

RESTRUCTURING THE SASKATCHEWAN WHEAT POOL

A Thesis

Submitted to the Faculty of Graduate Studies and Research

In Partial Fulfillment of the Requirements

For the Degree of Master of Arts

In Sociology

University of Regina

By

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Regina, Saskatchewan

February, 1999

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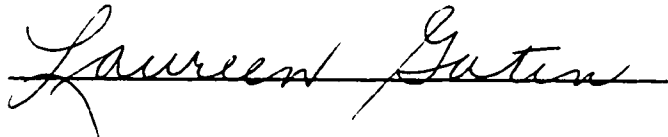
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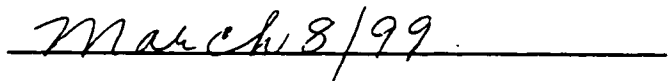
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ABSTRACT

The Saskatchewan Wheat Pool began as a grassroots grain handling co-operative in the 1920s to address problems Saskatchewan farmers were facing regarding storing and shipping their grain. Over the past seventy years SWP has adapted to events occurring within the agricultural industry as well as world events. The co-operative became one of the world's largest producer co-operatives as well as an integral institution in the rural fabric of the province's economic and social history. In March, 1995 a fundamental change within SWP occurred when amendments to the Saskatchewan Wheat Pool Act (Private Members Bill 04) were approved in the Saskatchewan legislature. The purpose of the amendments contained in Bill 04 was to enable SWP to financially restructure its organization in order to raise additional capital. The existing share capital of SWP was converted to a combination of Class A Voting Shares and Class B Non-voting shares. Patronage dividends were discontinued and Class B shares began trading on the Toronto Stock Exchange. Thus, SWP became a "publicly traded co-operative."

Financial restructuring was deemed critical for SWP so that the organization could modernize and diversify to compete in the global marketplace. The prevailing notion of competition and progress within the global marketplace and the increasing view of farmers as business entrepreneurs figured prominently in SWP's rationale for the financial restructuring. This thesis combines an overview of co-operative history and principles, a description of events leading up to SWP equity conversion and a summary of arguments in favour of and opposed to Private Members' Bill 04. The primary research involved interviews with SWP senior management, SWP senior elected officials and officials of organizations connected to SWP through the grain industry. The essential research questions were to what extent the ideology of globalization or markets was embedded in the decisions acted upon by SWP's senior elected officials and executive management and whether these groups could reconcile co-operative principles and values with financial restructuring within the organization which has led to a "publicly traded" co-operative.

ACKNOWLEDGEMENTS

I would like to express my gratitude to Dr. Murray Knuttila for his encouragement and support as well as his genuine interest and academic enthusiasm for the study of rural and agricultural issues. I value the interchange of ideas and suggestions proffered by Dr. Knuttila during the course of my research. Thank you to Dr. John Conway and Dr. Bob Stirling for serving as committee members. In particular, thanks to Bob Stirling for sharing his voluminous files of newspaper clippings, articles and books on the subject of Saskatchewan Wheat Pool.

I would like to acknowledge the Faculty of Graduate Studies and the Department of Sociology at the University of Regina for financial assistance in the form of Faculty of Graduate Studies scholarships and teaching assistantships with the Department of Sociology. My efforts toward completing a Masters Degree were substantially supported by the Lemaire Co-operative Studies Scholarship awarded by the Canadian Co-operative Association and the Robertson Memorial Scholarship awarded by the Saskatchewan Wheat Pool. I am grateful to both organizations for their support.

Thank you to the staff at the Legislative Library and the Provincial Archives and the many farmers who discussed the events surrounding the restructuring of SWP over the course of my thesis research. I would especially like to thank the people I interviewed. I have tried to be faithful to the demands of scholarship while transcribing the oral interviews of each person. Therefore, the responses from research interviewees are “in their own words” as much as possible and I am most grateful to them for sharing their time, interest and candor.

To my friends and family I extend my heartfelt gratitude for your patience, support and encouragement, as well as your willingness to discuss and debate the ideas contained in this thesis. As a researcher with rural roots, I acknowledge and admire the tenacity of my prairie ancestors and their flexibility in dealing with challenges and change. In that spirit I dedicate this thesis to the past and the future: my grandmother, Bernadette Gatin who remains the living embodiment of rural adaptability and my children, Brian and Sarah Gatin who are setting forth to explore the global community.

Restructuring the Saskatchewan Wheat Pool

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CHAPTER 1:

INTRODUCTION

1.1. Research Issue

The Saskatchewan Wheat Pool came into existence in 1923 as a response to farmers' problems with storing and shipping their grain. Throughout its seventy-five year history many changes have transpired as the agricultural co-operative has evolved to deal with changes in agricultural production and marketing. From its beginnings as a grass roots membership of Saskatchewan farmers seeking to set up an alternative grain handling and marketing structure the Saskatchewan Wheat Pool has adapted to events occurring within the agricultural industry as well as world events. What was never in question was the nature of the organization – it was a grain handling and marketing cooperative integrated into the rural fabric of Saskatchewan cooperatives.

A fundamental change within the Saskatchewan Wheat Pool took place when The Saskatchewan Wheat Pool Amendment Act, 1995 was presented to an all-party Standing Committee on Private Members' Bills in the Saskatchewan Legislative Assembly on March 7, 1995. Several clauses were repealed or amended within the Act in order to restructure financing to raise equity on the capital market. The existing share capital of the Saskatchewan Wheat Pool would be converted to a combination of Class A Voting Shares and Class B Non-voting shares. After equity conversion patronage dividends would be discontinued and Class B shares would be traded on the Toronto Stock Exchange.

The purpose of the amendments contained in Bill 04 was to raise additional capital. Financial restructuring was deemed critical for Saskatchewan Wheat Pool so that

the organization could modernize and diversify to compete in the global marketplace. Thus, a member-owned co-operative became a joint stock company. The prevailing notion of progress within the global marketplace and the increasing view of farmers as business entrepreneurs were held up to cooperative principles. This thesis examines the attitudes related to the changes going on within the cooperative, the grain industry and the global marketplace of three groups of people involved with Saskatchewan Wheat Pool: elected officials, executive management, and officials of organizations related to Saskatchewan Wheat Pool through the grain industry. The essential research questions were: 1) to what extent the ideology of globalization of markets was embedded in the decisions acted upon by Saskatchewan Wheat Pool's senior elected officials and executive management and 2) could these groups reconcile co-operative principles and values with financial restructuring within the organization which has led to a "publicly traded" cooperative.

1.2 Nature of Thesis

This thesis combines an overview of cooperative history: the formation of types of agricultural cooperatives, the core principles of cooperatives, the conditions in Saskatchewan prior to the formation of the Saskatchewan Wheat Pool, the formation of SWP and subsequent amendments to the SWP Act.

A description of the events leading up to SWP equity conversion and a summary of arguments in favour of and opposed to Private Members' Bill 04 will be presented to provide a contextual backdrop against which the findings of the research interviews will be analyzed. The conclusions contained in Chapter 6 will pull together the strands of cooperative theory and globalization theory. Possible implications of the financial

restructuring of the Saskatchewan Wheat Pool will be presented for discussion and debate. Finally, future areas of research arising from this thesis will be proposed.

1.3 Scope of Thesis

While the writer would have relished the opportunity to conduct primary research interviewing a cross-section of SWP farmer-members, logistical and budgetary restraints did not allow for this research option. Therefore, archival research, analysis of pertinent legislative documents and face-to-face interviews with SWP management, SWP elected officials and officials of organizations connected to SWP through the grain industry provide the information for this thesis.

1.4 Research Methods

A multi-layered research strategy of archival research, content-analysis of legislative documents and committee hearings, and face-to-face interviews was designed to examine the issue of structural change occurring within SWP as a result of the financial restructuring from several vantage points. The purpose of this research strategy was to employ a multi-faceted research approach so that the researcher could view the research topic through the elements of context, setting, situated activity and history (Layder, p.8).

The research for this thesis was conducted in three stages:

Stage 1: Archival Research in the Saskatchewan Legislature to determine if, during the course of SWP's history, a change of this magnitude had ever taken place.

Stage 2: Review and Analysis of the Minutes and Verbatim Report of the Standing Committee on Private Members' Bill 04 – the Saskatchewan Wheat Pool Amendment

Act, 1995 Other articles and publications related to the issue of equity conversion were also reviewed

Stage 3: Face-to-Face Interviews with selected senior management executives and senior elected officials within SWP as well as officials of organizations related to SWP through the grain industry.

Stage 1 research consisted of a review of the legislative statutes of previous amendments to the Saskatchewan Wheat Pool Act in order to provide a historical context with which to compare the impact of financial restructuring through equity conversion with previous changes within the cooperative.

Stage 2 research involved a complete analysis of the Minutes and Verbatim Report for the Standing Committee on Private Members' Bill 04. The arguments for and against equity conversion were summarized, categorized and analyzed.

Stage 3 research consisted of in-depth interviews with nine individuals who were connected with SWP. The interviews, which lasted between forty-five minutes and an hour and a half, followed a set group of questions designed to obtain information about the interviewee's attitudes related to the changes taking place within SWP, the grain industry and the global marketplace. (See Appendix A, p. 101)

Interview questions were designed to gather information about the role of SWP members, delegates and the democratic structure of the cooperative. Questions were also asked about the policy formation process, the focus of SWP and the role of the newly created class B shareholders. The final set of questions were designed to gain insight into whether the interviewees thought that the restructuring was a positive, necessary event

and also, if the interviewees thought that SWP had retained the core principles of a cooperative.

The interview responses were compiled and analyzed from three perspectives: the attitudes of senior elected officials within SWP, the attitudes of senior executive management within SWP, and the attitudes of officials of organizations related to SWP through the grain industry. The analysis of the research questions is presented in Chapter 5.

1.5. Theoretical Framework

The overarching theoretical framework informing the structural changes within SWP is the ideology of globalization. All of the arguments presented prior to and during the Standing Committee Hearings on the amendment to the Saskatchewan Wheat Pool Act were discussed within the opposing ideological frameworks of “co-operative principles” and “global capitalism”. The arguments presented in favour of Bill 04 were strongly influenced by the dominant view of proponents of global capitalism. The increasing hegemonic ideology of global capitalism with the stress on the free marketplace, competition and efficiency gained force from the mid-70s to the end of the 1980s. The ideology of the “new right” has its roots in the restructuring of a global economy that began in the mid-1960s. M.P. Marchak (1991) argues that “...the political movements and parties of the new right, promoted by corporate leaders who funded the think-tanks and participated in the crafting of their strategies, provided the ideological framework for the restructuring of the global economy” (p. xii). The Trilateral Commission, established in 1972, and corporate capital interest groups and think-tanks throughout the industrial countries sought to reorganize politics and disseminate the

message of the competitive free market economy. Rapid technological change and the drive towards constant accumulation of capital are intrinsic to this ideology. Global capitalism, as espoused by the new right, has aggressively put forward its agenda in books, articles and especially through the medium of television. The key components of the agenda are as follows:

- 1) primacy of the individual
- 2) the virtues of free enterprise and entrepreneurship
- 3) economic growth as essential to progress
- 4) minimalization of state intervention with markets
- 5) democracy and democratic input from citizens undermine efficient planning.

The logic of the global capitalist economy and the hegemonic ideology of the dominant class within it creates an integrated system that is external to and coercive of people. To illustrate how thoroughly this ideology has been accepted we look at two farm publications. "Pro-Farm", the official publication of the Western Wheat Growers Association, lists Cargill and John Deere Limited as corporate members. These corporations subscribed funds to the Trilateral Commission (Marchak, p. 112). The magazine openly promotes the values of global capitalism, individual competition and access to free markets. The articles in the Nov./Dec., 1994 issue are critical of the Canadian Wheat Board. "Yes, there is no doubt that the CWB wields considerable power. But that is the problem - it has too much power. It is time to place some of that power back into the farmer's hands" (Rutter, p. 17). The Winnipeg Commodity Exchange has a full page advertisement announcing workshops on how futures and options can be used to stabilize farm incomes. Advertisements for herbicides, farm machinery and seed

emphasize the individual farmer's control over production decisions, markets and profits. United Grain Growers' advertising logo - Meeting Farmers' Business Needs - illustrates how the corporation sees farmers and possibly, how they would like farmers to see themselves. Farmers who send comments into the magazine for publication identify themselves as individual entrepreneurs. "Farmers must have more market information to be able to make correct business decisions for their farms. They must also have the choice of how to market their grain to meet their own particular financial needs" (Erickson, p. 26).

Advertisements in the *Western Producer* (March, 1995), the Saskatchewan Wheat Pool's weekly newspaper, also follow the theme of farmers as business entrepreneurs. DuPont urges farmers to "get the winning edge with Muster herbicide from DuPont" (*Western Producer*, p. 17). The National Research Council of Canada has a large advertisement containing many of the words and phrases of the global capitalist ideology. "A stronger competitive edge - that's the ultimate value of cultivating a partnership with the National Research Council. You'll gain access to the country's top scientific and technological minds and most advanced R & D facilities - resources that can help you stay ahead in the international marketplace - discover how NRC can help your business grow" (p. 30).

Both publications, capitalist and co-operative, contain words and images that support the dominant ideology of the day. The prevailing positive notion of 'progress' within the global marketplace and the increasing view of farmers as 'business entrepreneurs' informed the discourse of capital accumulation on a global scale. Words such as competition, free enterprise, restructuring and rationalization did not fit well with

words such as co-operation, democratic control and rural community values.

The emphasis on the individualistic farm operator (an important concept in the free enterprise logic of global capitalism) has diminished the call for collective action and co-operative values. The historical response to agricultural crises and economic instability in Saskatchewan during the years leading to the formation of SWP was based on a relatively homogeneous agrarian petit bourgeois class position. The western Canadian agrarian petit bourgeoisie in the early decades of this century could be defined as a fraction of the petit bourgeois class. Stirling and Conway (1988) suggest that since the late 1940s internal fractions within this class fraction of agrarian petit bourgeoisie have become more differentiated and heterogeneous. The internal divisions, becoming increasingly evident can be defined in the following manner: 1) large and increasingly capitalist producers who employ farm labourer and/or contract labour to operate their farm units as market oriented, individualistic “businesses”, 2) small producers who are relying more and more on off-farm income to sustain their farming units, and 3) the middle group of more traditional farm operators. As these internal divisions become more acute among Saskatchewan producers, the external pressures of global capital restructuring and global agricultural competition are also gaining momentum.

According to co-operative principles, every member of a co-operative shares in the benefits of the co-operative. This was the basis upon which SWP was formed. Under the new global capitalist system, determining who benefits is open to question. The social and economic aspects of Saskatchewan, its farmers, citizens and leaders are felt through the force of deregulated markets, open competition and the fervour of free enterprise. The theoretical basis of the co-operative movement (its values and principles) are contrasted

with the theory of global competition. The goal of this research project is to examine the possibility of co-existence of the tenets of globalization theory and co-operative theory.

1.6. Summary of Conclusions

Co-operatives have developed in modern industrialized society as a means to serve its members economically and socially. The combination of association and enterprise form the basis for this unique structure. SWP was formed and thrived as a co-operative because both aspects of its organization (association/body of members) and enterprise (commercial business) were integrated and nourished.

As grain handling and agribusiness companies become larger and more powerful, competition has become concentrated within a small number of multinational companies who dominate the global marketplace in the agricultural industry. SWP has declared itself ready to compete against multinational corporations in the agri-business industry. It appears that all interviewees for this research project have pondered the impacts of globalization and agree that SWP made a necessary move in its decision to restructure. While elected officials and senior management maintain that co-operative principles and values are still in place, those interviewed from outside SWP have their doubts about how long the commitment to co-operative values will remain.

The possibility of combining two value systems (global free enterprise and co-operation) is something all participants in the Standing Committee legislative process and research interviewees have examined. The ultimate effectiveness of SWP's restructuring (socially and economically) will not be known until another generation of members have utilized the organization.

CHAPTER 2:

HISTORICAL CONTEXT

2.1. Conditions in Saskatchewan Prior to Formation of Saskatchewan Wheat Pool

The Saskatchewan Wheat Pool was formed in response to problems encountered by farmers when they attempted to market their product. Saskatchewan farmers were caught in the grip of several monopolies. Grain elevator companies and the railway controlled the farmers' ability to market their product within a reasonable length of time and at a fair price. Early accounts of farming in Saskatchewan are replete with details of unpredictable climate conditions, grueling physical labour and long hauling by horse and wagon to transport grain to market. At the end of harvest, farmers were met at the shipping point with a shortage of railway cars. Furthermore, there were no storage facilities available whereby farmers could store their grain until rail cars became available. The Canadian Pacific Railway, in an attempt to eliminate the problems of shipping and storage, offered investor-speculators "... free leases of sites on railway property at various actual and potential shipping points, provided such financial interest would build standard grain elevators on the sites" (Wright, p. 12). The arrangement between the Canadian Pacific Railway and investment speculators was further sweetened by the CPR's agreement not to allow farmers to load their wheat directly into cars nor to store their wheat in the flat warehouses on railway property.

As a result of farmers' complaints a royal commission was appointed by the federal government in 1899 to consider the problem. The findings of the commission supported the farmers' complaints. The Manitoba Grain Act of 1900 (which applied to grain-growing areas of the North West Territories – later to become the province of

Saskatchewan) legislated the Canadian Pacific Railway to build loading platforms and allowed farmers to construct grain storage facilities adjacent to the line. However, the legislation did not specifically legislate the allotment of boxcars to farmers on equal terms with the grain elevator companies so the farmers were back to where they started before the Manitoba Grain Act was enacted (Wright, p. 13).

The anger, frustration, and unrest grew among farmers as it became apparent that the CPR and the grain elevator companies were not abiding by the Manitoba Grain Act. Discussions among farmers in terms of collective action culminated in the formation of the Territorial Grain Growers Association in 1902. The Territorial Grain Growers Association, although small in membership numbers, sued the Canadian Pacific Railway for violating the terms of the Manitoba Grain Act. The Sinaluta trial, as this court case became known, was a victory for the Territorial Grain Growers Association. It set in motion support for the possibilities of collective action by farmers to protect their economic interests from powerful outside investor-speculators.

The symbolic victory by farmers over the CPR was the first step in gaining control of marketing their wheat, but farmers soon realized that marketing on the Winnipeg Grain Exchange was where large profits were made at the expense of the grower. E.A. Partridge, a Sinaluta farmer, led the movement for co-operative handling and marketing of grain by farmers. The goal was a farmer-owned grain elevator system and a seat on the Winnipeg Grain Exchange. Partridge urged members of the Saskatchewan Grain Growers Association (Territorial Grain Growers Association was renamed Saskatchewan Grain Growers Association after the territories became the Province of Saskatchewan in 1905) to “. . . form a farmers’ co-operative trading company

which would market the members' grain through the Exchange and return the profits from marketing to the producer" (McCrorie, p. 26).

The Grain Growers Grain Company opened for business in Winnipeg on September 5, 1906. Fifty days later, on October 25, the Winnipeg Grain Exchange refused trading privileges to the Grain Growers Grain Company because, as a co-operative, the company was splitting the commission for trading with the farmers.

There followed presentations by the Saskatchewan Grain Growers Association to the House of Commons Standing Committee on Agriculture requesting a Royal Commission to investigate the grain trade. The Manitoba Government took action at the insistence of various farm organizations and reinstated the Grain Growers Grain Company on the Winnipeg Grain Exchange on April 5, 1907. But the Grain Growers Grain Company was forced to stop patronage dividends to grower-shareholders which is a core principle of co-operation. An added threat to the fledgling farmer-owned company was the bank's closing due to an overdraft of \$365,000 as a result of the suspension in trading. Partridge and several other farmers pledged their personal assets as security to prevent the bank closure. The Grain Growers Grain Company paid dividends on shares held by farmer-shareholders and the company opened an office in Calgary in 1909.

The Grain Growers Grain Company enjoyed considerable success with increased support, through legislation, of the Manitoba provincial government. The loyalty of the members of the Grain Growers Grain Company was tested during harvest season, 1909, when the Winnipeg Grain Exchange suspended its commission rule that all grain handling companies were compelled to charge a commission of one cent per bushel. "The move was clearly designed to attack the new farmers' company whose only source

of revenue was the commission it charged for grain sold” (Knuttila, p. 113). The Grain Growers Grain Company held a referendum. Ninety-eight percent of the farmers who voted favoured a one cent per bushel commission in order to keep the company in business and stave off the re-establishment of the line elevator companies and grain exchange monopoly.

Farmers’ continued dissatisfaction with the elevator system and handling facilities led to appeals to the state for intervention against the monopoly of elevator interests. A Royal Commission in Saskatchewan in 1910 examined these issues. Although discussions had taken place with the three western premiers at various conferences since 1908, the Premiers had not intervened to provide an alternative system of government owned or controlled elevators. While declaring their support for the idea, they maintained that their hands were tied because it was beyond their provincial powers constitutionally. Continued pressure from farmers finally brought forth legislation in March, 1911 that assisted farmers to set up their own company – the Saskatchewan Co-operative Elevator Company, Ltd. “By 1913 the new company was well established and the decision was made by the co-operative to seek trading privileges on the Exchange and market as well as handle farmer’s grain” (McCrorie, p. 29). Hence, two farmers’ companies were in competition for farmers’ membership and business. Interest in merging the farm co-operative companies grew, particularly among Grain Growers Grain Company members. The Grain Growers Grain Company, a joint stock company, had its center of activity based in Winnipeg, while the Saskatchewan Co-operative Elevator Company was based around local units with a large network of local facilities. The Grain Growers Grain Company shareholders generally did not concern themselves with the operation of the

company “... its shareholders were satisfied to draw their dividends ... in some cases without even contributing their patronage. It was therefore hoped that the merger with the more co-operatively structured elevator company would result in the GGGC becoming more of a co-operative venture” (Knuttila, p. 123).

Meanwhile, World War I created problems for grain marketing as the demand for export wheat caused further expansion and fears of rivalry between existing farmer-owned grain handling companies. Attempts by the Grain Growers Grain Company throughout 1915 to 1917 failed to bring about a merger with the Saskatchewan Co-operative Elevator Company. However, a merger between the Grain Growers Grain Company and the Alberta Farmers’ Co-operative Elevator Company occurred on September 1, 1917 forming a new company, the United Grain Growers Limited.

Wheat prices continued to rise. The Canadian government set a ceiling price and closed the Winnipeg Grain Exchange temporarily. When the war ended, wheat prices rose again causing the federal government to close the exchange and set up the Canadian Wheat Board on July 28, 1919, in order to hold the price of wheat down. Many farmers, after initial resistance to the idea of the Wheat Board, came to support the Board and wanted it retained in order to eliminate futures speculation and instability of grain prices.

Pressure from the grain trade, milling interests and eastern Canadian consumers led to the dissolution of the Canadian Wheat Board in July, 1920. The Winnipeg Grain Exchange was open for business again on August 18, 1920, re-establishing the open market system. Spring wheat prices fell from \$1.55 per bushel in 1920 to \$0.65 per bushel in 1923 (Knuttila, p. 126). Intense pressure from farmers and farm organizations did not sway the federal government so farmers began to discuss the idea of a producers’

pool to handle grain according to co-operative marketing principles. Federal legislation was passed so that prairie provincial governments could set up their own wheat boards, but it required that two out of three prairie provinces support it. The province of Manitoba rejected the idea, while Alberta and Saskatchewan supported the idea as a temporary measure until a voluntary pool could be set up.

The Farmers Union of Canada, Saskatchewan Section was formed in 1921 to speak for farmers. The organization wanted to establish a producer's pool free from commercial or political interests. Leaders of the Farmers Union had lost faith with the Saskatchewan Grain Growers Association's ability to seek solutions in farmers' best interests. "The mutual distrust among leadership was deep. The SGGA leaders regarded the FUC leadership as a group of rough irresponsible rabble-rousers; the FUC leadership regarded the SGGA leaders as well-dressed, successful farmers who had lost touch with the grass roots" (McCrorie, p. 32). The first attempt at setting up the pool resulted in the incorporation of the Saskatchewan Co-operative Wheat Producers Limited in August, 1923. Recruitment of farmers into the pool was below the required number (50 percent of wheat acreage) but in 1924 a successful membership drive was completed and the Saskatchewan Wheat Pool began its operations.

2.2. History of the Emergence of Agricultural Co-operatives

2.2.1 Formation of Agricultural Co-operatives

The formal organization of co-operation in farming only comes about when farming is commercialized. Farmers in every country have worked together, historically, under the heading of neighbourly help. Only when farming has become commercialized and mechanized has regularized, formal modern co-operation been introduced. The

common perception of farmers as small property owners who guard their liberty and independence runs counter to the idea of joining together with other farmers to deliver saleable produce even when a richer market may occasionally be available to individual farmers.

In practice, the farmer does not choose freely to sell his liberty and join his neighbours in a co-operative. His liberty is already threatened. He can sell his produce to the local market town or buy stock from other farmers but trade to places further afield is beyond his scope; it needs the intervention of a middleman – be he co-operative or private traders. Independence is gone, however the farmer may act (Smith, p. 3).

Co-operation has been described in many ways: a type of economic organization, a way of doing business, a way of life. All of these descriptions claim a distinctiveness from private business and state enterprise. Co-operation takes many diverse forms and activities and is governed by laws “... which though they may differ from country to country, are alike in recognizing that they deal with something unique, neither government, nor business, nor philanthropy, that must be conducted on its own principles and judged on its own merits” (Digby, p. 9).

The first agricultural co-operative started by processing produce, in particular, dairy produce, which did not need to sell the farmer's produce. The oldest type of dairy co-operatives were formed before the thirteenth century in Europe to process milk into cheeses such as Gruyere, Emmenthal and Fromage Bleu (Smith, p. 4). In the early exchange economy of the Western United States, beef rings were used to divide the meat of a slaughtered animal among families, none of whom could consume so much meat at home. Generally, in agricultural processing, when complex equipment and organization necessary for marketing the farm produce at the best price formed a bottleneck which might be controlled by private enterprise for its own profit, the conditions were

favourable for the introduction of a co-operative " [T]he first entry of a co-operative into any processing trade is the direct result of exploitation by private firms; their failure to make the industry as efficient as that of competing countries or the need for market outlets. Once launched, the co-operatives will be in a position to initiate new methods and spread activities to new products" (Smith, p. 6).

Processing factories led to marketing associations. With marketing associations, some disciplinary action may be taken with regard to standards and quality control of agricultural products, but legislation, whether enforced by civil servants or by the association, was necessary if regulations were to apply to the whole country when produce had to be exported to a distant market, even though in an unprocessed state, the farmer was unable to care for the marketing arrangements as an individual. With the advent of steam ships and railroads, agricultural goods unsaleable locally became a valuable commodity in the "New World" market.

Modern agricultural co-operatives emerged as the answer to the injustice of capitalism in the wake of the industrial revolution.

Poorer men saw in them a price advantage. Economists saw a new incentive to efficiency. Walrus wrote: "In every case this capital (of the co-operative) will have been created by the care and directed to the advantage of the member who, from simply being workers, will become capitalists. The co-operative, as far as they are concerned, only tends towards the more complete fulfilment of the economic order." The Utopian Socialists saw a method of developing a completely new society; such was the idea of the Men of Rochdale. The reaction was a very simple one of isolated individuals turning to co-operation or trade unionism for necessary defense" (Smith, p. 75).

Co-operatives were developed as an antidote to capitalism. Individuals acting as a group can gain effective control and ownership of industries on which their well-being depends, but which are too large to be influenced by them as individuals. Farmers can

employ the system of co-operation wherever they come into contact with mass marketing, in particular, as well as mass production or large units of machinery

2.2.2 Core Principles of a Co-operative

The general principles of co-operation were discussed and debated in Europe during the nineteenth century as countries such as England, Austria, Denmark, France and Switzerland began to implement co-operative practices to remove obstacles to agricultural business. Beginning with the principles and concepts of co-operation laid down by the Equitable Society of Rochdale Pioneers of the United Kingdom in 1844, a core group of principles has been outlined for co-operatives, whether related to consumer, producer, marketing, supply and service or credit types. These principles include the following:

1. voluntary membership – people voluntarily join a co-operative so they can own and democratically control and patronize the means of providing themselves with goods or services,
2. any cost savings from the activities of co-operatives are shared by the members in ratio to the patronage each member has given,
3. the board of directors is elected from the membership by the membership,
4. commitment to servicing members' needs, and
5. democratic control is maintained through a system of one-member, one-vote.

The International Co-operative Alliance Statement on the Co-operative Identity is more specific in defining the principles of a co-operative. The following list of co-operative principles are guidelines by which co-operatives put their values into practice.

These principles were approved by the International Alliance of Co-operatives on the 23rd of September, 1995 in Manchester, United Kingdom.

1st Principle: Voluntary and Open Membership

Co-operatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.

2nd Principle: Democratic Member Control

Co-operatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote), and co-operatives at other levels are also organized in a democratic manner.

3rd Principle: Member Economic Participation

Members contribute equitably to and democratically control the capital of their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4th Principle: Autonomy and Independence

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise

capital from external sources. they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

5th Principle: Education, Training and Information

Co-operatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their co-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of co-operation.

6th Principle: Co-operation Among Co-operatives

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.

7th Principle: Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

2.2.3 Types of Agricultural Co-operatives

Historically, there have been five types of agricultural co-operatives that have formed the backbone for the co-operative movement within this sector. This section will provide a brief summary of the generalities of each type.

a) Processing of agricultural products: This type of agricultural co-operative is the oldest form, dating back to the thirteenth century and still operating today. Initially, the co-operatives were concerned with dairy products – the processing of cheese for consumption by the members of the co-operative – a subsistence co-operative similar to beef rings that co-operatively shared the meat. Dutch potato farmers formed co-

operative factories in the 1880s which by the 1960s handled nine-tenths of the total output of the starch trade

b) Marketing Associations: Processing factories led to marketing associations, which led to the introduction of standards and a quality mark. These types of co-operative structures can only develop so far on a voluntary basis. It may become necessary to restrain those farmers who sell inferior products and lower the prices for all.

With a marketing association, some disciplinary action may be taken, but legislation, whether enforced by civil servants or by the association, is necessary if regulations are to apply to the whole country. Where authority is delegated to the independent association, membership becomes, in practice, compulsory for all firms; where it is enforced by civil servants, one of the main urges to united action is removed – along with a source of income to the association. The future of co-operative action in each country largely depends on the choice taken. If the industry is given control of its own affairs the association, be it co-operative, private or mixed, becomes permanent (Smith, p. 7).

c) Purchasing: Historically, the supply of farmers' requirements (tools and materials) was in the hands of private merchants – usually it was the same merchant buying and selling to the farmer in what was essentially a barter agreement. The merchant would advance credit to the farmer against the promised delivery of next year's crop. Farmers began to form co-operative wholesale societies which had increased bargaining power and the economies of large-scale operation when pooling their orders. Increased control over purchases led to manufacturing of farmers' requirements.

In 1940, the Royal Commission on Farm Equipment in Saskatchewan reported that present manufacturers – “either could not or would not supply the required machinery at reasonable prices”, and advised the formation of a co-operative factory. When this was put into operation in 1946, 50,000 farmers joined and in 1948 dividends on purchases ranged up to 27 percent. Other efforts at manufacture were the making of harvesters in Iowa and of various machinery in Nebraska (1872) under the auspices of the National Grange (Smith, p. 11).

d) Buying Clubs: Some co-operative supply societies have developed along the lines of mail-order firms with no local premises. These agency co-operatives have no premises, very little capital, carry no stock and transmit orders. Trade is strictly on a cash basis – eliminating all risk of bad debts and thus, lowering costs. Usually, the secretary of the co-operative has been in contact with the wholesalers before contacting the members and then is able to quote prices before members place their orders. Farmers' co-operatives adapt well to this type of structure because their orders for seeds, feed and fertilizer are large and easily bulked. This type of agency co-operative has developed and been utilized in countries such as Denmark, Canada, and Scotland.

e) Credit Banks: One of the raw materials or factors of production in agriculture is credit (the supply of working capital). Farmer co-operatives have found the strict rule of cash sales, as advocated by the Rochdale Pioneers, impractical because of the large capital requirements of farming and its slow rate of turnover. The spread of land purchase and the necessity for farm machinery in the last century have made medium and long-term loans essential. Farmers' credit needs can be divided into three types:

(i) Short term loans – for seeds, fertilizer or fodder – which can be met by local credit unions with a committee which knows the members and can assess their credit worthiness. Funds for short term loans can be procured from members; capital, savings and deposits, joint guarantees or bonds of the members or from state loans. Loans are comparatively small, can easily be called in, and are not a great risk to the local credit union.

(ii) Medium term loans – for purchase of machinery or other investments which will not liquidate themselves for up to ten years. Government funds are used in most countries for medium term loans to farmers.

(iii) Long term loans – for land purchase or improvements for farm buildings or co-operatives. These types of loans usually involve large sums and a central bank of some description is essential. “Credit is one of the most universal of the farmer’s needs and one of the points on which he is most often unsatisfied or exploited. It is correspondingly one of the most commonly tackled by co-operative societies in every country” (Smith, p. 24).

2.2.4 The Idea of “Pooling” as it Applies to Marketing of Farm Products

“The pooling idea, as it applies to the marketing of farm products, was not a sudden inspiration, but rather a very gradual growth” (Yates, p. 11). Ideas were borrowed from Denmark but during the latter part of the nineteenth century immigrants from all over Europe were arriving on the North American prairies and attempting to figure out a system for shipping and marketing their grain. In the United States marketing organizations had been operating on the same basis as ‘pooling’ even before the term was coined. R.D. Colquette stated in 1929 that “. . . in California the fruit marketing organizations from the earliest days have been pooling . . . in fact any organization which actually markets the products of its members or patrons in bulk, and not each individual’s products separately must, perforce, use the pooling system” (as quoted in Yates, p. 12). The history of pooling is difficult to trace but the practical experience of farmers in the last century has led, in North America particularly, to a centralized type of organization

which does not buy the product of their members at the current market prices, and which distributes excess profits, if any, on the basis of patronage.

According to Mr. Colquette, co-operative marketing in its relation to the pool on this continent, had its chief origin with the raisin growers of California. The form of their organization greatly impressed Sapiro, who applied the idea of centralized co-operative selling to wide areas within state or provincial boundaries. To this system, he applied the word "pool." "Although," says Mr. Colquette, "the early California organizations, like the raisin growers and the Sunkist orange people, as well as Sapiro and Weinstock," – the latter of whom, as the Markets Commissioner of California, first gave Sapiro his chance as a marketing expert by appointing him as his private attorney – "had studied the Danish models, it is impossible to point to any particular time in which the pools were introduced into California or any other section of North America" (Yates, p. 12).

2.3 The Formation of the Saskatchewan Wheat Pool

In 1918 the Canadian Council of Agriculture recommended a voluntary pool. The idea of a farmer-run wheat pool had been circulating on the Canadian prairies for some time. In 1920, after considerable study by the Council, a plan for a pool based on contracts in which members would commit all their wheat acreage for five years to the pool was endorsed by the organization. The Council plan did not provide for a democratic structure. It also recommended that operations not begin until sixty percent of all wheat acreages were signed up (Fairbairn, p. 15). Criticism and controversy swirled as new pool proposals were put forth to farmers in the aftermath of the Council's plan.

In the spring and summer of 1923, different pool proposals came from the Co-op elevator company, UGG, the SGGA, the new Farmers' Union of Canada and various other groups. SGGA officials were acutely aware of farmer discontent. Despite the SGGA's many past accomplishments, their membership had dropped from 40,000 a year or two earlier down to 15,000 in 1922; now in 1923, the Farmers' Union was acquiring more prominence as a competing organization (Sharp, p. 161).

The United Farmers of Alberta, United Farmers of Manitoba and the Saskatchewan Grain Growers Association met on July 23, 1923 to set up uniform provincial pools with a common central agency to handle all their sales, and identical contracts binding their members. Aaron Sapiro, a California lawyer and consultant on co-operative marketing, was invited to tour the prairies and address farmers at mass meetings held in Saskatchewan and Alberta. Sapiro's appearances in Regina, Saskatoon, Calgary and Edmonton caught the fire and imagination of farmers who listened to him speak.

Sapiro laid out his advice clearly and uncompromisingly. The farmers, farm organization leaders and government officials who heard him speak during that tour were given Sapiro's rules for setting up an efficient and powerful pool.

The pool must be non-profit, non-speculative, exclusively focused on one commodity only. "Never handle an ounce of stuff for a non-member." There must be absolute democracy: one man, one vote, regardless of quantities of wheat delivered or cash invested. Directors must be chosen in geographically defined districts, to ensure proportional representation and prevent centralized control. Every member must be bound by a written contract, more sacred than matrimony, to deliver all his wheat for a full five-year period. No operations would start without fifty percent of the wheat acreage locked up in such contracts. The pool should as soon as possible own its own elevators. And, above all, there had to be an end to all the talk of overlapping and competing pools. There should be only one pool organization per province, with the three prairie provinces' pools selling all their wheat through one central sales agency to avoid duplication and competition (Fairbairn, p. 24).

After Sapiro's five day speaking tour in Saskatchewan, farmers, members of farm organizations and representatives from banks, railways and other commercial enterprises spread out across the province to launch a sign-up campaign. "In Saskatchewan, with nearly twice as much land sown to wheat as the other two provinces put together, the

objective was beyond reach. The sign-up campaign realized only 1,700,000 acres and further organization was deterred until the next spring” (Colquette, p. 160).

In the wake of the failed deadline, Pool organizers decided to carry on the campaign, asking everyone who had signed a contract to sign a waiver removing the deadline condition. The pool would come into existence when it hit fifty percent, regardless of the date. “The Saskatchewan government provided \$45,000 for further organization expense, UGG contributed \$5,000, and the shoestring Pool budget was set for another winter” (Fairbairn, p. 30). On June 26, 1924, the provisional directors met to declare the pool operational (over the top) with 45,725 contract signers and 6,433,779 acres of wheat, becoming the largest co-operative marketing organization in the world’s history.

CHAPTER THREE

THE INTERVENING YEARS

In the seventy-five years since SWP began operations many changes have occurred within agriculture, rural communities and the world economy. This chapter will provide a brief overview of some of the events, attitudes and policies which have had an impact on Saskatchewan farmers, their communities and the province as a whole.

The years immediately following the formation of SWP were notable for the boom in agricultural production, the acceleration of the mechanization of agriculture and the return to prosperity. The process of rural settlement was mainly completed and wheat production surpassed records set during World War I. By the late 1920s Saskatchewan farmers had a taste of prosperity. A mechanical revolution was underway with trucks, tractors and combines replacing oxen and horses. Although farmers were mechanizing their operations and increasing their acreage under cultivation, farming remained a family business in Saskatchewan. "After paid labour is taken into account, about 85% of all farm labour is contributed by the farm family" (Britnell, p. 43).

Saskatchewan farmers provided wheat for both domestic and foreign markets in the early years. They also provided a market for Central Canadian manufactured goods. The boom and bust nature of agricultural production has been a continuing factor in the course of Saskatchewan's agricultural development. Net farm incomes from year to year were unpredictable and unstable. Saskatchewan was extremely dependent on resource production. "From 1920 to 1943 fully 70 per cent of the total income in Saskatchewan was earned directly from the sale of wheat" (Conway, p. 101).

The impact of the Great Depression was particularly severe in Saskatchewan. The

collapse of world markets combined with the drought conditions and crop failures brought incredible hardship to the province. The dependence on one resource (wheat) and farmers' staggering debt loads forced many Saskatchewan farmers into bankruptcy and abandonment of their farming operations. The economic strains of the Depression years brought social disruption, despair and calls for Western Secession from Canada. It was an era of political discontent during which the Co-operative Commonwealth Federation (CCF) was formed in Saskatchewan. Bill 98 received royal assent on July 5th, 1935 establishing the Canadian Wheat Board. The early years of the Canadian Wheat Board were marked by confusion and conflict as government officials and farm lobbyists struggled to stabilize wheat prices and set up an effective marketing system for Canadian farmers.

World War II brought massive social and economic changes everywhere. Saskatchewan's contribution to the war effort consisted of many young men marching away in uniforms. Those who stayed behind worked hard to produce grains and livestock in spite of a shortage of labour and machinery parts. Farmers and government officials also continued to "... work for equity in agricultural pricing, to help plan a better international system for post-war years, and generally to make prairie agriculture a sound industry that could help feed nations starved by years of ruthless warfare" (Fairbairn, p. 141).

The CCF formed the government of Saskatchewan from 1944 to 1948. Massive reforms took place in order to ensure "the provision of security" (Conway, p. 164). After the trauma of the Depression years in Saskatchewan the need for economic diversification was evident to all. Dramatic social and economic changes took root during

the four year period of CCF government:

Massive relief debts incurred by farmers during the Depression were written off. Aggressive government support of farmer efforts to re-fund outstanding debt was provided. Rural Saskatchewan was modernized as the CCF strove to deliver the amenities of urban life to the farm. Programs of support and aid to agriculture encouraged farmers to modernize and diversify to lessen the great dependence on the monoculture of wheat . . . The vision that motivated the CCF program, and the government's initial moves was clear. The Co-operative Commonwealth was viewed as a society founded firmly in the family farm (Conway, p. 167).

The 1950s and 1960s were decades of increased federal support. Federal equalization payments established a guaranteed minimum provincial revenue base. "Federal support and aid to agriculture helped the West, as did the continuation of the Canadian Wheat Board and the Crow statutory rate. . . Massive amounts of federal funds were contributed to the modernization and diversification of Prairie agriculture and rural society" (Conway, 175). Meanwhile farms in Saskatchewan became larger and more rural people moved to towns and cities to find employment. Farming became a more capital intensive "business" as farmers relied more on expensive machinery and increased use of chemicals. "A new generation of farmers was taking over the land . . . From almost 139,000 farms in 1941, averaging 432 acres each, the province went to 79,366 farms in 1966 with an average 807 acres, reflecting fundamental changes in rural society" (Fairbairn, p. 166). Special interest commodity groups associated with agricultural production began to form, resulting in a dissolution of the "single voice of farmers" in agricultural policy issues. During the 1960s conservative farm organizations advocated the return to competitive, free enterprise in the marketplace while progressive farm organizations advocated the retention of marketing boards, the Crow Rate and other forms of federal price supports. The process of modernization and concentration of

farming was underscored by the concept of economically viable farm units. Off farm wage labour became a necessity for farmers (and their spouses) who continued to operate small to medium sized farms. Saskatchewan was in the midst of intense resource development in areas beyond agriculture – potash, uranium, oil exploration, gas pipelines, pulp production – in order to diversify the provincial economy.

After a period of relative prosperity for Saskatchewan farmers, a severe recession in agriculture in the late 1960s and early 1970s gave rise to economic difficulties and a Federal Task Force (1969) report advocating programs of acceleration of land concentration and the exit of marginal farmers. As the recession ebbed away in the early 1970s agricultural prices improved and Saskatchewan reaped the benefits of profits on oil and natural gas production during the OPEC oil crisis of the mid-1970s. Controversy continued among farmers about issues such as support for the Canadian Wheat Board and the Crowsnest Pass freight rates. Saskatchewan remained a resource economy, with agriculture remaining the province's largest economic sector as the 1980s began.

Rural depopulation continued in Saskatchewan, along with an increasing sense of rural community decay and disintegration. Urbanization was taking its toll on the province's rural communities as well as the political importance of farmers on the national level. The 1980s were marked by a tenure of Conservative government: federally and provincially. A program of deregulation, privatization and a move to free market competition characterized the 1980s. Agriculture in the 1980s "... faced a long-term crunch as one-third of Saskatchewan's farmers teetered on the brink of bankruptcy" (Conway, p. 234). Development of a free enterprise, free market philosophy was encouraged, along with support for NAFTA (North American Free Trade Agreement), a

continental free market encompassing Canada, the United States and Mexico. This move to a deregulated global free market was advanced by political leaders of the “right” around the world. Canada and Saskatchewan were enmeshed in the process dealing with the “wheat wars”, caught in the middle between the European Community and the United States as each implemented subsidy programs for their farmers. During this period of subsidy wars, Saskatchewan farmers dealt with falling grain prices and rising farm debt. Rural depopulation continued and fewer young farmers were willing or able to enter or continue farming. This is the period during which Saskatchewan Wheat Pool began searching for restructuring options to ensure its survival into the next century.

Canadian agricultural policy has played a major role in the social and economic development of western Canadian agriculture since Confederation. It remains a key factor in understanding the current restructuring of the agricultural sector in general and more specifically, SWP’s new mission to become a major force in the global agricultural market. Federal agricultural policy can be divided into three phases: Phase One: Establishment and Expansion (1867 – 1930), Phase Two: Crisis Management and Maintenance (1930 – 1969), and Phase Three: Globalization and Restructuring (1969/70 – 1990s).

Phase One, from Confederation to the onset of the Great Depression was characterized by a series of policies focusing on the establishment and maintenance of an agricultural population on the Prairies. John A. MacDonald’s National Policy, instituted to settle the west and facilitate eastern Canada’s industrial development, included tariff protection, western settlement and the construction of a transcontinental railroad linking eastern and western Canada. Upon completion of the National Policy objectives the

federal government continued to support the wheat economy of the prairies through such actions as: systematic and on-going investigations and regulations related to the activities and operation of the grain trade, government intervention in the marketing of wheat, the establishment of a system of experimental farms to facilitate research into new varieties of cereal grains and support of various co-operative ventures. Agriculture was a key factor in the overall building of a nation during this phase of Canada's history.

Phase Two of federal agricultural policies began with the onset of the Great Depression and the devastating drought during this period. Government policies were put in place to deal with the crisis. The initial policies during this period dealt mainly with crisis management in order to save the entire prairie agricultural system from collapse. The social, economic and political system of western Canada was in danger and the federal government took the following actions: created a permanent wheat board, regulated the activities of the Winnipeg Grain Exchange, established the Turgeon Grain Commission, passed the Prairie Farm Rehabilitation Act (1935) and the Prairie Farm Assistance Act (1939). After World War II the federal government continued in its attempts to stabilize and maintain agricultural production while moving increasingly from a "national" policy agenda to a "continental" policy agenda. Even as legislative initiatives such as amendments to the Wheat Board, negotiations regarding international agreements, the Farm Improvement Loan Act (1944), the Crop Insurance Act (1959), the Agricultural Rehabilitation and Development Act, and the establishment of the Farm Credit Corporation were taking place to maintain the structures and institutions set up during Phase One, the rest of the Canadian economy was moving in the direction of continental integration with American industry. During this period many Canadian

became integrated into transnational networks of production and distribution while others were bought out by American-based multinationals.

Phase Three represents a tremendous change in Canadian agricultural policy beginning with the 1970 report, *Canadian Agriculture in the Seventies*. This document, based on the findings of the Task Force on Agriculture in April, 1967, marked the transition point in federal agricultural policy decisions. The key recommendations suggested that a new era in agriculture was dawning in which there would be far fewer producers; problems in agriculture were the result of national and international processes. The international turmoil and realignments of the 1970s and 1980s led to federal agricultural policy which supported radical restructuring of Canadian agriculture. Policy has moved away from supporting and encouraging a broad base of agricultural producers. The decline in federal government support over the past decade in western Canada has been demonstrated in the following manner: less government support for income support programs and agricultural research, ending the Crow Rate benefit, and diminished power of the Canadian Wheat Board. The federal government policies of the current era are designed to allow the logic of the global market to restructure prairie agriculture.

SWP has changed and evolved along with the nation, the province and its farmers in the decades since its formation in the 1920s. As Saskatchewan's agricultural industry has coped with the cycles and changes related to farming, so, too, has SWP. The push for diversification in agricultural production, the concerns related to rural depopulation and the waning impact of farmers on the political system in Canada have been issues that SWP has grappled with and provided a voice on policy issues over the past decades. As farming became more complex, capital intensive and competitive, SWP remained

intricately linked to the rural citizens and communities of Saskatchewan, affected by external change or effecting change from within the internal structure of the organization.

CHAPTER 4:
PRIVATE MEMBERS BILL O4

4.1. Amendment to Saskatchewan Wheat Pool Act

The Saskatchewan Wheat Pool Amendment Act, 1995, was presented to an all-party Standing Committee on Private Members' Bills in the Saskatchewan Legislative Assembly on March 7, 1995. There were several clauses repealed or amended within the Act. The sections that created the most conflict and debate within the organization are found under the heading **CONVERSION OF SHARES** (Section 32.1, 32.2 and 32.3).

Specifically the Act states:

"The corporation may, at its option, convert all shares in Class "A" Voting Shares and Class "B" Non-Voting Shares in accordance with the following rules:

- 1) Twenty-five of each shareholder's shares are to be converted into one Class "A" Voting Share and;
- 2) any remaining shares of a shareholder are to be converted into Class "B" Non-Voting Shares for every 10 Shares converted; and
- 3) for the purposes of this section, the corporation is authorized to issue an unlimited number of Class "A" Voting Shares and Class "B" Non-Voting Shares.

Class "A" shares can only be held by farmers/agricultural producers and are non-transferable. Members are limited to owning one Class "A" share that entitles them to one vote and one vote only. Class "B" shares are also:

- 1) a liquid investment which can be purchased or sold at any time.
- 2) an eligible investment for an RRSP,

- 3) collateral for a bank loan,
- 4) transferable to a beneficiary as part of an estate, and
- 5) available for purchase by Saskatchewan Wheat Pool employees and other investors after the in-house matching up of buyers and sellers at the time of the share conversion.

Saskatchewan Wheat Pool president, Leroy Larsen, informed the Standing Committee: "Class A shareholders will continue to be eligible for economic rewards in proportion to business transacted under various marketing incentive programs. They will also be eligible for cash dividends on their Class B Non-Voting shares if the Pool continues to prosper" (Standing Committee Hearings, p. 42).

The existing share capital of the Saskatchewan Wheat Pool (approximately \$288 million according to figures supplied by the organization) were converted into a combination of Class "A" Voting Shares and Class "B" Non-Voting Shares. After the conversion of shares, patronage dividends were discontinued. The purpose of the amendment was to restructure financing to raise equity on the capital market. Leroy Larsen stated at the hearings that the Saskatchewan Wheat Pool "... has to find a better way of doing business. The Pool has to modernize and diversify and these changes require additional capital. Financial restructuring is absolutely critical to the future of this co-operative ... Neither increased earnings nor debt financing would deliver the level of capital we need to take us into the future" (Standing Committee Hearings, pp. 39-40). Larsen further stated that he had indicated on numerous occasions at meetings with Saskatchewan Wheat Pool members that in order for equity conversion to take place the following conditions would have to be met:

- 1) changes to legislation must take place
- 2) members must be ready for the change
- 3) valuation must produce values for existing shares of at least \$1 per share
- 4) financial performance at the Pool must be satisfactory
- 5) market conditions must be favourable.

The previous section lays out the fundamental change contained in Private Members' Bill 04; a member-owned co-operative becomes a joint stock company. As a result, patronage dividend payments – a core principle of co-operatives – have been discontinued and investment for speculative purposes has been introduced. Issues such as member control, representative democracy, influence by 'outside' investors, Class "B" Non-Voting shareholders gaining a voice on the Board of Directors and the process by which the amendment was formulated and put before the membership were all addressed at the Standing Committee Hearings in March of 1995.

4.2. Chronology of Equity Conversion Plan and Activities

The following chronology identifies some of the major and significant events that occurred during the development and implementation of the equity conversion plan:

- March 1991: The Financing Review was initiated to examine corporate and co-operative financing alternatives.
- November 1991: Delegates were advised at the Annual Meeting of Delegates of the need to examine various debts and equity financing alternatives.
- June 1992: SWP's senior management reviewed the proposed financial objectives, the debt management strategy and equity financing alternatives.

- July 1992: The Board of Directors attended a two-day presentation to review proposed financial objectives, the debt management strategy and equity financing alternatives. The Board provided feedback on these topics to management.
- November 1992: Presented delegates with information related to financial objectives and a debt financing strategy at the Annual Meeting of Delegates. SWP's delegates directed management to continue the Corporation's direction towards diversification and value-added processing.
- February 1993: Financial seminars were held for all delegates to inform them about various debt and equity financing options and to get their ideas and suggestions.
- September 1993: Senior management reviewed information on specific equity financing concepts.
- November 1993: Delegates were informed once again at the Annual Meeting of Delegates of the importance of achieving financial targets and the need to seriously consider alternative equity financing options. Delegates asked management to investigate member investment strategies.
- January 1994: At a special one-day meeting, the Board was informed of various equity financing alternatives; specific recommendations were presented for their consideration and to obtain their suggestions.
- March 1994: Special meetings of delegates were held in Saskatoon and Regina to present equity financing alternatives and a recommended course of

actions. SWP's Board approved submitting the equity financing proposal to the delegates for their consideration; the Board authorized communicating information on the Equity Financing Proposal to members.

April/June 1994: SWP management provided detailed information on equity financing to delegates and members and attended a large number of meetings to respond to members' questions and concerns.

July 1994: The delegates approved the Equity Financing Proposal at a Special Delegates Meeting in Saskatoon.

March 1995: Amendments to the Saskatchewan Wheat Pool Act were made in the Saskatchewan Legislature involving a process based on a Private Members Bill which included public hearings. Amendments were approved unanimously by the Private Members Bill Committee.

May 1995: Implementation of the AgShare Program. Through AgShare, Pool members can earn credits for every tonne of grain delivered to the Pool. Depending upon total farm supply purchases, members can qualify for one of six levels of credit for all eligible deliveries. From time to time, the Pool will offer AgShare bonus credits on certain farm supply purchases and grain deliveries. AgShare credits can be converted to cash, accumulated for later use, or upon share conversion, can earn a 20% bonus, involving reinvestment.

October 1995: Four major regional meetings were held throughout the province involving delegates, members and staff.

- October 1995: Board of Directors approve the Preliminary Prospectus, the Application for Listing on the Toronto Stock Exchange, the New Member Stock Option Plan, the Group Registered Retirement Savings Plans and Stock Savings Plan, the Employee Share Purchase Plan and the Management Stock Option Plan.
- December 1995: Announcement by the Board of Directors of Class "B" non-voting shares at a price of \$12.00. The price would remain fixed during the in-house trading period and is 20% higher than the value of member's existing equity in the organization.
- December 1995: A prospectus dated December 19, 1995 and amended December 29, 1995 was completed and filed with the Securities Commission.
- January 1996: Approximately 79,000 copies of the prospectus were mailed to members.
- Jan/Feb 1996: In-house trading of members' equity was completed including the implementation of an employee share purchase plan.
- February 21, 1996: Announcement that Board of Directors authorized management to proceed with final step of the capital reorganization involving the sale of Class "B" non-voting shares to the public. The in-house trading of \$305 million of shares resulted in 65% of shares (51,000 of the possible 78,000) of Pool members retaining some or all of the Class "B" non-voting shares. These members continue to hold approximately 54% or \$165 million of the Class "B" shares, which upon conversion at \$12/share equates to almost \$200 million. In

addition, 52% (1,600) of the Pool's employees across Canada purchased almost \$14 million in Class "B" non-voting shares (4% of shares outstanding). 64% of the employees in Saskatchewan participated.

- February 1996: Board of Directors approve an Amended and Restated Prospectus. Provides for a secondary offering of over 12.7 million Class "B" non-voting shares worth approximately \$153 million.
- March 25, 1996: SWP announced that its underwriters have placed 12.8 million shares valued at \$153 million, clearing the way for the Pool's Class "B" non-voting shares to be listed on the Toronto Stock Exchange.
- March 29, 1996: Saskatchewan Wheat Pool Board of Directors unanimously approved the reorganization resolution that cleared the way for Class "B" non-voting shares to be listed on the Toronto Stock Exchange.
- April 2, 1996: Saskatchewan Wheat Pool's Class "B" non-voting shares were listed and began trading on the Toronto Stock Exchange. The shares trade under the symbol SWP.B.
- June 19, 1996: Saskatchewan Wheat Pool's three major business segments posted strong performances as the company recorded before tax earnings of \$40.1 million for the nine months ending April 30, 1996. The earnings were 32% or \$9.9 million more than last year.
- Sept. 25, 1996: Strong fourth quarter results, including record earning from its farm supply business increased Saskatchewan Wheat Pool's 1996 net earning by 48% to \$48.4 million. Earnings per share for the year was

\$1.64. Sales and operating revenues for the publicly traded agri-food co-operative reached a record \$4.1 billion. Other significant financial accomplishments included:

- Earnings from continuing operations increased 87% to \$91.5 million.
- Return on equity increased 38% to 10.6%.
- Cash from operations increased 13% to \$104.8 million.
- Long term debt decreased 13% to \$86.9 million.

The above events and activities provide a chronology of the process of equity conversion. The following section outlines the arguments for and against equity conversion as presented to the Standing Committee Hearings held in the Saskatchewan Legislature in March of 1995.

4.2.1 Arguments in Opposition to Bill 04 Amendment

The most vocal and vociferous arguments against the amendment to the Saskatchewan Wheat Pool Act came from the Co-operating Friends of the Pool, a registered, non-profit society made up of members of the Saskatchewan Wheat Pool. Co-operating Friends of the Pool argued that activities leading up to the amendment process had not been consistent with the long-standing commitment of the Saskatchewan Wheat Pool organization to democratic and co-operative principles. One of the prime values of the Saskatchewan Wheat Pool was the principle of being a user-driven organization. Stuart Wells, a member of the Co-operating Friends of the Pool stated, "Under the new capital structure, service to farmers will be incidental to the primary driving force of meeting the expectations of investors for returns on their investment" (Standing

Committee Hearings, 1995, p. 57) Mr. Wells also argued that the changes in the Pool would damage the co-operative movement in Saskatchewan. The core concern of Co-operating Friends of the Pool was that members of the Saskatchewan Wheat Pool did not have the opportunity to vote under a full-membership vote on such a fundamental change to the structure of the organization. "Members have witnessed the negation of the principles of democratic control which has always been so strongly touted by the Pool" (p. 57).

John Burton, a Co-operating Friends of the Pool member who also appeared at the Standing Committee Hearings, presented the following argument related to co-operative principles: "Thus, since this proposed Act strikes out patronage dividends and limited interest dividends on capital, they are no longer recognized as co-operative principles. Similarly, certain by-law changes could also by definition under this clause, change currently accepted co-operative principles and make a mockery of them" (Standing Committee Hearings, 1995, p. 95). Mr. Burton argued that a group of delegates should not be able to overturn the established principle of patronage dividends and the fundamental character of the Pool. He also argued that consultation with members and delegates was not adequate for members to be fully informed about the proposed changes. Burton's strong statements on this matter indicated a possible problem in terms of two-way communication between the member-owners and the leadership/management of the Saskatchewan Wheat Pool.

Now it is mentioned of the membership in the reports, that there were consultations or consultative meetings. They were in no way consultative. . . . Any consultation that was done was inadequate in the sense that we didn't have the information. I don't believe our delegates had the information at their disposal to make a decision of this type (p. 65).

One of the cornerstones of a co-operative is the commitment to servicing

members' needs, regardless of the size of their operation. Owner-members control the organization based on one-member/one-vote and have a direct voice

Saskatchewan Wheat Pool as a co-operative acts as an extension of the members' farms. It performs the functions of handling members' products, servicing their farm input needs, and even finding markets for non-board grains. As these jobs are being done for them, the members share directly in the surplus created. Structured as it is today, Saskatchewan Wheat Pool as a co-operative adds value to the members' farms The competing interests (of management and members) are resolved in the process of allocation of profits Based on a long-standing moral obligation, the members have at least equal right to the profits once the members' equity is converted to shares, there will no longer be a moral obligation to pay profits to members first. The profits will accrue directly to the corporation first. Only after management and the board have committed the surplus to capital investments will the members' interests be accounted for and then it will only be a question of whether there is sufficient surplus left to pay them a dividend on their shares" (Faller, Standing Committee Hearings, 1995, p. 304).

Opponents of the amendment argued that Class "B" shareholders would find the cost of Saskatchewan Wheat Pool's democratic structure unacceptable and the democratic structure would eventually be rationalized and minimized.

Will future Class B shareholders want to invest in a company with legal control given to farmers who only have to pay a \$25 voting share and invest nothing in the company, with control given to farmers who may value service from the company as much or more than whether it makes a profit (Faller, Standing Committee Hearings, 1995, p. 306)?

Opponents of Saskatchewan Wheat Pool Act (Bill 04) strongly believed that, over time, members would lose control of the Saskatchewan Wheat Pool because Class "B" shareholders, the Stock Exchange and investment markets would exert more and more influence on the organization in the years to come.

The reality is that should Saskatchewan Wheat Pool go public with its share offering, it won't be long before the influence of outside capital will be dictating policy and bringing its financial influence to bear on Saskatchewan Wheat Pool (Miller, Standing Committee Hearings, 1995, p. 220).

4.2.2 Arguments in Support of Bill 04 Amendment

The arguments in support of the financial restructuring of the Saskatchewan Wheat Pool related primarily to the global economy and how the Saskatchewan Wheat Pool had to adapt in order to survive. Leroy Larsen, in his opening remarks to the Standing Committee Hearings (1995), stated, “All over the world both private and public organizations are re-examining their roles and adapting to new realities and the challenges of a changing competitive environment” (p. 39). Larsen and other members in favour of Bill 04 had set their goal as becoming more competitive in the agri-food industry. Proponents spoke of reassessing the Saskatchewan Wheat Pool’s position and priorities in relation to intense competition and rapid economic expansion in other countries throughout the world. The argument was that in order to become more competitive, the Saskatchewan Wheat Pool had to adapt through modernization and diversification. These changes required additional capital to attain the organization’s goals.

We must modernize, upgrade and diversify today in order to compete in the years to come. Modernizing the country grain elevator system, upgrading facilities, and continuing the diversification thrust into value added business takes cash and lots of it . . . It was imperative for us to implement changes that satisfied the escalating need for capital . . . A new financial structure that satisfies our need for capital will position Saskatchewan Wheat Pool to flourish in the competitive agri-food industry (Larsen, Standing Committee Hearings, 1995, p. 40).

Membership and leadership who supported the Bill 04 share conversion were attempting the integration of two competing systems - a co-operative and a joint stock corporation. Advocates of the amendment to the Saskatchewan Wheat Pool Act maintained that the important principles of a co-operative such as the delegate structure

and member control for Class "A" shareholders would remain the same as before the conversion process. Meanwhile, Class "B" shareholders would provide additional capital and assume some of the risk that had previously been borne by Saskatchewan Wheat Pool members only.

Members who advocated the amendment regarded the change as necessary and inevitable given the reality of operating in an increasingly competitive global marketplace.

While it is true that Saskatchewan Wheat Pool has been effectively marketing on a global basis for many years, we find now that the policies of deregulation and world trade agreements have changed the atmosphere in which we trade . . . No longer are we only elevators and grain handlers but rather a diversified, agricultural co-operative creating badly needed value-added opportunities for this province. Simply put, Saskatchewan Wheat Pool has grown and has had to change to tackle the realities of the world. For Saskatchewan Wheat Pool to continue to be a successful agri-food business it must adapt to secure a position in this global economy (Lawrie, Standing Committee Hearings, 1995, p. 225).

Our competitors operate in the global market with vast amounts of capital and expertise. They will attack all that we stand for - co-operation, for democratic principles, for orderly marketing and they will do it at every turn. We must allow our company to move into the next century in as strong a position as we possibly can . . . We must be allowed to move our company into the next century in a positive and ever expanding way (Coates, Standing Committee Hearings, 1995, p. 122).

Although members of the Saskatchewan Wheat Pool who advocated the amendment to the co-operative displayed confidence that Bill 04 was the right move for the organization, some members will undoubtedly never be convinced as the following comments illustrate.

It (Saskatchewan Wheat Pool) will be accountable not to producers alone, and their families at the farm gate, but to non-farming investors who are outside agriculture and on the Toronto Stock Exchange, whose only interests are return on investment or profit . . . Converting the Pool to a publicly traded joint stock company means the financial interests of investors are given first priority (Siemens, Standing Committee Hearings,

1995, p. 159)

Maximum return on investment is the only motivating ethic. Investment capital is secured only by the promise of maximum return. There is absolutely no consideration given to the effect on people. This concept daily continues to enhance the wealth and power of the global market manipulators. Conversely, this concept daily places at increasing risk the survival of farm families, vibrant rural communities, and long-term employment opportunities (Gabriel, Standing Committee Hearings, 1995, p. 300).

CHAPTER 5:

RESEARCH PROJECT INTERVIEWS

5.1. Summary of Research Method

The interviews conducted to gather primary data about the financial restructuring of the Saskatchewan Wheat Pool through equity conversion took place between February 1997 and June 1997. The in-depth face-to-face interviews were designed to collect information and impressions about equity conversion from SWP senior management, SWP senior elected officials and from individuals connected to and affected by SWP policy decisions. The interviews took place in a variety of settings, ranging in length from forty-five minutes to an hour and thirty minutes.

5.1.1 Selection of Groups

The researcher chose to focus on three groups related to the financial restructuring of Saskatchewan Wheat Pool. First and foremost, the senior elected officials of SWP were approached because of their roles and responsibilities as the elected representatives of the co-operative who are accountable to the membership. Interviewees from this group included the President of Saskatchewan Wheat Pool and two members of the Saskatchewan Wheat Pool Board of Directors. The second group selected for interviews were the individuals in senior management positions within SWP who were involved in the equity conversion planning, the restructuring process and the end results. This group included the Chief Executive Officer, the Vice President of Member Relations, the Treasurer, and the Executive Assistant to the President and Vice Presidents of Saskatchewan Wheat Pool. The final group selected for interviews was composed of two individuals who, because of their roles and responsibilities within organizations

connected to the grain industry and agriculture, have been involved with and affected by Saskatchewan Wheat Pool's policy decisions. The organizations selected were the Canadian Wheat Board and the Grain Services Union. These organizations were chosen because of their long historical associations with Saskatchewan Wheat Pool.

Although it would have been extremely interesting to interview a representative sample of elected delegates (from a total of 133 elected delegates), committee members (from a total of 5,391 elected committee members), and SWP members (from a total of 78,000 members) the constraints on that type of a research interview project were well beyond the scope of this thesis research. During the course of gathering information and studying the events and activities surrounding SWP's financial restructuring, the author had the opportunity to discuss this project with many farmer-members and delegates, adding substantially to the background layers of context and history. However, for the purposes of this project, only representatives from the above mentioned three groups were selected and interviewed.

5.1.2 Summary of Interview Questions

The interview questionnaires were divided into ten theme areas: 1) role, relationship and history with SWP, 2) SWP policy decision-making, 3) SWP equity conversion restructuring events, 4) role of SWP members, committees, delegates, 5) role of SWP Class "B" non-voting shareholders, 6) role of global marketplace, 7) SWP restructuring: was it necessary, positive, satisfactory, 8) focus shift within SWP, 9) SWP's retention of co-operative principles, and 10) vision for the future of SWP.

5.2. Interview Results: Saskatchewan Wheat Pool Senior Executive Management

THEME 1: Role, relationship and history with Saskatchewan Wheat Pool

All interviewees within this group were born, raised, and educated in Saskatchewan. These members of the senior executive management have been with Saskatchewan Wheat Pool in various roles and positions for a minimum of 13 years up to a maximum of 25 years. The CEO had been with SWP for 25 years, the treasurer for 15 years, the vice president of member relations for 17 years and the executive assistant to the President for 13 years. All interviewees in this group have extensive knowledge of co-operatives and the agriculture industry. These senior management executives were involved in the discussions, planning and processes of the financial restructuring from the earliest stages and were strongly supportive of the entire conversion strategy.

THEME 2: Saskatchewan Wheat Pool Policy Decision-Making

The process of policy decision-making was described by senior management executives as occurring in one of two ways – from the grassroots membership up or from the senior management down. Murray Bryck, Executive Assistant to the President, describes the process and structure of policy decision-making as very intertwined:

The key aspect of policy formation is a grass roots process in terms of members identifying issues and policies they would like to see the organization adopt. Those issues and policies are discussed throughout the numerous committees that we have in the province. We have almost five hundred committees and five thousand, five hundred committee members. So they are the beginning screen and filter which starts the policy process going. The next layer and actually the part of the organization that has the authority in terms of the overall mandate of the organization in policy development is the delegates . . . The delegates get input from the committees and also directly from the members about specific policies.

All executives insisted that the democratic structure of the co-operative was the basis for the process of policy development and decision-making that ultimately end up before the Board for ratification and implementation. The ultimate decisions have to be made by the Board of Directors but the process was described by Nial Kuyek, Vice

President of Members Relations, as an elaborate process for policy development Mr Kuyek explained his role and that of the Member Relations Division in the following manner, “We, under the democratic processes of my division, administer the committee resolutions process and the budget process for committees and districts and, really, the policy development process with the delegates, relating to the delegates annual meeting I think it would be fair to say, is anchored under this division.”

Mr. Kuyek explained the process of policy development throughout the members’ democratic structure as a series of steps that proceed throughout the year, culminating in discussion and the passage or rejection of resolutions at SWP’s annual meeting of delegates in November of each year. Members have the opportunity to present, debate and pass a resolution on policy at any time throughout the year at local committee meetings. If a resolution is passed locally, it is sent to the Member Relations Division at the head office in Regina, Saskatchewan. These resolutions are collected and dealt with twice a year by the resolutions committee which consists of one delegate from each of the sixteen districts. The resolutions committee forms its own executive and meets in July to deal with resolutions that have been forwarded to head office in the period between November (after the annual meeting) and July. The resolutions committee deals with the first and second progressive list of resolutions. The role of the resolutions committee is to review resolutions that have been put forward, consolidate them and put them into a form that will then flow forward to the delegate’s annual meeting. Just prior to the annual meeting, the resolutions committee meets again to review resolutions that have been passed since the July meeting. All resolutions are reviewed and prepared for the policy session at the annual meeting. Mr. Kuyek concluded his description of the process with

the following statement

So the annual meeting of delegates becomes the key focus for resolutions to be passed. Now I need to point out in all that process that even though a member meeting or a committee meeting or a district meeting may pass the resolution on to the resolutions committee and it's been refined for discussion at the annual meeting of delegates it's not binding at the discussion of the annual meeting of delegates and the by-laws of this co-operative - the Board of Directors have always had the ultimate decision-making power on policy issues. The resolutions passed at the annual meeting of delegates are, in fact, recommendations to the Board of Directors.

All of the senior management executives interviewed spoke of the complexities of agricultural, commercial, operational and financial policy issues facing SWP. Erin Canham, Treasurer of SWP explains how "management" fits into the policy decision-making structure and processes as opposed to the grassroots democratic policy decision-making structure and processes:

The formulation of ideas is not just from the membership. It's obvious in any business, employees are hired to run the business and to run the business as best as they can for the benefit of those who have a stake in the process. So, to the extent that issues arise like how this organization might be financed in the future, those issues were developed and brought forward from there. So those ideas are formulated by management, staff, employees, brought forward to the Board for discussion and then, over time, developed and further enhanced or researched or otherwise to discuss with them. So, ultimately, the operations of the company can come from management as well as members.

Agricultural policy issues related to the GATT Agreement , NAFTA and other trade issues of concern to SWP and its farmer-members are dealt with by management also. Discussion papers are brought forward by management on issues that may need to be dealt with at the provincial or federal government level. Mr. Bryck explained that it is the responsibility of SWP staff to identify policy items and directions which the organization should be taking. There is a proactive requirement among staff in terms of

identifying areas where SWP needs to develop a policy and providing that information throughout the democratic structure so that members are aware.

Mr. Loewen, Chief Executive Officer of SWP described how policy is formulated within SWP in the following manner:

Policy is formulated in a combination of ways. It depends what kind of policy it is. If it's an operational policy and it is something that is within the purview of the CEO, it is generated, for example human resource policy, with regard to any operation of SWP – they are generated by management, vetted within management and approved by the CEO.

If it's policy that requires Board approval then it would also be generated within management, vetted within management and then approved by the Board. Indeed, then the Board could make whatever modifications they chose in their wisdom to do and then the policy would be approved by Board resolution. So that's the standard way, I think, that policies are developed in any organization. It depends what the impact of those policies are and what they affect. Indeed, are they policies that should be approved by the Board or the CEO – pretty standard.

Theme Three: Involvement in SWP Equity Conversion Restructuring Events:

All of the senior executive management interviewees had been involved in the discussions and analysis of possible plans and alternatives for at least four years prior to the equity conversion. All mentioned that this topic had been discussed at SWP annual meetings beginning in the 1980s. SWP Treasurer Erin Canham described the financial review process as a very broad review looking at how SWP was structured at the time, how other grain organizations, grain companies, and cooperatives were structured in comparison and what direction SWP was going. The next part of the review was to determine what needed to be done operationally and administratively to effect change. Mr. Canham talked about how the need for a financial review had been discussed repeatedly:

When I moved into this position, maybe it was in the fall of '90, one of the

things that had been talked about for ten years beforehand was a financial review of SWP because what we kept hearing in the financial area and I had been there not quite ten years at that time (it was there when I first came to the Wheat Pool) was comments from the operations people saying, "If only we had enough money we could go and build the facilities we need to build and invest in the facilities we need to invest in to provide the services and benefits to the membership and to make this organization succeed." . . . That went on for some time until I got into this position and the person in the Chief Financial Officer's position got in there and said, "Look, you've got to look at this. This has been dragging on for eight to ten years. Let's deal with it."

Nial Kuyek, Vice President of SWP Member Relations Division, was very involved in the equity conversion restructuring from the beginning and described the four regional meetings of SWP delegates that took place in February, 1993 and how events transpired after that series of meetings:

. . . we held four regional meetings around the province where the financial resources division played a part in reviewing with delegates the road ahead economically, the economic environment ahead in general, the economic environment for the Pool, given that we had an aging membership, had an increasing need for equity revolvment, given that we had fairly aggressive plans and we needed capital for expansion. We also reviewed a whole range of alternatives that could be considered and I guess it'd be fair to say that at the conclusion of those four regional meetings the delegates sent back to the division, "Great, this is good research and things we need to think about. We should continue the examination."

From January, 1994 to March, 1994 four options for financial restructuring were placed before the Board of Directors for consideration. The Board of Directors, the Chief Executive Officer and the Executive Director of Policy and Member Services were the people involved in choosing the preferred route to proceed. Two delegate meetings were then held in March, 1994 (one in Saskatoon, one in Regina) to discuss the proposed financial restructuring recommendation. Mr. Kuyek explained the steps in the process from the March, 1994 delegate meeting to the special delegate meeting held in July, 1994:

The Board then assessed the delegate reaction to that proposal and authorized the release of the recommendation and the proposal to the membership for discussion. Between before seeding and after seeding in the spring of '94 we discussed the equity conversion proposal I think with about 11,000 members across the province at committee and member meetings. When I say “we” it’s my division and the delegates and directors and others involved. In July of that year ('94) then, the delegates made a decision at a special delegates meeting, voting 81% in favour to proceed.

CEO Don Loewen had been involved in the discussions about the need for financial restructuring and was aware that discussions between the previous CEO (Milt Fair) and the Chief Financial Officer (Lyle Spencer) had been ongoing with regard to SWP’s financial situation and future direction. Mr. Loewen became the CEO of SWP in January 1994 and described his involvement in the equity conversion restructuring process from that point on:

When I became CEO I immediately decided that we had to come to grips with this issue and I believe it was on January 25, then, of 1994 we held a meeting with the Board of Directors to discuss this very issue and all the options that we had looked at and we decided on that date to proceed with this equity restructuring. I guess you could say all the groundwork had been done by Lyle Spencer, our current CFO. Lyle had done a lot of work and Erin Canham, in Treasury (and the head of that area) had done a lot of work . . . but I’m the CEO who pulled the trigger, let’s put it that way. I’m the CEO that decided we must deal with this matter.

Theme Four: The Role of SWP Members, Committees and Delegates

The consensus of the senior management interviews was that the SWP member role in the organization had not changed significantly other than the economic relationship between the member to the co-operative. Prior to equity conversion SWP members received patronage dividends. Now members have an “A” share and “B” shares and if they have kept their “B” shares they receive a dividend. Nial Kuyek explained:

If they’ve sold their “B” shares and they only have an “A” share, that

impacts their nature of the relationship with the co-op. But in terms of other things I don't think there's been a great deal of difference. We still are very active in the whole member involvement cooperative democracy area and that continues. We're just in the midst of committee renewal process, for example, where we're examining the role of the Wheat Pool committees and trying to restructure the purpose and activities of committees into the future. Our annual meeting process last fall continued as it always had although some differences in terms of how we disseminate information and when.

For the average SWP member the changes would be mainly in the financial area. Those farmers who were not actively involved in the policy process through committee, delegate or director levels would not notice much change in the member's role.

CEO Don Loewen insisted that the member's role within SWP hadn't changed at all as a result of financial restructuring – the members are still part of the democratic process, just as they were before:

The only thing that's changed, of course, is that we don't declare patronage in the same way that we did in the past. Now we have a dividend policy. There is share appreciation and the shares have liquidity. They could only take them out, they could only take out their equity if a) they died or b) they quit farming. I mean, it was a pretty tough process and we were, as a company, in grave difficulty in terms of cash flow. There's certainly a change in some members' minds about the organization . . . Most, I think, are quite happy because it was win-win-win all the way around. The members won who wanted to withdraw their equity could do so and they got a 20% premium in the process. Those who retained have gotten substantial share appreciation. The employees were able to participate in the organization.

Mr. Loewen talked about the committee role of SWP as being the “eyes and ears at the grassroots level” and how SWP is trying to revitalize and renew the committee member role. Mr. Bryck stated that he thought the “committee renewal” process that SWP is going through would have taken place even if equity conversion had not taken place:

One of the major reasons that we're evaluating the role of committees is in

fact one of the reasons that the organization had to have this look and undertake the changes related to financial restructuring and that is . . . all of the changes that have occurred in rural Saskatchewan. Everything from the size of the farms, the significant off-farm income, the kind of changing socio-economic profile of the farm communities throughout the province. And within that context if you add also the new technologies for communication and so forth . . . so what we're trying to do within the committee renewal process is make the changes which would better enable committee members to undertake their function, better assist them in terms of getting input from members, better assist them in terms of reflecting what are the needs out there in terms of rural Saskatchewan.

SWP has moved to a marketing centre concept to deal with changes going on in rural Saskatchewan. Prior to restructuring many committees were located at an elevator point. Due to rural consolidation of elevators some committee points no longer have an elevator but a committee could still be located there, functioning as a team marketing centre. Murray Bryck pointed out that as the rural environment changes, SWP will be looking at "some of the things you need to shed because you no longer need to do them or are no longer providing value."

Nial Kuyek described the challenges of leading a member relations division that has felt the impact of a series of changes in rural Saskatchewan over the past ten to twenty years. Mr. Kuyek cites elevator consolidation, changes in rural lifestyle that leave less time to participate as a committee member or delegate, technological changes and the speed at which information is accessed and transmitted. Mr. Kuyek summed up the challenges to SWP's democratic structure as follows:

Our delegates have a hell of a challenge in front of them because they attend district meetings, attend the annual meeting and they get information weekly, sent to them but when they go to a committee meeting or a member meeting, they're dealing with members who are getting the info weekly through the Western Producer, who have accessed information through media as extensive as it is today or they can plug into the Internet or wherever and gain information in that source so I think

we're experiencing the problem that a lot of democratic structures are going to experience in that we're dealing with fairly traditional human processes in an instant information age. That really places a challenge on the structure.

Mr. Loewen, as well as the other senior management executive interviewees, stressed that just because the financial structure was changing did not mean that the cooperative had changed everything. All executives interviewed talked about the democratic structure of SWP as an advantage for the company and its members because of the sense of ownership in the competitive environment of agricultural deregulation and globalization. Mr. Loewen explained the need for SWP members to understand what is happening globally, particularly issues related to deregulation, trade agreements, transportation policies and the demographics of the changing face of agriculture. To Mr. Loewen, this makes sense from an educational point of view as well as being a valuable business tool for the company.

We're in a period of unprecedented change and that speed is going to pick up and we're now going into another round of WTO and agriculture will be front and center again. We have to, I think it's incumbent upon SWP to help, via the director level, the delegate level and the committee level, to help the members understand what's going on in this world because the impact is quite enormous. And, of course, we need feedback. What are we doing poorly, where could we improve . . . Of course, through that to build commitments and to build a sense of ownership. Just because we changed the way in which we can finance the company doesn't mean that we've changed anything else and, in fact, everything else becomes just that much more important given the environment we work in and function in and have to do business in.

Theme Five: The Role of SWP Class "B" Non-voting Shareholders

Half of the Class "B" non-voting shareholders were farmers at the time of these interviews. The non-farmer Class "B" shareholders were also employees, institutions and citizens of Saskatchewan. About two-thirds of the Class "B" shares were held in

Saskatchewan The executives also saw this as a benefit because Saskatchewan residents who invested in SWP understood the democratic structure of SWP and what the cooperative was trying to achieve through equity conversion. Erin Canham stated that at the time of share conversion there were thirty million shares. He explained that the fact that Class “B” shares were non-voting shares probably had an effect on the price. The market for investors was reduced because Class “B” shareholders did not have the right to vote:

... of our 75,000 members, 65% of those members who held shares beforehand continued to hold shares afterwards. However, 65% of those members ended up holding about 55% or 56% of the shares outstanding. So 45% of the shares were put up for sale to outside investors or employees or otherwise. We don't know for a fact how many members went back after they went to sell shares; went back to buy shares again.

The executive management were unanimous in their assessment of Class “B” shareholders – those who bought shares understood the structure of SWP and looked upon the “B” shares as a good investment.

Theme Six: The Role of the Global Marketplace

One of the main reasons cited repeatedly in the discussions and debates leading up to financial restructuring of SWP was the need to compete more effectively in a rapidly changing global marketplace. The executive management interviewees stressed that the speed with which the agricultural industry was and is deregulating and changing called for financial restructuring in order for SWP to survive and grow. The global market place had an enormous role in the decision to restructure, according to Don Loewen:

We could see the trends. We could see the way things were going to occur. It wasn't hard to see what was happening nationally – the removal of the WGTA. We knew that was coming ... We knew the deregulation that was

occurring in our own country but also the forces of deregulation that were occurring; at that time it was called GATT, now the WTO. Those are going to continue. We could see also into the future they were going to continue.

Mr. Loewen discussed the fact that in the midst of SWP's restructuring process ConAgra purchased Canada Malt, a company that SWP would have liked to purchase because it was a natural fit with their business. Various multinational agri-business companies were aggressively purchasing Canadian companies but SWP did not have the financial capability to compete prior to equity conversion. Mr. Loewen felt strongly that if SWP did not have access to capital, the company would not survive, "If we don't restructure our company so we have access to capital we cannot grow. If we cannot grow, we will die – it's a fairly direct progression."

The need to position SWP so that the cooperative would have the capability to compete with major multinationals in the expanding agri-food markets around the world was paramount in the eyes of all the senior executive management interviewees. Erin Canham explained the role of the global marketplace as follows:

... people may say, "Well, SWP is a big strong financial company." Well, in Saskatchewan - yeah. In Western Canada - yeah, but you start to expand beyond that and just for financial numbers: Cargill has world wide sales of fifty-six billion U.S.; Conagra has twenty-four billion; ADM has twelve to fifteen billion. Bunge, Continental Grain - these are large, large companies. If we saw changes to things like the Canadian Wheat Board, what might happen there? These companies have large trading arms in their own rights.

Mr. Canham stated that SWP supports the Canadian Wheat Board but there is uncertainty about what will occur in the future. With increased trade flow between Canada, the United States and Europe, the need for SWP to position SWP in order to meet its competitors was viewed with a sense of urgency by all senior management

executives who were interviewed. Deregulation and globalization, according to Mr. Canham, means that the competition is, "... in a country that you haven't even heard of right now. That's your competition in the future so it's very much a view that the world has become a much more open place to do business and trade."

Mr. Bryck expanded on the issue of competition in the world wide agricultural industry and the position of Saskatchewan as an agriculturally based economy. He discussed the demographics of a small provincial population exporting agricultural products to a global agri-food market that is expected to expand to six billion people by the year 2000.

If you look at Saskatchewan, we only have a million people. We produce, in any given year, 25 million tonnes of grain. If you add the livestock which is also produced in the province we simply don't have the market here, or the market in Canada . . . Just because there are markets in the world, it's not automatic that we get them. So that gets into the competitive issue. . . Without boasting, Canada has the highest quality food standards in the world. We have among the best reputations and so forth but none of that is automatic.

If you don't organize yourself, if you don't structure yourself to be able to access those markets and compete in those markets, you're not going to get them. It's either going to be the SWP or some large multinational from outside the country because in many parts of the world they already control the market.

Theme Seven: SWP Restructuring: Was it Necessary, Positive and Satisfactory?

In the interviews with senior executive management the consensus was that the financial restructuring/equity conversion of SWP was necessary for survival. CEO Don Loewen expressed the general attitude of the executive management as follows:

These huge multinationals are saying, "Am I going to put my money in the former Soviet Union where the rule of law doesn't always prevail and where there are great difficulties or can I invest in a great, stable economy like Canada where deregulation is occurring and I can put my dollars and get a return?" And so, the Canadian agribusiness, if you look at what's been purchased and bought by American multinationals, the Canadian

agribusiness companies are becoming an extinct species because of their ability to purchase. When it comes right down to it, equity restructuring is a survival issue with capital letters.

Treasurer Erin Canham spoke of the necessity for SWP to become more efficient because of changes in the agriculture industry as well as the need to invest additional capital to expand the cooperative into value-added processing.

Murray Bryck cited the changes occurring within SWP as necessary and positive for offensive and defensive reasons. Defensively, the demographics of Saskatchewan's farming population overall and SWP's membership, in particular points to an aging population. The average age of SWP membership is almost fifty years. As these farmers approached retirement age, the concern was that the amount of patronage dividends paid out to retiring farmers would cause financial problems in the future.

As an organization we had paid out dividends every year and we were very proud of that record. In fact, I think the last ten years our dividend payment has been very strong so we knew that the challenge was coming and we wanted to position ourselves before we ran into problems.

Offensively, SWP had made some major investments in areas that went beyond simply handling grain and livestock. In order to continue to diversify and carry on with new value-added expansion plans, SWP executive management interviewees all stressed that being in a position to access investment funds was critical but the consensus was to avoid borrowing and debt financing. Mr. Bryck explained:

It's kind of interesting because given the strength of the organization, we could have borrowed more money but that's not necessarily always the best thing. So from a financial capability we could have borrowed more money but we didn't want to use borrowing and debt as the tool. And within that context, too, given the nature of the agri-food and the agri-business industry, our competitors down the road, in fact, access the equity market so they had an advantage we didn't. So, when they wanted to build new facilities or expand they didn't have to use debt and so, in that regard if we were to compete in that area of adding value to our members

products and so forth, we had to acquire tools similar to the competitors that we have to compete with. When you add all those things together it's for those reasons that we did the equity restructuring.

Nial Kuyek discussed the necessity and positiveness of the equity conversion changes and how the process compared to other North American co-operatives facing similar issues. In his position as Vice-President of Member Relations, Mr. Kuyek had a lot of exposure and involvement with the National Council of Farm Co-operatives. He felt that SWP made the move to equity conversion from a position of strength rather than weakness. He rated SWP's record of equity revolvment as good or better than other co-operatives and noted that Alberta Wheat Pool was not paying equity out to members in their seventies.

We made some fundamental changes that alter the relationship between the member and the cooperative but I think there's some positive results that will accrue out of that. I think the relationship between members who have retained their "B" shares and the cooperative is probably stronger today than it was a year ago. Those who have sold their "B" shares and have only "A" shares have a different attitude, no question. But, for the 50% or better of members who have "A" and "B" shares, the relationship is closer today. I think those members see a direct relationship between their share value and the annual dividend that they'll receive and the business they do with the organization.

With a structural change as dramatic as equity conversion, close attention was given to monitoring the satisfaction level of SWP members as changes occurred. The following interviewee comments indicate that senior executive management felt that farmer-owners were satisfied with the restructuring.

Murray Bryck:

In terms of the ongoing dialogue that's going on within the organization, the discussions and the meetings, there is a fairly significant level of approval in terms of having done the equity conversion. Obviously, having the share values higher than the value right at the time of conversion people received a 20% increase . . . that's one of the important issues

where we know co-ops all over the world struggle with that. That is, as long as co-ops contain equity within them there's no way to unlock that. The other issue we found too, we were very concerned that in abandoning the patronage dividend (the core of the co-ops) that there would be considerable opposition from the members and it's kind of interesting because in a lot of the meetings we had and the surveys that we did, as time went by that got rated very low. It surprised us because we really thought that was that. Now, in place of the patronage dividend we've created an Ag Share marketing program which is going over really, really well.

Nial Kuyek felt that SWP had solid support from the membership in terms of the restructuring. He discussed member reaction to equity conversion as falling into three categories.

We knew that the people who were (from the survey and from the discussions we held) we knew that the people who opposed the equity conversion process fell into three categories. 3/10 who opposed, opposed it on a philosophical basis, 3/10 on the basis that they were nearing retirement and had some use for the equity, and 3/10 were of a situation on their own farm economics that their accountants were advising some of them that they had better use for equity within their farm financing arrangements. So those are a variety of reasons people made to sell their shares if that's what they did.

All SWP management interviewees spoke of increased competition in the agribusiness industry and the tough times farmers had come through in the 1980s. They say farmers approach the issue of equity conversion as a bottom line business decision. Nial Kuyek explained that although equity conversion made financial sense to a lot of SWP members, a special relationship still remains because of SWP's involvement in agricultural policy and community development.

There's no question that a lot of people will make their decision to support the Wheat Pool based on bottom line issues. They have to. They haven't survived over the last ten years in prairie agriculture without being fairly astute business people. I think that the relationship with the Pool, though, is a bit of a special relationship. I think that, in fact, even young farmers today are looking for a relationship with their grain handler or farm supply dealer or the business entity they deal with that is a bit different than a

normal straight business relationship. They want, I think, the efficiency and competitiveness in dealing farm supplies but I think they appreciate the policy role that we play at times and the other role we play in terms of community development.

CEO Don Loewen summed up the views of executive management in the following statement:

Our approval rate has gone up dramatically whereas in the previous five years it had been on a downward trend. Now, after equity conversion, we now see a real gratifying upswing and I'm most pleased to see that.

Theme Eight: Focus Shift within SWP?

All of the senior management executives interviewed were in agreement that there had been a change of focus within SWP. The new mission statement and vision statement of SWP indicates a shift in focus and direction. Although the change in focus is not entirely related to equity conversion, the financial restructuring has been a large part of the changes within the cooperative, according to Nial Kuyek:

You know we have a new vision "growing global, growing together." We have a new mission statement to be "the most dynamic agri-business cooperative in the world" and we have a new strategic direction that's been developed and is now being communicated to management and will be communicated to members and delegates over the course of the next number of months.

The consensus among this group of interviewees was that the shift in focus was necessary given the agricultural and business environment. Don Loewen explained how the focus had shifted and the fact that this shift would have occurred no matter what financial structure was in place. The new business strategy and direction is aggressive in terms of SWP being a dominant force in Saskatchewan and enhancing economic activities in the province and beyond Saskatchewan's borders. The previous mission statement of SWP was "to feed the world". Don Loewen stated that SWP could not

achieve that goal hence the shift in focus

The change in focus is very clear in our new mission statement and in our new vision statement. The Board of Directors adopted a vision statement of “Growing Global – Growing Together” and so that’s a change. Our previous statement was to feed the world. Well, we really couldn’t do that but we needed to grow together as an organization, employees, members, shareholders because we needed to grow. We needed to grow with other cooperatives which is difficult because a lot of cooperatives don’t like to cooperate. It’s really necessary that they do, so we want to grow together and, of course, grow globally because if we don’t we will not survive.

Short and long term goals for SWP have revolved around policy and commercial requirements in the past. The interviewees stated that these requirements remain a key aspect of the cooperative. Murray Bryck explained that SWP had acquired a new financial tool through equity conversion but he also stated, “For us to make a major change in either area (policy or commercial) or to decrease our activity would have to be approved by the delegates. Right now both the delegates and the Board are in agreement that those are the two aspects of our organization where we’re going to proceed.”

All senior management executive interviewees pointed out that the new vision statement of “Growing Global – Growing Together” was a focal point of the new direction for SWP and a challenge they looked forward to tackling. Mr. Bryck summed up SWP’s change of focus in the following words:

The global thing is pretty obvious, given the production base of Saskatchewan. We’re going to have to rely on markets outside the province because we grow a lot more than we utilize and we’ve been doing some work in that area and also if you look at the markets around the world there are expanding markets for agri-food products so we see ourselves becoming a major player in that regard. The “growing together” emphasizes here again that we will be a cooperative - a publicly traded cooperative but the importance of continuing on with our co-op structure and our processes.

One of the concerns raised by critics opposed to the financial restructuring of

SWP was that as the cooperative's focus became more global and more geared toward value-added diversification and expansion, the commitment of SWP to rural community development and cooperative education and training would diminish. As elevator points are reduced, do the committees attached to elevator points become obsolete, questioned the people in opposition to the new "global" direction of SWP.

Nial Kuyek, as vice-president in charge of member relations discussed these questions during the interview. He explained that SWP's committee structure was traditionally facility based. Throughout time as elevators closed, SWP encouraged committees to stay active as "inland committees" where no elevator remained but where "community" still existed.

The process we're just going through on committee renewal is basically suggesting to committees that we want them to consider forming what we're calling a market-centered committee because our operations have divided off on a market centered basis. I forget how many market centers there are, probably 80, so we'd like to see them form market center committees where each committee will elect or appoint two representatives to be part of the wide geographic committee. But we've also suggested they need to maintain the community based committee, because the market center committee would primarily focus on operational issues with country services, then the community based committee could continue to exist to deal with policy development, to deal with member communication, to deal with community image, education, those kind of things.

Theme Nine: SWP's Retention of Cooperative Principles

One of the fundamental questions raised before, during and after SWP's process of equity conversion has been whether SWP has retained the core principles of a cooperative. Is it possible for a publicly-traded cooperative to retain the principles of a "true" cooperative? All senior executive management interviewees believed that SWP had retained the core principles of a cooperative.

SWP Treasurer Erin Canham undertook an extensive review of various financing alternatives for co-ops around the world. Canham reviewed financing options that other co-operatives had tried, keeping in mind the six principles that define a co-operative. He found that SWP met only four of the six co-operative principles before equity conversion:

I think, at best, we probably met four of them, because one of which was voluntary membership. Members should be voluntarily able to join or leave as they so choose. Well, members could join but they couldn't leave because if they ceased farming or left - if they left and wanted their money out we couldn't afford to pay out all of the equity. We're just now meeting the required categories as we indicated. So that was one that I don't think was as open as it should be.

Ensuring member control was paramount to all senior executive management interviewees. The division of profits (the surplus) was an issue that opponents of equity conversion found troublesome because sharing patronage dividends is a key principle of co-operatives. Erin Canham explained that there had been concerns and complaints from members in the past about their return on investment:

Profits should be shared amongst members. They each either receive a return on their investment, meaning a fair return, or it should be shared amongst them, based on their contribution during the year - patronage. So there's actually two components there that when you looked at that and said we've always been sharing it on a patronage basis but we've never given a return on their investment which drew a lot of complaints from members who had built up an equity and who said, "This isn't any value to me because I build it up; I pay the tax on it immediately; I don't get it until I die or retire and what good is it to me then? There's no return on it. Inflation erodes the value of that." So that was a concern or complaint. So when we looked at the principles we tried to - those were very much foremost in trying to design anything as we go forward.

Canham discussed the problems that Alberta Wheat Pool and Manitoba Wheat Pool had encountered when their members who were in their mid to late seventies or older had equity that they could not get paid out because these co-operatives did not have the capital to redeem their members' equity:

If we can convert the equity as we did to a share like we have, it becomes permanent so there's no longer a requirement of the organization to redeem it. Members can buy and sell it as freely as they want and they can invest more if they want or invest less if they want and so that gave them some freedom of choice relative to their equity. But the structure, more importantly, because it became a permanent equity, allowed us to access capital markets by issuing new shares if we see the demands for capital projects increasing. We can issue more shares to fund a project.

Mr. Canham talked extensively about co-operative principles and the need to maintain them after SWP's financial restructuring. However, he also discussed the need for modification and change in the face of new global realities. His views on maintaining the "co-operative culture" whether an organization is or is not legally incorporated as a co-operative are as follows:

There's a lot of co-ops out there that say that they're cooperative or incorporated under the Cooperatives Act but may not be a cooperative so it's probably subject to "in the eyes of the beholder." So everyone's going to have their own point of view and I'll acknowledge that but I think it may have been Mr. Larsen, our President, who said that, "If you act like a co-op, walk like a co-op, talk like a co-op, you should be a co-op." Okay? And so, there are companies out there that are not incorporated as cooperatives but act like cooperatives in terms of how they cooperate with other organizations, how they distribute their surplus at the end of the year, what sort of say they give to their employees, or their suppliers or their stakeholders or shareholders and so, I think it's more one of what is the culture and what is the direction of the organization as opposed to how one is financially structured. (See Appendix B, p. 107 for technical details about equity conversion, the AgShare program, stock options and group RRSP stock savings plan)

CEO Don Loewen feels that SWP's financial restructuring process has strengthened the company's identity as a co-operative because it includes a principle that was not adhered to prior to equity conversion.

If you look at the core principles of a cooperative – they've all been retained. In fact, if you look at the six principles, we've even accommodated one that we didn't use to. That was open and voluntary membership. In the past when you became a member of SWP, you

couldn't *not* become a member anymore. It wasn't open and voluntary. It was open and voluntary to come in but not open and voluntary to go out. Now, if you choose to turn in your membership, you may do so. It's a Class "A" Share – one share: \$25 and if you don't want to be a member of SWP you may turn that share in and the company will redeem it.

Vice President of Member Relations, Nial Kuyek, discussed the co-operative principles developed in 1966 and phased out in 1993:

If you look at the International Cooperative Alliance principles and statement of identity, I think there's at least three parts of the principles that are permissive to allow whatever restructuring we've done. Refer to "ensuring that democratic control is being retained by the members" and "where changes would allow external capital." We now have a new statement of co-op principles which should be the guiding force for cooperatives globally for the next 25 years. It would seem to me that our changes are focused on the future and on the co-op principles that have been developed for the future . . . So I think that our changes make us a publicly traded cooperative. We still have member control through the "A" shareholder structure. We have a different type of investment structure that allows both members and non-members to invest. I think that's part of changing to meet the changing financial needs of cooperatives in the future.

Mr. Kuyek heads up one of the largest member relations divisions of any co-operative in North America. He believes that SWP is one of the most aggressive co-operatives in terms of "living the co-op principles" and maintaining a co-operative identity.

I think that the fact that we have a member relations division that's solely dedicated to working with the membership and within the cooperative context is a demonstration of the Board of Directors, of delegates and of management to ensure that we continue to operate effectively as a co-op, that we have effective policy development and advancement processes. We are a cooperative by demonstrating what a cooperative should do.

Theme Ten: Vision for the Future of SWP

After all the preparation and communication efforts of the senior executive management personnel, it is not surprising that all those interviewed were extremely

positive and enthusiastic about the future of SWP. Each of the senior executive management interviewees emphasized the continuation of SWP as a cooperative as well as a dominant force in the agribusiness industry. The following interview excerpts summarize their vision.

Executive Assistant to SWP President, Murray Bryck

I see us continuing to be a cooperative, a co-op that has made changes. We may have to make more changes down the road but we're going to be there and we're going to provide services in terms of our farmer members, for the people that invest from the Class B. It's hoped that we're going to provide them with sufficient return to continue investing. We're now probably on the threshold of where we can do a considerable amount in terms of adding value to the products. We're not just going to continue to export. I see a lot of overall positive things from the policy, socio-economic perspective. I see the organization continuing in that role in terms of developing and influencing public policy both in a pragmatic and progressive manner and I see us continuing to be there.

Treasurer, Erin Canham:

New life to a new opportunity for the organization to grow and succeed into a higher level. An organization that can continue to compete and offer products and services to the farmers, to the members, to be a voice for them, to provide opportunities for Saskatchewan people to work - employment. A strong organization for the future - I guess that's it.

Vice-President of Member Relations, Nial Kuyek,

. . . my vision for the Wheat Pool would be of within the province of Saskatchewan where the Pool's economic capacity, business capacity is linked to the local and regional economic development interests of farmers and other rural people so that we can in fact grow our business and grow rural Saskatchewan at the same time - but where we do that with a sense of history and commitment to the quality of life in rural Saskatchewan as opposed to how other companies might base it on an exploitive basis . . . in the long term, I would look for a cooperative where farmer members are proud of the organization and enthusiastic about its business direction. I can see some of that starting.

Chief Executive Officer, Don Loewen:

I think my vision is really a vision which is merged with the Board of Director's because that's who I work with and am the servant of and provide leadership to. It's an interesting combination. Our vision of the future for this organization – we will grow to be a transnational cooperative – that we will be a major force in the world agricultural market. We will lead the Canadian agribusiness industry. We will survive and be able to compete shoulder to shoulder with the ConAgras, ADMs and Cargills of the world, the U.S. ones. We believe we will be a survivor – that we will grow this company to be a world class company in the agrifood business. We will build our core business of grain handling and and upon that core business we will then grow our value added businesses. We will not stray from our knitting. We will always be an agribusiness company. We will always be a cooperative.

5.3. Interview Results: Saskatchewan Wheat Pool Senior Elected Officials

THEME 1: Role, relationship and history with Saskatchewan Wheat Pool

The three senior elected officials of SWP have been active in an elected capacity with the cooperative for over twenty years. All three men were raised and educated in Saskatchewan. SWP President, Leroy Larsen, maintains an interest in the family farm that his son took over in 1987. He has been in agriculture his whole life. Mr. Larsen was elected as a delegate in 1970, elected to the Board of Directors in 1981, elected as 2nd Vice President in 1987 and elected as President of SWP in 1993.

Dave Sefton, SWP Director representing District 7 (Grenfell, Sask to Manitoba border, north to Langenburg, west to Ituna and back to Grenfell) started farming in 1969 near Broadview. He has been a SWP member, committee member, delegate since 1975 and director since 1993.

Gary Wellbrock, SWP Director representing District 3 (Assiniboia west to the Alberta border - from the American border to 50-60 miles north) farms near Ponteix. Mr. Wellbrock has been a SWP delegate since 1978 and a director since 1989.

THEME 2: Saskatchewan Wheat Pool Policy Decision-Making

The elected officials explained the policy decision-making process within SWP as a two-way process in which policy can be formulated at the grass roots level moving up through the local level discussions, through the delegate system and to the Board. The other direction involves issues identified through the Board of Directors, to the delegate structure, to the committee structure, to the membership so that SWP members have an understanding of the policy. Gary Wellbrock described the challenge in policy formulation in the following manner:

The challenge in policy is always that information flows well to the members because we've got so much information and systems to disseminate it and we can get that job done. To follow the responses back up, to actually make sure the people want to spend enough time to become well informed to make an informed decision at the grass roots level is a challenge because if you only give them a little bit of information they can't make an informed decision. If they're not going to make an informed decision, what use is the decision?

Mr. Larsen outlined the levels of policy formulation and the alliances with other institutions and agencies, particularly in the area of advancing agricultural policies:

Prairie Pools Incorporated is our policy arm. We have an office in Ottawa, plus we utilize the Canadian Federation of Agriculture and have membership through Prairie Pools in the Canadian Federation of Agriculture to put forward a national policy issue and we also utilize the cooperative movement to advance policy as well. The Canadian Cooperative Association, which SWP is a member of, do advance policies that are relative more so to cooperatives, although from time to time they do contain agricultural issues as well. But the development really can be a grass roots and often is a grass roots problem or an issue that comes forward from a local committee meeting, a local annual meeting of the membership and is brought forward in that manner.

Theme Three: Involvement in SWP Equity Conversion Restructuring Events:

The elected officials interviewed all were in agreement that the discussions about financial restructuring had been occurring at the Board of Directors level for at least five years prior to any proposals being presented to the delegates for consideration. Leroy

Larsen explained

I think at the Board of Directors there was questions and issues saying, "Well, if we continue in this manner, will it be a financially sound organization?" A Board member would raise this question from time to time. Plus, our CEO and Chief Financial Officer would indicate some key indicators we would be able to identify a problem into the future and I guess the discussion around planning sessions that the Board holds and a process that the Board goes through every year. We'd probably had discussion in this area five years before we took some proposals to the delegates. They were aware of the review and the studies we were doing and then we boiled it down to four or five proposals that were finally presented to the delegates sometime before they had to make the decision.

Gary Wellbrock and Dave Sefton discussed their belief that SWP's success became the cause of change. Their involvement in the financial restructuring of the company was extensive, studying the options, talking to farmer-members and travelling the province. Gary Wellbrock talked about the process:

One of the things that happened was that our success really was the creator or the cause of the change because we had tremendous success through the '70s into the early '80s with as high as a 72 million earning in the early '80s. What happened was in a short period of time, we created a tremendous amount of potential of debt, to the cooperative that had to be paid out. When the '80s came we went on a long downward slide that really precipitated the fact, that showed us that you can't have that. And I don't think that any cooperative - they can run level and they can run on a gradual increase. They cannot withstand a decrease.

Mr. Wellbrock explained that SWP directors were not accountants so they needed in-depth sessions with executive management in order to understand the financial issues involved with working capital and debt equity ratios. Part of the financial restructuring process involved ensuring that SWP directors clearly understood these issues. The next step of the process involved the elected delegates:

... we needed to be dead sure that every Board member understood to the best ability possible all of the financial issues that we were facing, that we inherently understood how this shifting was happening between things like working capital, and debt equity ratios and those sorts of issues ... then

because the delegates were going to make the decision, was to set up training programs to delegates so that when they, down the road, were going to come to a decision, that they were prepared because they had more financial information and even to bring information right to committee and so that process occurred and who's to say, if it didn't occur, how prepared people would be to make a decision that they were going to make.

Dave Sefton's involvement and commitment to SWP equity conversion was evident as he discussed the amount of time and effort that was required of the Directors:

I was doing something that I absolutely believed in. I was raised in a cooperative mode. I was raised with the idea that you could do it yourself, through the cooperative methods as opposed to the third party, to have them do it for you. And so I believed in it so much that it was fun.

Theme Four: The Role of SWP Members, Committees and Delegates

All of the elected officials interviewed believed that the role of members had not changed in terms of their influence on the cooperative within the democratic structure. The role of the membership has changed in terms of opportunities to invest. Dave Sefton explained, "I think the members now have the opportunity to invest what they earn by delivering grain to the company but they have the opportunity to invest in other ways. But they also have the opportunity to influence the company if they choose, to take part in setting the direction but as I say to my members, "If you choose you have the opportunity to be elected."

SWP President Leroy Larsen talked about the farmer-members of SWP in the following manner:

I don't think that the role that the membership plays has changed very much at all in that the Class "A" share is the governing, controlling structure of the organization identical to what their membership in SWP was previously. The thing that has changed with the membership is the fact that they do not receive patronage dividends as they had in the past with the amount of business they had done with the SWP. We have some marketing programs that reflect a form of patronage dividend but is really

a marketing program that we were using before we changed our financial restructure or very similar to what we were using, so there is a form of dividends that goes to members based on the amount of business they do with SWP. The remainder, of course, depends on their investment that they have in this organization.

Mr. Larsen described the committee renewal process as a way of getting information from the membership about changes occurring at the farm level and how SWP can provide services to members:

Yes, there is a committee renewal process . . . The thing that is driving that is more the changes that are happening in the rural communities at the farm level. Farmers and farms are changing rather dramatically as well . . . The consolidation of the grain gathering system is playing a major role in the structure at which committees previously functioned in. Committees used to be related or identified around a shipping point. We are getting as fewer and fewer shipping points yet our membership has stayed fairly static and we have the same number of members to represent . . . so we are looking at the implications of change starting right at the farm gate through the organization of SWP and indeed looking at the change that is impacting SWP operations globally and internationally.

According to Mr. Larsen and the other directors interviewed, “change” is the key word in everything that is occurring within SWP - change in the agricultural industry, change in rural communities, change in ways of farming and the services farmers require. Mr. Larsen explained that the role of SWP delegates remains “very much the same” but he went on to say, “Because we’re a publicly traded cooperative at this time, the information that they receive, they receive at the same time as the investment community and is made public and there is a perception that this has changed from what we had done previously. However, the Board of Directors have access to information and have had in the past that was not passed on to delegates until a conclusion or decision had been made. So it really hasn’t changed that much.”

Theme Five: The Role of SWP Class “B” Non-voting Shareholders

The role of the SWP Class "B" Non-Voting Shareholders is to invest in the company, according to the elected officials interviewed. The Class B shareholders who are not Saskatchewan farmers or residents probably do not have a clear understanding of the principles of a cooperative but they do know a good investment when they see one. Each of the elected officials spoke about this in a slightly different manner.

SWP Director Dave Sefton:

They get broken up into various groups - you can have Class "B" shareholders who are a son or a daughter of a farmer so they will say, "I'm not going to be a farmer but here's an opportunity to be part of agriculture." You also have the institutional investors who say, "We want to invest in something that will provide us, over a period of years, with growth and return and we understand that food is a major industry." I think they also look at and say the attitudes and principles, the understanding that cooperatives do things in an ethical way so that they know that they're investing in a company that, because it's a cooperative, they may not understand all of the principles of a cooperative but they understand that co-ops are honest companies and ethical companies so they feel secure in that. They're doing that because of investment but, by investing in SWP which has cooperative principles and cooperative background, they feel safe as opposed to some of them who may have investments in current setups. I think they don't necessarily have to understand the one-member, one-vote, they understand that co-ops are honest companies so they feel good about investing in it.

SWP Director Gary Wellbrock thought that Class "B" shareholders who were Saskatchewan farmers, citizens or provincial institutions understood co-operative principles. Mr. Wellbrock explained the role of Class "B" shareholders who were non-farmers or outside investors as follows:

I would say that they don't understand the principles of a cooperative. I think the measure of if we're doing things right is that we will have a symbiotic relationship that the Class "A" shareholder will benefit from the Class "B" investors in this company and the Class "B" investors in this company will benefit from the tie to the Class "A" member has to the organization. So if it's working right, they both don't necessarily understand all the details but they both will feel that that symbiosis causes the sum to be greater than the parts.

SWP President Leroy Larsen described a "road show" undertaken by SWP

officials during the year prior to SWP shares being traded on the Toronto Stock Exchange. The purpose of the trip was to give potential outside investors an understanding of agriculture, in general, and the structure of SWP, in particular. Larsen stated that the level of understanding was low in locations such as Montreal, Boston and New York but he was not unduly concerned about this because,

I think most of them [Class "B" Non-Voting Shareholders] see this as a good investment. I think we have provided an investment opportunity in the food business that is very rare, going right to the producer level, and I think they see it from that point of view - food and agriculture and an investment opportunity that may pay dividends

Theme Six: The Role of the Global Marketplace

The elected officials spoke at length about the need for SWP to position itself to be competitive in the "global marketplace". They acknowledged that the role of the global marketplace, the pace at which events occur within that arena, and the size of some of the cooperative's competitors were all factors in the decision to restructure SWP.

SWP Director Dave Sefton:

SWP, in 1924, was formed to be a world trader. Saskatchewan agriculture has always traded in the global marketplace so moving into what people thought was a global marketplace, we'd been there since we started. So that hasn't changed but what was changing was the size of the focus of the commercial companies we're competing with. So I need to use every economic advantage I can use so that I'm in business tomorrow.

SWP Director Gary Wellbrock thought that some people looked at the restructuring as how SWP was adjusting to the changes in the global marketplace while others looked at it as what SWP would be facing in the future. He stated that both views were correct but he said,

Both reasons were right and one is more dominant than the other. As we're moving forward we're finding that the more key issue is to be able to meet the competition. We operate in competition with organizations

who are five and six and ten times our size. We still need the co-op advantage but we still have to have the competitive size and the speed to move that the restructuring gives us.

All three elected officials maintained that Saskatchewan's farmers need to use every economic advantage they can get to ensure they remain in business. President Leroy Larsen acknowledged that there are some very big players in the international agri-business industry but the link between SWP and its membership is a key advantage for the co-operative and Saskatchewan farmers as they compete:

We see the role of government diminishing in international trade. We see the large organizations controlling that global marketplace and we wanted to position SWP and the producers we represent as strongly as we could in that new environment . . . You know, people think SWP is big and too big for the small farmer. No way and I think we are a very small player in the agri-food chain but we have some powerful tools at which to hold our own in that global marketplace. The fact that we are directly connected to the producer of the raw material is invaluable in that marketplace.

Theme Seven: SWP Restructuring: Was it Necessary, Positive and Satisfactory?

The consensus of the elected officials who were interviewed was that equity conversion was absolutely necessary in terms of the global agricultural and business environment if SWP was to survive. The Directors and President were pleased with the results of equity conversion and believed that the SWP membership was satisfied as well. Leroy Larsen spoke of the SWP equity conversion and the positive aspects of the financial restructuring in the following manner:

The financial restructuring I think was necessary for SWP to grow, to expand and to become the global player that I feel is necessary for us to even survive and provide the services that I need on my farm operation. I've always looked at SWP as an extension of my farm. There are things I cannot do as an individual farmer that I require and I've used SWP to provide those services for me.

Mr. Larsen spoke of the increasing complexity of grain marketing and the

increasing requirements of customers for specific products that adapt to the end product they require. All three elected officials felt that SWP members appreciated the direction of diversification that SWP had started on before the financial restructuring. Larsen explained that most SWP members were satisfied with the direction SWP has moved towards.

We've been a diversified organization adding value to farm products. We've had the flour mill for a number of years. We've been involved in livestock marketing and the enhancement of that industry. Yes, I think the diversification and the need to add value and also the ability of the Pool in agricultural policy advancement is very strong in Saskatchewan and recognized very well.

Theme Eight: Focus Shift within SWP?

The elected officials discussed the shift in focus within SWP as being very related to doing business in a global market and providing opportunities for Saskatchewan farmers. They equated the shift in focus within the organization with the shift of focus in the global environment of agricultural business.

SWP Director Dave Sefton explained his view of the focus shift within SWP as follows:

I look at it that we've created economic pools to develop rural Saskatchewan. We are into global marketing so that we can take production and production projects and produce a product that the consumer in whatever country we're trading with wants. I know it's an overused word but if you don't do things as good or better, as the most efficient producer of the product, somewhere in the world you're going to be coming in second place. It allows us to do that and we don't always have to be debtors. We can be equity holders.

SWP Director Gary Wellbrock spoke of capturing the most amount of money for producers and SWP in the whole transaction process between customer and consumer in the agri-business industry. He spoke of SWP's shift in focus as a desire to carry out the process differently from other agri-business companies:

Most agri-business firms other than ourselves, when they look at sourcing primary agricultural products, will do it in contract with the producer, where they will say, "We'll contract the farmer with so much for us." We

will provide that opportunity for producers to do that out of their own free will if they want but we will also look at other opportunities that involve producer and community investment so that we'll say to them, "Yeah, we can go do it and you can invest in SWP shares if that's what you're comfortable with now but we'll also provide some mechanisms and some opportunities for you to invest along with us if you want because we don't have to own it all. We're comfortable with owning a portion of it and managing the process and helping others realize some of the benefits if they want to." It's a great opportunity and it's the Pool opportunity. Nobody else is doing it.

SWP President Leroy Larsen spoke of the shift in SWP's focus as the direct result of changes in provincial boundaries and international boundaries related to trade. The focus shift is much more towards a global way of thinking.

I think we have to function in a very global environment and I know that it's a stretch for many farmers and producers back on the farm to think on that basis. I think most people know in the back of their mind that these changes have occurred. The regulations and protections that they have had in the past are disappearing and they are going to have to compete in the global marketplace and again, I think SWP, by what we have done and the vision we have set for this organization, can accommodate that producer of food into this global environment.

Theme Nine: SWP's Retention of Cooperative Principles

Although the nature of cooperatives and their structure and principles were discussed at various points throughout the interviews with SWP elected officials, when these individuals were asked if SWP had retained the core principles of a cooperative their answers focused more on the adaptation of cooperatives and cooperative principles and what that means to the membership of cooperatives. Each of the elected officials were quite specific on this point as the following statements illustrate:

SWP Director Gary Wellbrock:

I think cooperatives are adapting to their environment which they were meant to do to begin with. Our world is shifting. Everybody recognizes that. Everybody talks about it everyday - about how borders are breaking down provincially, nationally, internationally. Cooperatives have to say,

“This is a reality that we’re facing. How do we adjust?” We’ve had major change to the co-op movement so I think that the principles of a cooperative as I feel, are, or can be, interpreted, I think we’re bang-on . . . One of the things that cooperatives do or have the opportunity to do, not necessarily achieve it, is to tie the heart and the head together. The private business will never achieve that.

SWP Director Dave Sefton:

The co-ops aren’t there to follow principles of co-ops. Co-ops are there to serve the members, to do things for themselves. That’s what a co-op is. It doesn’t matter if they follow a hundred rules. If they’re not serving and meeting the needs of the member shareholders, what’s the use of having a co-op? Just to follow principles? It’s there to answer the economic needs of its members . . . It’s not the idea to follow the Rochdale principles or my principles or anything else. It’s there to serve the economic needs of its members. As long as it’s doing that in a day to day, practical manner, it’s not there just to follow principles.

SWP President Leroy Larsen:

I think our structure lends itself to being identified as a cooperative and in my mind a cooperative is people working together in control of the direction and trying to achieve the needs that they have identified. I think our Class “A” shareholder structure allows that to continue and there are those that argue that we are no longer a cooperative because we have publicly traded. That has no relevance to my idea of a cooperative and, indeed, if you look at the cooperative principles that were approved at Manchester at just a little over a year and a half ago - the structure of SWP fits better than it ever has with the major cooperative principles because the Class “A” shareholder controls the capital structure of the organization and that is what is required but the major thing in a cooperative is people working together, working toward a common objective and I think SWP offers that as good now or better than we ever have.

Theme Ten: Vision for the Future of SWP

The elected officials were extremely positive and excited about the future of SWP. None of them expressed any doubt about the organization’s ability to grow and expand. The financial restructuring plus the direct connection to SWP producers through the democratic structure were seen by all elected officials as the necessary ingredients to compete successfully in the global marketplace.

SWP Director Gary Wellbrock:

My vision is to have a very competitive agri-business that can meet and exceed the competition in any of the avenues we choose to participate in with a membership base that really feels like they belong to the organization and that the membership base will extend prairie wide in Canada.

SWP Director Dave Sefton:

I see SWP becoming, according to that vision of growing global, together, that takes in all those areas but to be the most dynamic cooperative business in the world. I see it at some point, and it may not be in my lifetime, that SWP will be an investment opportunity for the people around the world. We'll also have a membership - the capacity for membership for agricultural producers around the world. So that at the end of the day going back to all the things we've said in this interview, we can provide opportunities to have economic growth of our shareholder and for producers so we can pass on the benefits of the consumer dollar directly to the producer through growth in investment and through the opportunity to market their production to this company that's trading around the world.

SWP President Leroy Larsen:

My vision is one of growth. I think SWP will grow very rapidly. I think we have taken the right steps in diversification and adding value to farm products and I see the opportunity for growth.

5.4 Interview Results: Representatives of Organizations Involved in the Grain Industry

THEME 1: Role, relationship and history with Saskatchewan Wheat Pool

Michael Halyk is a farmer in the Melville area, a SWP member and an elected member of the Advisory Committee of the Canadian Wheat Board since 1978. Mr. Halyk explained that his role as a member of the CWB Advisory Committee is "to be the ears for the Board out in the country as far as problems that are out there, then to work on committees within the Board structure to see how we can get some of these problems solved through policy changes." Mr. Halyk and his wife Karen have both served on SWP local committees in the past and are operating a mixed farm operation and seed business.

Mr. Hugh Wagner is the General Secretary of the Grain Services Union. He oversees the operations and administration of the Union on a day to day basis. The Grain Services Union is a Saskatchewan based, autonomous organization of 3,000 members, affiliated to the Canadian area of the International Longshoremen and Warehousing Union, the Canadian Labour Congress, and the Saskatchewan, Manitoba, Alberta and British Columbia Federations of Labour. He has been dealing with representatives of SWP since 1975, providing union services in collective bargaining situations. Everything in SWP is unionized with the exception of management.

Both Mr. Halyk and Mr. Wagner have a thorough understanding of SWP history and operations. In their positions as representatives of organizations connected to the grain industry, they have studied and been aware of policy changes and procedures within SWP over the past twenty years.

THEME 2: Saskatchewan Wheat Pool Policy Decision-Making

Mr. Wagner discussed how policy was once formulated within SWP and how he sees the policy decision-making process has changed. He also talked about general agricultural policy development and commercial policy:

There are two streams of policy. There's Wheat Pool policy with respect to general agriculture and transportation issues as they affect the farm community and this tended to emerge through the delegate structure and through debate at the annual meetings and I think it's fair to say that given the organization's history, that delegates have tended to reflect the philosophy, the cooperative - that variation of the cooperative philosophy. Then there's the commercial or what I'll call business policy.

Mr. Wagner felt that in the past SWP's committee structure acted in some capacity as a watchdog and had some influence on issues such as elevator consolidation, closures, upgrades and so on but he maintained that the Chief Executive Officer, senior

management and senior elected officials were firmly in control of the business enterprises of SWP. Mr. Wagner feels that all policy making decisions are now consolidated in the office of the Chief Executive Officer:

He, or that office, controls all. The Board I would equate to many corporate boards in the sense that it exists to kind of oversee the performance of the management but it's hard pressed to interfere. Prior to the share conversion I think it would be fair to say that while the CEO had a great deal of authority on the commercial side, that he paid (or the office paid) considerable deference to the political side and to the President's office in terms of just general policy of agriculture policy and so on and there was, from what I gathered and indeed observed directly, a more collaborative approach as opposed to the hierarchical approach.

Mr. Halyk talked about how policy within SWP should be formed from the grassroots up but acknowledged that some people believe SWP management develops policy from the top down:

Generally, it should be formed from the bottom up. Members become active through their committees or influence committees or influence the delegate and maybe, not necessarily via the committee structure first, they pass resolutions or delegates bring concerns because individuals have been bringing these issues forward. Then take it up to the delegate level which in turn influences the directorship level and then eventually becomes the policy of SWP. And by and large, keeping in mind that management has to float down how those policy changes or how lack of policy changes will develop the organization as people see it should be developed, that is how policy goes forward.

Theme Three: Involvement in SWP Equity Conversion Restructuring Events:

Neither Mr. Halyk nor Mr. Wagner were involved in the SWP equity conversion restructuring events as representatives of their respective organizations. Mr. Halyk, as a SWP member, went to meetings held for members before the share conversion took place, as well as discussing the restructuring with other members, SWP delegates and directors. Mr. Wagner, because of his close workings with SWP employees, was aware that changes were being considered but took a publicly neutral role because it was really

the business of the farmer-owner members.

We certainly knew it was in the wind. In fact, we knew that it had been considered under the previous administration and been rejected. When Garf Stevenson was the President and Milton Fair was the CEO they had looked at various options to retiring the equity debt problem as a result of an aging membership. They had examined what the ins and outs were of issuing shares in terms of publicly traded equity and had rejected that in favour of other approaches. We were aware, almost from the beginning, with the change of the guard, that there was a renewed interest and a pursuit with vigour of the whole notion of a publicly traded company.

Theme Four: The Role of SWP Members, Committees and Delegates

Both Mr. Wagner and Mr. Halyk believed that the role of SWP members, committees and delegates was changing. The influence of the farmer-member is reduced although the interviewees had differing opinions on what the future would hold for the role of member, committee and delegate structure.

Hugh Wagner, Grain Services Union, spoke specifically about the committee structure:

Management is now engaged with what they call the committee renewal process. Realizing that the kind of a name plate, name brand loyalty isn't anywhere near as much a factor as it used to be, I think they've discovered that the local Pool committees might be a pretty good focus group for marketing the company's products and services and it's a good avenue and access to what the consumer is thinking in that regard. But, in terms of the actual running of the company, I think the influence of farmers is diminished substantially.

Mr. Wagner stated that although farmer-member's influence on SWP management and operations is reduced, "... that's not to say farmers are discounted because, obviously, they're the heart and soul of the Pool's business."

The elected delegate structure may continue within SWP for a long time but Mr. Wagner predicted that as SWP becomes more commercially oriented and less policy oriented, the influence of the delegate body will shrink and slip away. Mr. Wagner

concluded:

Everything now is market. The whole country elevator work force is being reorganized into marketing teams and marketing centers and the collective bargaining we just completed - one of the major elements was bargaining over a so-called team based compensation system and all the job titles have been changed. They're called marketing representatives or managers of customer service or customer service representatives and so on. So everything is kind of geared towards looking at the business on a multi-faceted method. I think you're going to see gradually the length of the annual meeting, which is now about 10 days, will shrink and slowly the influence of the delegates will wane.

Michael Halyk spoke of the role of SWP members, delegates and committees as changing which has caused conflict within the organizations:

Yes, it (the role of SWP members, committees and delegates) has changed and I think that's where the struggle really is. The committee structure of SWP or the Pools, was more of a social club than anything. I mean we were settling the prairies when these committees were formed and it was a way to create some sort of a social contact amongst people. I think that, in itself, as a committee structure is really dying a slow death. It will probably die the death where people will just forget to show up to the meetings and eventually the last person who comes to the meeting will just close the books and that will be the end of it. It's unfortunate, but I think that's the way it's going to go.

Mr. Halyk believes that there is an urgent need for an influential farm policy group in Saskatchewan. He spoke of the role that the Saskatchewan Federation of Agriculture played in the past. SWP and United Grain Growers both provided funding to the Federation. Mr. Halyk questioned the huge costs of running the director, delegate and committee structure of SWP and how effective it is to farmer-members.

Maybe you still have some sort of advisory group or something influencing SWP and how it runs but the whole director, delegate, committee structure is very costly, very big, bulky, unwieldy, and I guess I'm wondering if it's really getting the job done that needs to be done.

You need some sort of structure within SWP to still have the farmer's influence. I think you can leave a much pruned down structure there but the real influence from the grass roots should be directed more toward general farm policies. SWP, unlike United Grain Growers, still has

control over the Board of Directors (the SWP members still have control) so you need some type of influential process there and I think the delegate structure is too big . . . there's a huge cost to running this delegate structure and all that.

Mr. Halyk thought the money spent on the delegate and committee structure would be better spent “. . . in some sort of a general farm lobby group just as Alberta has the Wild Rose Producers and Manitoba has Keystone Agriculture Producers.”

Theme Five: The Role of SWP Class “B” Non-voting Shareholders

Mr. Halyk and Mr. Wagner both thought that the Class “B” Non-Voting shareholders who were not farmer members of SWP were looking for a good investment. Neither men thought that Class “B” shareholders knew or cared much about the principles of cooperatives unless they were Saskatchewan residents.

Michael Halyk stated, “They (Class “B” shareholders) look at the economics of the financial sheet or they listen to the trends or to some advisor and they say, ‘Let’s go with it.’ Shares have been going up and when they fall off, they don’t fall off for long and they turn around again, so it’s probably a good investment.”

Mr. Halyk talked about the large numbers of Saskatchewan people who are now living elsewhere. These people grew up with a knowledge of SWP and the involvement SWP had with sponsoring 4-H clubs, Boys and Girls Camps and Co-op Youth seminars. Mr. Halyk feels that this may be a decision making factor taken into consideration by SWP’s Class “B” Non-voting shareholders.

A lot of people had some sort of an influence by SWP as they grew up . . . they feel it’s that company they get a chance to invest in and that’s where it ends and they’re buying shares. Shares go up, they’re happy. Shares go down, they think, “Well, what happened back home?” If I was advising anybody who had a bunch of money who wanted to go on the stock exchange, I’d say invest with anything to do with the agri-food industry. The agri-food industry will be the industry of the next decade. Anything to

do with the agri-food industry will make money in the next decade.

Hugh Wagner, when considering this question, stated simply, “The market quite honestly doesn’t care whether you’re a co-operative or what you are. It’s what value they (Class “B” Non-voting shareholders) can realize for their investment.”

Theme Six: The Role of the Global Marketplace

The role of the global market place has had a huge impact on the decisions that SWP made to financially restructure according to both interviewees. The de-regulation of the grain industry and the speed with which the changes are occurring are the prod for action. Michael Halyk summed it up by saying, “We’re in a new world and we had better get used to it real fast because the world moves at a very fast pace nowadays.” Mr. Halyk and Mr. Wagner stressed that the uncertainty surrounding the possible demise of the Canadian Wheat Board had a role to play in SWP’s decision to make the move to become a publicly traded cooperative.

Michael Halyk discussed his belief that SWP thought that the Canadian Wheat Board was coming to an end. Mr. Halyk stated, “I believe they thought the Canadian Wheat Board was coming to an end and if that was to happen they had to be bigger and more powerful, or as big and as powerful as the Cargills of the world and that’s almost impossible for them to do but they had to try. This was their effort at trying so they moved faster than policy, and politics makes strange bedfellows.”

Hugh Wagner spoke of the dismantling of a previously regulated industry which is putting increasing pressure on the Canadian Wheat Board. He thinks that the Canadian Wheat Board will evolve to a point where it may cease to exist in the next century. Mr. Wagner sees Western Canada as continuing to be an important source of grains, oil seeds

and other field crops but increasingly the prairie provinces will be in the thrall of multinational agri-business companies. Mr. Wagner concluded by saying, "One of my favorite bets if I was a bookie would be to give odds that before very long we'll see the Cargill/Saskatchewan Wheat Pool alliance further strengthened in the sense that SWP will take over Cargill's elevator system in Western Canada and strike an international marketing alliance with Cargill and that will enable it to be the junior North American partner in the oligopoly that exists. There are only going to be two or three survivors, corporate survivors in size, in Western Canada."

Theme Seven: SWP Restructuring: Was it Necessary, Positive and Satisfactory?

Mr. Halyk saw the restructuring within SWP as more necessary than positive, equating the changes SWP has had to make with the changes that individual farmers in Saskatchewan have had to make in the past decade. He was uncomfortable with the changes while acknowledging that something had to be done:

I have to admit I'm part of the old school and I always worry a lot. I think farmers needed to decide whether the cooperative's elevator system should amalgamate and I wish that would have happened and then, as one, they could have made these changes. There's times I do feel that management are running astray with the company and deciding to do this, that or the other thing. Positive from an economic sense? Positive from my point of view as a farmer? That's a tough one. We're going to see some changes before this decade is over and before this century is over that SWP knows they have to be ready for and that's what they're trying to do - be ready for it.

The restructuring route that SWP took is generally accepted in today's business world. According to Mr. Halyk, "By and large, the transfer to the share structure and SWP being traded on the Toronto Stock Exchange has probably gone relatively smoothly. The shares were worth 50% more than what they originally were sold for so

that tells you that there's a lot of confidence in that company." Although some SWP members may disagree with how SWP could have restructured differently, Mr. Halyk thinks that most farmers are struggling for survival on their own farms and they are not arguing with the changes too much. Farmers are coping with rapid change and struggling to understand the implications this has for their industry and way of life:

They see change in everything is happening so fast that they just accept that that's the way it is and they maybe don't understand why it is. In many cases, farmers don't understand so they just say, "It's happened." It's a changing world. They still feel that SWP is sort of the local place where you can go and shoot the breeze with the elevator manager and sort of a bit of a social club. The guys all hang out and have a coffee and all that, but they see it's changing there, too.

Mr. Wagner discussed SWP's financial restructuring from the point of view of a class issue and the movement towards a more entrepreneurial attitude within the culture of agriculture. His opinion was that SWP had to do something about the equity issue as the age of SWP farmer's increased but he questioned whether the cooperative could have done things differently:

The Pool had to do something about its equity issue and converting it to bank debt wasn't feasible. In order to address it they might have had to stop paying out patronage dividends and they paid out substantial dividends every year. They might have had to cease that practice and do as Alberta Pool did. Clearly, they elected not to do that but they had to do something.

As a result of equity conversion, patronage dividends are no longer paid out to members. Mr. Wagner stated that farming has become a more capital intensive business which encourages the farm operator towards a much more entrepreneurial attitude. This attitude is evident, not just within SWP but, according to Mr. Wagner, "... that's a function of the changes in the culture of agriculture. The fact that it has been through some pretty wrenching times has shaken out a lot of smaller operators."

Mr. Wagner does not think that SWP members are necessarily happy with the financial restructuring but that they are resigned to their fate. He states:

It's a difference between acceptance and satisfaction and kind of a joyful acceptance. I think this is more of a resigned acceptance. I think a lot of people kind of mourn the death of their ideals but they're faced with the very practical necessities of survival. So, it's a struggle for survival and people have seen that this is perhaps, for many of them, their last best hope. And for many of them, their ticket out. The farm population has been steadily aging. I think, depending on the price of farm land, you're going to see the number of farmers in Saskatchewan decline by 20 to 25 thousand by the next ten years.

Theme Eight: Focus Shift within SWP?

A shift in focus within SWP was already evident to both interviewees as the financial restructuring events unfolded. Mr. Halyk and Mr. Wagner felt that the effects on rural communities would be detrimental in the long term. The viability of many Saskatchewan rural communities is in jeopardy, according to their assessment of SWP's focus shift.

Michael Halyk:

The community/rural issues that were part of the whole SWP infrastructure will get lost in the process. I think as much as they, as SWP management and board, don't believe so, it will get lost. People at the community level won't feel as close to the company as they once did. I think they [SWP] will not be married to change. If they make a change and it doesn't work they'll drop it. Just like a farmer. If a farmer makes a mistake but he's married to a mistake because of some reason, he'll hang onto that mistake and I'm talking about a bad business deal or whatever. He'll hang onto it simply because there's a social reason or a community reason, whatever. SWP will not do that in the future. If they make a mistake, they'll dump it and go on and take their lickin' up front. They'll have no time. They're going to be a fast-moving company.

Hugh Wagner:

I think you're going to find a shift in focus. I think it's already there where companies like the Wheat Pool will focus on 20% of the customers who do 80% of the business and that will be their bread and butter. That's

where they'll place their energies is to the linking up and being a business and catering to the large producer. So the process becomes sort of a self-perpetuating process. Some communities will be, as a result of investment - whether it be in pork or in grain handling facilities - allowed to survive. Others are, at least in terms of commercial activities, dead. I think more and more small communities are going to come under severe stress.

Theme Nine: SWP's Retention of Cooperative Principles

There was a major difference between Mr. Halyk and Mr. Wagner's response to the question of whether SWP has retained the core principles of a cooperative. Hugh Wagner, Grain Services Union, has always viewed SWP as a business enterprise and a capitalist institution. As a union leader, he viewed it as a corporate business and stated, "There's always been a tension within the Pool whether it should be geared towards being a business enterprise or geared towards being a co-operative but I think increasingly it's only been a co-operative of capital."

Michael Halyk feels that SWP is struggling to retain the core principles of a co-operative but he thinks it will be very difficult, even with the best of intentions on the part of management, elected officials and members. The transition from a co-operative to a publicly traded co-operative with outside investors may dilute the core principles of a co-operative. Mr. Halyk expressed regret that the "sister co-operatives" of Manitoba Wheat Pool and Alberta Wheat Pool had not joined with Saskatchewan Wheat Pool. Mr. Halyk ended this portion of the interview by saying, "A co-operative is never down and out until it is written off. Until we see what happens with the sister co-operatives I would never totally underestimate the fact that SWP has to maintain some of its principles towards being a co-operative - a true co-operative, or at least try and exist under some of those principles."

Theme Ten: Vision for the Future of SWP

Both interviewees predict a successful future for SWP. The financial restructuring of SWP is one of the biggest changes in the cooperative's history and both gentlemen foresee a bright future ahead for the organization. The following statements indicate that while neither interviewee was particularly comfortable with or enthusiastic about SWP's financial restructuring, both men agreed that SWP would most likely achieve its goals of surviving in an increasingly competitive global agri-business environment:

Michael Halyk:

I guess it's going to become a fairly large corporate company. I do think it's eventually going to move. It's going to become more than just SWP. It's going to become a Western Canadian company, whether that's through purchasing UGG, amalgamating with the sister Pools or just moving in there and doing it, I don't know. They're going to become a big company. I do think they're eventually going to move into the rest of the Prairies. I think SWP's probably got 25 years of viability in it before the multinationals would gobble it up for a lot of reasons. Once they're trading on the stock market, if the multinationals start gobbling it up, obviously the stocks would fall and it would cause a little bit of havoc amongst the stock market. And you know, traders don't like that. They want viable institutions.

Hugh Wagner:

I think it has a very good future as a company. I'm bullish on it in that sense. If I was an investor, I think it's a good investment. I think it's going to be a survivor. I have my criticisms of Mr. Loewen and his methods and kind of the regime about it but he is extremely purposeful and forceful and single-minded and he has done more in the past 3 years to change the Pool than many others have in a lifetime. What's done is done. I think they're going to succeed.

CHAPTER 6:

CONCLUSIONS

6.1 Cooperative Innovation or Global Market Domination?

The fact that Saskatchewan Wheat Pool is the largest producer cooperative in Canada means that people around the world have been watching with interest as the organization went through the process of restructuring. The process raised questions about the development and evolution of cooperatives, in general, and SWP, in particular. Over the last 150 years, cooperatives have developed and become part of our modern industrialized societies. "The International Co-operative Alliance estimates that there are over 750 million people in the world who are members of co-operative organizations; and cooperatives take a bewildering variety of forms in the 90 or more countries where significant co-operative movement exist" (Fairbairn, 1997). The common thread running through the variety of forms of co-operatives is the dual nature of co-operatives: an association of people (social) and a self-service enterprise that exists to serve its members (economic):

A co-operative is an association of people who operate a business for their own use. Like other associations in modern societies, the co-operative association is open, voluntary, and democratic, and exists to serve its members. Like other businesses, it operates in a market economy, combining factors of production to produce competitive goods and services. By definition, a co-operative is the only form that unites these two aspects of association and enterprise. Co-operatives, in other words, are unique in the way they combine both a social and an economic mandate (Fairbairn, 1997, p. 2).

Saskatchewan Wheat Pool developed as a co-operative during a period of Canadian history when the prairies were being settled. The farm movements in the western provinces had been instrumental in identifying social and economic needs of

Saskatchewan farmers SWP grew and thrived as a cooperative because both parts of the organization (association/body of members) and enterprise (commercial business) were integrated and nourished.

In the life cycle of co-operative development, a pattern often emerges, according to Dr. Brett Fairbairn:

In the initial stages, both “halves” of the co-operative – the association and the enterprise – need to be nourished in order for the organization to thrive. Typically, the associational impetus for co-operatives has arisen from the identification of needs often facilitated by “outside” agencies or facilitators. Most large co-operative movements have been driven by social or educational movements: examples include the farm movements in all Canadian provinces, labour or nationalist movements in certain countries, or adult-education and community-development projects like the Antigonish Movement in the Maritimes in the 1920s-30s.

As co-operatives develop, there is often a tendency for the associational aspect to lose vitality, and for the business “side” to come to dominate the affairs of the organization. This may go together with a decline in active member involvement. The institutionalization typically occurs a generation or two after the founding of a new co-operative, though it does not occur in all cases and is sometimes reversed. Whether it is a good thing or a bad thing is a moot point, and depends in any case on the objectives and the circumstances of the co-operative (1997, p. 2).

It is clear from the analysis of the Minutes and Verbatim Report of the Standing Committee on Private Members’ Bill 04, as well as the interview responses from the three groups interviewed for this research project that the business side of SWP has come to dominate the co-operative. True to Dr. Fairbairn’s above statement, the institutionalization of SWP has occurred a generation after the founding of the co-operative.

The “objectives and circumstances” of SWP can be summarized within the context of globalization of the market economy. As grain handling and agribusiness companies become larger and more powerful, competition has become concentrated

within a small number of multinational companies who dominate the global marketplace in the agricultural industry. The “circumstances” of a rapidly changing industry, through deregulation, NAFTA, WTO and other mechanisms, are the reasons SWP made the decision to move to a publicly traded co-operative structure. The “objectives” of the financially restructured SWP, as set out in the new vision statement: “Growing Global, Growing Together” and the new mission statement, “to be the most dynamic agribusiness co-operative in the world” are clearly stated against the backdrop of an international agenda of economic globalization. Whether SWP would have survived without equity conversion and the resulting organizational form is a moot point. The transformation has occurred. SWP’s goals to grow and expand into a transnational co-operative are clearly articulated. The questions for future researchers are: 1) can these goals be accomplished and 2) how will these goals affect the membership of SWP.

6.2 SWP: Ready for Competition

In the current environment of increasing global competition, deregulation, removal of provincial and national trade barriers, free enterprise ideology and the prevailing notion of “progress” defined as growth and expansion beyond provincial or national borders, SWP has declared itself ready to compete against multinational corporations in the agribusiness industry. One of the “competitive advantages” that SWP cites in the global marketplace arena is the close links between the farmer-members and head office management and elected officials who will be setting the pace and direction of competition with other agribusiness companies. By ensuring that SWP farmer-members have more of a vested economic interest in their own financial bottom line SWP

hopes to keep the members loyal to the company. Thus, SWP has positioned itself to compete in the global marketplace.

The other aspect of competition is the ongoing competition between farmers. The more business a farmer does with SWP, the more valued he/she will be. The increasing emphasis on farm owners as business entrepreneurs stresses the free-enterprise, open border possibilities for individual farmers who are ready to compete in the new “deregulated” world of agri-business. As far as economic policy goes, this fits with SWP’s new corporate vision and mission. From the co-operative and agricultural policy point of view, smaller farmers may not feel represented when SWP speaks on behalf of the agricultural industry.

6.3 Long-term Implications of Financial Restructuring

The populist view of the farm movements in the past presented farmers as a homogeneous group. That view may have been an illusion, according to Stirling and Conway, “Clearly this phenomenon needs more research – a detailed study of farm leaders in this early period, their size, prosperity, related business activities, and political activities would reveal the extent to which farm leadership was dominated by larger farmers and the degree to which such leaders acted as a political brake on the rank-and-file” (1988, p. 81).

The past few decades in Saskatchewan indicate that while farmers, as a group, may have had a voice as the “farm sector”, there is growing evidence of serious fractions within prairie farmer’s interests. Class divisions between Saskatchewan farmers are widening, with more large, corporate farms accumulating land and capital, while the small farmers at the margins struggle to remain on the farm. SWP’s commercial policy

development may negate their rural/community policy development. This will have serious repercussions for the future of rural Saskatchewan. As SWP looks farther afield onto the global playing field, what sense of commitment remains for the “roots” of the co-operative. From Bankend to Bay Street may not be as far in physical distance as it is in philosophical distance, despite assurances from the management and elected officials of SWP.

SWP intends to grow and expand rapidly. Indeed, it has moved quickly to realize the corporate agenda of diversification, expansion and value-added activities. History will be the ultimate judge of whether SWP moved in the right direction or not. The financial restructuring is complete. The resulting ramifications and implications of that decision may take years to unfold. Along with elevator consolidation and transportation problems, farmers will be operating their “business” in much more sparsely populated rural areas. As SWP grows globally, what will the impact be on the province of Saskatchewan and its citizens?

6.4 Future Areas of Research

The role of SWP’s member relations department is crucial in maintaining a loyal and committed membership base for the organization. The need to encourage communication and participation of SWP members is key to the survival of this co-operative. Future research into the effectiveness of the democratic structure of SWP and the perception among SWP members as to its effectiveness would be valuable to assess.

The challenge of promoting the co-operative movement in an increasingly urban province and country is another area of potential research. Is co-operation possible within the context of free markets and global competition? As we move into the next millenium

research into the impact of SWP's structural changes on the rural fabric of Saskatchewan will be most interesting.

Saskatchewan farmers and rural people are facing challenges similar to those facing the original members of SWP. Perhaps the most fascinating research question is whether social and economic conditions are ripe for a new life cycle within the co-operative movement.

APPENDIX A
FACE-TOFACE INTERVIEW QUESTIONNAIRE:
SWP MANAGEMENT AND EXECUTIVES

1. Name:
2. Title:
3. Role within SWP:
4. Previous positions with SWP:
5. Length of time at SWP:
6. Describe your work experience prior to coming to SWP:
7. Describe your level of education:
8. Can you tell me how policy is formulated within SWP?
9. How does the process of decision-making work within SWP?
10. When did you become involved in the "restructuring" of SWP?
11. What was your attitude toward restructuring before the passage of Bill 04?
12. What was your attitude toward restructuring during the passage of Bill 04?
13. What was your attitude toward restructuring after the passage of Bill 04?
14. What role do you think SWP members play within the organization?
15. What role do you think SWP committees play within the organization?
16. What role do you think SWP delegates play within the organization?
17. Do you see the changes occurring within SWP as positive? Yes or No (Why?)
18. Do you see the changes occurring within SWP as necessary? Yes or No (Why?)
19. Do you see any change of focus within SWP?
20. Do you think SWP has retained the core principles of a co-operative? (Why or Why not?)

21. What role do you think the "global marketplace" had in SWP's decision to restructure?
22. Do you think SWP members are satisfied with the changes occurring within the co-operative?
23. Do you think Class 'B' shareholders understand the principles and operations of a co-operative?
24. What is your vision for the future of SWP?

**INTERVIEW QUESTIONNAIRE:
SWP SENIOR ELECTED OFFICIALS**

1. Name
2. District:
3. Length of time as a Elected Official:
4. Length of time as a SWP member:
5. Other positions you have held within SWP:
6. Describe your level of education:
7. Describe your work experience:
8. Can you tell me how policy is formulated within SWP?
9. How does the process of decision-making work within SWP?
10. Role in the events leading up to the "restructuring"
11. What was your attitude toward restructuring before the passage of Bill 04?
12. What was your attitude toward restructuring during the passage of Bill 04?
13. What was your attitude toward restructuring after the passage of Bill 04?
14. What role do you think SWP members play within the organization?
15. What role do you think SWP committees play within the organization?
16. What role do you think SWP delegates play within the organization?
17. Do you feel that the SWP members are satisfied with the changes occurring within the co-operative?
18. Do you feel that SWP has retained the core principles of a co-operative?
19. What role do you think the "global marketplace" had in SWP's decision to restructure?
20. Do you see the changes occurring within SWP as positive? Yes or No (Why?)

21. Do you see the changes occurring within SWP as necessary? Yes or No (Why?)
22. Do you see any change of focus within SWP
23. Do you think Class 'B' shareholders understand the principles and operations of a co-operative?
24. What is your vision for the future of SWP?

**INTERVIEW QUESTIONNAIRE:
REPRESENTATIVES OF ORGANIZATIONS CONNECTED TO SWP
THROUGH THE GRAIN INDUSTRY**

1. Name:
2. Title:
3. Role within organization:
4. Relationship with SWP:
5. Level of education:
6. Can you tell me how policy is formulated within SWP?
7. Were you involved in the plans to restructure?
8. What was your attitude toward restructuring before the passage of Bill 04?
9. What was your attitude toward restructuring during the passage of Bill 04?
10. What was your attitude toward restructuring after the passage of Bill 04?
11. What role do you think SWP members play within the organization? Do you think that has changed?
12. What role do you think SWP committees play within the organization?
13. What role do you think SWP delegates play within the organization?
14. Do you see the changes occurring within SWP as positive? Yes or No and Why?
15. Do you see the changes occurring within SWP as necessary? Yes or No and Why?
16. Do you see any change of focus within SWP?
17. Do you think SWP has retained the core principles of a co-operative? Why or why not?
18. What role do you think the "global marketplace" had in SWP's decision to restructure?
19. Do you think SWP members are satisfied with the changes occurring within the co-operative?

20. Do you think Class B shareholders understand the principles and operations of a co-operative?
21. What is your vision for the future of SWP?

APPENDIX B

TECHNICAL DETAILS re: EQUITY CONVERSION: EXCERPT FROM INTERVIEW WITH SWP TREASURER Erin Canham – March 21, 1997

Eight years ago, capital projects requests from the operating divisions and people who should know what they need, was like forty million dollars and the company could fund thirty million. Then the request got up to fifty million and sixty million and seventy million and the company was saying, "We can fund thirty." So the requests were growing but there was no ability to fund those unless, the only options for us was earnings coming in. The only other options was borrowing from the bank and get debt. And so, considering our organization, yeah, we could go and borrow but during economic fluctuations, if you're relying solely on debt, you can run into difficulties equally as well because of principal repayment and interest rates and interest rates in Canada had gone through a horrendous time of thirteen to fourteen percent. Back in the early '80s they hit as high as twenty-one to twenty-three percent so organizations don't always survive well and can't adapt and move very quickly if they are burdened with debt, or too much debt.

So we said, "Well, we could do it with debt but what are the capital requirements and what are the needs?" Well, we still had to meet this need of repayment to our members. We still had these growing requests for capital projects so to look at that and say, "How do we go about structuring this any differently?" One of the first steps in this process and actually, I've managed the whole process from start to finish in all of this. That's why I can get into the details. One of the first steps we did is went back and looked at various financing for co-ops that had been entertained before. We had a number of papers on file. There had been a number of meetings, congresses, congresses for cooperatives or otherwise, that I had gathered that we had in our files, that we had gathered from Europe or the States or from Australia or otherwise and looked at what other organizations, co-ops had looked at for financing. And that quickly brought me to

look at the cooperatives principles that said when you want to look at anything, let's look at the co-op principles of which there were six.

We analyzed those six and went through them and said, "Well, there's six principles to determine whether you're a cooperative or not." I think, at best, we probably met four of them, because one of which was voluntary membership. Members should be voluntarily able to join or leave as they so choose. Well, members could join but they couldn't leave because if they ceased farming or left - if they left and wanted their money out we couldn't afford to pay out all of the equity. We're just now meeting the required categories as we indicated. So that was one that I don't think was as open as it should be. The other requirements were when you go through them and the main one that came out of it all was control - member control, one member, one vote. When we looked at this we said, "If we can come up with any structure, we've got to ensure member control." Yeah, it would be nice to have voluntary membership but member control was the absolute.

A second one that came out was the division of profits, surplus among members and the way that reads is, "Profits should be shared amongst members on a . . . they each either receive a return on their investment, meaning a fair return, or it should be shared amongst them, based on their contribution during the year - patronage." So there's actually two components there that when you looked at that and said we've always been sharing it on a patronage basis but we've never given a return on their investment which drew a lot of complaints from members who had built up an equity and who said, "This isn't any value to me because I build it up; I pay the tax on it immediately; I don't get it until I die or retire and what good is it to me then? There's no return on it. Inflation erodes the value of that." So that was a concern or complaint. So when we looked at the principles we tried to - those were very much foremost in trying to design anything as we go forward.

This is an aside. One of the things we found when we were looking at comparative companies like Alberta Wheat Pool or Manitoba Pool, United Grain Growers, or some of the U.S. co-ops was, as an example: the Alberta Wheat Pool

to the west of us - they also followed a redemption of their memberships' equity over a period of time but they had got to the point where for a number of years where people who were in their mid to late seventies, early eighties had equity that they could not get paid out because the organization did not have the capital to redeem their equity. They were maybe a little further behind us in their financial structure for soundness and weren't able to revolve or pay back equity and so the benefit of membership is to reap the benefits and rewards of the cooperative through an allocation on your investment or on earnings. Those members that were late seventies, early eighties, and not getting their equity out - you wonder and question the value of that. We were seeing that as potentially happening to us as well.

So we looked at all the options, various debt options, various equity options and came back and said member control is the number one important thing and so let's ensure that. Number two - if we can convert the equity as we did to a share like we have, it becomes permanent so there's no longer a requirement of the organization to redeem it. Members can buy and sell it as freely as they want and they can invest more if they want or invest less if they want and so that gave them some freedom of choice relative to their equity. But the structure, more importantly, because it became a permanent equity, allowed us to access capital markets by issuing new shares if we see the demands for capital projects increasing. We can issue more shares to fund a project.

Like anything, when you go to buy a house or you set up a business, everyone wants a certain amount of equity and you can debt finance the rest. So if you want to spend seventy-five million on capital, yeah, we can finance some that with equity and we'll borrow the rest. So from that point forward we said for our financial structure we won't entirely debt finance it nor will it be entirely equity. It will be a mixture of what's proper and prudent relative to organizations like ourselves.

There's a lot of co-ops out there that say that they're cooperative or incorporated under the Cooperatives Act but may not be a cooperative so its probably subject to "in the eyes of the beholder." So everyone's going to have

their own point of view and I'll acknowledge that but I think it may have been Mr Larsen, our President, who said that, "If you act like a co-op, walk like a co-op, talk like a co-op, you should be a co-op." Okay? And so, there are companies out there that are not incorporated a cooperatives but act like cooperatives in terms of how they cooperate with other organizations, how they distribute their surplus at the end of the year, what sort of say they give to their employees, or their suppliers or their stakeholders or shareholders and so, I think its more one of what is the culture and what is the direction of the organization as opposed to how one is financially structured.

They (*other co-operatives such as Alberta Wheat Pool and Manitoba Wheat Pool*) are taking a view that the organization, because it has a publicly traded share and that the earnings are not allocated entirely as in patronage, means you're not a cooperative. Well, if you don't have voluntary membership, is that a cooperative? There are cooperatives that will allocate the earnings based on that share return in addition to a patronage. One of the things we recognize in this to try to go forward is patronage is what is converted to shares. Shares are what gave the equity to members. What happens with the young guys coming into the organization? How are they going to build up an equity? Or over time are you going to see the organization membership shares dwindle and the members holding fewer shares. In which case then you equity balance has shifted so that you're declining. Your equity balance is held by outsiders or other investors. We put in a couple of programs to look at that and we're looking at how they're successfully going to be over time. We'll modify and change, if necessary, those programs.

One is we introduced a stock option program so a new member who joins the Wheat Pool provided that he does three quarters of his business for three years with the organization can qualify to buy 200 shares at the price the shares were the date he joined the Pool. So if he signed up last spring when the shares were twelve dollars, three years from last spring which is 1999 he could buy the shares still at twelve bucks. So if the shares have moved up, they were up to twenty dollars, they were down this week to fifteen but there was an announcement last

week about earnings and its grain transportation that's caused a lot of that. He's got three years and after that three year period he can exercise an option. Well, there's a benefit there, potentially, that he's going to be able to buy shares at a value below market when he can exercise them.

The second thing we've worked with is the CST people. They had a marketing program that we worked with them on to change and it was renamed AgShare and AgShare program provided credits to farmers, to members, and the members could take cash for those or they could take those credits and roll them into a group stock savings or RRSP plan, get a twenty percent bonus and those dollars will be used to buy shares. So if a person had accumulated a hundred dollars in credits he could buy one hundred and twenty dollars worth of stock. If the group stock savings plan is the third component of this it's set up just like a mutual fund. It's only available to members and to employees and there's a registered component like an RRSP component and a non-registered component. It's almost identical to a patronage-like system we've had in the past where there's equity accumulating on behalf of the members, like a savings account because equity, a lot of members would view it as a savings account. So it's accumulating like a savings account for members. They have the freedom, though, to draw it out if they want or put more in any time they want and they have the freedom to put it into a registered plan or non-registered.

Anyway, the AgShare credits can go in there. They can get a twenty percent top up and so, over time, the desire is to structure a program like that stock option and we're looking at various forms of how can we make this like a regular savings plan where if people want to contribute a hundred bucks a month or something they can have something similar to what they had before, a saving for retirement, in the organization. Those are three ways: the stock option, the AgShare and the group RRSP stock savings plan to emulate savings plans similar to what a patronage system gave us before, so that on an on-going basis we're going to have members continuing to buy shares and invest in the organization because the linkage between investment and business activity and commitment I think is a strong one and so we want to try and maintain that.

APPENDIX C

ETHICS APPROVAL FOR INTERVIEWS



UNIVERSITY OF REGINA

OFFICE OF ASSOCIATE VICE-PRESIDENT AND DEAN
FACULTY OF GRADUATE STUDIES AND RESEARCH

DATE: January 23, 1997

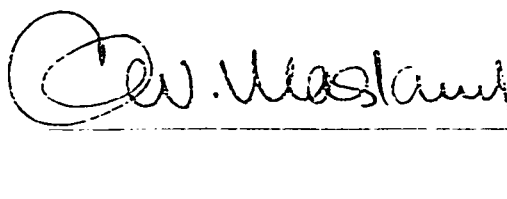
TO: Laureen Y. Gatin

FROM: G.W. Maslany, Chair
Research Ethics Review Committee

Re: Restructuring the Saskatchewan Wheat Pool

Please be advised that the committee has considered this proposal and has agreed that it is:

- ✓
- _____ 1. Acceptable as submitted.
(Note: Only those applications designated in this way have ethical approval for the research on which they are based to proceed.)
 - _____ 2. Acceptable subject to the following changes and precautions (see attached):
Note: These changes must be resubmitted to the Committee and deemed acceptable by it prior to the initiation of the research. Once the changes are regarded as acceptable a new approval form will be sent out indicating it is acceptable as submitted.
Please address the concerns raised by the reviewer(s) by means of a supplementary memo.
 - _____ 3. Unacceptable to the Committee as submitted. Please contact the Chair for advise on whether or how the project proposal might be revised to become acceptable (ext. 4161/5186.)


G.W. Maslany

/mm
cc

M. Knuttila, supervisor

APPENDIX D

LETTER OF INTRODUCTION TO INTERVIEWEES RESTRUCTURING THE SASKATCHEWAN WHEAT POOL

Dear _____,

I, Laureen Gatin, am a graduate student completing my master's degree (Department of Sociology/Social Studies) in the Faculty of Graduate Studies and Research at the University of Regina. My thesis research pertains to the restructuring of the Saskatchewan Wheat Pool in light of the passage of Private Members' Bill 04 in the Saskatchewan Legislature. I will be interviewing Saskatchewan Wheat Pool members, delegates, directors, executives, employees and individuals connected with the grain industry in Canada. The thesis will be placed in the Saskatchewan Wheat Pool Library upon completion if you are interested in viewing the findings.

I would like to interview you to gather information related to the restructuring of the Saskatchewan Wheat Pool. If you have any questions about this research project, please contact my supervisor, Dr. Murray Knuttila, at 585-4895 or by writing to: Dr. Murray Knuttila, Dean of Arts, Faculty of Arts, University of Regina. You may also contact Dr. George Maslany, Chair of the Research Ethics Committee, Faculty of Graduate Studies and Research, University of Regina, at 585-4461 if you have any concerns or questions about your rights as a participant in this research project.

In the interests of time, efficiency and accuracy I would like to tape our interview. The attached consent form requires your signature indicating that you are aware of my research request for information and that you give permission to be interviewed on tape. Your information and observations are valuable and greatly appreciated. I look forward to your participation in this research study. Thank you for your time.

Sincerely,

Laureen Y. Gatin

Department of Sociology/Social Studies
Faculty of Graduate Studies and Research
University of Regina
Regina, Saskatchewan
S4S 0A2
(585-2027)

CONSENT FORM

RESTRUCTURING THE SASKATCHEWAN WHEAT POOL

This consent form indicates that I have been informed as to the research topic of Laureen Y. Gatin's research study undertaken as a thesis requirement for her Master's degree at the University of Regina, Faculty of Graduate Studies and Research.

I understand that the interview process will require a time commitment ranging from 45-60 minutes and will be recorded on tape. I understand that as a participant, the statements, observations and information I proffer may be attributed to me in the written research findings unless I specifically instruct Laureen Gatin otherwise. I understand that the taped interviews for this research project may be filed in the Oral History section of the Saskatchewan Provincial Archives so as to benefit future researchers in this area.

This project, *RESTRUCTURING THE SASKATCHEWAN WHEAT POOL*, was approved by the Human Subjects Ethics Committee, University of Regina. If participants have any questions or concerns about their rights and treatment as research participants, they may contact the Chair of the Research Ethics Committee (Dr. G. W. Maslany) at 585-4461. If participants have any questions or concerns about the research project, they may contact the research supervisor: Dr. Murray Knuttila, Dean of Arts, Faculty of Arts, University of Regina, at 585-4895 or the researcher: Laureen Gatin, Graduate Student, Department of Sociology/Social Studies, Faculty of Graduate Studies and Research, University of Regina at 585-2027.

The researcher, Laureen Gatin, will answer questions about the research project. The researcher will submit the published findings to the Saskatchewan Wheat Pool Library so that all participants will have access and opportunity to peruse the completed study.

A copy of this signed consent form will be retained by the participant. The original signed consent form will be retained by Laureen Gatin.

Signature of participant: _____

Signature of researcher: _____

Date: _____

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