be influenced markedly by grain production levels.

In concert with the grain handling, farm supply sales in the future are expected to exceed $300,000 per unit. This figure also could vary considerably if numbers of elevators are reduced more than planned.

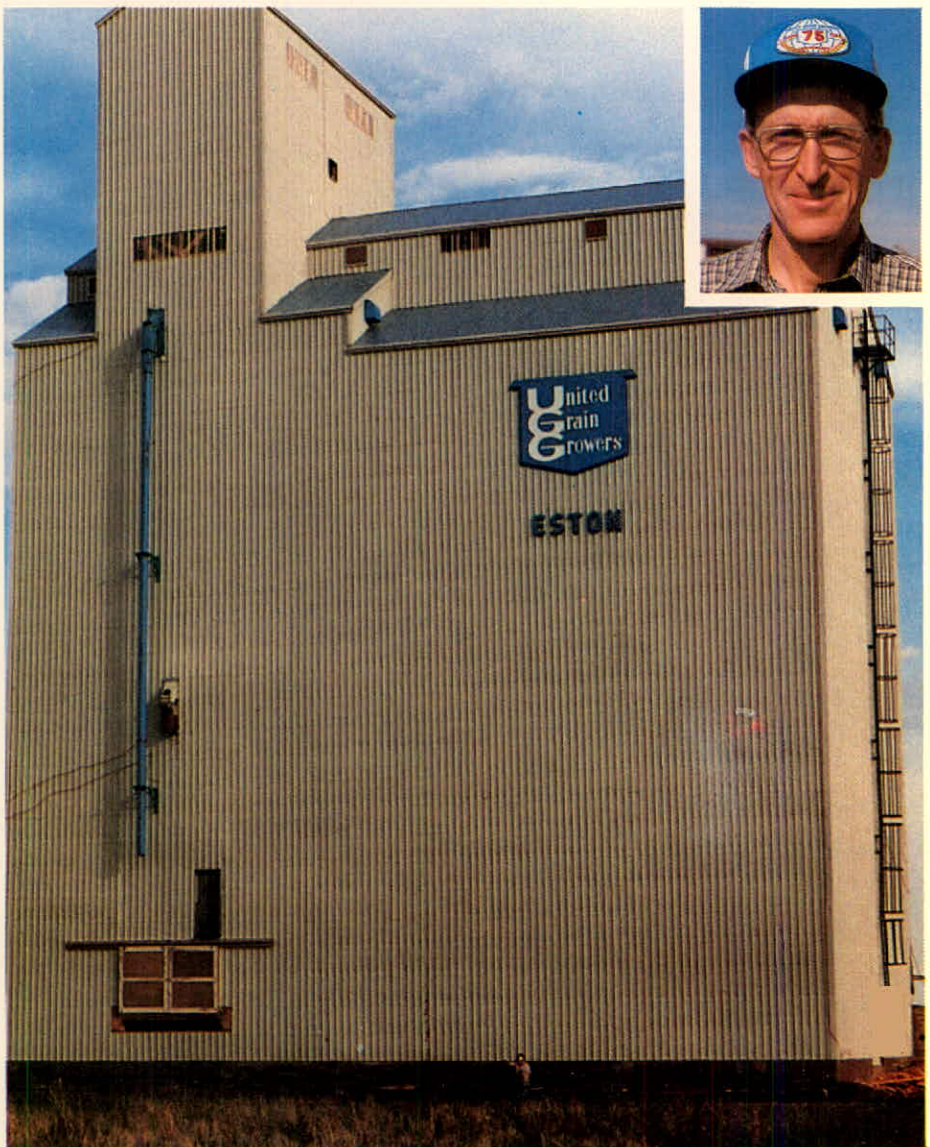
Over $63 million has gone into improvement of your country system these past five years. Capital expenditures were $13.4 million in 1983-84, $11.7 million in 1982-83, $10.5 million in 1981-82, $9.8 million in 1980-81 and $7.4 million in 1979-80. Maintenance and repair expenditures were $12.9 million over the same period.

It is your company's intention to continue to improve the system as rapidly as capital becomes available. Many types of projects are required. New elevators, additional storage, major renovations, spur track expansions for improved car spots, and improvements of farm supply facilities, are some of the key requirements. With new elevators now costing $1 million and up, depending on capacity, site location and rail service, the ability to generate funds is the key limiting factor to new construction.

The short-term plans of your company in its country operations are as follows:

Maintenance and Repair. Maintenance and repair requires a budget of $2.5 to $3.0 million annually. Emphasis is placed on design features that reduce maintenance and service costs. To preserve the exterior appearance of elevators, all major renovation projects and new facilities are sided with metal siding that is maintenance-free. Also, there is additional fire protection.

Country Dwellings. Most permanent locations now have reasonably good dwellings. UGG has 331 houses across the system. An estimate this year placed a value of $11.5 million on this property, or $35,000 per unit. A few



New elevator at Eston, Sask. Inset: Local board chairman George Krenz.

dwellings will be constructed each year to maintain the facilities in acceptable condition.

Anhydrous Ammonia. Use of anhydrous ammonia continues to grow and new market outlets are being established as market growth suggests enough volume to justify the capital investment. Each anhydrous ammonia outlet costs $230,000 to develop. United Grain Growers currently operates an anhydrous service at 21 market locations.

Bulk Fertilizer Storage. Three new bulk blending plants came into operation this past year, providing new bulk-blend facilities at 41 market locations. These plants now cost $215,000 to build. More facilities are planned as markets indicate the business volume is big enough to support the investment. These plants are proving very popular with the membership where they are located.

Grain Market Services. To help customers avoid grain price risks, UGG continues to provide several forward pricing services on open market grains throughout the year, on the six major grains. Corn is also included in the program for certain delivery periods.

Protein Testing. Whole-grain protein analyzers are proving very satisfactory, and more protein testers will be forwarded to country elevator stations. This equipment costs about $9,000 per unit. This past year, United Grain Growers had 60 protein analyzers in service, with 10 more in place during the 1984 harvest.

Computerization of Country Elevators. United Grain Growers had 132 stations on the computer system this past year. This system documents all transactions right at the elevator and provides faster and more effective service to customers. Plans are to install 75 more units this year. The rate of installation thereafter, will depend on capital availability. It is expected that 250 units will eventually be computerized. These units currently cost $18,000 each.

Elevator Managers Handling Awards. Elevator managers receive recognition when handlings exceed specified tonnage during the crop year. There are three defined categories. A Gold award is given to elevator managers who handle 25,000 tonnes or more. A Silver award is provided elevator managers who handle over 20,000 tonnes. A Bronze award is given to managers who handle over 15,000 tonnes. The managers who received these awards in the 1983-84 crop year are listed in Appendix E of this report.

Table 7 — Cost per Tonne of Country Grain Handling through United Grain Growers

	1980-81	1981-82	1982-83	1983-84
Millions of Tonnes Handled	4.26	4.65	5.28	4.91
Elevator costs per tonne handled				
Unit direct operating expenses				
Salaries — Ass'nt. Mgr., casual, overtime, bonuses, benefits	$2.76	$2.93	$2.88	$3.32
Moving, Travel, Meetings	.04	.04	.03	.03
Repairs	.63	.66	.51	.61
Annex Unloading	.05	.05	.04	.04
Insurance (Grn. & Merchandise)	.19	.18	.11	.15
Heat, Power & Water	.16	.18	.15	.17
Postage, Stationery Supplies	.05	.06	.07	.08
Phone, Wire, Telex	.04	.04	.04	.04
Bank Charges	.06	.07	.04	.05
Interest on Operating Funds	3.67	4.08	2.05	2.11
Computer equipment charges	—	—	—	.05
Miscellaneous	.07	.07	.08	.09
	7.72	8.36	6.00	6.74
	68%	69%	64%	61%
Direct Fixed Expenses				
Property Rentals	.05	.05	.05	.07
Building Insurance	.20	.22	.18	.28
Taxes	.54	.55	.52	.57
Interest on Fixed Assets	.33	.35	.28	.33
Depreciation	.51	.53	.43	.57
	1.63	1.70	1.46	1.82
	15%	14%	16%	17%
Administration and overhead	1.96	2.05	1.92	2.40
	17%	17%	20%	22%
TOTAL COST	$11.31	$12.11	$9.38	$10.96
	100%	100%	100%	100%

Farm Supplies Operations

Sales of farm supplies established a new record this past fiscal year. After two difficult years of declining sales, total sales were up 24 per cent from the year previous to $62.9 million.

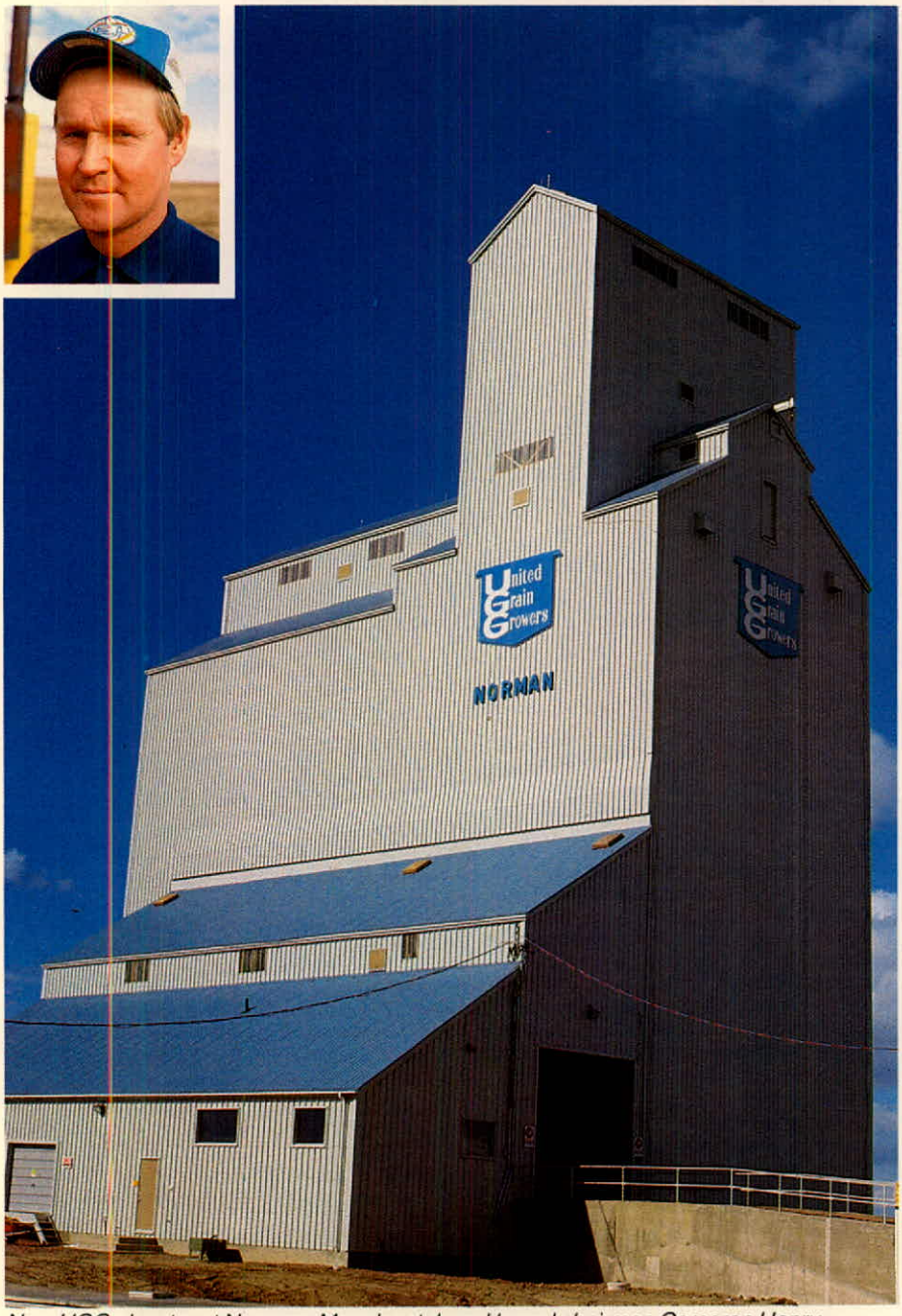
Volume of fertilizer sales increased 17.5 per cent, chemicals 15.4 per cent, twine 12.5 per cent and seed treatments 66.0 per cent. Only sales volume of P.S.A. farm supply products were down.

Fertilizer. Your company moved a record tonnage of fertilizer in the year just ended. Sales in Manitoba increased by 0.5 per cent, in Saskatchewan by 29.1 per cent, and in Alberta

by 23.8 per cent and, all-in-all, improved your company's share of the Prairie fertilizer market.

Preliminary industry sales figures indicate the fertilizer market increased in western Canada by 16 per cent with a 5 per cent increase in Manitoba, a 20 per cent increase in Saskatchewan and a 15 per cent increase in Alberta.

During the year, the company expanded its farm supply facilities by acquiring some Southern Alberta Co-op fertilizer outlets. Anhydrous ammonia plants and applicators at Cardston and Standoff, and bulk blending plants and fertilizer applicators at Cardston, Taber and Bow Island were obtained.



New UGG elevator at Norman, Man. Inset: Local board chairman Cameron Henry.

This past year, 47 smooth-wall hoppered steel bins were installed at 24 locations for bulk fertilizer storage.

With new anhydrous, urea and phosphate plants completed in western Canada by Esso Chemicals and Sheritt Gordon, fertilizer supplies should be adequate for the near future.

Herbicides. Sales of most weedkiller chemicals increased this past fiscal year. Post-emergent chemicals continued to gain a larger share of the herbicide market (Appendix D). There was an exceptionally strong demand for Avenge 200 C, Poast, Sabre and Hoe Grass II (Table 8). Sales increases were also registered for Mataven, Blagal, Banvel LH, Dyvel and Roundup. There was a strong demand for the limited supplies of Fusilade, and reports from users showed that it performed well.

With larger canola acreages seeded in 1984, Counter 5G, a systemic insecticide for control of flea beetles, increased substantially. Sales of Avadex BW liquid, Carbyne and Stampede CM showed decreases.

Table 8 — Chemicals with Increased Demand

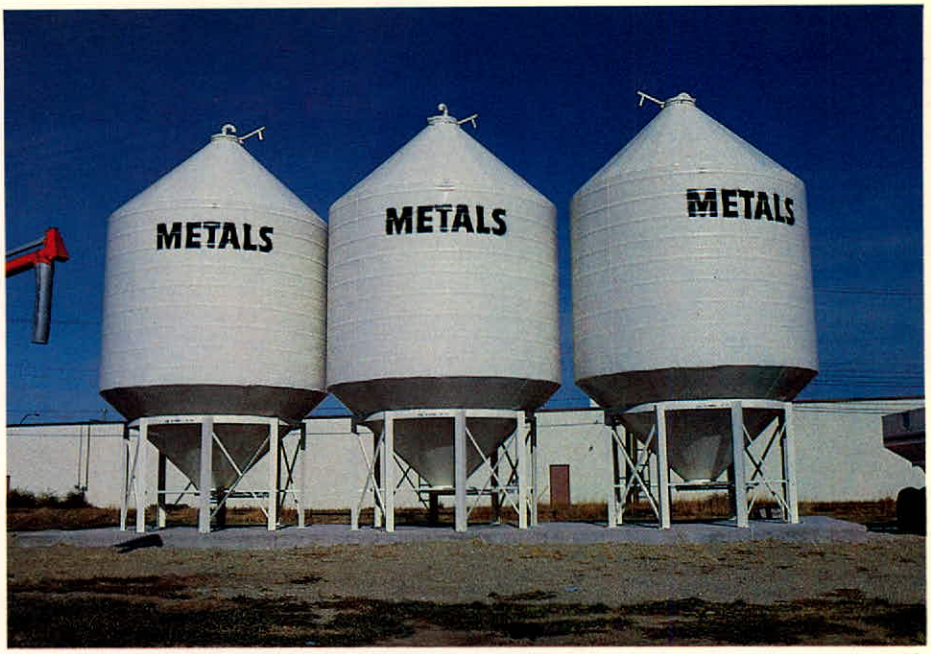
Product	Major Use
Avenge 200 C	Wild oat control in barley and wheat
Poast	Grasses and volunteer cereals in canola and flax
Sabre	Hard-to-kill weeds in wheat, barley, oats and flax
Hoe Grass II	Controls grasses such as wild oats and wild foxtail plus broadleaf weeds in wheat and barley
Mataven	Wild oats in wheat
Blagel	Hard-to-kill broadleaf weeds in wheat and barley
Banvel LH	Hard-to-kill broadleaf weeds in wheat and barley
Dyvel	Hard-to-kill broadleaf weeds in wheat and barley
Roundup	Kills all green growth; mainly used in zero or minimum tillage programs, and for control of quackgrass
Fusilade	Grassy weeds in flax, canola, sunflower and certain special crops

There are several new products which will have strong demand when they receive full registration from Agriculture Canada. These are Lontrel for control of Canada Thistle and other broadleaf weeds in canola, Rival and Magnum, both trifuralin products, and Cerone, a growth regulator.

Twine. Fibrilated synthetic twine sales have continued to increase at the expense of sisal twine. It now has two-thirds of the twine market.

Other Farm Supplies. Sales of the Gjesdal Five-In-One seed cleaner have been down over the last two years as farmers continue to restrict capital investments. Several improvements and modifications have been made to the cleaner.

Sales of grain moisture meters, Airstream Dust Helmets, paint, tarpaulins, shovels and miscellaneous other items have remained steady.



Fertilizer hopper bottomed bins, like these at Morden, Man., were installed at 24 points this past year.

Seed Operations

The seed operations of your company finished the year with earnings of $146,000, sharply down from the 1983 fiscal year when benefits of the U.S. Payment-in-Kind (PIK) program played a significant part in enhancing forage seed sales, resulting in earnings of $977,000.

Your company enjoyed tremendous forage sale volumes and high prices under the 1982-83 PIK program. However, with the 1983-84 program cuts, red and alsike clover sales volume dropped drastically, resulting in the reduced earnings.


An increasing amount of nitrogen is banded with machines like the Band-It operating near Reston, Man.

Creeping red fescue continued to be the major volume forage seed handled by the company. However, it too came under increased competitive pressure. U.S. seed firms are growing higher volumes of proprietary fine fescue varieties which are replacing the traditional U.S. markets for Prairie-grown seed. Exports of creeping red fescue to Europe have been cut off by Danish varieties being sold at very competitive prices.

The high carryover and nominal prices of Kentucky bluegrass, plus the continued slump in housing starts in the U.S. also had an impact on the creeping red fescue market. Consequently, the carryover stocks of creeping red fescue of about 7 million pounds combined with a 1984 production of about 20 million pounds will keep the long-term outlook bleak and pressure on prices which is expected to cause a reduction in the acreage grown in 1985. Other seed market prices are also soft. Sweet clover prices this fall are about 25 cents per kilogram, red clover is about

40 cents per kilogram and alsike clover is about 35 cents per kilogram.

The Timothy seed market is almost non-existent with no demand from Europe and only a small amount needed for domestic and U.S. markets.

Cereal grain seed sales remained steady in Alberta, but were down in Manitoba and Saskatchewan. The influx of unlicensed semi-dwarf wheats, such as Solar and Marshall, is a recent phenomenon. It is estimated over 400,000 acres were seeded to these unlicensed varieties, compared to only 165,000 acres to the new HY320 wheat.

Sales of canola increased because of the expanded acres seeded to canola.

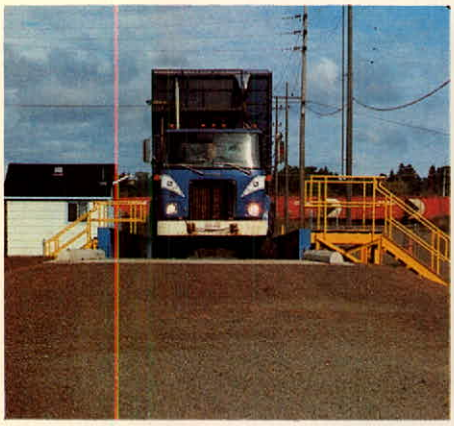
Demand for Alberta double-recleaned oats continued strong. Increased sales were made to the U.S. and Japan, in addition to the traditional sales to racehorse owners in Canada.

During the year, record volumes of packaged dried food products, wild bird seed and popcorn were handled.

Your company is attempting to strengthen its forage and seed business by adding proprietary or exclusive seed lines. This year Pacer alfalfa was added, and two new hybrid corn lines have been increased for marketing in 1985.

Two proprietary varieties of yellow mustard are handled: Kirby and Tilney. Tilney is larger-seeded with better mucilage and is preferred for cream salad mustard. Early tests show Tilney has higher yield, even under drought conditions.

Major capital expenditures during the year included a new scale and two new metal legs installed at the seed division's feed mill in Edmonton. At Lethbridge, a new warehouse was completed in a continuing program of converting the old feed mill to a seed plant. A new 80-foot scale was installed in the Souris, Man. facility, and the building was reclad with metal. The new plant at Swan River, Man. was in full operation during the past fiscal year.



New pelleting plant at Thunder Bay, Ont. converts screenings and weed seeds into livestock feed. A truckload of screenings being weighed in (top left) and unloaded (top right).

Terminal Operations

Your company's terminal elevators clean and store grain shipped by carlot from the country elevator system, then load vessels destined for domestic or overseas markets. Individual carlots of grain received at terminals are segregated by grade, cleaned to export standards, and bulked into large quantities for delivery to vessels. Vessels travelling the seaway will carry up to 26,000 tonnes. From the West Coast cargoes of grain have averaged 30,000 tonnes, but vessels capable of carrying more than 65,000 tonnes are not infrequent.

United Grain Growers operates two terminal elevators at Thunder Bay and one at Vancouver. The combined licensed capacity of these facilities is 424,000 tonnes. During the past year, UGG terminals achieved a throughput ratio slightly in excess of 10:1, handling 4.4 million tonnes of all grains. The export terminal industry in Canada as a whole has a licensed capacity of 3.2 million tonnes. They had receipts last year of 32 million tonnes for a

throughput ratio of slightly less than 10:1. Thunder Bay operating 8 to 9 months in the year has a somewhat lower ratio than terminals on the West Coast.

New record handlings were achieved by your company terminals in the 1984 fiscal year (Table 9).

The handlings reflected the 30-million-tonne record exports set by Canada. While "A" and "M" houses at Thunder Bay enjoyed all-time high handlings, Vancouver fell short of the figure achieved two years ago due to limited storage capacity and other constraints within the elevator.

Net earnings from combined terminal operations were $10.2 million. This reflected record handlings, improved prices for by-products, and better productivity due to a heavy program of upgrading over a number of years.

Labour negotiations are currently in progress on the labour contract for Vancouver which expired January 1, 1984. Discussions will start shortly with the Thunder Bay Union representatives covering the new contract to be effective February 1, 1985.

Terminal throughput during the 1985 fiscal year may decline as much as 25 per cent because of the reduced crop in western Canada. This will require considerable adjustments to ensure the highest possible productivity and earnings.

Table 9 — 5-year record of terminal handlings

Year	"A"	"M"	"VAN"	Total
1979-80	1,083,000	1,136,000	838,000	3,057,000
1980-81	1,221,000	837,000	1,004,000	3,062,000
1981-82	1,293,000	1,238,000	1,382,000	3,913,000
1982-83	1,794,000	1,014,000	1,214,000	4,022,000
1983-84	1,911,000	1,242,000	1,292,000	4,445,000

Modernization at Terminal M at Thunder Bay, Ont. was completed during the year.

Transportation. Continued record handlings since 1980 is a tribute to Prairie farmers' productive capabilities as well as the improvedsystem being able to deliver increasing volumes of grain to export position. The railway fleet has varied between 25,500 and a record 33,500 cars toward the end of the 1984 fiscal year, most of which are hoppers of large capacity and easier to handle than box cars. Railways' performance in delivering grain to terminals has been excellent in these last three years and few shortages have occurred. In turn, this reflects a precision in moving grain forward to meet sales — a capability not present in the 1970's.

The terminal system, however, operated from a congested condition this past year. Terminals had the ability to handle more grain than there were sales. This means the throughput capability of terminal elevators still has not been fully measured and is not a limiting factor in movement of grain to the final customers.

Upgrading. Work continued on upgrading and modernizing terminal elevators during the past year. These expenditures are needed to increase productivity and ensure the lowest possible tariff levels.

At Thunder Bay this past year, terminal "M" neared completion of the program of centralized control and provided more automatic processes to improve the speed of moving grain. A test project on new cleaning systems was completed and confirmed the ability to clean grain at the *same rate* as unloading.

At Vancouver, construction of a new oilseeds cleaning section was started and completed before the 1984 canola crop-began to arrive. Also, the first of a series of new ship-loading devices was installed in the shipping gallery. These ship loaders increase the effective height of the gallery and allow loading

the ever-increasing size of vessels arriving at the West Coast. More engineering studies are underway to add storage, to increase the depth of berth, and to improve the speed at which grain can be delivered to vessels. An expansion of the yard for trackage to accommodate a total of 120 hopper cars is also underway.

Grain Marketing Operations

The grain marketing operation of your company is responsible for selling open market feed grains, rye, oilseeds and Canadian Wheat Board malting barley generated by your country elevator system, and selling by-products from your terminal elevators.

In the 1984 fiscal year, the grain marketing operations produced earnings of $452,000, down from $530,000 the previous year.

The year started off with a dramatic increase in feed grains and oilseed prices due to market response to the extreme heat and drought in the U.S. Midwest during the summer of 1983, combined with the reduced U.S. seeded acreage as a result of the PIK program. The combination dropped U.S. corn production in 1983 to 4.12 billion bushels (1982: 8.4 billion) and soybean production to 1.5 billion bushels (1982: 2.3 billion).

Canadian grains prices and sales volumes benefitted from the U.S. situation. Record levels of Canadian grain exports were achieved for the 1983-84 crop year at much higher values over the previous year.

As a result of the dramatic rise in corn prices, Prairie feed grain prices attracted eastern Canadian feed grain buyers, and higher volumes of feed grains moved into eastern Canada this past year.

South Korea became a major buyer of Canadian rye and, as a result, 1983-84 rye exports were tripled over the previous year. Flax exports were up about 40 per cent.

Supplies of canola were depleted by the end of the 1983-84 crop year as a result of short supplies and excellent demand by Canadian and foreign crushers. The supply/demand balance resulted in record high prices in May and June, 1984.

Two pet products supplied by the company are Western brand dog food and Kitten-Klean.

While Prairie crops declined due to the drought, good crops were produced by the U.S. and China in 1984, and by Australia late last year. Even though the 1984 USSR crop has been hit by drought and it has sharply increased grain imports, world wheat and feed grain prices have not risen due to the burdensome supplies.

The demand outlook for the current year is fairly good for flax, rye, and canola. Demand in eastern Canada for Western feed grains, however, is expected to be reduced substantially due to excellent 1984 feed grain crops in eastern Canada and the relative weak prices of U.S. corn.

Feed Operations

United Feeds continues to be the largest supplier of manufactured livestock feeds in western Canada. During the 1984 fiscal year, dollar sales increased by $12 million to $68 million, and resulted in earnings of $1.6 million, a 24 per cent increase over the previous year.

This past year United Feeds manufactured a total of 278,000 tonnes of feed. Hog and cattle feed production increased by 22,000 while poultry feed production declined 1,000 tonnes. Of the feed produced, 36 per cent was for beef cattle, 23 per cent for dairy cattle, 23 per cent for hogs, and 18 per cent for poultry and other feeds.

United Feeds operates 11 mills located in Alberta, 3 in Saskatchewan, and 1 each in Manitoba and British Columbia. The Wynyard, Sask. mill was completely destroyed by fire on July 25, 1984.

A total of 201,000 tonnes of feed grain was purchased and processed this past year. Of this, 78 per cent was bought direct from farmers, 18 per cent from United Grain Growers' elevator division, and the rest from other grain companies and dealers. A further 32,000 tonnes of grain was custom-ground or rolled for customers bringing in their own grain. Quarterly average costs per tonne of grain and protein ingredients purchased by United Feeds are shown in table 10.

Price changes in the major ingredients used in feeds increased the average cost per tonne of feed by $20.

Unfortunately, hog prices this past year did not strengthen, averaging around the $65 per cwt during the first three quarters then increasing by $7 per 100 index in the final quarter (Figure 12).

The fat cattle market remained fairly strong throughout the year, peaking in the third quarter at an average price of $79 per cwt, dropping off by $2 per cwt in the fourth quarter.

The high for broiler quotas in 1983-84 reached 117 per cent, down three per cent from one year ago. Producer prices for broiler weight birds increased by 12½¢ per kg during the year, resulting in good profits. Also, the turkey producers enjoyed similar strong prices and good markets across Canada.

Two 20,000-bushel steel grain bins were erected at the Olds, Alta. Unifeed plant.

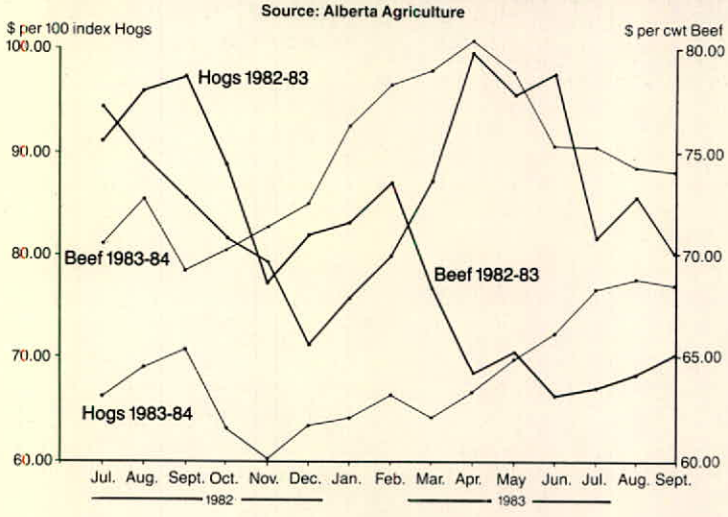
UGG has purchased the Armstrong Feed Mill in British Columbia.

Table 10 — Average costs of feed ingredients by quarter

	Wheat	Oats	Barley	Corn	Soya	Canola	Meat
July 1983	$143	$ 89	$ 88	$190	$338	$203	$335
Oct. 1983	152	107	113	189	337	226	355
Jan. 1984	153	112	113	174	356	224	366
April 1984	152	116	115	178	340	212	339
July 1984	163	123	125	203	305	199	309

Figure 12 — Average Hog and Beef Selling Prices (Alberta)

Source: Alberta Agriculture



At the Midnapore, Alta. Unifeed plant, a new receiving leg was installed, as well as a cluster of steel load-out bins.

Canadian milk producers have operated for the past two years under the federal "6 and 5" restraint program which ended March 31, 1984. During the year milk prices only increased four to five per cent, with no change in production quotas.

Your company's Innisfail Pet Food Plant had an increase in volume of 1,300 tonnes with an increase of 19 per cent in dollar sales over the past year. Co-packing represented 80 per cent of the production, and your Western Pet Food Brand 20 per cent, up two per cent over the previous year. Western Cat Food is now being manufactured at your Innisfail plant and is available on the market along with the dog food. Also, a contract has been signed with a new co-packer which guarantees an additional 2,000 tonnes in the manufacturing of pet food.

More land was purchased at Innisfail in order to construct a new warehouse at the Pet Food Plant, and leased packing equipment was also purchased together with shrink wrap equipment.

On May 15, 1984, United Feeds increased its capacity by purchasing the Armstrong Feeds mill at the northern end of the Okanagan Valley in British Columbia. At Carman, Man., a new office and a 40- by 100-foot warehouse was constructed. Major renovations took place at Clive, Alta., with the demolition of the No. 1 elevator and the No. 2 elevator moved onto the site, and the erection of a large steel grain storage bin and a faster receiving leg.

At Lethbridge, a Norvidan computer system was installed which controls the two pellet mills. At Midnapore, a new

receiving leg was installed together with a cluster of steel loadout bins. Two 20,000-bushel steel grain bins were erected at Olds. A feed warehouse extension was completed at Onoway, Alta.

In the current year, United Feeds is budgeting for similar volumes and profits as were achieved this past year. Drought conditions in southern Alberta have increased feed grain prices and have led to higher feed prices.

A Unifeed Sales Club was established to recognize UGG elevator managers' efforts in handling Unifeed products. Each year a manager who sells $25,000 or more of feed receives an engraved plaque (Appendix E).

Public Press Operations

Public Press publishes farm magazines and does commercial printing.

The past fiscal year was an excellent one for the publishing operations of your company. Advertising lineage was increased from the previous year, resulting in higher revenues. *Country Guide* published a thirteenth issue in February, which concentrated solely on soil conservation in the Prairies. This special issue was very well received by farmers and by government and scientists concerned with this vital problem.

Competition to *Country Guide* is stiff. Your company's publishing operation meets this competition by providing strong, original editorial material to produce high-quality magazines appealing to both readers and advertisers.

Country Guide has a circulation of 232,137 and continues to be the largest national farm magazine. Subscribers with specific enterprises, also receive *Hog Guide, Dairy Guide, Corn-Soy Guide* and *Crops Guide.*

Cattlemen, Canada's beef magazine, is also published by Public Press, and goes to 40,639 subscribers across Canada.

The printing division of Public Press experienced a complete turnaround in the operation this past year. Though faced with continuing competitive price levels for most of the period, the division was able to take advantage of a substantially improved print market. By broadening the market base and securing many new accounts, sales increased by 35 per cent. Sales to commercial customers outside of your company, which represent 65 per cent of total volume, were increased by 51 per cent.

This activity increased the use of plant equipment to maximum levels in most cost centres, resulting in sharply improved financial results.

Measures taken to improve productivity had the desired results. Substantial improvements are envisaged as continuing plant modernization reduces printing costs still further.

Public Press publishes a range of farm publications, including the popular Country Guide *and* Cattlemen.

Associated Companies

United Grain Growers has at times found it advantageous to be a joint owner of associated companies. The advantage of such an arrangement is it allows pooling of resources and sharing of risk by several companies. Joint ownership is currently held in United Oilseed Products Ltd. and, more recently, Prince Rupert Grain Ltd., in both of which United Grain Growers is a part owner.

United Oilseed Products Ltd.

United Oilseed Products Ltd. was incorporated in 1973 with head office and crushing plant located at Lloydminster, Alta. This associated company is owned by The Nisshin Oil Mills Ltd. (15%), Mitsubishi Corporation (35%), and United Grain Growers (50%).

The plant, which started operations in 1975, accounts for about one-fifth of the capacity of the Canadian canola crushing industry, and is the largest plant of its kind in Western Canada.

United Oilseed Products was able to increase its earnings and working capital position in 1983-84 by taking advantage of improved market conditions. There was a substantial increase in vegetable oil prices and improved crushing margins this past year compared to the disastrous situation that prevailed in the previous two years.

Earnings for the 1984 fiscal year were $1.3 million compared with $7,000 in

the previous year. United Grain Growers' share was $634,000.

The impact of the Payment-in-Kind program in the United States reduced soybean acreage in 1983. This, compounded by a severe drought across the mid-western soybean growing area, substantially reduced soybean production and world vegetable oil supplies. World vegetable oil supplies became even tighter in early 1984 as Malaysia suffered a severe cutback in palm oil production. These two factors combined to cause the highest prices for canola oil in the history of the industry.

Protein meal prices, however, remained relatively low over the course of the year. The strength of the U.S. dollar against European currencies made meal expensive for world importers, and this precluded major price increases in North American markets — even though there was a reduced soybean crop.

The shortage of vegetable oil in the first half of the 1984 fiscal year improved vegetable oil prices and, consequently, crushing margins for a short period of time were the highest in the history of the oil crushing industry.

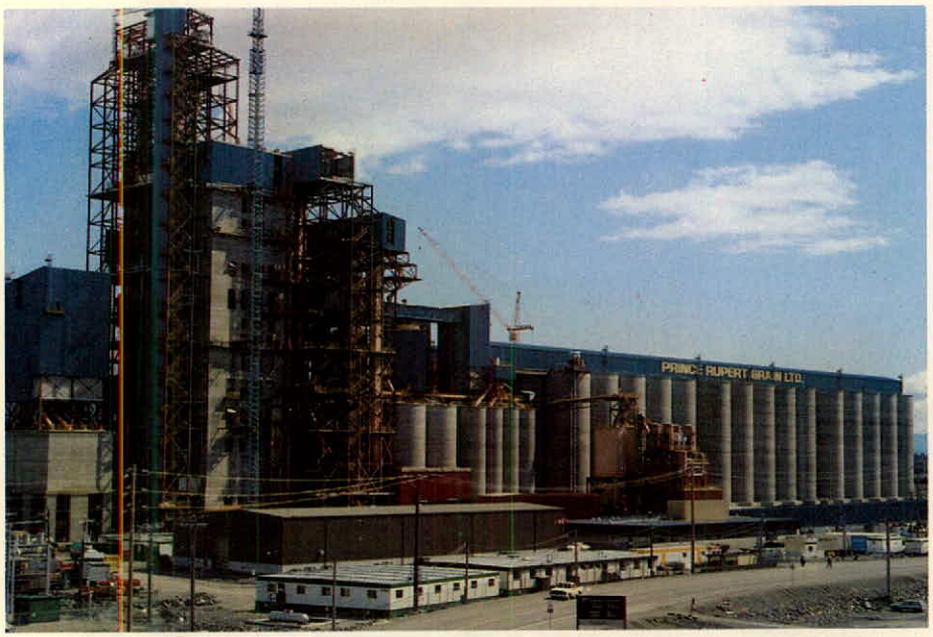
Vegetable oil prices remained strong throughout the year. This situation, however, was offset by the high cash prices to farmers for canola in the latter part of the year, due to the short supplies of canola in Canada. The result was a complete reversal of crushing margins. Therefore, in 1983-84, both the highest and the lowest crushing margins in the history of the oil crushing industry were recorded.

Earlier in the fiscal year, Canadian canola production of 2.7 million tonnes from the 1983 crop appeared to be sufficient to meet demand. Unexpected large sales to Europe early in 1984, however, drove up seed prices to record levels. This reduced crushing margins and brought about extended shutdowns in the Canadian canola crushing industry in the summer of 1984. The carryover of canola seed supplies at the end of the 1983-84 crop year was the lowest in history.

United Oilseed Products was able to increase the volume processed over the previous year and costs per unit processed were held in line with inflationary increases. In 1983-84, UOPL increased its percentage of product sales to export markets, an important move in the face of new canola crushing capacity in Ontario that captured a substantial portion of the domestic markets.

For the current fiscal year, United Oilseed Products is facing a year less buoyant than the past year. The outlook for improved crushing margins is somewhat more pessimistic since the 1984 drought hit canola crops in the podding stage, reducing yields below the five-year average and lowering the oil content of the seed. The 1984 acreage planted to canola increased some 25 per cent but total output increased only 15 per cent.

The 1984 canola crop, combined with the low carryover, gives a supply situation similar to the 1983-84 year. However, at this time UOPL management expects reduced demand in both the export and domestic markets for canola seed.



The new Prince Rupert Grain Terminal, owned by UGG and five other grain companies, is scheduled to begin operations early in 1985.

Prince Rupert Grain Ltd.

A consortium of United Grain Growers Limited and five other grain companies was formed to incorporate Prince Rupert Grain Ltd. in January of 1979. The main objective of this company was to build a high capacity grain terminal at Prince Rupert and at the same time, acquire and operate the existing government terminal at that port. United Grain Growers' interest in this associated company is 15 per cent.

Construction of the new terminal started in 1982 on Ridley Island. Estimated cost of the terminal was to be $285 million, and the Province of Alberta agreed to finance 80 per cent of the project through issue of first series bonds and debentures. At July 31, 1984, $250 million had been spent on building this terminal and the estimated final cost of the project at that date amounted to $280 million. The new terminal is scheduled to start operations early in 1985.

The No. 1 terminal at Prince Rupert had earnings for the 1984 fiscal year of $6.7 million on handlings of 1.4 million tonnes of grain. Your company's share of these earnings amounted to $1 million.

Ridley Grain Ltd.

This associated company was incorporated on June 25, 1980 for the purpose of holding, in trust, for the shareholders, the new grain handling facility and the existing elevator operated by Prince Rupert Grain Ltd. UGG's interest in this company is 15 per cent.

Other Items

Risk and Insurance Operations

UGG Insurance Services is an agent in general and life insurance. The company's insurance programs for customers have proven to be popular, with six different insurance plans now available.

Insurance Plans

The six farmer group insurance plans include:

- Farmer Group Whole Life (Cash Value Insurance Plan)
- Farmer Group Term Life (Level premium — decreasing amount of insurance)
- Farmer Group Term Life (Level premium adjusted every 5 years with age)
- Farmer Group Accident Plan — now with new increased limits
- Farmer Group Registered Retirement Saving Plan (Tax Saver)
- Farmer Group Income Replacement Plan

Each of these plans is underwritten on a group basis, thereby providing farmers a lower-priced premium cost.

The term life plans are proving more popular than the whole life plan, particularly among younger farmers. In setting up estates, more insurance is available on a term plan at the same cost ($47.50 per year) as the whole life plan.

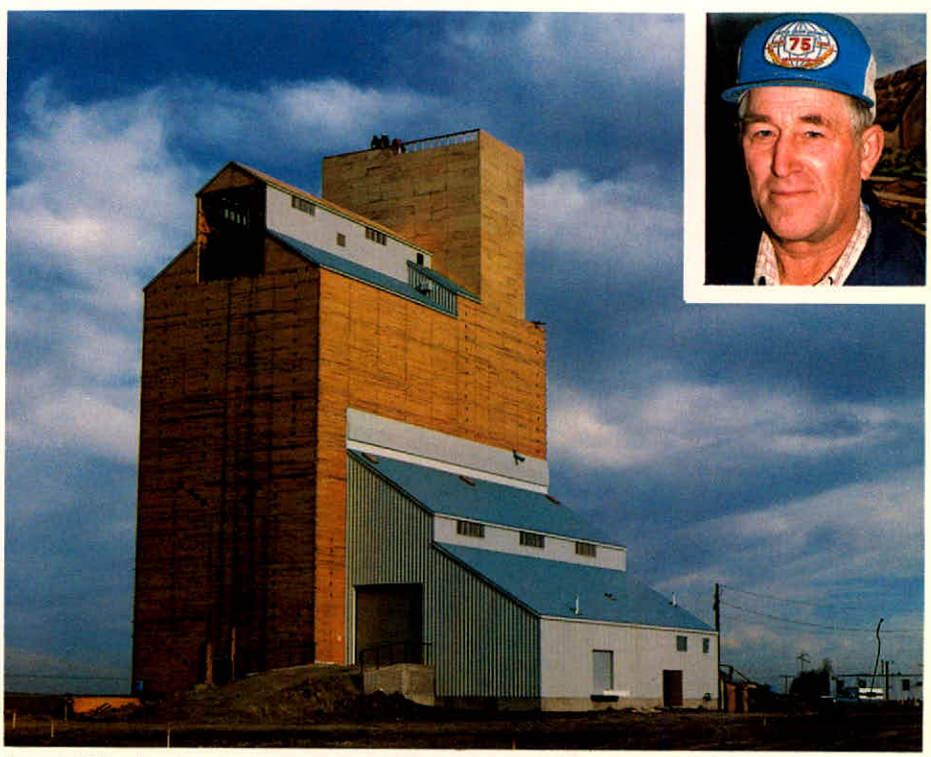
The Registered Retirement Savings (Tax Saver) is the most popular plan in the series. It offers farmers the opportunity to level out taxable income and defer income to age 71 by transferring the funds into an annuity. A good number of customers made use of the plan this last year.

Plan A and Plan B are available in RRSP's. To keep up with fluctuating interest rates, interest on the current Tax Saver plan (called Plan A) is now the monthly average of the interest paid by three of Canada's major banks. This change means there will no longer be a minimum rate of interest.

The other option under the Tax Saver plan provides a guaranteed rate of interest for one, three and five years. The rate of interest paid will be the rate offered, at the time the funds (minimum $500) are deposited by Canada's three largest trust companies in their registered guaranteed investment certificates. Each month a new rate on new deposits will be offered. Interest on this option, called Plan B, will be compounded to maturity. There are no yearly administration charges under either Plan A or Plan B.

The Farm Income Replacement Plan offers farmers the same benefits as an employer/employee group plan at a reasonable cost. A farmer can ensure an income for himself and his family if he is sick or injured for more than 14 days. Since this is a group plan, premiums are lower than would be available on an individual basis for comparable plans. The premiums are based on five-year age levels and will increase upon attainment of a new age level.

Corporate Risk Management. Protection against risks is no longer a simple matter of finding the best insurance coverage at the lowest premium. The concept of risk management, although relatively new, goes well beyond the purchase of insurance. Exposure to risk arises out of all your company's physical assets, its processing activities, and its products or services.



New UGG elevator under construction at Vegreville, Alta. Inset: Local board chairman Peter Traudt.

To keep insurance premium costs to a minimum, your company's insurance program has an annual aggregate deductible to keep risk at a predetermined level each year. Revenue is set aside for this portion of the company's risk and is redirected into cash flow in years when fire loss is avoided.

Unfortunately this has not been the case this past fiscal year. After a loss-free period of one year, the company suffered the loss of four major facilities, all in Saskatchewan. The first occurred at Lucky Lake on Aug. 12, 1983, and was adjusted at $790,000. The second, on June 17 at Yellow Grass, cost $2 million, a third on July 25, involving a feed mill at Wynyard at a cost of $2.3 million, and a fourth occurred on July 30 at Saltcoats, for a loss of $1 million. Of the total loss, $4.9 million was recoverable from underwriters after application of the Annual Aggregate Deductible of $1.1 million. As a result of the fires, the self insurance retention has been raised to $1.5 million and premiums have increased by 66 per cent.

Operation Provident. This anti-theft plan embraces all company facilities. The program provides for the identification of stolen property and involves the use of signs on buildings and offices to the effect that contents have been marked and can be traced by police. Each UGG facility has been allotted a special number by the RCMP which is stamped, using indelible ink, on all items of a portable nature.

The intent is to reduce the profit in stolen goods and, thereby, reduce the number of break-ins. The exposure to fire loss by the action of thieves gaining access to UGG properties has also been of concern and it is hoped this exposure is being reduced as a result of the program.

Operation Clean Sweep. The purpose of this loss-prevention program is to reduce exposure to fire loss through better housekeeping practices. While there has been much improvement since its inception, inspections continually reveal conditions that are of concern.

The Eyes of Awareness. This is a new, program which has been designed to be successful in all aspects of UGG operations. The message behind the campaign is that every employee must be concerned about safety and loss prevention. Posters, decals, and buttons have been provided to serve as constant reminders that most losses are the result of human error. Again, as with "The Clean Sweep" program, there remains a lot to be done. By being more "aware," three of the last four major fires could have been avoided.

Grainews

Your company's farm newspaper, *Grainews,* continued to enjoy wide appeal among Prairie farmers. With a circulation of about 60,000, and now published 18 times a year, Grainews offers a blend of technical and grain marketing news and information, blended with a good deal of human interest and humor. Its strongest feature appears to be its unique forum whereby farmers exchange ideas, opinions and technical experience among each other.

Advertising in *Grainews* allows the paper to make use of color in its articles and to contain subscription costs. The directors of your company limit advertising to a maximum of 25 per cent during the year. This past fiscal year it cost $24 to service a reader, however *Grainews* realized a modest surplus.

Since 45 per cent of *Grainews* readers keep cattle, and there have been repeated requests for more beef cattle information, a special section titled *Cattlemens Corner* has been introduced. The editorial tone in this new section is similar to the rest of *Grainews* except the emphasis is on beef cattle.

Farm Organizations

It has been a long-standing belief among the directors of United Grain Growers that the best possible farm organizational structure to develop and set forth farm opinion is one independently-controlled and financed by direct farmer membership. Such a forum encourages participation directly among commercial farmers, who are in the best position to assess their problems and opportunities. An interface of this type allows farmers to collectively advance farm policy in those areas specifically related to their own individual enterprises.

The UGG board of directors is encouraged by what has transpired in Manitoba this past year. A lot of work and effort at the grass roots level has gone into the structuring and formation of a new provincial farm organization. This group, which is to be independently controlled by farmers, officially formed in June, 1984, after an exhaustive series of regional and country meetings during the winter months. United Grain Growers will continue to give full support and co-operation to this new organization, which now operates as Keystone Agricultural Producers.

In 1983 the Saskatchewan Federation of Agriculture attempted to restructure, but it ran into difficulty and dissolved early in 1984. The directors of your company believe eventually Saskatchewan farmers will find it appropriate and in their best interests to create a new farm organization with a strong direct-farmer structure, not unlike that being formed by farmers in Manitoba.

In Alberta, the provincial farm group, Unifarm, has had a direct membership arm for some years, and has appointed a task force to review its structure. Internal discussions continue toward developing a solution whereby Unifarm can become a more representative forum of direct membership. However, directors of United Grain Growers are concerned the individual farmer's voice will not be served appropriately until grass roots participation, and control, is strengthened.

In supporting the move the previous year by the directors to seek a leave of absence from farm organizations, delegates at the 1983 annual meeting instructed directors to re-allocate the funding formerly made to farm organi-

zations to "a more progressive" funding, involving increased publicity and promotion program for your company. In accordance with this directive, money was provided directly for research, promotion and youth education, amounting to $142,000 in 1984. In addition, a considerable amount of time and energy was devoted to these projects by the directors and staff.

Farm Policy

Projects related to farm policy that your company has been involved with are these:

- **Energy Taxation.** Your company conducted research on energy costs and taxation related to farm fuels and energy-related inputs. A position paper was developed by the board of directors and forwarded to Prairie ministers of agriculture and all western MP's. A commitment was made by the new federal government, during the election, to remove energy taxes and the board of directors of your company will continue to pursue this matter until they, and taxes on all energy-related farm inputs, are removed.
- **Prairie Grain Stabilization Act.** Your company lobbied with the Minister of Agriculture Canada and the Minister of Transport Canada to have the stabilization act changed to be more responsive to times of reduced cash flow among Prairie grain farmers. The act, when first introduced, did not envisage volumes of exports beyond 20-million tonnes and, therefore, did not trigger payments when margins were low and exports were in the 30-million tonne range. The stabilization act was amended to allow for the following:
  - A per-unit (tonne) cash flow calculation being added to the present payout formula.
  - The calendar year operating period for the program be changed to the crop year (August 1 to July 31).
  - The program participation be extended to spouses.
  - A ten-year anniversary withdrawal option be added.

The present government, before the election, stated it was committed to further changes, making the program more responsive to payout when farmers' incomes declined.

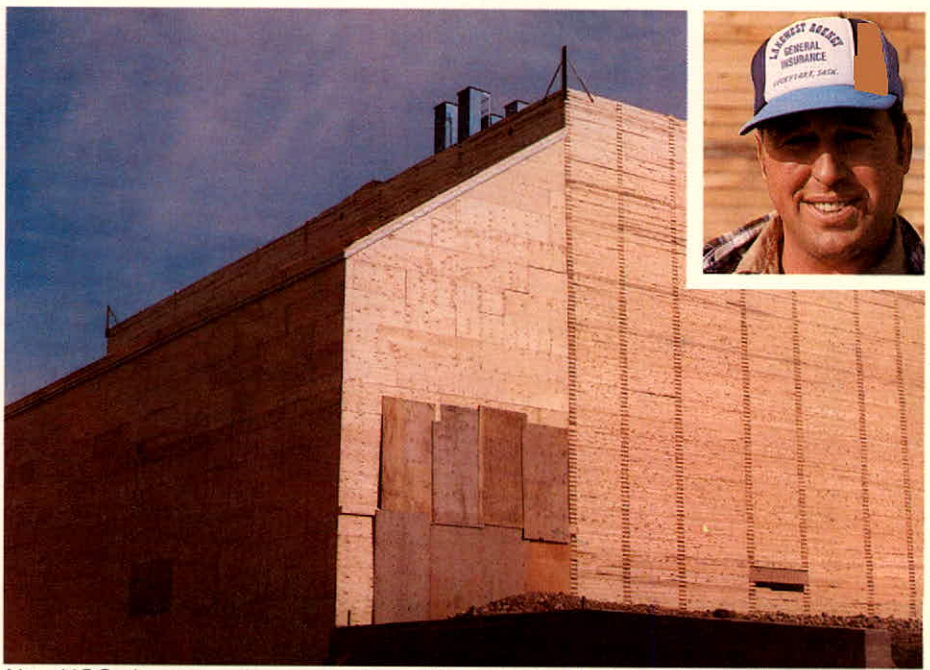
- **Rail Car Allocation.** At the 1983 annual meeting of United Grain Growers, delegates overwhelmingly approved a resolution asking the company to seek changes in the allocation procedures of railway cars that would be more responsive to grain delivery desires of farmers.

The allocation of rail cars among members of the grain industry has long been of concern. Whenever congestion occurs at one company prior to another in an area or on a market, the congested elevator is placed at a disadvantage.

United Grain Growers has long supported the principle that the rail car allocation system provide farmers with the freedom to deliver their grain to the elevator of their choice. In adopting this position, your company has recognized the first priority in any allocation system is to ensure that western Canadian grain accommodates sales commitments with the appropriate commodity, in the right position, as and when required.

Acting on the 1983 annual meeting resolution, communications were established with the Canadian Wheat Board, the Grain Transportation Agency and other members of the trade, to share ideas on improving the process. Your company prepared a formal position outlining specific recommendations for change. The directors of your company are pleased to report a number of these suggestions were adopted in the Canadian Wheat Board's new allocation procedures implemented August 1, 1984.

The new plan provides for car allocations to 191 individual train runs. Under the plan, the Canadian Wheat Board attempts to maintain 30 per cent space in all train runs. This principle allows for cars off the top of the allocation to accommodate congestion prior to allocation of the balance of the cars. Most shipping orders are distributed on a basis of the receipts in the previous 52 weeks on a continuous rolling procedure. The most current weeks are more heavily weighted in the calculation, thereby placing more emphasis on a farmer's present desires. The program has other specific features for single station train runs and penalties for not shipping as required.



New UGG elevator under construction at Lucky Lake, Sask. Inset: Local board chairman Robert Lowe.

It is too early in the process to properly evaluate the responsiveness of the new system, but the Canadian Wheat Board has requested commentary as experience is gained with the new plan.

● **Senior Grain Transportation Committee.** Included as part of the new Western Grain Transportation Act is a new Senior Grain Transportation Committee. The committee is composed of 21 members representing all aspects of the industry, including four members which must be active grain farmers. United Grain Growers has a representative on the committee.

The main purpose of the SGTC is to make recommendations to the Minister of Transport or the administrator of the Grain Transportation Agency with regard to all matters affecting the handling and transportation of grain. The senior committee has commissioned research into establishing performance objectives for the systems' participants, as well as efficiency measures to ensure the shipping and handling system meets its mandate of maximizing returns to producers.

The senior committee must provide four public reports a year detailing the progress of its efforts and the activities being carried out within its mandate. The board of directors of your company encourages members to watch for these reports to keep in touch with matters related to the administration of the Western Grain Transportation Act.

● **Rail Transportation.** This past year, in November, the historic Crowsnest Pass freight rate was ended and a new formula was introduced as part of the Western Grain Transportation Act. In January, 1984, freight rates for grain were increased an average 17.9 per cent and on August 1, were increased a further average 34.6 per cent.* In part, freight rates are determined by the volume of grain shipped, and shipments will be down this fiscal year from 1983-84. Your company and other organizations were successful in getting agreement from the Government of Canada to allow rates to roll back August 1, 1985, even though the present government had only promised during this past summer's election to freeze freight rates at current levels next August 1. In addition, the present government, as part of its election platform, promised to remove the 31.5 million tonne "cap," above which farmers must pay the full compensatory rate.

The directors of United Grain Growers are committed to the evolution of an efficient transportation system with the comparative Prairie advantage in the livestock and secondary processing industries to be realized.

The 1980 basic principles relative to rail freight, which delegates to last year's UGG annual meeting again endorsed, and which is now UGG policy are these:

- The railways receive compensatory rates for the movement of grain;
- The Government of Canada pick up an amount equivalent to the 1981-82 shortfall in railway compensation;
- The federal government, railways and farmers share in any future inflationary increases;
- Monies paid by the government to achieve the compensatory level be distributed in such a manner that the impact of such monies on livestock producers, special crops, and secondary processing be neutral.

The last principle, referring to how the compensation — the Crow Benefit — is paid, has received the most attention from farm organizations. The board of directors of United Grain Growers presented their arguments to the Standing Committee on Transportation, in August, 1983, advocating why paying some of the Crow Benefit to the Prairie farmer would be the best course to follow. They also presented a formal argument on method of payment in June, 1984 to a Committee of Enquiry into the Method of Payment, and an informal paper was presented in October, 1984 to the same Committee.

The issue of who gets paid the Crow Benefit has broad implications.* Whether it be production, handling, marketing or transporting, farmers must be in a position where choice can be reflected. Neutral influence, respecting resource use, and efficiencies in the system are extremely important to farmers. They do not want a costly, inefficient system nor do they want a system which distorts resource use. Whatever system evolves, the overall costs from farm to port must be more than offset by the overall benefits.

Paying all the Crow Benefit directly to the railways creates an element of resource-use distortion. Farmers most affected would be those who choose to market their crops within the designated area in raw or processed forms that do not qualify for freight subsidies.

* Under the new Act, freight rates are calculated using an average base rate of $4.85 per tonne. The January 1 increase amounted to $0.87 per tonne, and the August 1 increase amounted to $1.98, bringing the 1984-85 freight rate to $7.70 per tonne.

* There are two main arguments in the matter of who is paid the Crow Benefit:

1. If all the money continues to go directly to the railways, a distortion is created to those acres of land now producing grain that is either not exported or exported but not protected. Not all grain grown in western Canada is protected nor does all grain end up in a railcar. Historically only about ⅔ of the grain grown is shipped through the rail elevator system. Every acre from which production is not exported takes pressure off the transportation of export grains.

2. If all the payment goes directly to the farmer, distortion would be eliminated, but the Crow export benefits would be spread over all grain produced. It would not be confined to grains and products exported and, therefore, there would be a dilution of the benefit on acres producing grain for export.

Since the two arguments are inversely related, a compromise is needed. Failure to do so will inevitably result in offset programs at the provincial and regional level to allow comparative advantage and neutral resource use to function. Once in place offset programs are difficult if not impossible to integrate into a truly national framework in the long term.

The facts are that the West is close to the feed grains and the East is close to the consumer, so there are comparative advantages that are inherent on both sides. There is no evidence, however, that indicates there would be a competitive advantage develop for the Western livestock industry.

The present grain transportation act dictates that in order to qualify, a farmer's grainn or grain products must be listed in schedule one, end up in a railcar on a railway and move out of the designated area. The rates, therefore, on protected grain and products moving out of the designated area are not consistent with rates on other products ensuring that the economics of local conversion of grain into more valuable products will be distorted.

The arguments the board of directors of United Grain Growers stress are related to elevator-truck-rail integration and system efficiencies. The legislation should encourage optimum truck-elevator-rail integration, *not* vertical integration of any one component separately. The structure should encourage farmers, transporters, marketers, terminal operators and exporters to achieve maximum efficiencies. A one-day improvement in the car cycle, for example, is worth over $70 million in annual savings.

Efficiencies gained through better use of lines, decreased switching, increased car spots, optimum train runs, better use of railway equipment and motive power, better use of handling and loading facilities, modern scales, faster elevating legs, protein testing equipment, computerization and other technological breakthroughs must be greater than the inconvenience by way of longer truck hauls a farmer faces. If not, he will choose not to patronize them. The legislation should allow farmers the *freedom* to choose the rail, elevator, truck configuration they feel is in their best individual economic interest. Farmers must be the ones who ultimately determine whether they are going to change the handling and transportation system and in what direction and to what degree.

Much has been said of seasonal loadings, directional loadings, weekend loadings and multiple car shipments. In the case of the latter, let it simply be said that if there were not advantages and efficiencies to be gained by multiple car loadings elevator companies constructing new elevators would not be putting in trackage to accommodate 20 or more cars. Similarly, the elevator location is no longer dictated by proximity to town. Rail access, car spot capability, land terrain and road access are more important. The directors of your company recognize and are cognizant of social concerns but simply say, don't lose sight of costs when planning a Prairie grain collection and transportation system!

The country elevator system has since 1960 removed more than 2,300 elevators from service that are no longer economically viable. This change did not come about because of companies' whims or desires to close elevators. It came and is coming about because the costs of replacement of old worn out equipment requires a far larger production area to supply the grain necessary to pay for new facilities. To do otherwise than consolidate would place the grain companies in a position where tariff levels would exceed by far what is deemed reasonable for the service provided. Even with consolidation, elevator costs have increased 250 per cent in the last ten years.

Farmers are and will continue to demand that the service provided will not cost in excess of other alternatives to provide the same service. Costs and savings have to be up front where farmers can see them, realize them and then make their own judgments. For those who argue that railway tariffs should not be flexible and reflect the real savings on cost saving measures, we remind them that today's farmer, equipped with modern trucks and augers can easily load a railcar within an acceptable period of time. All he requires is someone to assist with documentation and settlement.

The most efficient grain handling system and the best possible elevator-truck-rail configuration will not come about unless incentives are offered to all parties. The shipper and, in particular, the farmer must not be left indifferent to the effective use of transportation resources.

- **Soil Conservation.** Alarming increases in soil degradation in Prairie soils, particularly the spread of salinity, have reduced the productivity of millions of acres. The UGG board of directors submitted a brief to the Standing Senate Committee on Agriculture, Fisheries, and Forestry concerning soil conservation, wherein it advised the committee of the extent of the problem and the need for co-operative education and action to stem degradation and reclaim soils already rendered unproductive. Critical to success is co-operation among individual farmers in a community; in the case of salinity, the efforts of an individual to combat salinity on his own farm are frequently caused by water infiltration and movement in farm land from higher elevations.

International Wheat Agreement

Meeting in Ottawa this past June, the International Wheat Council (IWC) reaffirmed extending the current International Wheat Agreement two more years.

The proposal was supported by most exporters and many importers. The agreement provides for information gathering and exchange, but gives the IWC no role in managing world stocks or trade.

The consensus that emerged among exporters was they have to reduce the economic incentives designed to prop up farm incomes, but which also lead to overproduction.

The IWC was formed in August, 1942 to promote international co-operation in world wheat trade by the then four major exporters: Canada, United States, Australia and Argentina and the major importer, the United Kingdom. Today, there are about 60 members, most of which are importers. The last agreement on wheat trade was signed in 1971.

Formulating a new agreement was not on the agenda this past June, although it was suggested a new IWC trade agreement be divided three ways:

- The five major exporters agree on a fair market share that can't be exceeded when prices fall below a certain level and on what level of internal

A new type receiving and loading facility (A) is being tested at Thorhild and at Bonnyville, Alta., to help reduce farmers' handling costs. At Thorhild, a 70-foot electronic scale weighs the largest trucks and then the grain is dumped into special auger hoppers (B & C) to be loaded into hopper rail cars. In the late 1930s, farmers loaded their grain into box cars with chain conveyors (D).

Photo: Courtesy of the Canadian Wheat Board

farm subsidies or credit terms are allowed in order to stop what has been described as the current latent trade war.

- Developed countries should create a special fund to help developing countries buy grain. This would end the "credit war."
- A formal body should be devised to give grain to countries which can't afford it at any price.

Conclusion

This 78th report of your company shows UGG is strong in financial resources and assets. United Grain Growers continues to grow in strength and influence and this past year's record financial results and its working capital position testify to this.

Once again, the directors wish to acknowledge the source of United Grain Growers' strength: the farm people who own the company, the customers who use its services and the people who work in its elevators, feed plants and offices.

The directors wish to pay special tribute to the work of members and directors of UGG Locals. They kept a watchful eye over local business conditions and advised the directors and management of their first-hand impressions. The directors were guided by the excellent response to requests for advice on policy matters.

With farm-held stocks of grain at their lowest level in decades, it is critical to realize the success of your company is mainly due to the volume of grain delivered annually by the tens of thousands of members and customers. Revenue from handling grain is the key to maintaining and rebuilding your country elevator system. No one can vouch better for UGG's grain handling services than the farmer who delivers his grain to UGG. It is vital, therefore, that members do what they can to induce other farmers to deal with your company. The competition United Grain Growers provides benefits all farmers.

Competition for business has provided untold savings to all farmers throughout the West. With numbers of elevators reducing every year, this competition becomes even more important. In this matter, the directors of United Grain Growers have stressed repeatedly in past annual reports their concern with the increasing costs of handling grain. Country elevator costs have more than doubled these past ten years. United Grain Growers filed for no increase in country elevator tariffs this fiscal year, even though costs are expected to be five per cent higher.

Elevator companies have most of their business locked in through car allocation methods and lack of shipping discounts for the true savings realized by the railways with multiple car loadings; such savings should be passed on to customers if they chose to deliver to elevators that could load a string of cars.

Given the chance, farmers will choose the least-cost method of moving their grain to market. Given the freedom, they might very well choose a system quite different than the present one. The directors of United Grain Growers want your company to have the opportunity to build the system farmers prefer.

United Grain Growers is now conducting experiments with track loading. In the early part of this century, this was the way the Grain Growers Grain Company competed with established companies. It involves the least capital expense — trackage, a scale, a steel bin, a receiving hopper, an auger and an office — and it offers the possibility of sharply reducing handling costs and increasing competition at a point.

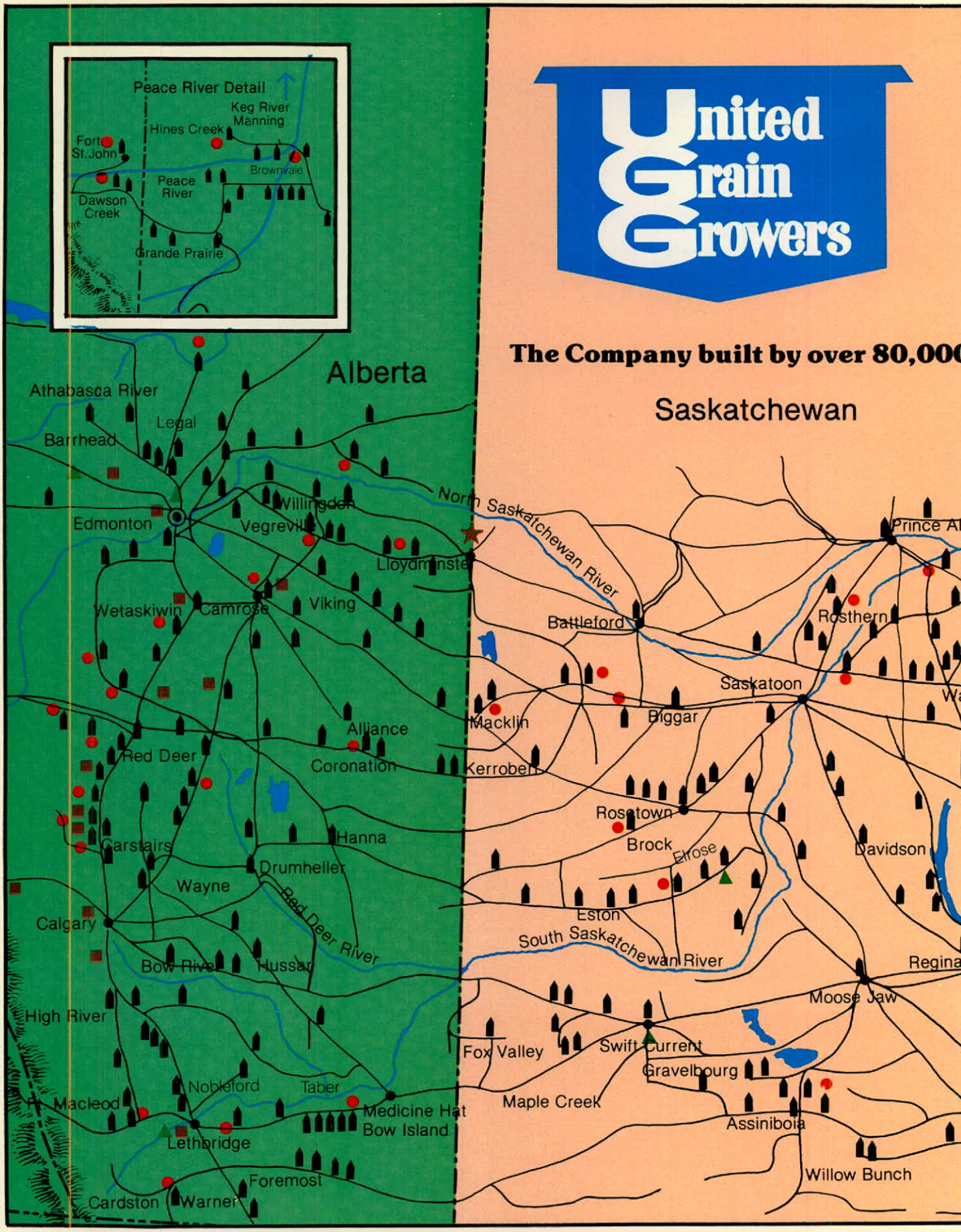
But questions must be answered in this experiment: Will farmers want to meet the constraints of the shipping schedule? How does track loading mesh with the logistics of overall grain movement? How do competitors adjust their car numbers and grading? What special qualities of elevator managers are required? Do Canadian Wheat Board and Canadian Grain Commission regulations impede service? And a host of other questions must be answered.

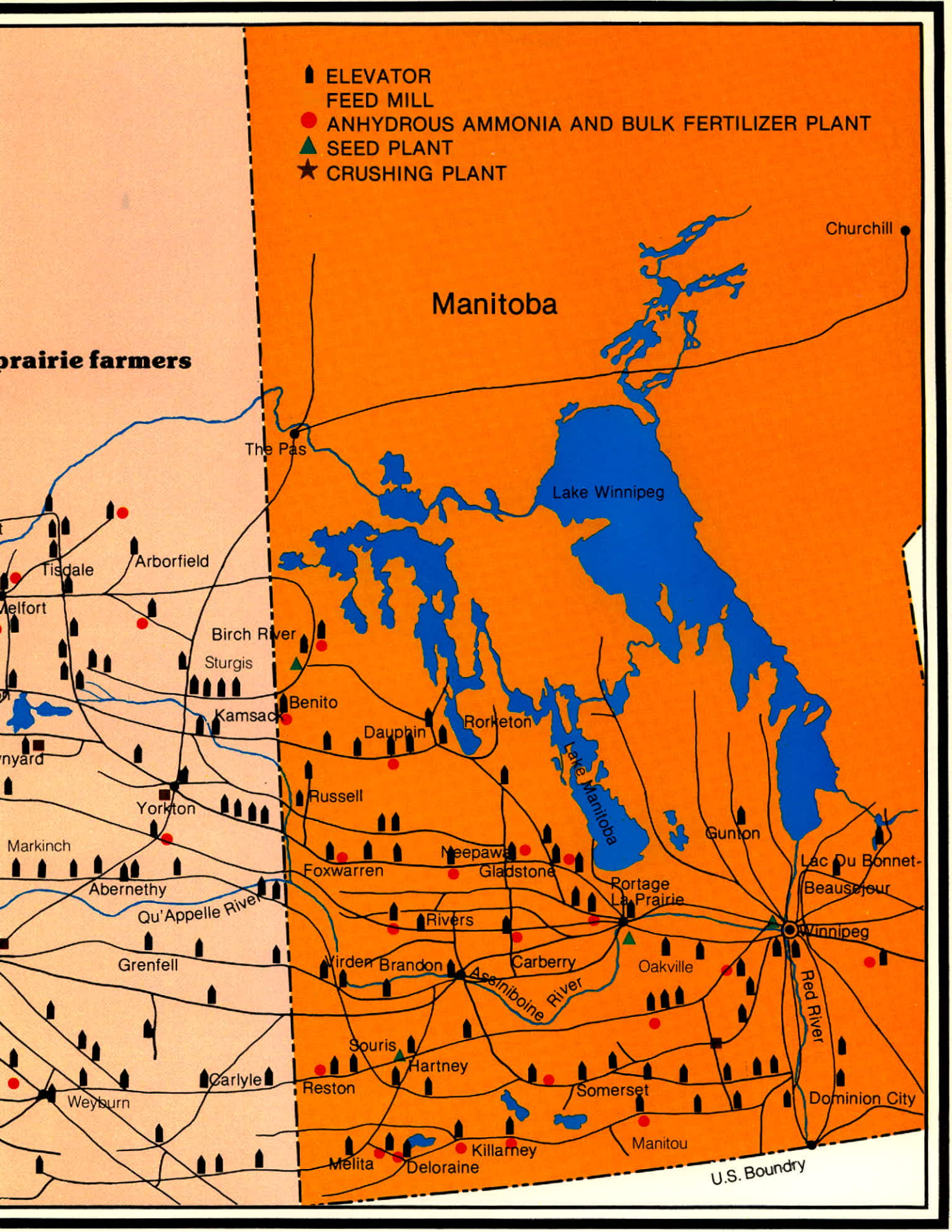
Efficient, cost-effective methods of handling and moving grain — methods that farmers choose as evidenced by truck deliveries — must be found. The system will be different from what we have now, and past investments may be sacrificed. But if farmers are free to choose their grain handling system, it surely will be the best one.

This report has laid particular emphasis on the financial stress many Prairie farmers are encountering, and has tried to pinpoint the reasons for that stress. Farmers are vulnerable to sudden shifts in incomes and expenses as they have never been before with some 15 to 20 per cent of Prairie farmers now estimated to be in severe financial difficulties.

With little sign of a marked improvement in crop prices and with costs continually rising, it is critical that all segments of agriculture work together to find measures — particularly those dealing with interest rates and taxes on energy-related inputs — that will help these farmers withstand the adversity and continue farming. Your company provides a good forum for finding such measures, and, as a commercial grain company and as a farm organization, United Grain Growers will do its share to help farmers pull through.

Lorne Hehn,
President


Peace River Detail
Keg River
Manning
Hines Creek
Fort St.John
Brownvale
Peace River
Dawson Creek
Grande Prairie
United Grain Growers
The Company built by over 80,000
Alberta
Saskatchewan
Athabasca River
Legal
Barrhead
Edmonton
Willingdon
Vegreville
Lloydminster
North Saskatchewan River
Wetaskiwin
Camrose
Viking
Battleford
Rosthern
Saskatoon
Macklin
Biggar
Alliance
Red Deer
Coronation
Kerrobert
Rosetown
Hanna
Carstairs
Brock
Elrose
Davidson
Drumheller
Wayne
Red Deer River
Calgary
Eston
South Saskatchewan River
Regina
Bow River
Hussar
Moose Jaw
High River
Fox Valley
Swift Current
Gravelbourg
Nobleford
Taber
Macleod
Maple Creek
Medicine Hat
Bow Island
Assiniboia
Lethbridge
Foremost
Willow Bunch
Cardston
Warner


ELEVATOR
FEED MILL
ANHYDROUS AMMONIA AND BULK FERTILIZER PLANT
SEED PLANT
CRUSHING PLANT
Manitoba
prairie farmers
Churchill
The Pas
Lake Winnipeg
Tisdale
Arborfield
Birch River
Sturgis
Benito
Kamsack
Dauphin
Rorketon
Lake Manitoba
Russell
Yorkton
Markinch
Foxwarren
Neepawa
Gladstone
Gunton
Lac Du Bonnet-
Beausejour
Abernethy
Qu'Appelle River
Portage
La Prairie
Rivers
Winnipeg
Grenfell
Virden
Brandon
Carberry
Oakville
Assiniboine River
Red River
Souris
Hartney
Carlyle
Reston
Somerset
Dominion City
Weyburn
Manitou
Killarney
Melita
Deloraine
U.S. Boundry

Financial Statements

Earnings

United Grain Growers Limited

For the Year Ended July 31, 1984

		1983 Comparison
Sales and revenue from services (note 1)	$1,279,965,000	$1,158,058,000
Operating revenues	$ 139,548,000	$ 122,193,000
Gain (loss) on property disposals (note 3)	3,019,000	(430,000)
	142,567,000	121,763,000
Operating, general and administrative expenses (note 4)	114,684,000	100,861,000
Earnings before patronage dividend and income taxes	27,883,000	20,902,000
Provision for patronage dividend	9,900,000	7,950,000
	17,983,000	12,952,000
Provision for income taxes including $4,555,000 deferred (1983 - $2,738,000)	8,480,000	4,610,000
Earnings before other income	9,503,000	8,342,000
Share of net earnings of United Oilseed Products Ltd.	634,000	4,000
Net earnings	$ 10,137,000	$ 8,346,000

Retained Earnings

For the Year Ended July 31, 1984

		1983 Comparison
Balance at beginning of year	$ 60,188,000	$ 53,146,000
Net earnings	10,137,000	8,346,000
	70,325,000	61,492,000
Deduct:		
Dividend of 7% declared on Class A Shares	1,352,000	1,274,000
Dividend of 7% provided on Class B Shares	29,000	30,000
	1,381,000	1,304,000
Balance at end of year	$ 68,944,000	$ 60,188,000

Changes in Working Capital

United Grain Growers Limited

For the Year Ended July 31, 1984

		1983 Comparison
Working Capital Derived From		
Operations		
Net earnings	$ 10,137,000	$ 8,346,000
Items affecting earnings not requiring use of working capital	19,148,000	18,264,000
	29,285,000	26,610,000
Proceeds from property disposals	4,890,000	307,000
Investment tax credits (note 2)	4,637,000	—
Issue of promissory notes	3,272,000	3,163,000
Other	5,000	—
	42,089,000	30,080,000
Working Capital Applied To		
Capital expenditures for properties	21,891,000	19,505,000
Investments (note 6)		
United Oilseed Products Ltd.	—	1,250,000
Prince Rupert terminal	1,987,000	3,230,000
Retirement of long-term liabilities		
Series A debentures	950,000	950,000
Promissory notes and purchase agreement	1,809,000	1,330,000
Patronage dividends	5,028,000	1,843,000
Shareholders' dividends	1,381,000	1,304,000
	33,046,000	29,412,000
Increase in Working Capital	9,043,000	668,000
Working capital at beginning of year	30,747,000	30,079,000
Working capital at end of year	$ 39,790,000	$ 30,747,000

Financial Position

July 31, 1984

ASSETS		1983 Comparison
Current		
Cash	$ 6,956,000	$ 6,230,000
Deposits — The Canadian Wheat Board	27,487,000	31,852,000
Accounts and accruals receivable	67,300,000	54,788,000
Income taxes recoverable	1,783,000	—
Inventories (note 5)	148,051,000	205,154,000
Prepaid expenses	2,575,000	2,755,000
	254,152,000	300,779,000
Other		
Deferred financing expense	150,000	161,000
Investments (note 6)	11,543,000	10,589,000
	11,693,000	10,750,000
Fixed		
Properties (note 7)	198,505,000	183,043,000
Accumulated depreciation	75,813,000	69,061,000
	122,692,000	113,982,000
	$388,537,000	$425,511,000

Approved by the Board:

Director

Director

		1983 Comparison
LIABILITIES		
Current		
Bank loans, secured (note 8)	$ 65,219,000	$ 89,084,000
Other loans	58,306,000	64,510,000
Unpresented grain and other cheques	64,296,000	94,001,000
Accounts payable and accruals	17,853,000	16,299,000
Income taxes payable	—	533,000
Dividends payable to shareholders	1,352,000	1,274,000
Current maturities of long-term liabilities	7,336,000	4,331,000
	214,362,000	270,032,000
Long-Term		
Series A debentures (note 9)	15,250,000	16,200,000
Promissory notes (note 10)	8,884,000	7,303,000
Purchase agreement maturing $118,000 annually to 1995	1,177,000	1,295,000
Patronage dividends (note 10)	26,106,000	23,056,000
	51,417,000	47,854,000
Deferred Income Taxes	32,247,000	27,692,000
Commitments (note 12)		
SHAREHOLDERS' EQUITY		
Share Capital (note 11)	21,567,000	19,745,000
Retained Earnings	68,944,000	60,188,000
	90,511,000	79,933,000
	$388,537,000	$425,511,000

Notes to Financial Statements

July 31, 1984

1. Accounting Policies

Sales and Revenue from Services

Sales and revenue from services include the sales value of grain purchased for the account of and delivered to The Canadian Wheat Board and include export sales of $115,199,000 (1983 - $126,708,000).

Inventories

Grain held in store or in transit for the account of The Canadian Wheat Board is valued on the basis of Board initial prices and handling costs.

Other grain inventories are valued on the basis of closing market quotations and handling costs and also reflect gains and losses accrued on open grain purchase and sales contracts as at the close of the fiscal year, which is in accordance with grain industry practice. The grain inventory includes both hedged and unhedged positions.

Farm supplies, seeds and feeds inventories are valued at the lower of cost or net realizable value.

Deferred Financing Expense

Expenses relating to the issue of the Series A debentures are being amortized over the term of the debentures.

Properties

Properties are valued at cost reduced by applicable investment tax credits. The Company uses a combination of straight-line and diminishing-balance methods of providing depreciation over the estimated useful lives of the properties as follows:

Country elevator and feed mill properties	6%	Diminishing Balance
Terminal elevator properties	2% to 3%	Straight Line
Terminal elevator and printing plant machinery and equipment	10%	Straight Line
Feed mill machinery	10%	Diminishing Balance
Other equipment, tools, furniture and fixtures	20%	Diminishing Balance

Deferred Income Taxes

Deferred Income Taxes results primarily from the practice of claiming for taxation purposes capital cost allowances in excess of the depreciation annually provided in the accounts.

2. Change in Accounting Policy — Investment Tax Credits

The Canadian Institute of Chartered Accountants has issued a new standard in accounting for investment tax credits which must be incorporated into the Company's accounting policies by the 1986 fiscal year.

The Company has decided to adopt this new standard for the current year. Under this method, investment tax credits relating to the acquisition of fixed assets are recorded as a deduction from the cost of the assets acquired. In the current year, investment tax credits totalling $4,637,000 have been applied to the cost of properties and the investment in Prince Rupert Grain Ltd. in the amounts of $2,975,000 and $1,662,000, respectively.

In the prior year, investment tax credits reduced the provision for income taxes, resulting in a lower effective tax rate.

3. Gain on Property Disposals

The gain on property disposals for the current year primarily represents the excess of insurance proceeds over the net book values of country properties destroyed by fire during the year.

4. Operating, General and Administrative Expenses

Operating, general and administrative expenses include —		1983 Comparison
Depreciation	$ 8,247,000	$ 7,138,000
Interest on long-term debt	3,573,000	3,465,000
Interest on other debt, net of interest recovered from The Canadian Wheat Board	2,665,000	626,000

5. Inventories

Grain held for the account of The Canadian Wheat Board	$ 99,645,000	$150,890,000
Grain held for the Company's own account	19,898,000	30,067,000
Farm supplies, seeds and feeds	28,508,000	24,197,000
	$148,051,000	$205,154,000

6. Investments

United Oilseed Products Ltd.		
Shares, 50% equity, at cost	$ 7,850,000	$ 7,850,000
Share of accumulated losses, net of dividends received	(2,592,000)	(3,226,000)
	5,258,000	4,624,000
Prince Rupert Grain Ltd. and Ridley Grain Ltd.		
Shares, 15% equity, at cost	30,000	30,000
Consortium notes and participating debentures	7,612,000	5,625,000
Investment tax credits	(1,662,000)	—
	5,980,000	5,655,000
Northland Bank		
Common Shares, at cost	305,000	310,000
Total Investments	$ 11,543,000	$ 10,589,000

7. Properties

		1983 Comparison
Country elevator properties, feed plants, seed cleaning plants, warehouses and sheds	$122,338,000	$112,958,000
Terminal elevator properties	65,117,000	60,510,000
Printing plant equipment	3,058,000	3,041,000
Miscellaneous equipment	7,992,000	6,534,000
	$198,505,000	$183,043,000

8. Bank Loans

Inventories and accounts receivable have been pledged as security for the bank loans.

9. Series A Debentures

The Series A debentures bear interest at the rate of 10¼% per annum, are secured by a first mortgage on real property and by a floating charge on all other assets and are repayable in annual instalments of $950,000 on April 1, 1985 through 1996 with the balance due April 1, 1997.

10. Promissory Notes and Patronage Dividends

Promissory notes and patronage dividend credits mature in each of the fiscal years as follows:	Promissory Notes	Patronage Dividend Credits
1985	$ 1,773,000	$ 4,495,000
1986	1,636,000	2,588,000
1987	1,559,000	514,000
1988	1,503,000	—
1989	686,000	464,000
1990	3,500,000	489,000
1991-94	—	12,151,000
	10,657,000	20,701,000
Less: amounts due within one year	1,773,000	4,495,000
	$ 8,884,000	16,206,000
Provision for allocation on 1983-84 grain purchases		9,900,000
		$26,106,000

11. Share Capital

		1983 Comparison
Class A non-voting, non-cumulative redeemable preferred shares callable at $24, par value $20 each Authorized 2,200,000 shares; Outstanding 1,056,349 shares (1983 - 965,585)	$21,127,000	$19,312,000
Class B (membership) shares par value $5 each Authorized 200,000 shares; Outstanding 87,977 shares (1983 - 86,527)	440,000	433,000
	$21,567,000	$19,745,000

A portion of the 1982-83 patronage dividend was allocated to customers by the issuance of 90,720 Class A and 2,660 Class B shares at par value on July 31, 1984.

In addition, during the year 44 Class A and 83 Class B shares were issued at par value and 1,293 Class B shares were purchased for re-issue.

During the year, by Statute of Canada, the authorized capital for Class A shares of the Company was increased from 1,200,000 shares to 2,200,000 shares.

12. Commitments

Leases

The Company is lessee of office premises and equipment, various storage facilities and sites, a printing plant building and licensed vehicles under leases with terms ranging up to fifteen years, involving current minimum annual rental payments of approximately $4,200,000 (1983 — $3,800,000).

Pension Plan

An actuarial valuation of the pension plan as at December 31, 1983 indicated an unfunded liability of $5,500,000. Part of this unfunded liability is already covered by the Company's current contributions to the plan and additional contributions will be paid over the next fifteen years to cover the balance of the liability.

Prince Rupert terminal

The Company has a 15% interest in a Consortium of six grain companies which is constructing a new grain terminal elevator on Ridley Island near Prince Rupert, British Columbia. The Company's share required to complete the terminal will be approximately $1,000,000. The terminal is expected to be operational by early 1985.

United Oilseed Products Ltd.

The Company, and the other 50% shareholder of United Oilseed Products Ltd., has provided letters of undertaking to secure the long-term lines of credit up to $7,900,000 each and to provide additional capital should either be required.

13. Related Party Transactions

During the normal course of business, the Company sold rapeseed to and purchased products from United Oilseed Products Ltd. and shipped grain to the terminal operated by Prince Rupert Grain Ltd.

Responsibility for Financial Statements

UNITED GRAIN GROWERS LIMITED

The financial statements of the Company for the year ended July 31, 1984 have been prepared by management in accordance with generally accepted accounting principles. Careful judgments have been made in the preparation of the financial statements. Estimates and approximations are sometimes necessary because many matters affecting the current financial statements, such as the provision for uncollectible accounts receivable and depreciation of fixed assets, will not be finally resolved until months or years have passed. It therefore follows that the financial statements cannot be precise statements of fact. They have, however, in management's opinion, been properly prepared within reasonable limits of materiality, and within the framework of the accounting policies outlined in the Notes to Financial Statements.

Management believes the internal control systems in use by the Company are adequate to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that the financial records properly reflect the financial position of the Company at July 31, 1984 and results of its operations for the year then ended.

The Company's independent auditors, Price Waterhouse, provide an objective, independent review of management's discharge of its responsibilities where they relate to internal control systems, reported operating results and the financial position of the Company.

Winnipeg, Canada
October 10, 1984

General Manager

Treasurer

Auditors' Report to the Shareholders

Price Waterhouse
CHARTERED ACCOUNTANTS

We have examined the statements of earnings, retained earnings and changes in working capital of United Grain Growers Limited for the year ended July 31, 1984, and the statement of financial position at that date. 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 financial statements present fairly the results of the company's operations and the changes in its working capital for the year ended July 31, 1984 and its financial position at that date, in accordance with generally accepted accounting principles applied, except for the change in the method of accounting for investment tax credits as explained in note 2 to the financial statements, on a basis consistent with that of the preceding year.

Winnipeg, Canada
October 10, 1984

Price Waterhouse
Chartered Accountants

Comments on Financial Statements

Earnings

The Earnings statement shows sales and revenue from services of $1,279,965,000 which includes the sales value of grains purchased for the account of and delivered to The Canadian Wheat Board.

The statement also shows operating revenues for the year of $139,548,000 and gain on property disposals of $3,019,000. Operating, general and administrative expenses amounting to $114,684,000 include interest expense, net of interest recovered from The Canadian Wheat Board, of $6,238,000 and provision for depreciation of $8,247,000. This leaves earnings of $27,883,000 before patronage dividend and income taxes.

Provision for patronage dividend on grain purchases during the past fiscal year is $9,900,000.

Provision for taxes on income is $8,480,000, of which $4,555,000 is deferred.

The Company's share of the net earnings of United Oilseed Products Ltd. is $634,000, leaving net earnings of $10,137,000 which amount is carried to Retained Earnings.

Retained Earnings

Retained Earnings at the beginning of the fiscal year were $60,188,000. The addition of net earnings brings the total to $70,325,000. From this amount is deducted a dividend of 7% declared on Class A shares, amounting to $1,352,000 and a dividend provision of 7% amounting to $29,000 on Class B shares. Retained Earnings are $68,944,000 at the end of the fiscal year and are an essential source of funds for the ongoing investment in new and improved facilities of the Company.

Changes in Working Capital

The Changes in Working Capital statement shows that the sources of working capital are derived from net earnings of $10,137,000, items affecting earnings not requiring use of working capital of $19,148,000, proceeds from property disposals of $4,890,000, issue of promissory notes of $3,272,000, investment tax credits claimed of $4,637,000 and $5,000 from other sources.

Working capital was used during the year for capital expenditures for properties of $21,891,000, additional investment in Prince Rupert terminal of $1,987,000, retirement of long-term liabilities including Series A debentures of $950,000, promissory notes and purchase agreement of $1,809,000 and patronage dividends of $5,028,000 and shareholders' dividends of $1,381,000.

The net increase in working capital for the year amounts to $9,043,000 (1983 - $668,000) which brings the total to $39,790,000 (1983 - $30,747,000) at the end of the fiscal year. The working capital position of the Company is satisfactory. It indicates financial strength and is an important factor in the Company's ability to borrow large amounts of funds on favourable terms from banks and other lending institutions.

Financial Position

Assets

Cash $6,956,000
(1983 - $6,230,000). This is mainly cash in transit to banks but also includes petty cash funds in various offices.

Deposits — The Canadian Wheat Board $27,487,000
(1983 — $31,852,000). The Company, in conjunction with other grain companies, has an agreement with The Canadian Wheat Board whereby the Company makes deposits to the Board representing the value of Board grains purchased on deferred cash tickets. The deposits are refundable to the Company when the deferred cash tickets become payable.

Accounts and Accruals Receivable $67,300,000
(1983 — $54,788,000). This includes accounts owing by customers for farm supplies, grain, feeds and seeds. It also includes accrued interest and storage charges on grain carried in country elevators for the account of The Canadian Wheat Board, and accrued storage charges on grain in terminal elevators. An allowance of $2,247,000 (1983 — $1,628,000) is carried against possible uncollectible accounts.

Income Taxes Recoverable (Payable) $1,783,000
(1983 — $(533,000)) This represents total instalments paid and investment tax credits claimed in excess of the current income tax liability.

Inventories $148,051,000
(1983 — $205,154,000). Grain held for the account of The Canadian Wheat Board amounting to $99,645,000 (1983 — $150,890,000) consists of wheat, oats and barley in store in country elevators or in transit purchased for the account of The Canadian Wheat Board. This grain is valued on the basis of purchase prices set by the Board plus handling costs. When this grain is purchased, the Company advances the initial payment to the producer and is reimbursed by The Canadian Wheat Board when the grain is delivered to terminal elevators.

Grain held for the Company's own account amounting to $19,898,000 (1983 — $30,067,000) includes rye, flaxseed, rapeseed and feed grades of wheat, oats and barley. This grain is valued on the basis of closing market quotations and handling costs and also reflect gains and losses accrued on open grain purchase and sales contracts as at the close of the fiscal year, which is in accordance with grain industry practice. The value of grain inventories is lower than a year ago because of reduced quantities of grain in country and terminal locations.

The remainder of the inventories of $28,508,000 (1983 — $24,197,000) includes feeds, seeds, fertilizers, agricultural chemicals and twine. Stocks of these are carried at many locations to be available as required.

Prepaid Expenses $2,575,000
(1983 — $2,755,000). This represents payments made in advance that are chargeable to operations in the next fiscal year. Included are construction supplies and repair parts, which are carried in stock for future needs, and insurance premiums.

Current Assets $254,152,000
(1983 — $300,779,000). This is the total of the foregoing items and is to be compared with the total current liabilities of $214,362,000 shown on the opposite side of the Financial Position statement. The difference of $39,790,000 is working capital (1983 — $30,747,000).

Deferred Financing Expense . . . $150,000
(1983 — $161,000). This represents unamortized legal costs and commissions associated with the issue of the Series A debentures. These costs are being amortized over the term of the debentures.

Investments $11,543,000
(1983 — $10,859,000). This includes amounts of $6,600,000 and $1,250,000 representing the cost of one-half of the issued common and preferred shares, respectively, of United Oilseed Products Ltd., less $2,592,000 of accumulated losses net of dividends received. It also includes an investment of $5,980,000 in the new Prince Rupert terminal and an investment of $305,000 in common shares of Northland Bank.

Properties $198,505,000
(1983 — $183,043,000). This represents the cost, reduced by investment tax credits claimed, of properties owned at the year end. The increase mainly includes the cost of improvements and additions of $13,171,000 to country properties and $6,304,000 to terminal properties, offset by investment tax credits claimed.

Accumulated Depreciation . . $75,813,000
(1983 — $69,061,000). Provision is made out of earnings each year to add to this amount a definite percentage of the cost of each property, until such cost has been provided for. Percentages generally are uniform from year to year, but vary from one type of asset to another. The depreciation provision for the year is $8,247,000 (1983 — $7,138,000).

This accumulated depreciation figure relates to properties owned at the year end. When properties are disposed of, the relevant accumulated depreciation is deducted from this account.

Total assets $388,537,000
(1983 — $425,511,000). This total is lower than a year ago due mainly to lower grain inventories.

Liabilities

Bank Loans, Secured. $65,219,000
(1983 — $89,084,000). These loans are shared among Canada's five largest chartered banks on a basis agreed to when they established the Company's line of credit for the fiscal year. They are secured by pledge of specific assets including accounts receivable and inventories. Under The Canadian Wheat Board Act and by contract, the Company is allowed to pledge Board grains as security for the purpose of borrowing from a chartered bank. Such borrowing provides funds for the initial payment on wheat, oats, and barley for the account of The Canadian Wheat Board, which reimburses the Company when the grain is delivered to a terminal elevator. When the fiscal year began, interest on these bank loans was at the rate of 11% per annum and at the time of writing is 13%.

The decreases in bank loans are due mainly to lower grain inventories.

Other Loans. $58,306,000
(1983 — $64,510,000). This includes loans obtained in the short-term money market against the Company's promissory notes. The volume fluctuates with variations in the amount of money offered in that market. Lenders are mainly financial institutions and business firms who have money to lend for a brief period of time. Interest rates vary frequently and are generally lower than the bank rate. The Company is highly regarded in the short-term money market, where its notes are readily placed by investment brokers who specialize in such transactions.

A number of demand loans from customers of the Company are also included in this item.

Unpresented Grain and Other Cheques. $64,296,000
(1983 — $94,001,000). This includes general cheques, coupons and grain purchase cheques in transit to banks as well as those which, for one reason or another, have not been presented for payment. Approximately $32,000,000 (1983 — $36,000,000) is represented by grain purchase cheques which were post-dated to 1985.

Accounts Payable and Accruals $17,853,000
(1983 — $16,299,000). This includes amounts owing for goods and merchandise carried in the inventories and services already received prior to the close of the fiscal year. It also includes interest accrued on current borrowings and on long-term liabilities.

Dividends Payable to Shareholders $1,352,000
(1983 — $1,274,000). This represents 7% on the paid-up value of Class A shares as at July 30, 1984, declared before the end of the fiscal year but payable thereafter. It is made up of the preferential dividend of 5% to which holders of such shares are entitled to the extent earned, plus an additional 2%. Provision has been made elsewhere for a corresponding payment on Class B shares, but declaration has been deferred in accordance with the practice of accumulating such amounts for declaration every fourth year, as was done in 1982.

Current Maturities of Long-Term Liabilities $7,336,000
(1983 — $4,331,000). Amounts due within twelve months after the fiscal year end are treated as current liabilities. Consequently, this item includes such payments to be made on principal of long-term liabilities.

This amount consists of patronage dividend obligations of $4,495,000, promissory notes of $1,773,000 and instalments on the purchase agreement of $118,000 and on the Series A debentures of $950,000.

Total Current Liabilities . . . $214,362,000
(1983 — $270,032,000). This total has already been compared with total current assets in order to establish the amount of working capital.

Series A Debentures $15,250,000
(1983 — $16,200,000). On April 1, 1977 $20,000,000 sinking fund debentures bearing interest at the rate of 10¼% were placed privately to finance capital projects. These debentures are secured by a first mortgage on real property and by a floating charge on all other assets. The balance outstanding is repayable in annual instalments of $950,000 in 1985 through 1996 with the balance due April 1, 1997 when the debentures mature.

Promissory Notes. $8,884,000
(1983 — $7,303,000). These are unsecured promissory notes maturing at various dates more than twelve months from the date of the Financial Position statement.

Included are promissory notes from financial institutions in the amounts of $5,500,000, repayable in annual instalments of $1,500,000 in 1985 through 1987 and $500,000 in 1988 and 1989, and $3,000,000 issued during the year, due in 1990.

The outstanding notes also include $384,000 in loans from customers and shareholders at varying rates of interest, depending upon time of issue and length of term.

Purchase Agreement $1,177,000
(1983 — $1,295,000). This relates to the purchase on August 1, 1965 of the terminal elevator at Vancouver and payments are due in annual instalments of $118,000 in each of the years 1984 to 1995.

Patronage Dividends $26,106,000
(1983 — $23,056,000). This includes the amount of $9,900,000 as provided from earnings for a patronage dividend on grain purchases for the year just ended. It also includes credits issued against grain purchases for previous years. These credits bear interest at 4, 6, or 7%, depending upon the year of issue and are redeemable in varying amounts annually on May 15 until 1994.

Deferred Income Taxes $32,247,000
(1983 — $27,692,000). The Income Tax Regulations allow a faster write-off of certain depreciable properties than the depreciation charges that are considered to be adequate for accounting purposes. The depreciation provision is generally calculated on a consistent and uniform basis from year to year, reflecting a reasonable annual charge against income for the physical use over the expected life of the depreciable properties employed in the Company's operations.

Deferred taxes, therefore, arise from the Company's practice of claiming for taxation purposes capital cost allowances in excess of the depreciation annually provided. The procedure reduces the amount of tax payable now and provides annually for income taxes which may become due in future years when capital cost allowances then deductible for tax purposes will be correspondingly less.

This practice is recommended by the accounting profession in Canada.

Shareholders' Equity

Share Capital $21,567,000
(1983 — $19,745,000). At July 31, 1984, the paid-up value of Class A shares outstanding is $21,127,000 and the par value of Class B shares outstanding is $440,000.

Retained Earnings $68,944,000
(1983 — $60,188,000). This represents the cumulative amount of net earnings reinvested in the Company.

Shareholders' Equity $90,511,000
(1983 — $79,933,000). This includes Share Capital and Retained Earnings and represents the total shareholders' investment in the Company.

Total $388,537,000
(1983 — $425,511,000). This is the sum of Liabilities and Shareholders' Equity and is the same as the Total Assets recorded opposite on the Financial Position statement.

Charter and Capital Stock

United Grain Growers Limited was incorporated in 1906 under a Manitoba Charter and reincorporated in 1911 under an Act of Parliament of Canada. This Act, with amendments on eight different occasions, is the Company Charter today.

Authorized capital consists of $45 million made up of 2,200,000 Class "A" shares with a par value of $20.00 each and 200,000 Class "B" (Membership) shares with a par value of $5.00 each. Class "A" shares are non-voting, non-cumulative preferred, callable in whole or in part at $24.00 per share. They rank pari passu with Class "B" shares upon the wind up of the company. Class "A" shares carry a dividend preference of 5 per cent per annum to the extent earned before any other dividend is paid.

Under a Charter amendment in 1984 additional dividends on Class "A" shares may be declared at the rate of ½ per cent per annum up to a maximum of 5 per cent out of profits available for dividends, provided dividends for Class "B" membership shares for the same year are declared at not less than the total rate for Class "A" shares. Additional dividends at the rate of 2 per cent per annum bring the rate to 7 per cent per annum which was paid in 1984. Anyone may hold Class "A" shares but no one person may hold more than 15,000 shares.

While no voting rights attach to Class "A" shares most holders have voting rights through owning Class "B" shares.

The issue and transfer of Class "B" membership shares is subject to approval of the board of directors, in order to limit these shares to Western Canadian farmers. No more than 25 shares may be held by one person. They may be purchased and reissued by the company provided that no more than 10 per cent of the shares outstanding are held at any one time by the Company.

Holders of Class "B" shares are organized into 287 shareholders' Locals, in which each member casts one vote. Each Local elects a delegate to annual and general meetings. The expenses of delegates who attend these meetings are paid by the company. Control of the company by its farmer members is exercised by this delegate system. Delegates and diretors must hold a Class "B" share and have an investment of not less than $25 in shares in the company.

The company board consists of 12 directors, 4 of whom are elected each year for a 3-year term. By-laws of the company require 3 directors in Manitoba, 4 in Saskatchewan, 4 in Alberta south of the Peace River District and 1 in either the Alberta or British Columbia area of the Peace River District.

Ten-Year Comparative Summary

Financial	1984	1983	1982
Operating Revenues	$139,548	$122,193	$117,403
Earnings before patronage dividends and income taxes	27,883	20,902	16,905
Net earnings	10,137	8,346	4,535
Working capital	39,790	30,747	30,079
Capital expenditures	21,891	19,505	15,141
Total investment in fixed assets	198,505	183,043	165,716
Accumulated depreciation on fixed assets	75,813	69,061	63,364
Paid up share capital	21,567	19,745	18,640
Shareholders' equity	90,511	79,933	71,786
Cumulative total of shareholders' dividends	21,961	20,609	19,335
Cumulative total of patronage dividends including interest thereon	82,151	71,385	62,587
Statistical			
Country handling — in thousands of tonnes	4,908	5,283	4,646
Elevator licensed storage capacities — in thousands of tonnes			
Country	1,352	1,385	1,440
Terminal	424	424	424
Number of country elevator manager units	343	345	347
Number of employees	2,025	2,070	1,951
Number of shareholders	95,957	94,003	94,460
Number of shareholders' locals	287	288	288

1981	1980	1979	1978	1977	1976	1975
		(000's)				
$101,734	$102,846	$78,385	$69,629	$61,640	$57,251	$49,845
10,008	18,968	8,989	7,068	2,736	5,955	7,399
7,603	9,195	6,367	3,025	1,280	1,065	2,569
28,136	30,678	18,460	24,473	29,808	19,964	21,252
16,565	11,656	18,119	15,100	12,336	10,307	5,749
152,392	138,054	128,450	111,211	98,894	87,513	78,069
57,354	52,039	46,757	42,680	40,086	36,914	34,072
17,320	14,930	13,661	12,538	12,546	10,428	9,190
67,142	58,197	48,690	42,016	39,810	37,096	35,348
18,035	17,019	16,092	15,303	14,412	13,759	13,229
58,082	55,675	48,546	46,214	43,931	43,319	40,079
4,256	4,235	3,612	4,170	3,734	3,407	2,770
1,507	1,552	1,639	1,666	1,681	1,738	1,756
424	424	424	424	424	424	424
		(units)				
359	381	402	420	434	452	472
2,028	1,907	1,908	1,816	1,910	2,104	2,022
93,528	90,053	92,892	87,015	90,651	81,898	77,603
291	294	299	306	311	313	317

APPENDIX A

1984-85 Budgets For New Elevator Construction

The financial success or failure of a newly constructed elevator relies on the volume of grain it handles. Lower costs are achieved as throughput increases.

Due to the high costs associated with the operation of an elevator, careful analysis of proposed new construction must be undertaken to assess the viability of the project.

The following budgets have been drafted using computer models of elevator revenues and expenses. A twenty-five year write-off period and interest of eleven percent are assumed.

Construction Alternative A - Build a 3,500 tonne (125,000 bushel) composite elevator at a location where the present plant is beyond repair. Construction cost is $950,000.

Projected Handlings (Tonnes)	Projected Sales ($)	Total Revenues ($)	Expense/T Handling ($)	Total Expenses ($)		Net ($)
20,000	100,000	254,728	13.41	Operating	100,262	(13,627)
				Fixed	118,400	
				A & O	49,693	
					268,355	
25,000	125,000	301,365	12.19	Operating	124,072	(3,235)
				Fixed	118,400	
				A & O	62,128	
					304,600	
30,000	175,000	353,159	11.44	Operating	148,720	10,016
				Fixed	118,400	
				A & O	76,023	
					343,143	
35,000	200,000	400,089	10.84	Operating	172,671	20,511
				Fixed	118,400	
				A & O	88,507	
					379,578	
45,000	300,000	502,236	9.57	Operating	196,090	71,522
				Fixed	118,400	
				A & O	116,224	
					430,714	

Conclusion: To achieve better than a break even financial position, the above described elevator would require handlings of 30,000 tonnes and $175,000 sales in farm supplies.

Construction Alternative B - Build a 5,000 tonne (140,000 bushel) composite elevator at a point where the present plant is beyond repair. Construction cost is $1.25 million.

Projected Handlings (Tonnes)	Projected Sales ($)	Total Revenues ($)	Expense/T Handling ($)	Total Expenses ($)		Net ($)
20,000	100,000	281,707	15.63	Operating	110,814	(30,828)
				Fixed	152,000	
				A & O	49,721	
					312,535	
25,000	200,000	341,085	14.31	Operating	139,315	(16,802)
				Fixed	152,000	
				A & O	66,572	
					357,887	
30,000	250,000	391,429	13.18	Operating	162,966	(3,968)
				Fixed	152,000	
				A & O	80,431	
					395,397	
35,000	300,000	444,218	12.45	Operating	188,730	8,358
				Fixed	152,000	
				A & O	95,130	
					435,860	
45,000	400,000	542,555	10.82	Operating	212,861	55,588
				Fixed	152,000	
				A & O	122,106	
					486,967	

Conclusion: To achieve better than a break even financial position, the above described elevator would be required to handle 35,000 tonnes and achieve $300,000 sales in farm supplies.

The above information illustrates the importance of handling and sales volumes, wherever new construction is being considered.

APPENDIX B

1984-85 Budget For Existing Elevator Renovation

One of the most unpleasant decisions the directors of United Grain Growers must consider is the closure of an elevator that simply hasn't the earnings potential to merit keeping it open any longer. Generally, if a country elevator incurs a relatively small loss year after year, United Grain Growers retains that elevator in the interests of serving customers at the point. However, when a major renovation is required, and a financial analysis of the point shows the renovated elevator never will be able to break even — in most cases, the loss will be increased — then, in the interest of the company and all other customers, that elevator must be closed.

To explore the merits of renovation at specific types of operation, three markets are used in this outline. In the first market, we assume a 7,500-tonne, single elevator point with no growth potential. The second type is a 20,000-tonne, two-company point with some growth potential. The third market is a 60,000-tonne three-company point with growth potential.

For each analysis, the financial position is examined before renovation and then again after renovation. If the facility cannot viably support the renovation — that is, loss for 25 years — the chances are remote that approval would be granted for the renovation project.

A typical renovation project for a country facility would be as follows:

● New leg and distributor	$ 90,000
● New driveway and 70′ scale	180,000
● New office	45,000
● Farm supplies storage	30,000
	$345,000

Three examples of renovations and the costs and returns associated with each.

			Without Major Renovation		With Major Renovation	
Projected Handlings (tonnes)	Projected Sales ($)	Projected Revenue ($)	Projected Expenses ($)	Projected Net Position ($)	Projected* Expenses ($)	Projected Net Position ($)
Construction Alternative 1.. 7,500 Tonne Single Company Point						
7,500	75,000	131,525	106,142	25,383	147,107	(15,582)
Construction Alternative II.. 20,000 Tonne, 2 Company Point						
7,500	75,000	131,525	106,142	25,383	147,107	(15,582)
10,000	100,000	157,838	116,618	41,220	157,583	255
15,000	150,000	209,166	151,822	57,344	192,787	16,379
Construction Alternative III.. 60,000 Tonne, 3 Company Point						
12,500	125,000	181,882	133,885	47,997	174,850	7,032
15,000	150,000	209,166	151,822	57,344	192,787	16,379
20,000	200,000	258,767	189,757	69,010	230,722	28,045

* A $345,000 renovation cost requires $40,965 of annual debt service cost for each of 25 years at 11% interest.

Conclusions:

- **A single company market (7,500 tonne throughput) and 10,000 tonne throughput (2 company market) without growth potential have a remote chance of receiving renovation approval.**
- **An elevator at a multi-company point with 15,000 to 20,000 tonne throughput can be considered for renovation if sufficient growth in handle and farm supplies sales can be achieved to ensure viability.**

APPENDIX C

How Much Can You Pay for Land?

Richard A. Schoney

Few farm decisions are more critical to the long-term viability of the farm business than the decision to buy land. The period 1973 to 1982 was characterized by a generally favorable economic climate encouraging farmers to re-invest profits in land, leading to dramatically increasing farmland prices.

For example, in Saskatchewan, land prices rose from an average of $80 per acre in 1973 to $376 in 1982 or at an average compound rate of growth of 18.8 per cent. This was during time when interest rates were about 9%. In times like those, a farmer didn't need an economist to tell him land was a profitable investment. If an asset is appreciating faster than the interest rate, then almost any price is reasonable and speculation can run rampant. Of course, this couldn't last. The bubble had to burst and it did. Interest rates climbed rapidly and those who based their expectations and their farm investment patterns on the continuation of these trends were in potential trouble.

One of the farm management tools available to farmers in evaluating land purchases is the maximum land bid price. The popularity of the bid price concept is evidenced by the number of available programmable calculator and computer decision packages such as those at Iowa, Alberta, Minnesota and Nebraska.

The primary purpose of the bid value concept is to determine a ceiling. Like every good buyer at an auction, a farmer must set the maximum price he can pay for land and be disciplined enough to stay below it. A farmer must evaluate his land purchase by deriving two bid prices — one based on economic profitability over a long period and another based on shorter-run cash flows.

Economic profitability takes into account the "real" nature of land and that land may appreciate in value over a period of time. While bid prices based on economic returns are useful, they do not take into account the financial constraints limiting most farms. The last bid price is based on the cash which can be generated to support land debt.

An Example Using a Saskatchewan Wheat Farm

In order to estimate a maximum feasible bid price, the economic and cash costs associated with farming the new parcel of land must first be established. Modern Prairie farming is capital intensive, employing large amounts of capital in relation to operating costs and labor. Table 1 is based on data taken from the 1984 Saskatchewan Top Management Workshop participants held in the spring throughout the province. If the price of wheat is standardized at $4.50 per bushel, then the planning results indicate 1984 will be a relatively unprofitable year for wheat production. There were several other crops, such as canola, which were extremely profitable but are not shown in Table 1. Likewise, it should be noted these costs are based on planned yields and costs and, therefore, the yields do not reflect the relatively unfavorable weather conditions that prevailed throughout much of the province in 1984.

The direct costs of producing wheat include fuel, repairs, seed, fertilizer, chemicals, hourly lease charges and custom services. Total direct costs averaged $47.80 per acre for wheat seeded to fallow and $56.43 per acre for wheat seeded to stubble. Direct labor charges ranged from $2.69 per acre (fallow) to $5.34 per acre (wheat following fallow). The capital recovery charge, which includes depreciation and interest charges for machines and buildings, averaged about $34 per acre for wheat and about $13 per acre for fallowed land. Property taxes were about $3.50 per acre.

Table 1 derives two potential net returns to land for two different farms. Farm I is based on 1/2 of the rotation in wheat and the remainder in fallow. Farm II is based on 2/3 the rotation in wheat and the remainder in fallow. The maximum long-run economic net returns represent the maximum amount which can be allocated towards debt servicing and still be sustained over a long period of time and pay all economic costs. This amount is used as the base to estimate land values derived from long-run earning ability. Because infla-

Table 1. Top Management Costs and Returns, by enterprise, Saskatchewan, 1984

	Enterprise				
	Wheat/ Fallow	Wheat/ Stubble	Fallow	Farm I[b]	Farm II[c]
Gross Returns					
1. Yield (bu/a)	32.8	28.9	—		
2. Total revenue @ $4.50	147.60	130.05	—		
Cost Component ($/acre)					
3. Total Direct Costs	47.80	56.43	8.84		
4. Labor	5.34	5.01	2.69		
5. Management	16.18	14.25	—		
6. Operating Capital Charge	2.80	3.39	.53		
7. Machine and Buildings	33.83	34.86	12.96		
8. Property Taxes	3.50	3.50	3.50		
Net Returns to Land*				(Farm Average)	
9. Maximum economic long-run amount	38.15	12.61	-28.52	$ 4.82	7.34
10. Maximum financial short-run amount	93.50	66.73	-15.03	39.24	47.88

* The maximum net returns are derived as the following:
Row 9 = Total Revenue — Total Direct Costs — Operating Capital Charge
Row 10 = Total Revenue — Total Direct Costs — Labor — Management — Operating Capital Charge — Machinery and Building Charges — Property Taxes

[b]Farm I is based on ½ of the land in wheat and ½ in fallow.

[c]Farm II is based on ⅔ of the land in wheat and ⅓ in fallow.

tion in land earnings is important in the long run, an average annual increase of 3% in annual net economic returns is assumed.

The second amount is the maximum cash which could be extracted from land in the short-run to pay towards new land debt servicing. This amount could be justified by a farmer who could use his existing land base to meet machinery debt service payments and withdrawals for family living (that is, it does not need to charge for labor and management). This amount is the base for estimating short-run debt carrying capacity and is not inflated because in the shortrun low rates of inflation have little impact. Note that all cash returns, prices and interest rates are expressed in nominal, pre-tax terms.

Bid Prices Based on Profitability

The maximum feasible economic bid price (MFEBP) is the present value of the sum of 1) the flow of future net returns to land (earning ability), and 2) the future resale value of land after capital gains are paid. This approach considers land to be somewhat like a stock whereby total value is established by the annual dividend and the future

Table 2a. — Maximum Feasible Economic Bid Price Based on Earning Ability, 0 per cent tax rate*

Annual Interest Rate	Annual Net Returns to Land ($/acre)						
	5	10	15	20	25	30	35
(%)				($/acre)			
7	88	175	263	351	438	526	614
8	78	156	234	313	391	469	547
9	70	140	210	281	351	421	491
10	63	127	190	253	317	380	443
11	58	115	173	230	288	345	403
12	53	105	158	210	263	316	368
13	48	97	145	193	242	290	338
14	45	89	134	178	223	268	312
15	41	83	124	165	207	248	289
16	38	77	115	154	192	231	269
17	36	72	108	144	180	216	252
18	34	68	101	135	169	203	236

*Based on a 3% annual increase in net cash returns and 30 years.

Figure 1 — The Effect of Changing Annual Return on Maximum Bid Price, 0% Tax Rate

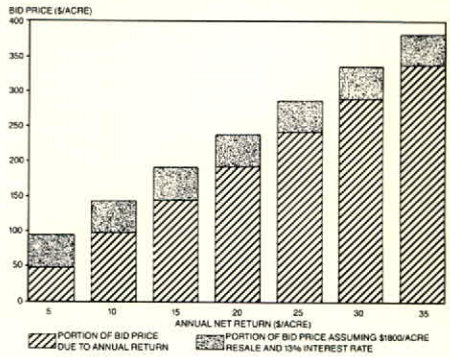
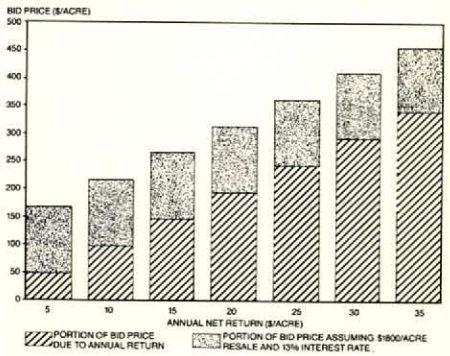


Table 2b. — Maximum Feasible Economic Bid Price Based on Earning Ability, 30 per cent tax rate*

Annual Interest Rate	Annual Net Returns to Land ($/acre)						
	5	10	15	20	25	30	35
(%)				($/acre)			
7	80	160	240	320	400	481	561
8	73	146	219	292	365	438	511
9	67	134	200	267	334	401	468
10	61	123	184	246	307	368	430
11	57	113	170	226	283	340	396
12	52	105	157	209	262	314	366
13	49	97	146	194	243	291	340
14	45	90	136	181	226	271	317
15	42	84	127	169	211	253	296
16	40	79	119	158	198	237	277
17	37	74	111	149	186	223	260
18	35	70	105	140	175	210	245

*Based on a 3% annual increase in net cash returns and 30 years.

Figure 2 — The Effect of Changing Annual Return on Maximum Bid Price, 30% Tax Rate



resale value. One way of expressing the relationship between the two components is to determine future earning ability as a proportion of the total bid price. The proportion of the bid price, based on earning ability to the total bid price, depends upon a number of variables including annual net returns and its annual inflation rates, interest rates and appreciation in land values. While this relationship is difficult to determine, the proportion of bid price based on earning ability to the total should be at least 50 per cent to as much as 70 per cent of the total.

Bid Prices Based on Earning Ability. The first component of the MFEBP is based on the present value of future net returns to land or earning ability. The annual net return to land is the residual after all inputs including direct costs of production, labor, capital and management are charged their opportunity cost. The opportunity approach values all inputs at what they could have made if they had been employed in their next best alternative, even though they may not be cash costs. This approach assumes that if investors/farmers can not recover the opportunity cost of their labor, management or equity capital, then they will invest their resources elsewhere and land prices will adjust downwards. Likewise, if they are making more than their opportunity costs, they will bid land prices upwards.

Tables 2a and 2b present the portion of the MFEBP based on annual earning ability, assuming a 3-per cent annual increase in net returns and a 30-year planning horizon. Notice that the MFEBP between the two tax rates are very similar. For example, assuming an interest rate of 13%, an annual net return after paying all costs of production of $20 in current value terms, would justify a maximum expenditure of $193 if no taxes are paid (Table 2a) and $194 if the investor is in the 30-per cent income tax bracket (Table 2b). Under low interest rates and earnings, notice that the comparative advantage lies with the investor in the lower tax brackets. Figures 1 to 6 are examples which reflect changes in the factors affecting bid prices, net returns, resale value, tax rates and interest rates.

However, the comparative advantage slowly shifts towards the investor in the higher tax brackets as the interest rate increases. This occurs because the reduction in after-tax earnings are more than offset by lower after-tax interest rates.

The net returns for our two example farms in Table 1 are $4.82 and $7.34 for Farm I and Farm II, respectively. Because these values are not shown in Tables 2a and 2b, we can either interpolate between the columns or use a number which is close, which is $5 per acre. Based on $5 of net returns per acre, the resulting bid price is exceedingly small and, depending upon the interest and tax rate, is less than $90 per acre.

During the 1970's, about one-half of the MFEBP could be based on earning ability and the remainder had to come from future resale value. Using the same proportion of 50 per cent, the bid price based on earning ability for our example farm must generate a bid price of $300 of the total estimated land value of $600. Using Table 2, we can then determine what must happen to prices and/or interest rates to reach a bid value of $300 per acre.

For a farmer who pays no taxes (Table 2a), this would require a combination of 9% interest and net cash returns of approximately $25 per acre. This corresponds to a farmgate price of about $5.41 per bushel for Farm II and $6.01 per bushel for Farm I. For the investor in the 30-per cent income tax bracket, the same net returns $25 per acre but interest rates would have to drop to approximately 8% to justify a $300 bid price.

Bid Prices Based on Future Resale Value. The second component of the MFEBP is the present value of the potential future resale value of the land parcel at the end of the period after all capital gains taxes, realty fees and disposal costs have been paid. Resale value is a valid economic return even though the farm may not be sold. Establishing the future appreciation in land values has been one of the most difficult and speculative of components in estimating land bid values.

Table 3 presents the present value of alternative resale values adjusted for potential capital gains tax liabilities, assuming a purchase price of $600 per acre. For example, assuming 13% interest and no increases in land values over the next 30 years, then land purchased today at $600 would justify only a bid value of $15 and $44 per acre to the MFEBP for the investor in the 0 and 30 per cent tax brackets, respectively.

Income taxes have a far greater impact on bid values based on future resale than those based on earning ability because interest expenses are treated as ordinary expenses but increased land values are treated as capital gains. For example, if land appreciates at a rate of 6.7 per cent per year, then our $600 land would be worth $4200 at the end of 30 years (Table 3). At the current rate of interest of 13%, then the future resale value is worth $107 for the no-tax investor and $268 for the investor in the 30-per cent bracket.

Depending upon the rate of increase in land values and the interest rate, an investor in the 30-per cent tax bracket can bid about two to three times more for future resale value than the investor who pays no taxes. Removing the capital gains provisions and not taxing capital gains would tend to further increase the comparative advantage of investors in higher tax brackets over those in lower tax brackets when land is appreciating in value.

As before, we can determine under what conditions current land values can be maintained. Using our example of land priced at $600 per acre and the requirement that approximately one-half of the current bid value be based on future resale value, we then must find the combinations of appreciation rates and/or interest rates which generate a $300 bid value in Table 3.

If land does not appreciate in value, then there is no interest rate in Table 3 which will justify a $300 bid value. However, if land values appreciate at 3.7 per cent per year and interest rates drop to approximately 8%,then investors in the 30-per cent tax bracket could pay up to

$316 for the future resale value. Interest rates will have to drop to 6% or less, which is not shown, for the investor who pays no income taxes.

Bid Prices Based on Short-Run Repayment Ability

While the MFEBP is useful, it is based on both long-run increases in earnings and future resale value which are unavailable to help support land debt in the short run. The maximum feasible loan size (MFLS) is the maximum debt load which can be supported by current additional net cash earnings generated by the land investment. Short-run net cash earnings may differ considerably between farmers because of differences in their cash costs. While direct costs of production, paid wages and property taxes are cash costs for all farmers, other potential short-run cost items such as family living withdrawals, machine and building replacements and debt servicing may vary from farmer to farmer, depending upon his financial position and outside income.

In addition, net cash returns may vary considerably from year to year as longer-run price and yield trends are temporarily overshadowed by droughts or international events. In the first few years, adverse economic conditions can be offset by temporary sources of cash earnings or savings such as non-farm earnings, or reduced family living expenditures. In the longer run, these temporary sources of cash income or savings may no longer be available, but longer-run price relationships may be reasserted, thereby increasing prices and providing additional income for increased expenditures for equipment replacement and family living needs.

If the farmer could temporarily postpone payments towards machine replacement, family labor and management, then a maximum of $37.60 and $40.01, respectively, could be generated as an annual payment towards land debt for Farms I and II. Based on a farmer who pays no taxes and the terms of credit of 13% amortized over 30 years, then Farm I would be able to support a maximum loan amount of $225 (Table 4a) while Farm II would be able to support a loan of $300. However, it is more likely that a farmer who could postpone or not pay many of the costs in Table 1 would pay some income taxes. If he were in the 30-per cent tax bracket, then he would be able to support a much lower amount — from $214 to $285 per acre, respectively, for Farm I and Farm II.

Another familiar way of viewing this is to determine the number of acres owned without debt to support a new acre. This is calculated by taking the purchase price of land and dividing by the MFLS from Table 4. Using Farm I and the 30-per cent income tax bracket, it would take $600/215 or 2.8 acres of owned land to support a new acre. These numbers are likely to be low in that most farmers are carrying some existing debt and will, therefore, have much lower cash amounts which they can devote towards debt servicing. In budgeting experiments with the Micro Computer Top Management Model, if debt exceeds much over 25 per cent of assets valued at current fair market values, then severe cash flow problems are indicated.

Table 4 is based on short-run relationships and, therefore, no inflation on earnings is assumed. Notice that investors in the lower tax brackets have a greater ability to carry debt than those in higher tax brackets, but this rapidly diminishes as interest rates increase. If interest rates increased to a level beyond that shown in Table 4, then the high tax bracket investor would ultimately have an advantage. This seems to be somewhat different than Table 2. However, Table 2 includes the long-run inflation of net returns which effectively lowers the real, after-tax cost of capital allowing investors in the higher income tax brackets to have a comparative advantage at somewhat lower interest rates.

Of course, the terms of credit are also extremely important in determining the MFLS. Once loans are amortized beyond 20 years, the interest rate is far more important than length of loan. For example, reducing the interest rate from 13% to 9% increases the debt carrying capacity by approximately 37 per cent on a 30-year loan. Reducing the number of years from 30 years to 20 years reduces the debt-carrying ability by only 6.7 per cent.

Conclusions

While the two bid price concepts are imperfect predictors of actual individual land parcel prices, they are useful in determining either the direction of future movements of land prices or the conditions which must occur to maintain present land values. It is clear that current economic conditions will not support current land values and, if these conditions persist, there will be major downward readjustments in land values. A return to high interest rates of the near past without dramatic increases in farm profitability would result in even more severe reductions in land values.

If current land values are to be maintained, major increases in crop profitability and/or reductions in interest rates must soon occur. Using our example farm, long-run returns to land must increase to $15- to $20-range per acre and interest rates must drop to 7% or below or a combination of $25 to $30 of net returns and interest rates of 9% or less must occur.

Richard Schoney is an agricultural economist with Farmlab, University of Saskatchewan, Saskatoon.

This report was specially commissioned by the directors of United Grain Growers for inclusion in the annual report.

Table 3a. — Maximum Feasible Economic Bid Price Based on Future Resale Value, 0 per cent tax rate*

Annual Interest Rate	Ending Net Resale Value ($/acre)						
	600 (0)[b]	1200 (2.3%)	1800 (3.7%)	2400 (4.7%)	3000 (5.3%)	3600 (6.2%)	4200 (6.7%)
(%)				($/acre)			
7	79	158	236	315	394	473	552
8	60	119	179	239	298	358	417
9	45	90	136	181	226	271	317
10	34	69	103	138	172	206	241
11	26	52	79	105	131	157	183
12	20	40	60	80	100	120	140
13	15	31	46	61	77	92	107
14	12	24	35	47	59	71	82
15	9	18	27	36	45	54	63
16	7	14	21	28	35	42	49
17	5	11	16	22	27	32	38
18	4	8	13	17	21	25	29

*Based on 30 year planning horizon.
[b]Numbers in brackets are the corresponding annual rates of inflation in land values.

Figure 3 — The Effect of Changing Resale Value on Maximum Bid Price, 0% Tax Rate

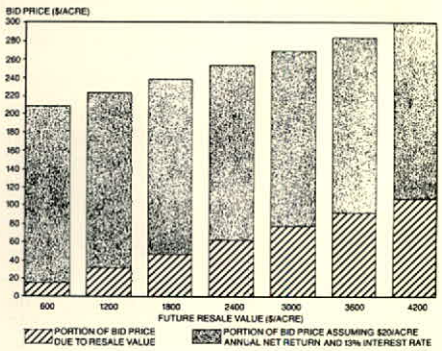


Table 3b. — Maximum Feasible Economic Bid Price Based on Future Resale Value, 30 per cent tax rate*

Annual Interest Rate	Ending Net Resale Value ($/acre)						
	600 (0)[b]	1200 (2.3%)	1800 (3.7%)	2400 (4.7%)	3000 (5.3%)	3600 (6.2%)	4200 (6.7%)
(%)				($/acre)			
7	143	264	386	507	629	750	871
8	117	216	316	415	515	614	714
9	96	178	259	341	422	504	585
10	79	146	213	280	347	414	481
11	65	120	175	230	285	340	395
12	53	99	144	189	235	280	326
13	44	81	119	156	194	231	268
14	36	67	98	129	160	191	222
15	30	56	81	107	132	158	183
16	25	46	67	88	109	130	151
17	21	38	56	73	91	108	125
18	17	32	46	61	75	90	104

*Based on 30 year planning horizon.
[b]Numbers in brackets are the corresponding annual rates of inflation in land values.

Figure 4 — The Effect of Changing Resale Value on Maximum Bid Price, 30% Tax Rate

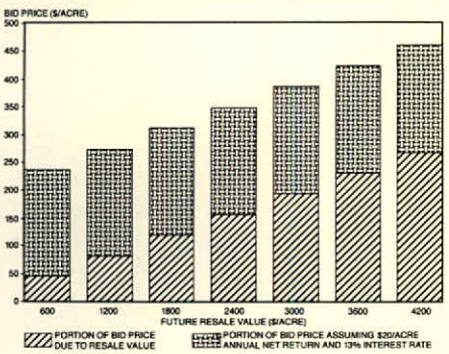


Table 4a. — Maximum Feasible Loan Size, 0 per cent tax rate*

Annual Interest Rate	Annual Net Cash Returns to Land ($/acre)						
	10	20	30	40	50	60	70
(%)				($/acre)			
7	124	248	372	496	620	745	869
8	113	225	338	450	563	675	788
9	103	205	308	411	514	616	719
10	94	189	283	377	471	566	660
11	87	174	261	348	435	522	609
12	81	161	242	322	403	483	564
13	75	150	225	300	375	450	525
14	70	140	210	280	350	420	490
15	66	131	197	263	328	394	460
16	62	124	185	247	309	371	432
17	58	117	175	233	291	350	408
18	55	110	166	221	276	331	386

*Based on a loan amortized over a period of 30 years.

Figure 5 — The Effect of Changing Interest Rates on Maximum Loan Size, 0% Tax Rate

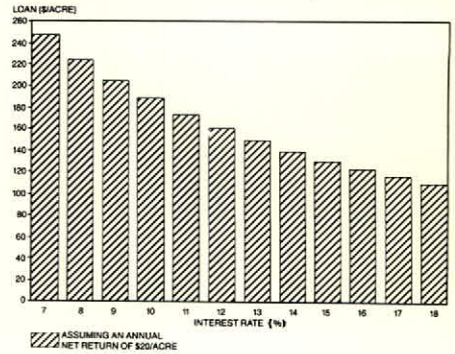
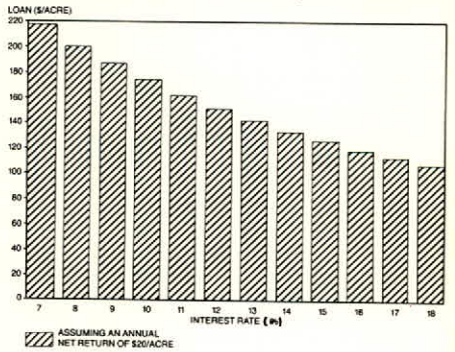


Table 4b. — Maximum Feasible Loan Size, 30 per cent tax rate*

Annual Interest Rate	Annual Net Cash Returns to Land ($/acre)						
	10	20	30	40	50	60	70
(%)				($/acre)			
7	109	218	327	435	544	653	762
8	101	201	302	402	503	604	704
9	93	187	280	373	467	560	653
10	87	174	261	347	434	521	608
11	81	162	243	324	405	487	568
12	76	152	228	304	380	456	531
13	71	143	214	285	356	428	499
14	67	134	201	268	336	403	470
15	63	127	190	253	317	380	443
16	60	120	180	240	300	359	419
17	57	114	170	227	284	341	398
18	54	108	162	216	270	324	378

*Based on a loan amortized over a period of 30 years.

Figure 6 — The Effect of Changing Interest Rates on Maximum Loan Size, 30% Tax Rate

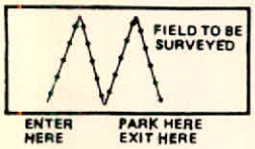


Count the leaves before you spray wild oats

Farmers sometimes wonder why their wild oats control with post-emergent herbicides isn't as effective as research results show or as chemical companies claim. Often this is because the herbicide wasn't sprayed at the right stage of wild oats growth.

To help farmers get more effective wild oat control, United Grain Growers developed this special Wild Oats Staging Chart. It incorporates the two keys for better wild oats control: sampling the field and determining average growth stage of the wild oats.

Wild oats counts: A good way to accurately sample wild oats in the field is by following an "M" pattern (inset). One wild oats plant is picked at random for each of 20 locations along the "M"



route. At each of the 20 field stops, a person drops to one knee and immediately puts his finger on the ground. The wild oats plant nearest the index finger is staged.

Stage of wild oats growth: Determining the first stages of wild oats development is straightforward. But when the plants are in the 3- to 4-leaf stage and have one or two tillers, it becomes much more difficult.

If a plant has one full leaf and another is just emerging, it is in the 2-leaf stage. The 2-leaf stage extends from the time the second leaf begins to emerge and continues until the third leaf begins to emerge.

Tillers often appear at the 3- to 4-leaf stage. The first tiller emerges from the point where the first leaf joins the main stem. The second and third tillers usually emerge from the axis of the second leaf and third leaf respectively. The leaves on the tillers are not counted. Only the leaves on the main stem should be counted, and this includes the leaf on the main stem just below the point where the tiller emerges.

Actual plants in the field are more difficult to stage than shown in the diagrams. The tillers do not stay as a single leaf. They become stems with several leaves, just like the main stem. Also, under field conditions, the lower leaves may dry up or they may be torn off by the wind. It takes a careful eye to correctly stage these plants. Even though the leaf is dead or missing, it must still be counted when determining the correct leaf stage.

After the plant has been staged at each stop, the leaf stage is recorded on the Wild Oats Staging Chart with an "X".

After 20 plants have been recorded a pattern of growth stages of the wild oats will be shown.

The Wild Oats Staging Chart was designed also to show the herbicide to use for the best wild oats control at the different stages of growth. For example, the chart indicates after 20 wild oats were counted and staged from the field, the following applies:

- It is too early to apply Avenge 200C or Mataven.
- Carbyne will be most effective in another two to four days.
- A wait of two to six days is needed before applying Hoe-Grass or Hoe-Grass II.

In other words, the chart shows Avenge 200C or Mataven won't work, and Hoe-Grass, Hoe-Grass II and Carbyne will not work as well as they could.

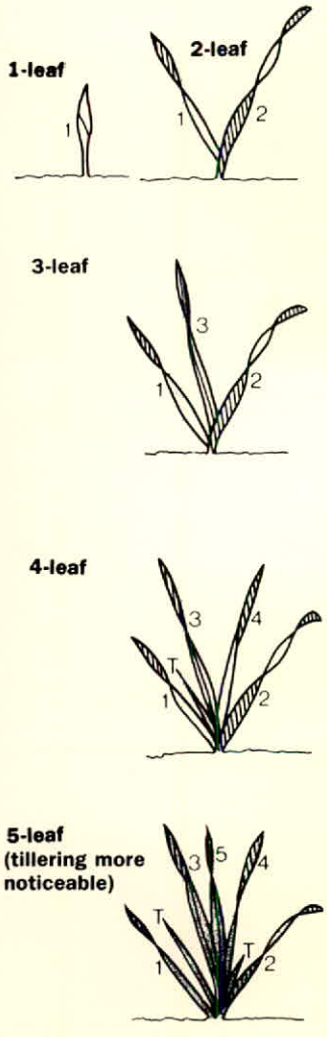
It takes a wild oats plant between 2½ to 4 days to produce one full leaf. There are times when a 2-day delay will make the difference between poor and excellent wild oats control.

Wild Oats Staging Cards will be available from all UGG elevator managers to help you get better results from wild oats herbicides.

Wild Oats Staging Chart For Wheat

WILD OATS LEAF STAGE	COUNT LEAVES ON 1 WILD OATS AT 1 LOCATION. RECORD LEAF STAGE ON TABLE BELOW. COUNT 20 PLANTS.	EFFECTIVE HERBICIDE
1	X X X X X X X X X X	CARBYNE, HOE-GRASS, HOE-GRASS II
2	X X X X X X X X	CARBYNE, HOE-GRASS, HOE-GRASS II
3	X X X X	AVENGE 200C, MATAVAN, HOE-GRASS, HOE-GRASS II
4		AVENGE 200C, MATAVAN, HOE-GRASS, HOE-GRASS II
5		MATAVAN, HOE-GRASS, HOE-GRASS II
6		HOE-GRASS, HOE-GRASS II

WILD OATS LEAF STAGES



APPENDIX E

UGG Elevator Manager Awards

Grain Handling Awards

Manitoba

Gold

Ben G. Bergman — Plum Coulee
Edwin A. Hildebrand — Morden
Darryl D. Lamont — Deloraine
Clinton E. Pierce — Neepawa
Kelly A. Wells — Melita
Wayne E. Winters — Grandview
Ronald E. Yager — Minnedosa

Silver

Robert E. Brydon — Hargrave
Roy M. Herfindahl — Fort Whyte
Brian G. Long — Manitou
Harvey E. Nichol — Killarney
Ronald C. Radford — Rivers
Harry J. Trumbla — Fannystelle
James G. Vassart — Portage #2

Bronze

Raymond G. Adams — Swan Lake
Roger Badiou — Beausejour
Brian Charette — Rathwell
Harold F. Cook — Portage #1
Lionel C. Fisher — Mariapolis
Randall J. Fox — Oakville
Bernard R. Freeman — Foxwarren
Donald K. Freeman — Griswold
Donald R. Glover — McCreary
Murray G. Grierson — Medora
Ellery L. Hammond — Petrel
Leonard C. Price — Foxwarren

FIVE YEARS AWARDS

L. Thorburn
Congress, Sask.
Fertilizer

D. Hipkins
Porcupine Plains, Sask.
Weed, Chemicals

P. Fertuck
Battleford, Sask.
General Farm Supplies

P. P. Harbarenko
Two Hills, Alta.
Seed

J. Swartz
Brooks, Alta.
Seed

R. B. Baier
Taber, Alta.
Seed

Saskatchewan

Gold

Gordon A. Beckett — Biggar
John L. Bilokryly — Dinsmore
Terrance D. Ellis — Rosthern
James G. May — Landis
Nickolas G. Missouri — Prince Albert
Perry K. Penley — Richlea
Ray H. Pickering — Melfort
Eric J. Plews — Elrose
Ivan E. Ramsden — Naicam
Dale W. Taylor — Nampa
Richard A. Reichert — Marengo
Elmer Shewchuk — Macklin
Larry J. Thorburn — Congress
Francis A. Vermeulen — Brock
Thomas F. Viczko — Lake Lenore
George T. Waterhouse — Davidson

Silver

Hubert J. Beatty — Assiniboia
Terrance S. Carpenter — Langenburg
Paul Fertuck — Battleford
James G. Gabriel — Radville
Claude L. Gobert — Prudhomme
William A. Harder — Yellow Grass
Lyle Hudye — Melville
Alexander Leicht — Codette
Raymond J. Leicht — Kinistino
Lyle K. Penley — Wilkie
Harry A. Perrick — Kenaston
James M. Sander — Fox Valley
Herman V. Schapansky — Moose Jaw

Bronze

Delmar J. Aebig — Hanley
Ronald S. Buttar — Herschel
Peter D. Chudyk — Hague
Thomas G. Ellis — Arborfield
Al A. Emmons — Markinch
David A. Hipkins — Porcupine Plain
Brian A. Jennett — Cupar
Gordon I. Johnson — Beechy
Stanley J. Keller — Loreburn
Allan J. Konjolka — Watson
William G. Lawton — Harris
Alexander McCallum - Simpson
Sigvold A. Olson — Cabri
Theodore H. Rutten — Carlyle
John Sabadash — Yorkton
Douglas A. Serfas — Eston
Leonard W. Smith — Meath Park
Kenneth P. Staresina — Kelvington
Ronald E. Stevenson — Aberdeen
Mike J. Todosichuk — Kamsack
John E. Tomecek — Kerrobert
William S. Tooth — Lampman
James M. Tumback — Birch Hills
John Witkowski — Tribune
Garry M. Ziebart — Swift Current

Alberta

Gold

Bill G. Campbell — Grande Prairie
Dale O. Fodness — St. Paul
Daniel Kress — Bow Island
Kenneth E. McRae — Westlock
Bruce M. Measham — Hines Creek
Alfred Mielke — Sexsmith
Donald G. Morrison — Olds
Meinrad R. Pele — Girouxville
William J. Rawleigh — Fort Macleod

Silver

Jacob A. Avramenko — Huxley
Edgar E. Doyle — Dawson Creek
Angus T. Duncan — Lomond
Bernard V. Fizer — Delia
Leslie R. Freeman — Keg River
Leo J. Gauthier — Hussar
Lloyd J. Heck — Provost
Reinhold Karl — Foremost
Kenneth A. Keller — Castor
Carl H. Linkletter — Milk River
Gilbert J. Nicolet — Falher
Kay F. Wiggill — Warner

Bronze

Melvin L. Ashcroft — Drumheller
Garry J. Baier — Innisfail
Ronald B. Baier — Taber
Gordon R. Bodnar — Viking
Arnold S. Christiansen — Trochu
Philip A. Dahl — Coronation
Ernest M. Fischer — Barrhead
Roy B. Fulton — Crossfield
Merlin Hasiuk — Camrose # 2
Dale Holinaty — Manning
Ronald G. Hunter — Spirit River #1
William J. Kawyuk - Morinville
Dale W. Lindmark — Wainwright
Reginald B. Osborne — Wanham
Walter Palkun — Boyle
Harold C. Peterson — Fairview #2
Howard P. Row — Vermilion
David N. Schmidt — Hanna
Harvey G. Scott — Joffre
Charles H. Soucy — Irma
Jack I. Swartz — Brooks
Burke A. Thomas — Cardston

TOP TEN FARM SUPPLY AWARDS

MANITOBA

FERTILIZER

J. R. Turnbull	Reston
E. L. Hammond	Petrel
L. C. Price	Gilbert Plains
W. W. Reimer	Ste. Anne
H. E. Nichol	Killarney
W. J. Farmer	Boissevain
C. A. Moffatt	Rignold
B. R. Freeman	Foxwarren
R. E. Yager	Minnedosa
B. S. Charette	Rathwell

WEED CHEMICALS

T. Holowachuk	Birch River
H. E. Nichol	Killarney
R. B. Charette	Rathwell
R. A. Badiou	Beausejour
H. J. Trumbla	Fannystelle
E. A. Hildebrand	Morden
W. E. Winters	Grandview
B. G. Long	Manitou
J. P. Zboril	Arnaud
L. C. Price	Gilbert Plains

GENERAL FARM SUPPLIES

W. W. Reimer	Ste. Anne
B. G. Long	Manitou
H. E. Nichol	Killarney
B. H. McMullan	Shoal Lake
L. C. Price	Gilbert Plains
P. Onufreichuk	Gladstone
D. J. Glennie	Ashville
G. M. Grierson	Medora
P. Waldbauer	Benito
W. E. Winters	Grandview

SASKATCHEWAN

FERTILIZER

I. E. Ramsden	Naicam
D. Hipkins	Porcupine Plains
E. Shewchuk	Macklin
E. Plews	Elrose
L. Thorburn	Congress
T. D. Ellis	Rosthern
J. M. Tumback	Birch Hills
J. G. May	Landis
F. A. Vermeulen	Brock
L. Hudye	Melville

WEED CHEMICALS

J. G. May	Landis
T. D. Ellis	Rosthern
L. Hudye	Melville
F. A. Vermeulen	Brock
E. Plews	Elrose
D. Hipkins	Porcupine Plains
P. Penley	Richlea
T. Carpenter	Langenburg
R. Riechert	Marengo
E. Shewchuk	Macklin

GENERAL FARM SUPPLIES

J. G. May	Landis
T. Waterhouse	Davidson
T. Carpenter	Langenburg
P. Chudyk	Hague
R. Reichert	Marengo
T. D. Ellis	Rosthern
E. Shewchuk	Macklin
E. Plews	Elrose
P. Fertuck	Battleford
J. M. Parsons	Tisdale

ALBERTA

FERTILIZER

B. A. Thomas	Cardston
D. Fodness	St. Paul
W. J. Rawleigh	Ft. MacLeod
S. J. Beddoes	Bentley
J. A. Avramenko	Huxley
K. A. Keller	Castor
D. Taylor	Nampa
E. E. Doyle	Dawson Creek
R. Walker	Athabasca
G. C. Lorenscheit	Fort St. John #2

WEED CHEMICALS

J. A. Avramenko	Huxley
D. J. Maxwell	Acme
J. L. Paul	Vegreville #1
K. A. Keller	Castor
G. Bodnar	Viking
M. Hasiuk	Camrose #2
S. J. Beddoes	Bentley
H. J. Cummins	Standard
D. Fodness	St. Paul
W. J. Rawleigh	Fort Macleod

GENERAL FARM SUPPLIES

K. A. Keller	Castor
E. E. Doyle	Dawson Creek
C. McGuckin	Smoky Lake
D. Fodness	St. Paul
G. Bodnar	Viking
W. J. Rawleigh	Fort Macleod
W. Kawyuk	Morinville
P. Ewasiuk	Elk Point
J. L. Swartz	Brooks
D. W. Lindmark	Wainwright

TOP TEN SEED SALES 1983/84

MANITOBA

R. A. Badiou	Beausejour
P. Onufreichuk	Gladstone
W. W. Reimer	Ste. Anne
K. A. Wells	Melita
T. Holowachuk	Birch River
R. J. Turnbull	Reston
D. D. Lamont	Deloraine
D. R. Little	Hartney
P. Waldbauer	Benito
B. G. Long	Manitou

SASKATCHEWAN

J. G. May	Landis
E. Shewchuk	Macklin
L. Hudye	Melville
R. Reichert	Marengo
T. Waterhouse	Davidson
T. Carpenter	Langenburg
N. G. Missouri	Prince Albert
H. A. Schaffer	Francis
G. A. Beckett	Biggar
M. G. Norwig	Aylesbury

ALBERTA

J. W. Dixon	Fort St. John #1
J. I. Schwartz	Brooks
Jim Paul	Vegreville #1
G. Bodnar	Viking
R. Walker	Athabasca
W. Palkun	Boyle
A. Bartko	Rimbey
P. Harbarenko	Two Hills
Ken McRae	Westlock
R. B. Baier	Taber

UNIFEED SALES CLUB

Manitoba

Gold	Brian Long — Manitou
Blue	Ed Hildebrand — Morden
	Danny Knott — St. Claude
	Jim Vassart — Portage La Prairie

Saskatchewan

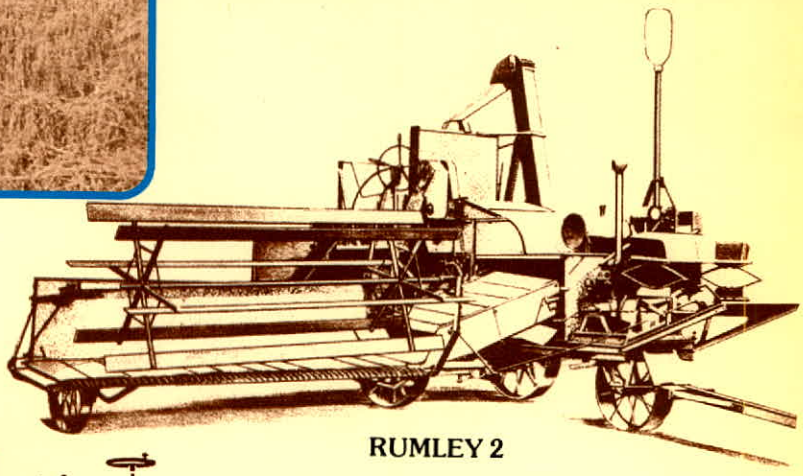
Blue	John Beatty — Assiniboia
	Ted Rutten — Carlyle
Red	Tom Waterhouse — Davidson

Alberta

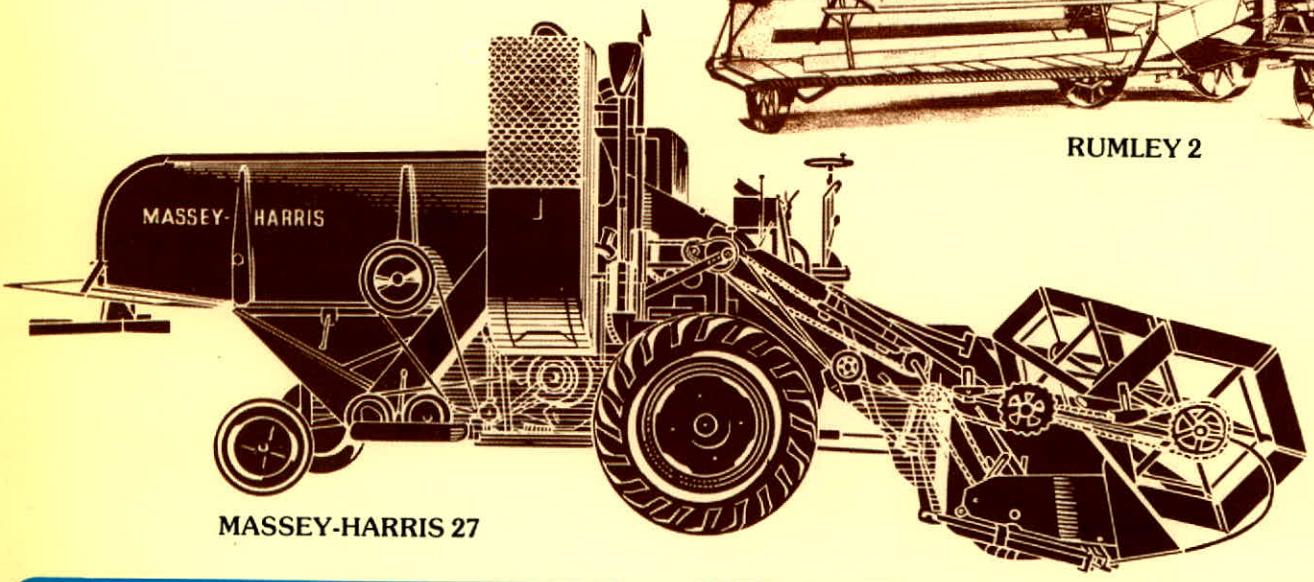
Gold	Ken Keller — Castor
Silver	Dale Landmark — Wainwright
	Bill Litun — Vegreville #2
Blue	Paul Ewasiuk — Elk Point
	Kelly Larsback — Thorsby
	Cal McGuckin — Smoky Lake
	Harold Row — Vermilion
	John Vandenburg — High Prairie
Red	Dale Brenneis — Alcomdale
	Bill Kawyuk — Morinville
	Charles Soucy — Irma

OLIVER 33 GRAINMASTER

COCKSHUTT 80



RUMLEY 2



MASSEY-HARRIS 27

ROTO THRESH

JOHN DEERE 55

MASSEY-HARRIS CLIPPER

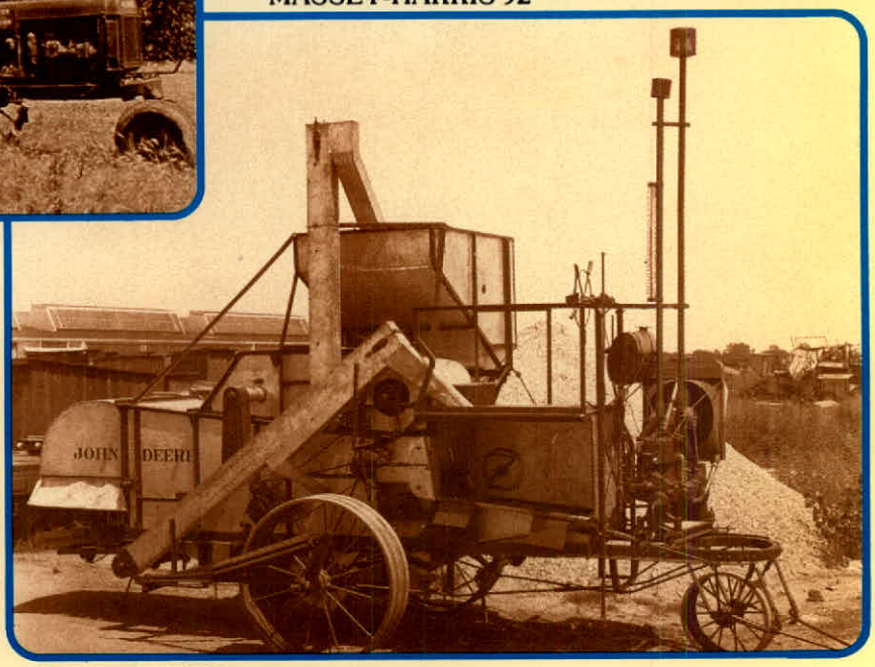
AVERY COMBINE

MINNEAPOLIS-MOLINE HARVESTOR

MASSEY-HARRIS 92

OLIVER 30

JOHN DEERE 36



JOHN DEERE 9