Innovative Marketers.

Accountable.

Flexible.

Efficient.

Farmer Advocates.

A message from the President/CEO and the Chair of the Board of Directors

To western Canadian wheat and barley growers:

This past year has been about standing up for farmers. As a Board of Directors made up of 10 farmer elected and five appointed directors, we have worked hard in 1999-2000 to further your interests. Whether we are negotiating on transportation issues, developing producer payment options, fighting against EU and U.S. subsidies, defending against U.S. trade actions, or running the CWB more efficiently, as a board and management team we make your priorities, our priorities.

To be sure we are on track, we meet with farmers. This past year we have consulted as never before. Over 6,000 farmers attended *It's Your Business* Directors' meetings. We met with organic farmers. Directors and staff met with farmers at *Combine to Customer* and *Go with the Grain* tours, and *Customer Connection* meetings—all programs we offer for farmers to learn about grain marketing and their customers. These meetings as well as the *Moving Up Market* conference give staff and directors the opportunity to learn more about your concerns about the industry and grain marketing.

You have been asking for change, and we have responded. Beginning with electing farmers to the board, we became more accountable. To increase

Ken Ritter
Chair, Board of Directors

accountability to farmers, we invited the Auditor General of Canada to audit operations and initiated a process to benchmark marketing performance. We became more flexible by creating producer payment options. And we developed a new policy for new generation co-operatives wishing to develop value-added enterprises.

In a climate of low world prices and high input costs, farming is a tough business. You want to know that the CWB is making the most for you. Selling your grain—all of it—at the best possible prices on the world market is the number one goal. In 1999-2000 sales revenue exceeded $4.5 billion, an increase of 12 per cent from last year. Our share of the world wheat market went up from 13.8 per cent to 16.7 per cent. Our share of the world barley trade increased over three per cent to 9.7 per cent. The CWB maintained Canada's position as the dominant durum wheat exporter with over 60 per cent of world durum trade.

Selling your grain. Improving your cash flow. Providing options. Returning profits. Being accountable. These are our commitments to farmers. This report will highlight some of the ways we are standing up for you in a competitive and tough marketplace, and show how we have changed to respond to your changing needs and views. Providing more information than most publicly traded companies, the financial disclosure in this annual report is our testament to accountability.

As a Board of Directors and a management team working closely together, we have restructured the CWB to confront a new reality in agriculture. Led by a new strategic vision for 1999-2000, we have begun the new millennium with bold initiatives that we hope will create an era that builds on our strengths, increases your support, and contributes to your prosperity as a western Canadian grain farmer.

Ken Ritter
Chair, Board of Directors

Greg S. Arason
President and Chief Executive Officer

Greg Arason
President and Chief Executive Officer

1999–2001 Chart of

Vision: To create value for Prairie farmers by being an innovative world leader in marketing grain.

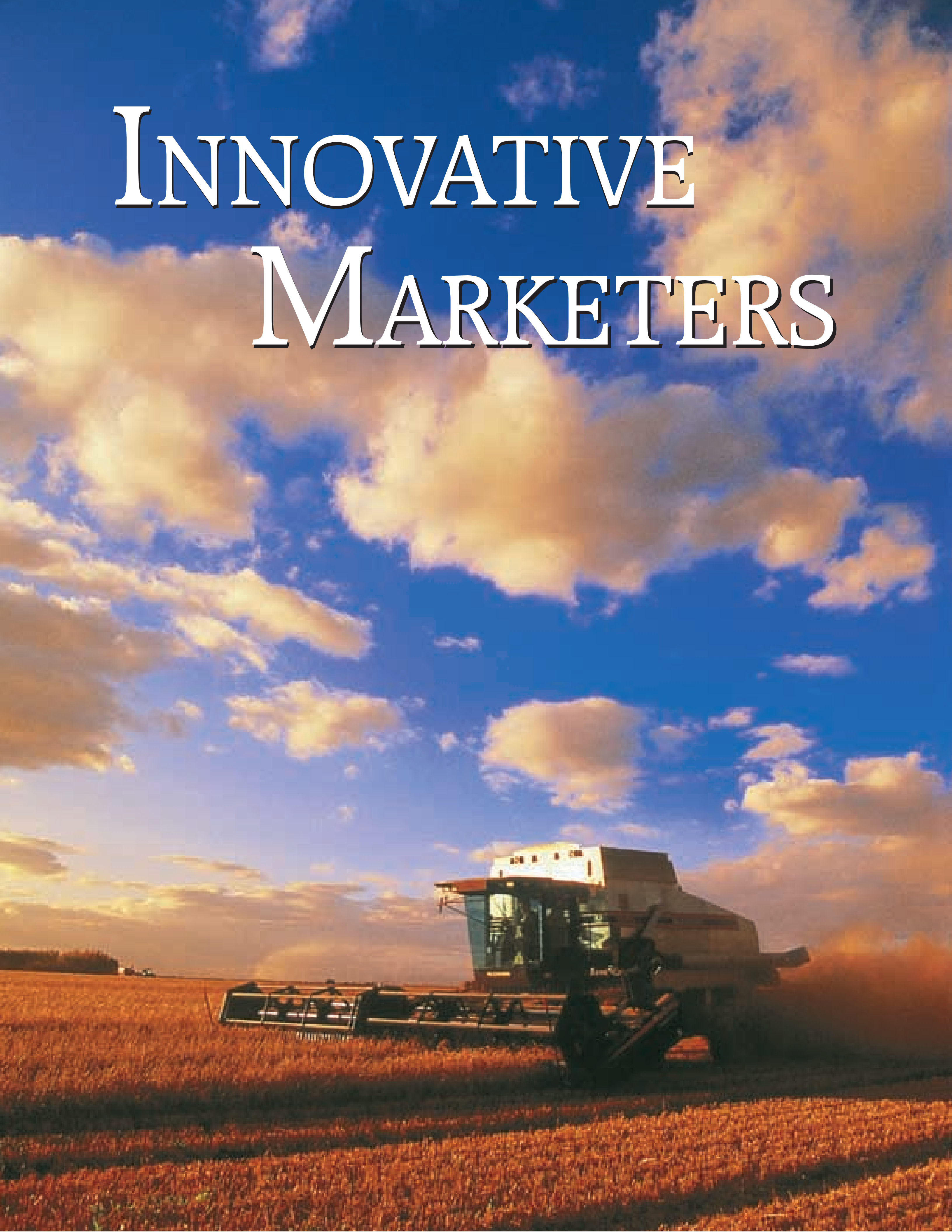
Mission: The CWB markets quality product and service in order to maximize returns to western Canadian grain farmers.

GOALS 1999-2000 and 2000-01	RESULTS 1999-2000
To attract, develop and retain markets by delivering quality products and service to customers worldwide	• Ongoing Market Development projects in wheat, durum, and malting barley • Creation of CWB biotechnology strategy and leadership in the industry • Implementation of the Canadian Malting Barley Technical Centre • Creation of long-term grain global supply-demand forecast, as a basis for a long-term marketing plan
To provide and demonstrate to Prairie farmers the competitive advantage of single-desk selling of wheat and barley	• Benchmarking initiatives were explored to determine the value of the single desk and to measure performance
To demonstrate that the CWB is controlled by Prairie farmers	• First annual strategic planning session by the Board of Directors in fall of 1999 • A review of communications between the CWB and federally elected government officials
To demonstrate accountability to Prairie farmers by seeking out, listening to and responding to their concerns	• Creation of producer payment options • Establishment of Farmer Relations area at the CWB • Expansion of farmer meetings and communications with farmers; expansion of Web site • Financial results issued to farmers through the annual report and *Grain Matters* • CWB election regulations and procedures reviewed, and recommendations made to the federal government

Goals and Results

To be transparent by providing Prairie farmers with information, including market-related information, that does not jeopardize the competitive and commercial position of the CWB	• Establishment of a CWB Information Policy • Support of the Auditor General of Canada in the Special Audit of the CWB • Comprehensive financial reporting in the 1999-2000 Annual Report
To provide equitable opportunity for Prairie farmers to access world grain markets	• Comprehensive review of the grain delivery policy and system
To distribute returns to Prairie farmers in a manner consistent with the relative value of their products through mechanisms that strive for fairness and equity	• Paying farmers for finer protein increments in wheat
To operate in a manner that encourages value-added initiatives on the Prairies	• Assisting value-added enterprises with information • Consultations with organic industry • New Generation Co-op policy
To maintain a healthy and safe work environment and provide employees opportunities for personal growth and professional excellence in an equitable manner that respects diversity	• Employee survey conducted • Employee pension plan reviewed
To actively represent Prairie farmers' interests on relevant issues to governments and industry	• Advocacy for farmers in transportation policy changes • Participation in Multilateral WTO Trade Discussions • Bilateral Canada-US Trade Strategy Plan developed to improve dialogue with government
To provide industry leadership to achieve the most efficient handling and transportation system	• Reduction of farmer costs through further commercialization of the grain handling and transportation system

Innovative Marketers



The CWB has a world-wide reputation for dependability. High quality, consistent products, technical service and expertise, and going the extra mile for the buyer makes Canada first choice in key markets.

Market development

Finding out what customers want and developing varieties that meet their processing needs requires extensive research. The CWB's Sales and Market Development department is devoted to working with customers, plant breeders, the Canadian International Grains Institute (CIGI), the Canadian Grain Commission (CGC), the Canadian Malting Barley Technical Centre (CMBTC) and other industry partners to make western Canadian wheat and barley first choice with customers around the world.

Market Development for wheat

Canada is the largest trader of hard red spring wheat in the world. To continue to meet customer demand and expand markets, the CWB has been working to develop and test different wheat varieties. AC Crystal, a Canada Prairie Spring Red wheat variety, and AC Vista, a Canada Prairie Spring White wheat variety, have been favorably tested by off shore customers. AC Vista has potential in Asian noodle markets and in Latin America, and AC Crystal is a high yielding wheat that can compete with hard red winter wheats with lower protein. New Hard White Spring wheat varieties are being developed to meet customer needs and to provide new production opportunities to growers.

There are increasing pressures to expand the range of products beyond what the conventional wheat quality control system can support using Kernel Visual Distinguishability. In response, the CWB has led the development of a proposal for a "non-Visual Quality Segregation System" designed to enhance the current system and to continue to provide customers with high quality uniformity in Canadian wheat shipments.

Barley opportunities

To enhance market growth in malting barley, the CWB spearheaded an initiative to establish a Canadian Malting Barley Technical Centre (CMBTC). The purpose of the CMBTC is to provide technical marketing and research support to CMBTC members, domestic clients of the Canadian malting barley industry and export customers on a fee-for-services basis. State-of-the-art pilot malting, pilot brewing and laboratory equipment will be installed at CMBTC in the spring of 2001. The pilot-scale malting and brewing facility will demonstrate the suitability of new varieties for specific markets, will facilitate technical support to them and will provide market-related guidance to Canadian researchers and malting barley breeders. The CWB led an implementation committee to establish the CMBTC. It is on the new board of directors and is providing about $1 million towards start-up capital. Expert malting and brewing staff have been recruited and further technical staff will be added as the centre becomes fully operational.

To further build malting barley opportunities, CWB Market Development gave high priority to market development and technical support for the sales of new malting barley varieties. Customers from China attended special programs at the CWB and CIGI. New malting barley varieties—AC Metcalfe, CDC Kendall and CDC Stratus—were shipped to China, and a technical malting expert was hired to assist customer support.

A CWB-led technical team is working with Japanese barley tea processors to test Canadian barley varieties for expanding markets. There are markets for other barley food products and Canadian barley varieties are being tested for suitability for these niche markets.

Durum successes

Western Canada is number one in the world durum wheat industry, with about 60 per cent of world durum trade. To maintain and increase market share, the CWB has targeted expanding durum markets and is working with CIGI on developing new durum varieties. The CWB invested $1.8 million in the new pilot pasta plant at CIGI. The plant simulates pasta-making processes in different markets around the world, and can evaluate newly developed durum varieties. Domestic and international pasta makers are able to work with the CWB and CIGI to develop products using Canadian durum and spring wheat for expanding pasta markets. A number of international customers have already attended durum programs using the pilot pasta plant to learn about and evaluate new durum varieties.

Partnerships are key in turning research into sales. To further develop markets, the CWB led the organizing of the Durum Product Interest Group, formed to prioritize durum research needs. This year, the group identified the need to test the effects of sprouted grain on pasta making. The CWB has worked closely with durum breeders to help them understand international customers' needs. In 1999-2000, the CWB offered farmers a $5 per tonne premium to grow AC Navigator with over 12 per cent protein. Growers are encouraged to closely manage soil fertility to produce the higher protein levels critical in satisfying customer demand.

Variety survey

The CWB conducted an extensive variety survey, in which over 23,000 farmers participated. The survey is useful to many people interested in knowing what wheat and barley varieties are being grown on western Canadian farms. Wheat and barley breeders want to know where their varieties are being grown because they want to find out whether the agronomic strengths of those varieties are proven in the regions where the variety was expected to be popular. Farmers want to know from a neutral source what the newest varieties are; the CWB, grain companies and customers are interested because the information can give some idea of evolving end-use quality characteristics.

CWB Biotechnology strategy and Automated Quality Testing (AQT) Inc. initiative

The CWB has developed a strategy for genetically modified grains that safeguards customer and farmer needs and at the same time recognizes the potential benefits that biotechnology can offer. Taking a leadership position in the western Canadian grain industry, the CWB has developed a position statement on biotechnology (posted on our Web site).

Many wheat customers worldwide have expressed to the CWB strong concern regarding negative consumer reaction to transgenic food ingredients. The CWB's position is that transgenic varieties of wheat should not be registered for commercial production until these important concerns can be addressed. Unless there is an evolution to widespread consumer acceptance, what would be required is a rigorous segregation system that ensures the CWB's ability to meet certain customers' needs with shipments that satisfy maximum tolerances for GMOs.

The CWB is working with the industry to design the production and handling practices, documentation and testing protocol required to segregate GMO from non-GMO wheat to meet customer requirements. An important part of that segregation system is the ability to accurately, quickly and economically test for the presence of GMO varieties.

To that end, the CWB is working with the CGC and the industry on an Automated Quality Testing (AQT) Inc. initiative to develop technology that will not only be able to recognize genetically modified grains, but will also identify other grain quality characteristics. The AQT initiative is supported by the CGC, with funding from Agriculture and Agri-Food Canada and industry partners. The CWB is providing $1.5 million over five years.

Jan Knight of the Canadian Grain Commission evaluates a grain sample in an NIR machine, an example of Automated Quality Testing already in place.

Revenue and exports increasing

In 1999-2000 combined pool account sales were over $4.5 billion, up 12 per cent from 1998-99, placing the CWB as Canada's third largest exporter (sales revenue). The CWB exported about 21 million tonnes of grain, up over 25 per cent from the 16.1 million tonnes exported in 1998-99.

Canada's market share of wheat trade rose three per cent to 17 per cent in 1999-2000. The CWB provided 60 per cent of the global bulk durum trade and the Canadian share of total world barley trade increased three per cent to 9.7 per cent.

Strong domestic industry

Demand for non-durum wheat for use by the Canadian domestic industry remained strong with an estimated 2.1 million tonnes sold by the CWB, compared to 2.2 million tonnes in 1998-99. As well, the domestic industry purchased over 1.1 million tonnes of designated barley and was the top buyer in 1999-2000.

Major buyers

For the first time, Iran was the largest volume buyer of Canadian non-durum wheat, importing 3.3 million tonnes during the year. Japan continued to be a major buyer of CWB non-durum wheat, feed barley and designated barley. Sales of designated barley to the U.S. increased slightly. China's growing malt industry boosted CWB sales of designated barley to 428 000 tonnes. Sales of non-durum wheat and malting barley to Mexico also increased. Saudi Arabia, the United Arab Emirates and Republic of Korea all purchased feed barley in 1999-2000.

As in 1998-99, the CWB's largest durum customer for 1999-2000 was Algeria at almost 1.5 million tonnes. Morocco was the second biggest buyer at 472 000 tonnes. The CWB shipped 360 000 tonnes of durum to Venezuela in 1999-2000.

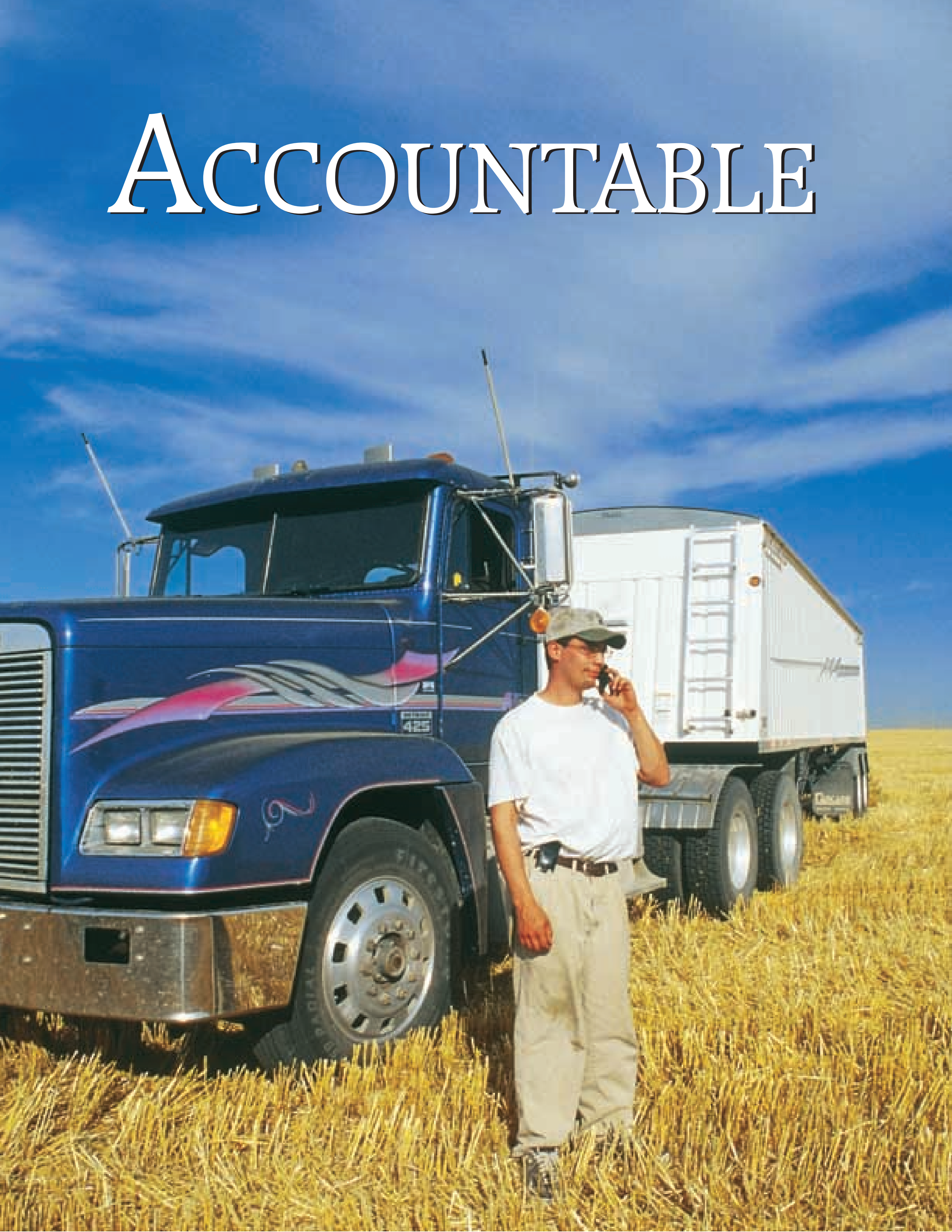
The Canadian domestic and United States durum markets remain important to the CWB with sales of 298 000 and 292 000 tonnes respectively.

Long-term forecast

In 1999-2000, the CWB issued a global grain production and trade forecast covering the five-year period from 1998-99 to 2003-04 and ten years to 2008-09. The predictions take into account production, consumption and price trends, macroeconomic factors and agricultural and global trade policy developments. This forecasting effort helps the CWB to identify emerging production and consumption trends and the resulting impact on world grain trade patterns, and is the basis for the long-term marketing plan.

Overall, the outlook points to increasing global demand for all grains handled by the CWB, including wheat, durum wheat, feed barley and designated barley.

Accountable



The Board of Directors and management of the CWB are committed to being accountable to farmers. A number of initiatives in 1999-2000 were undertaken in order to enhance accountability and communication.

Review by Auditor General

The Board of Directors initiated a special audit of CWB operations by the Auditor General of Canada. The CWB worked with the Auditor General's office to establish terms of reference for the review process. Preparation for the initiative took place in 1999-2000, with the examination beginning in the summer of 2000. The review will be conducted over a one-year period with a report to be presented within three months of completion to the Board of Directors.

Benchmarking initiatives

In 1999, the Board of Directors directed CWB management to gather data and develop performance benchmarks to measure the effectiveness of marketing and business operations in a number of areas. CWB staff provide the Board of Directors with data and information to monitor CWB performance on an on-going basis.

(l to r) Brendan Postman and Tony Crooymans with CWB Area Representative Bob Tricker at Customer Connection meeting in Lethbridge, AB.

Information Policy

In 1999–2000, the CWB developed a new Information Policy, launched in December 2000. It gives guidelines for providing information to farmers and the public. The Information Policy is designed to enable farmers to make a meaningful assessment of CWB performance, to provide farmers with information useful to their operations and to ensure that farmers and the CWB's strategic and commercial interests are not placed at a competitive disadvantage by any information release. The CWB currently discloses information through news releases, the annual report, Pool Return Outlooks, the Web site, a bi-monthly newsletter to farmers called *Grain Matters*, and other publications. The CWB provides more information than most publicly traded companies. The Information Policy is posted on the Web site.

Board of Directors' communications and meetings with farmers

The Board of Directors adopted a Communication Policy to recognize the importance of the director's role in communicating with farmers. The Board has made efforts to increase the ways in which they can interact with farmers. Over the past year, they have held Board of Director meetings in Red Deer, Regina, and Brandon, which included receptions for farmers. In the spring of 2000, the Board hosted approximately 6,000 farmers at 41 *It's Your Business* supper meetings across the Prairies, providing farmers with another avenue to express their views on CWB policies and issues.

In 1999, the CWB held its annual *Moving Up Market* conference in Saskatoon, focusing on organic marketing opportunities and challenges. Following the conference, the CWB held meetings with organic farmers and revisited CWB policy on organics (see page 15).

Farmers attended *Customer Connection* meetings, as well as *Combine to Customer* and *Go with the Grain* tours. These programs give farmers the opportunity to learn more about the needs and requirements of our international customers, as well as how the grain marketing industry functions. Just as importantly, the CWB gets a chance to hear the views and concerns of farmers.

Norm Cobb speaking to an Australian farmer group at the Windows to World Markets crop plot site in Headingly, MB.

Farmer Relations area at CWB

To further enhance accountability to farmers, in 1999-2000 the Board of Directors approved a restructuring of the CWB to create a Farmer Relations area, designed to build a stronger, more direct connection with farmers.

Reviewing the election process

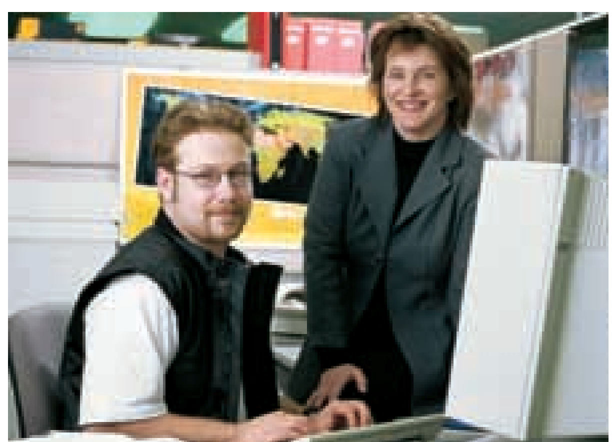
In the fall of 1999, the Board of Directors reviewed CWB election procedures and recommended changes. One of the many implemented recommendations was the provision for a manual recount when a tie occurs during the voting process.

Web site number one

During the 1999-2000 crop year, the CWB expanded the content of its Web site to include market and weather reports, speeches by senior officials, weekly bulletins, updates on grain transportation issues and position papers on world trade and genetically modified organisms. An Ipsos-Reid survey revealed that the CWB Web site was the most visited for agricultural information among western Canadian farmers.

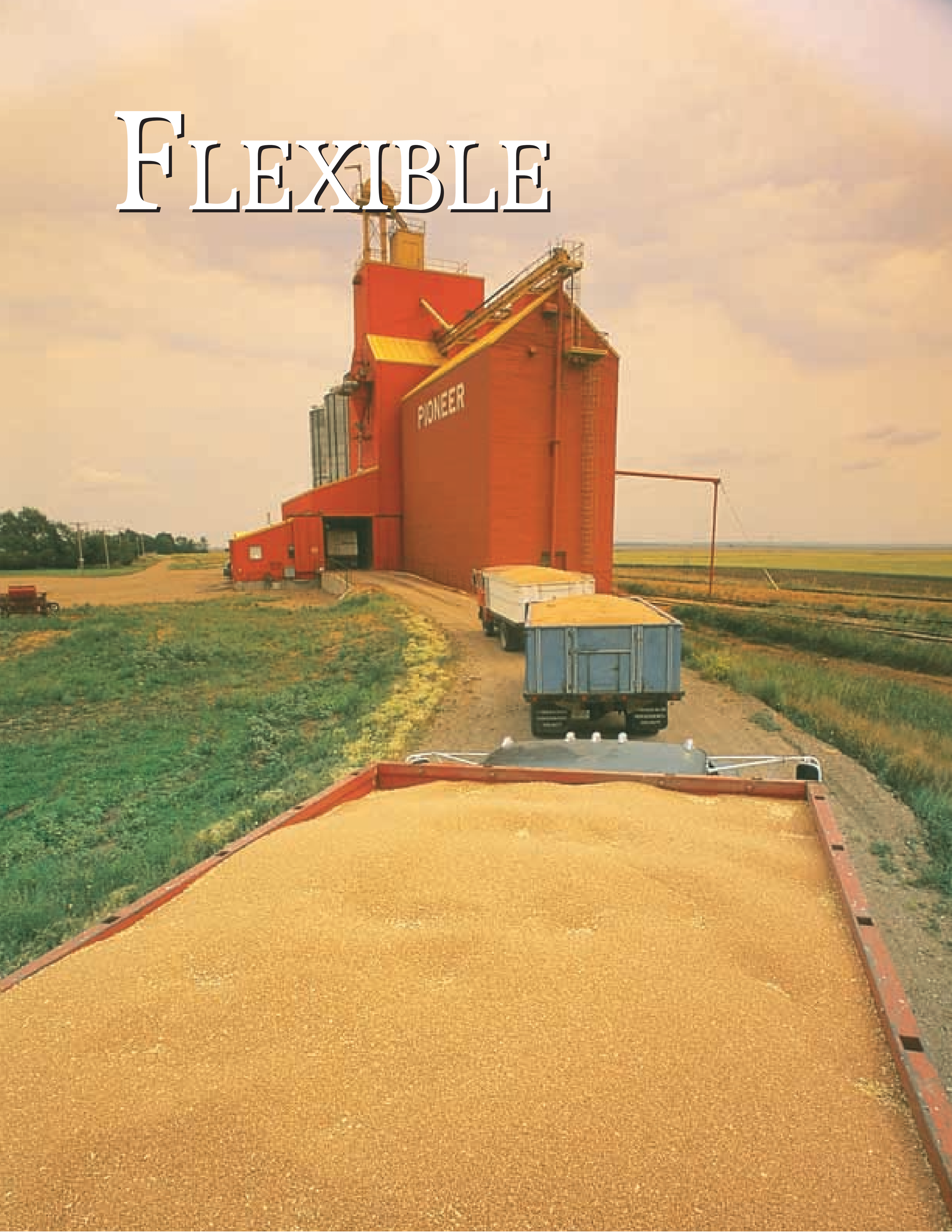
On-going communications

Farmers receive information from the CWB through a number of venues. The bi-monthly newsletter *Grain Matters* gives farmers an update on new policies, issues, market developments and events related to grain marketing. The CWB also produces the *Grain Marketing Report*, *Go Malting* (a malting barley newsletter), participates in trade shows, and organizes tours of the crop plot demonstration sites, *Windows to World Markets.*



David Lavineway (l.) and Lisa Kowalski (r.) design and maintain the CWB Web site.

FLEXIBLE



The CWB Board of Directors wants to make sure that western Canadian farmers have choices available to meet their individual needs in grain marketing. A variety of new programs are designed to provide flexibility while still ensuring a strong pooling system.

Producer payment options

The CWB launched a pilot program in April 2000 to provide farmers the flexibility to lock in a fixed price or basis for Canada Western Red Spring (CWRS) wheat before the beginning of the crop year. The fixed price was calculated using the Pool Return Outlook (PRO) for CWRS wheat, 13.5 per cent protein, basis in store Vancouver/St. Lawrence, minus a discount for risk, administration and the time value of money (interest). The basis equaled the fixed price minus the Minneapolis futures price adjusted to Canadian dollars per tonne. With the implementation of these programs, new choices became available to farmers to provide payment flexibility while maintaining the integrity of the pooling system.

The CWB also established a contingency fund for each of the producer payment option programs. This ensures that the costs and risks associated with individual payment options are separately identified and accounted for independently of pool account operations. The Board also approved work to continue the expansion of the pricing options to include additional classes of wheat, other grains and other enhancements.

Loading grain on ship at port.

CWB value-added initiative and New Generation Cooperatives policy

In 1999-2000, the CWB completed a review of its competitive North American domestic pricing policy and developed a policy to serve New Generation Cooperatives (NGC). These policies have been developed in conjunction with existing and prospective domestic processors. In 2000-01, the CWB will conduct a comprehensive study of the North American pasta market. The CWB will provide existing and potential value-added operations with information from the study to assist with the development of feasibility studies.

The NGC policy respects the integrity of the basic pooling principles that ensure all farmers share equally in sales to premium markets. The NGC policy builds on the CWB's Domestic Human Consumption (DHC) pricing policy which assures all Canadian processors of milling wheat, durum and malting barley that they have access to the highest quality input products in the world at competitive North American prices. The pricing policy places all processors on an equal footing.

Members of NGCs purchase their stocks of wheat, durum or malting barley from the CWB.

The farmer members of a NGC have the option of a fixed price contract to enhance cash-flow at the time of delivery to the processing plant.

Under the fixed price contract, farmer members of a NGC are entitled to receive the full pool value of their grain at the time of delivery to the NGC. Members also have the option of staying in the regular CWB pool account. There are no CWB delivery restrictions on NGC members delivering their grain to their processor.

Organic policy

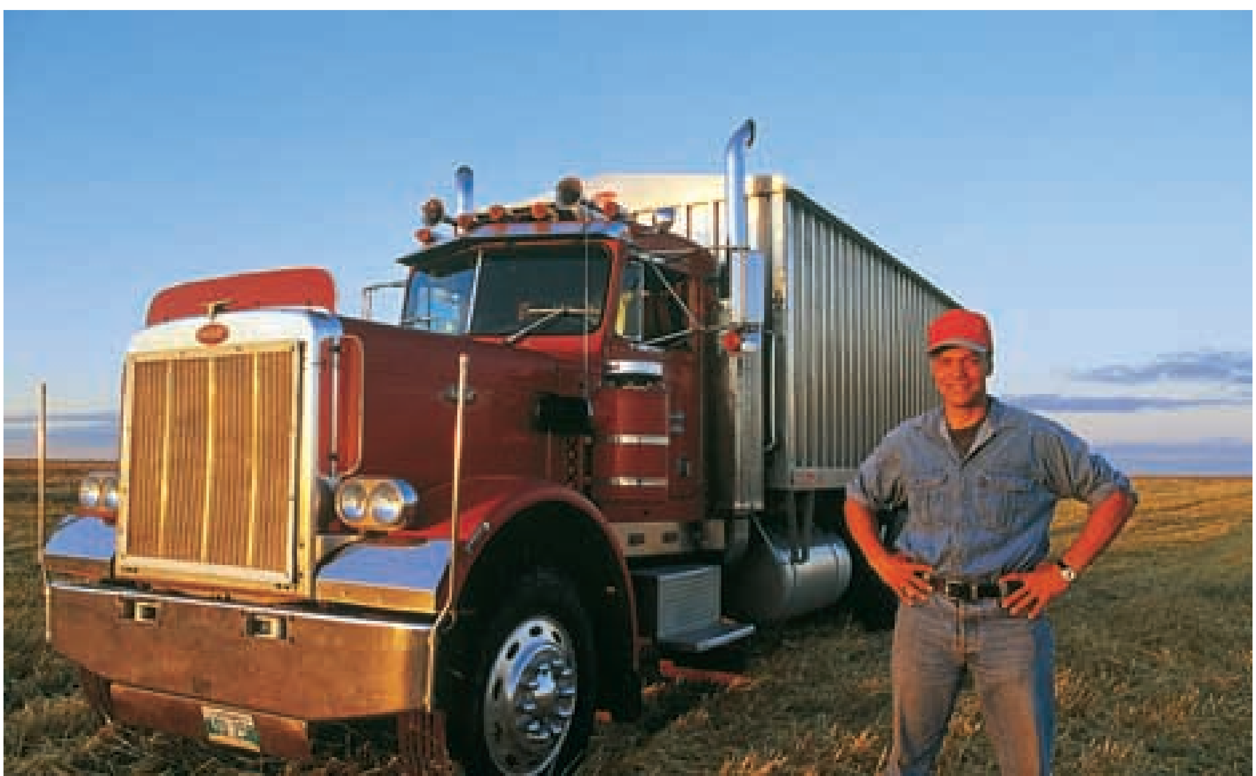
The CWB began a review of the organic policy in 1999-2000. In the spring of 2000, the CWB published a discussion paper on the marketing of organic grains and invited the organic industry to make submissions responding to the alternatives outlined. Following this process, six meetings were held across the Prairies. Staff and directors met with organic farmers to discuss the current system and the Producer Direct Sale (PDS) and look at ways the CWB could add value to the industry. In December 2000, the Board of Directors made the decision to simplify the PDS program for organic farmers. They will be able to conduct a PDS transaction directly with the CWB rather than going through elevators, who charge an administration fee of $5 per tonne and up. In addition, organic farmers will have the option of obtaining credit from the CWB up front on their sale to improve cash flow.

Spring credit advance program

In March 2000, the federal government announced the "Spring Credit Advance Program" to help farmers with planting. This initiative was part of an effort to assist farmers during this period of low grain returns. The CWB administers the wheat, durum, and barley advances on behalf of the Government of Canada.

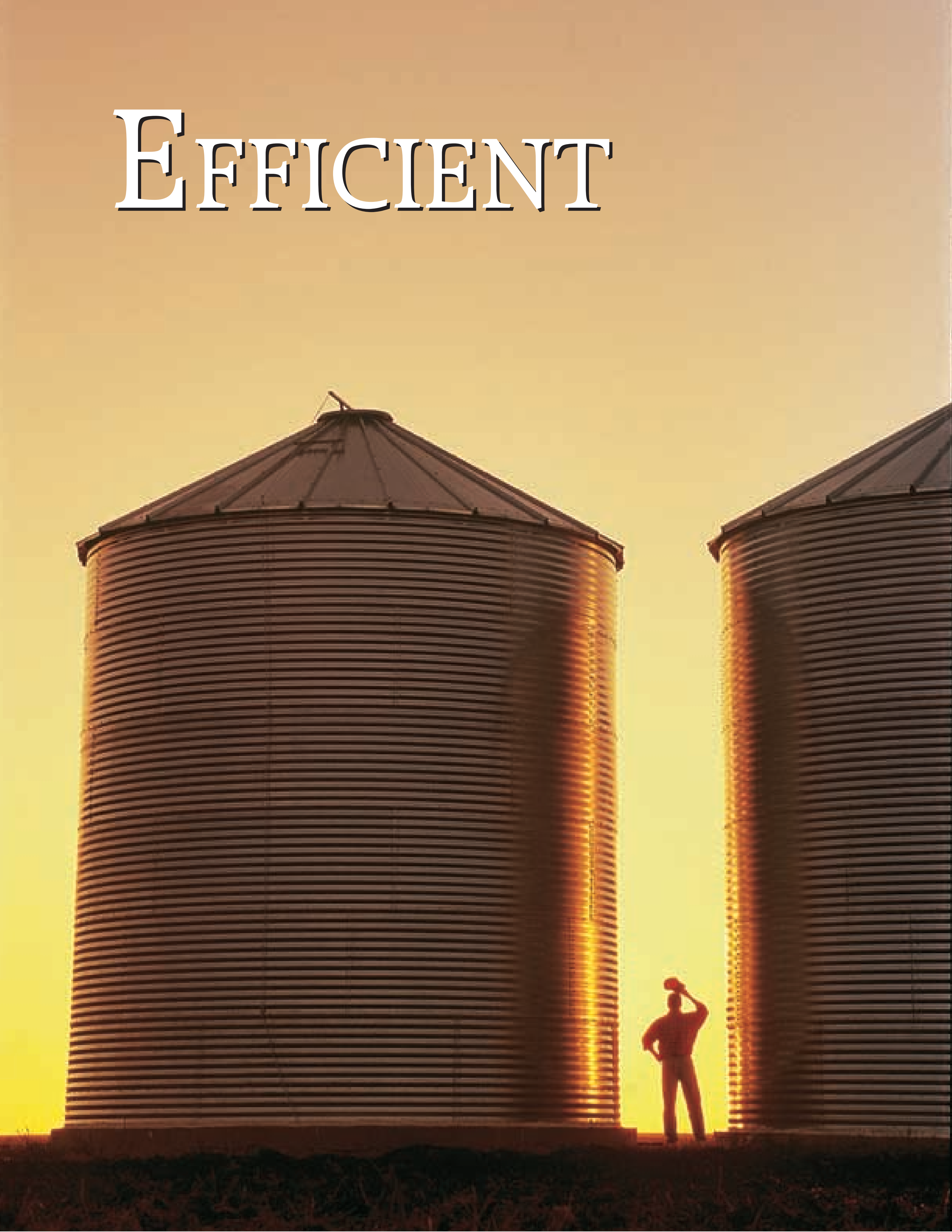
Paying farmers for finer protein increments in wheat

Protein payments based on one-tenth percentage protein for Nos. 1 and 2 CWRS from 12.0 to 15.0 per cent protein and Nos. 1 and 2 CWAD from 12.5 to 14.0 per cent protein were implemented for the 1999-2000 crop year.



Swiss farmer Martin Beugger shown working on a Manitoba farm near Brunkild.

Efficient



The CWB is committed to reducing costs and increasing returns to producers. Whether in transportation, human resources, or technology, improving efficiency is a key business objective.

Reduction of farmer costs through further commercialization of the grain handling and transportation system

A key objective of the CWB is to refine the grain handling and transportation system to be more commercial and competitive in order to benefit farmers. This commercialization process was mandated through the revised Canadian Transportation Act and the Memorandum of Understanding between the Government of Canada and the CWB.

The reform package ensures that the CWB can negotiate its overall car supply requirements with the railways. This puts farmers in a position to secure railway capacity to meet sales commitments without relying on grain companies for car supply. Given this starting point, the CWB is committed to offering commercial tenders for the movement of wheat and barley that improves returns for farmers.

The Gorrill family in Canada Western Red Spring wheat field near Ponteix, Saskatchewan.

In addition to tenders, the CWB strives to increase farmers' returns by negotiating competitive contracts for the movement and handling of grain. These initiatives include negotiated summer and winter programs for direct rail to Quebec City, terminal handling agreements with Mission Terminal at Thunder Bay and with OmniTRAX at Churchill, and competitive bids for shipments to and trans-shipments through the U.S.

Organizational restructuring

The CWB is working to ensure that staff have the skills and expertise required to carry out current and future business objectives efficiently and effectively.

In order to provide organizational restructuring opportunities, the CWB offered its employees an early retirement package (see below). The CWB used the departures as an opportunity to amalgamate Country Services and Transportation into one department. Combining the two departments streamlines operations and provides faster reactions to the changing transportation environment.

The CWB created the department of Farmer Relations to ensure farmers' views are heard and acted upon. The area will include current staff from Farm Marketing Services, the 1-800 call centre and the Farm Business Representatives (formerly called Area Representatives).

Grain delivery policy review

Every year the CWB reviews the grain delivery and handling system to ensure that it meets farmer and industry needs. In 1999-2000 the delivery policy review showed grassroots support for CWB contracting and other services to enhance farmers' delivery acces and marketing opportunities. Farmer input was received from six focus meetings where malting barley issues were explored.

The Malting Barley Industry Group, which includes the CWB, grain companies, the CGC, maltsters, and the Western Barley Growers Association, initiated two changes to support malting barley delivery policy. First, when farmers pay liquidated damages that have been assessed through failure to deliver grain under contract, the proceeds will be shared between the CWB and the grain company that selected the barley. Second, the group rejected the use of pre-harvest glyphosates and desiccants in barley because of customer preferences.

Human Resources

In May 2000, the CWB hired a new Vice President of Human Resources. Human Resources (HR) in partnership with the executive group and business units, provide leadership in the development of innovative HR practices and policies that enable the organization to achieve corporate goals and objectives.

Over the past year, HR has been working on a number of new or ongoing initiatives. A review of the pension plan is underway to offer flexibility to employees while effectively managing costs for the organization. To reduce costs and support organizational restructuring and redesign, an Early Retirement Incentive Program was offered to 90 employees. This resulted in 52 employees opting for the program.

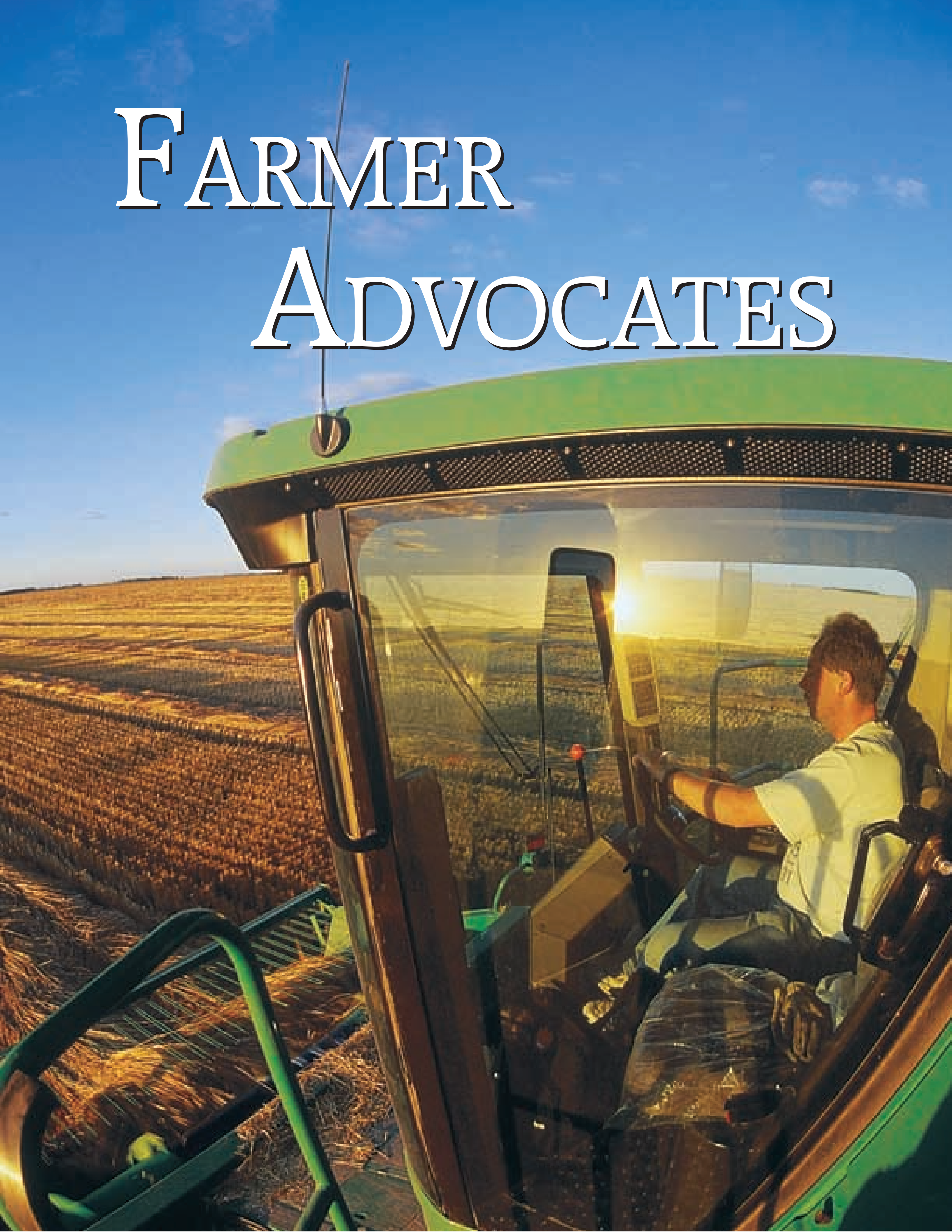
Investigating e-business

In 1999-2000 the CWB formed a committee to look at the potential of conducting business with farmers electronically via the Internet. The committee developed a strategy for investigating e-business, identified projects and conducted farmer focus group meetings. In the focus groups, farmers said the things of most interest to them would be permit applications and delivery contracts via the CWB Web site. Farmers also were interested in the idea of the CWB providing a portal or link to other businesses from whom they could access services on-line. Implementation of e-business proposals continue in 2000-01.

Addressing the Year 2000 challenge

There were no significant CWB computer system failures and no significant disruption in services from suppliers. This was a very demanding initiative requiring repair or replacement of many software and hardware systems. The Year 2000 initiative was fully successful and is now complete.

Farmer Advocates



The new governance structure of the CWB has created more opportunities for the CWB to stand up for farmers. Advocating for farmers in trade and transportation has been key in the last year.

Government relations

With many important issues facing farmers from international trade negotiations to the future of genetically modified organisms on the farm, it is important that farmers' voices be heard as government formulates trade policy and domestic legislation. The directors and CWB staff continue to meet with elected officials within the Prairie provinces and the federal government to make the Board's position known on issues that affect farmers and the CWB's marketing mandate.

Members of the U.S. National Farmers' Organization met with CWB staff and directors. Seated l. to r. are Joe Nathan, Kelly Shuckman, Larry Hill. Standing l. to r. are Paul Oleson, Bill Nicholson, Butch Harder and Bob Roehle.

The CWB submitted two grain marketing presentations to the Government of Canada. The first was a presentation to the House of Commons Standing Committee on Agriculture and Agri-Food on its *Farm Income Study*. The presentation indicated the negative impact of foreign subsidies on the market prospects for western Canadian farmers.

The CWB also appeared before the Standing Committee on Transport on the amendments to the Canadian Transportation Act (Bill-34), an Act to reform the grain transportation system in Canada. The presentation included the need to ensure the competitiveness of Canada's rail system to meet customers' needs around the world while at the same time protecting the interests of farmers.

Churchill freight advantage rebate

The CWB worked in consultation with farmers of the Hudson's Bay Route Association to create the Churchill Freight Advantage Rebate. This program ties the freight savings received by farmers in the Churchill catchment area more closely to actual grain shipments through Churchill. By incorporating the limited shipping season and number of grades that move through port, the program has increased the per-tonne payment to farmers who grow wheat that is exported through Churchill. The added efficiency and precision of the program has increased payments without affecting payments received by farmers in other parts of the Prairies. Since the program's payments are based on shipping records finalized after freeze-up, the program pays farmers in the form of a rebate.

Trade issues

The CWB works with Agriculture and Agri-Food Canada (AAFC) and the Department of Foreign Affairs and International Trade (DFAIT) to ensure that the interests of wheat and barley farmers are represented in trade discussions. CWB staff and directors attended agricultural policy meetings at the World Trade Organization (WTO) talks in Seattle, Washington,

November 1999, to promote the interests of wheat and barley farmers. The CWB consistently speaks out on the unfair, price distorting EU and U.S. subsidies that continue to disadvantage Canadian farmers. The CWB's goals in the international trade arena are to protect and expand access to markets, to work towards fair competition and to protect western Canadian farmers' rights to market through a single desk.

The CWB's marketing activities were scrutinized for the eighth time by the U.S. when the U.S. Department of Commerce investigated anti-dumping and countervailing duty petitions filed by the U.S. Ranchers-Cattlemen's Action Legal Fund (R-CALF). The petition called for the U.S. government to impose trade restrictions on imports of Canadian cattle. The petition claimed the CWB acts as a subsidy to Canadian cattle farmers by restricting feed barley exports, thereby keeping domestic barley prices artificially low. The U.S. determined that the operations of the CWB did not provide an indirect countervailable subsidy, nor was there a consistent pattern of Canadian prices being low. The CWB worked closely with the defense team to provide information for the case.

In spring of 2000, the U.S announced it would be seeking a ninth investigation on CWB marketing. In the fall of 2000, the North Dakota Wheat Commission filed a Section 301 petition against the Canadian Wheat Board alleging "anti-competitive Canadian trade practices". The CWB has filed a rigorous defense of the allegations. The CWB continues to work to defend Canadian farmers' right to a single desk marketing system.

In spite of these trade actions, the CWB is still trying to improve overall relations between Canada and the U.S. as they relate to the CWB. Initiatives to increase dialogue in 1999-2000 include a tour of the CWB by U.S. congressional staff in November 1999, and attendance at several U.S. farm meetings and conferences. The CWB also invites U.S. farmers and industry representatives to Canadian grain conferences.

Management Discussion & Analysis

of Financial Condition and results of Operations

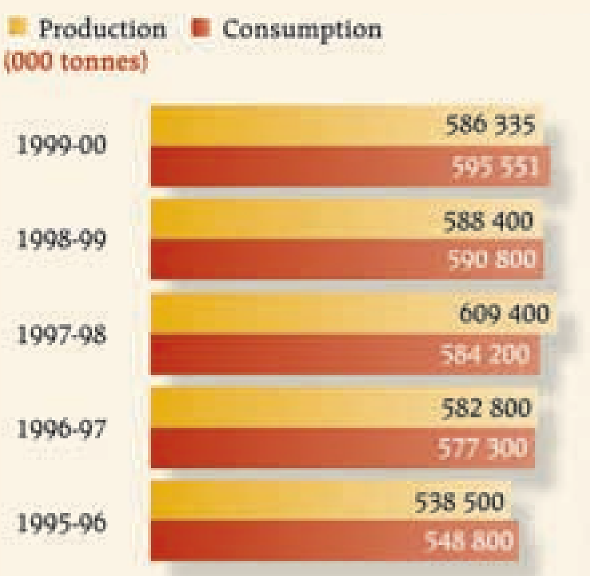
Crop Year in Review

Global supplies

A large western Canadian wheat, durum and barley exportable surplus combined with abundant wheat and coarse grain supplies among the other major exporting countries ensured that the competitive global trade environment experienced in 1998-99 would continue for another year. Although world wheat, durum and barley supplies were expected to tighten, stronger import demand projections could not absorb the large stocks still held by the major exporting countries.

World wheat stocks going into the 1999-2000 crop year were down 2.3 million tonnes from the previous year to 136.3 million tonnes. Despite this decrease, prices remained under heavy pressure as the wheat stocks in the major exporting countries at the beginning of 1999-2000 had increased almost 12 million tonnes from the previous year to a burdensome 53.2 million tonnes. Over half of this increase in year-over-year beginning stocks occurred in the U.S. alone. Weak prices in the spring of 1999 sent a signal to producers worldwide who responded with a 20.5 million acre reduction in wheat area. However, the major exporting countries accounted for only 3.2 million acres of this decrease. As a result, despite initial indications of a significant drop in global wheat production in 1999-2000, prices were not forecast to recover to any great extent.

Global wheat supply and demand



Durum producers faced a similar situation going into 1999-2000. World durum prices were suppressed by forecasts that suggested opening stocks in major exporting countries would be more than double those of the previous year. As a result, area sown to durum in the major exporting countries fell by two million acres as producers in Canada and the U.S. responded with significant acreage reductions. Conversely, producers in the EU, who were effectively insulated from world prices by their internal subsidy regime, did not respond.

World barley stocks going into 1999-2000 were also significant. Although estimated global carryout in 1998-99 was projected to fall two million tonnes from the previous year to 30.3 million tonnes, opening stocks in the major exporting countries were set to increase in 1999-2000. Following a year of extremely low barley prices, global barley area fell by 12.4 million acres, 5.1 million of which were taken out of production in the major exporting countries.

The western Canadian response

The prospect of durum prices being low relative to wheat prices at seeding time caused producers to seed more spring wheat in 1999 than they did in the previous year, increasing western Canadian spring wheat acreage 10 per cent from 18.4 to 20.3 million acres. Durum acreage fell almost 40 per cent from 7.3 million acres in 1998 to 4.4 million acres in 1999 while winter wheat acreage fell only slightly from 235,000 acres to 220,000 acres.

Barley acreage also fell from 10.5 million acres to 10.1 million in 1999. Compared to 1998, combined wheat, durum and barley acreage was down four per cent in 1999. Some of this production area was transferred to other crops while some was taken out of production completely because of low prices and poor weather conditions.

Growing the crop

Seeding conditions

Seeding in Western Canada was generally later than normal in 1999 as cool conditions and abundant rainfall slowed progress. In the month of May, precipitation over the southern prairies was significantly above normal, while amounts in northern regions were closer to normal. Temperatures in May were cool with most Prairie locations reporting deviations of one to two degrees Celsius below normal. These conditions resulted in slow seeding progress and serious planting delays in some regions. The areas that experienced the most severe delays were southeastern Saskatchewan and southwestern Manitoba, where above normal snowfall and excessive precipitation combined to limit seeding progress. The wet conditions continued through the month of June, resulting in significant abandonment of cropland in southwestern Manitoba and southeastern Saskatchewan.

In southern Alberta and southeastern Manitoba, producers managed to seed most of their crops early in May, before the heavy rainfall started. The Peace River region also began its growing season earlier than normal due to dry, warmer than normal spring weather. As a result of the prolonged seeding period and dramatic regional difference in seeding dates, crop development stages varied greatly throughout the growing season.

The growing season

Wet conditions persisted through June across most of the Prairies. In areas where crops were emerging, these soil moisture levels resulted in above average stands with excellent yield potential. Later seeded crops had difficulty in handling the excess moisture, and the resulting stands were poorer than the earlier seeded crops. The frequent rainfall pattern continued through July, which helped to maintain crop conditions. Temperatures remained cooler than normal through June and July, with stations reporting monthly averages ranging from 0.5 to three degrees Celsius below normal. The coolest temperatures were reported in the western regions of the Prairies. August brought a change in the weather as the rains tapered off and temperatures climbed to normal or above normal levels across the Prairies. The warm temperatures helped encourage crop development, although most regions were still 10 to 15 days behind normal development at the end of the month.

The only exception to the wetter than normal conditions in June and July was the Peace River region of Alberta. This region received below normal precipitation during June, which caused stress to developing crops. Dry conditions persisted through July and August, reducing yields significantly.

The harvest

The lateness of the crop across the Prairies raised concerns about the potential for severe quantity or quality loss due to frost. With a few exceptions, locations throughout the Prairies did not report freezing temperatures until the second half of September. The first frost dates during 1999 were very close to, or after, the average frost date for the region. This allowed the bulk of the crop to mature before the first killing frost of the season. There were some regions that reported early frost, namely the foothills of southern and central Alberta and east-central Alberta which reported sub-zero temperatures during the first week of September. During the same week, parts of northern and west-central Saskatchewan reported light frosts.

The bulk of the harvest in Western Canada started in September and finished in October. Precipitation during September and October was below normal in the western half of the Prairies, which helped maintain the quality of grain, despite the prolonged harvest. The eastern half of the Prairies received normal to above normal

precipitation during September and October, which resulted in some deterioration of crop quality.

The results

The cool wet growing conditions throughout the growing season helped produce record wheat, durum and barley yields in Western Canada, which offset the acreage decrease. As a result, western Canadian wheat production, excluding durum, was up by 24 per cent to 21.0 million tonnes, durum production fell by only 29 per cent to 4.3 million tonnes and barley production increased four per cent to 12.2 million tonnes.

The grade pattern of the 1999 crop was lower than the exceptional results achieved in 1998, but still very close to the long-term averages for both wheat and durum. The wet growing season did result in some downgrading due to disease (ergot and fusarium) and insect damage (wheat midge), especially in the eastern growing areas of the Prairies. The late harvest also resulted in some downgrading due to frost. In barley, ample moisture during the growing season and relatively cool temperatures resulted in good kernel plumpness and lower protein levels. These moist cool conditions combined with the late harvest to cause some downgrading due to poor visual kernel characteristics (staining) and disease.

Global market characteristics

In 1999-2000, global wheat production, although well above the five-year average of 568.5 million tonnes, fell to 586.3 million tonnes from 588.4 million tonnes in 1998-99. Production decreases in Algeria, Morocco, Turkey, Ukraine, Eastern Europe, the EU and the U.S. were only partially offset by larger production in Argentina, Australia, Canada, China, India and Russia. Global wheat consumption increased by 4.8 million tonnes reaching 595.6 million tonnes with the largest increases seen in China and India. World ending stocks tightened by 9.2 million tonnes as consumption outstripped production for the second year in a row. World trade was markedly stronger, up 6.5 million tonnes to 108.8 million tonnes. This was largely due to the 4.7 million tonne increase in import demand from Iran to supplement their drought-damaged crop. This, however, seemed to have little impact on prices because an estimated 40 per cent of world wheat ending stocks was still held in the major wheat exporting countries at the end of 1999-2000, unchanged from 1998-99.

Although durum prices recovered slightly from 1998-99 lows and once again returned a premium over hard red spring wheat, global durum prices remained under pressure as large opening stocks partially offset the decrease in global production. As a result, there was only a slight decline in major exporter supplies from the burdensome levels seen in 1998-99. Increased competition from minor exporting countries like Australia, Turkey and Mexico, also helped to put downward pressure on global durum prices despite increased demand.

Feed barley prices were also weak in 1999-2000. Very high ending stock levels of corn in the U.S., China and Argentina weighed heavily on coarse grain export values. Some support for feed barley export prices was derived from strong import demand in the Middle East and a large drop in global barley stocks, most of which occurred in the EU as a result of its ambitious export program.

Amid the downward price pressure on most commodity markets in 1999-2000, malting barley prices actually improved slightly as tighter global supplies for both two-row and six-row met record import demand, especially in China.

Domestic markets

The Canadian domestic industry continued to be a major user of Prairie-grown wheat, durum and barley. The domestic milling industry was once again among the four highest volume customers for wheat, taking almost 2.2 million tonnes in 1999-2000. Domestic durum mills purchased 300 000 tonnes, making them the fourth largest customer for Canadian durum. The domestic malting industry kept its position as the largest volume customer by purchasing 1.2 million tonnes of designated barley (barley used for malting and human consumption) while continued strength in the domestic feed market allowed most of the feed barley to be consumed locally.

Export markets

The CWB exported almost 19.3 million tonnes of grain in 1999-2000, up substantially from the 15.3 million tonnes of CWB wheat and barley exports in the previous year. The CWB export program was evenly distributed throughout 1999-2000 as producer delivery opportunities were matched with customer demands moving the high volume crop to effectively maximize pool returns.

Iran, Japan, the U.S. and Mexico were the largest-volume export markets for non-durum wheat. Strong durum sales to Algeria, Morocco, Venezuela and the U.S. made up almost 73 per cent of the CWB export program. Japan and Saudi Arabia were the highest volume importers of western Canadian feed barley while the U.S. and China remained the largest volume importers of malting barley.

Canada's share of global wheat trade increased to 17.3 per cent, up from 13.8 per cent in 1998-99, largely due to increased production and a significant increase in exports to Iran. Canada's share of the global bulk durum trade was an estimated 60.2 per cent, down 0.1 per cent from 1998-99 despite a 200 000 tonne increase in exports during the inter-national trade year. This small decrease in market share can largely be attributed to increased competition from minor exporting countries such as Australia and Turkey who had significantly higher volumes available for export.

The Canadian share of total world barley trade was 9.6 per cent in 1999-2000, an increase of more than three per cent over 1998-99. Export sales opportunities rose as a result of increased deliveries to the feed barley and designated barley pool accounts. The Canadian share of global malting barley trade was 24.6 per cent in 1999-2000, down 0.6 per cent from the previous year despite an increase in Canadian malting barley exports during the trade year. A large portion of the increase in Chinese demand was captured by the EU's subsidized malting barley export program in 1999-2000 that provided average subsidies of US $28 per tonne from August 1999 through to May 2000.

Pool Accounts

The combined total sales revenue from the four pool accounts - wheat, durum, barley and designated barley - exceeded $4.5 billion this year, an increase of 12 per cent over the previous year. This maintains the CWB's position as Canada's third largest exporter in terms of sales revenue. Total tonnes handled this year increased by 20 per cent, from 19.6 million to 23.6 million. However, average sales revenues per tonne for the four pool accounts combined decreased by seven per cent from the previous year.

Operating costs are divided into four components for easier understanding - direct costs, administrative and general expenses, grain industry organizations and net interest earnings.

Direct costs

Direct costs include storage and financing costs for country inventory, terminal storage, despatch earnings net of demurrage expense, drying charges, depreciation and interest on CWB hopper cars and additional freight costs resulting from movement of grain to terminals, movement eastward of Thunder Bay into export position and changes in freight rates. Direct costs totalled $180.6 million or 4.0 per cent of sales revenue in 1999-2000, compared to $149.1 million or 3.7 per cent of sales revenue in the previous year. These costs are discussed for each pool account in the following sections.

Despatch earnings realized when vessels are loaded in a timely fashion added a total of $5.8 million to the 1999-2000 pool accounts.

Administrative and general expenses

Administrative and general expenses, which represent the costs of running the CWB, totalled $60.3 million for the 12 month period ended July 31, 2000, an increase of 10 per cent over the previous year. In addition, the CWB incurred other costs of $3.4 million related to corporate reorganization, director elections and addressing U.S. trade challenges. These costs are discussed in detail in the section entitled *Running the CWB.*

The marketing of a crop differs in timing compared to the crop year, which extends from August 1 to the following July 31. The marketing effort during the first several weeks of a crop year is primarily focused on selling and moving the remainder of the previous year's crop. Of the $63.7 million in administrative and general expenses incurred during the year ended July 31, 2000, an estimated $20.7 million, or 32 per cent, was related to marketing and administering the 1998-99 pool accounts. Consistent with the accounting treatment in previous years, these costs were allocated to and included in the results of the 1998-99 pool accounts. Other allocations from the administrative and general expenses incurred during the year ended July 31, 2000, which are not charged to the 1999-2000 pool accounts, include $0.3 million for administering farmer payments and uncashed cheques from previous crop years, and $0.2 million for administering the newly introduced Fixed Price Contract Program.

In order to complete the matching of costs to the pool accounts to which they relate, a portion of the administrative and general expenses expected to be incurred during the 12 months beginning August 1, 2000 must be allocated to and included in the results of the 1999-2000 pool accounts. The allocated amount totals $21.2 million.

Grain industry organizations

The cost of grain industry organizations represents the CWB's 40 per cent share of the Canadian International Grains Institute (CIGI) operating costs. CIGI is a non-profit facility dedicated to providing educational programs and technical activities in support of market development and promotion of world markets for Canada's grains, oilseeds and special crops. CIGI operates in affiliation with the CWB, the Canadian Grain Commission and Agriculture & Agri-Food Canada. Total costs incurred by the CWB during the current crop year for CIGI was $1.7 million, a slight increase of two per cent over the previous year.

The CWB also is responsible for a 33 per cent share of the Car Allocation Policy Group (CAPG) operating costs. CAPG sets policy for high-level rail car allocation and all costs are shared equally by the CWB, the Western Grain Elevator Association and the railways. CAPG ceased to exist on July 31, 2000. No costs were incurred during the current year.

Net interest earnings

Net interest earnings arise primarily from financing credit grain sales. When the CWB sells grain on credit, the CWB borrows money equal to the amount extended as credit to pay farmers, rather than have the farmer wait for payment from the credit customer. With the CWB's borrowing power, it is able to borrow money at a lower rate of interest than the rate extended to the credit customer. As a result, the CWB benefits from this 'spread' in interest rates in the form of

Net Interest Earnings
(in millions)

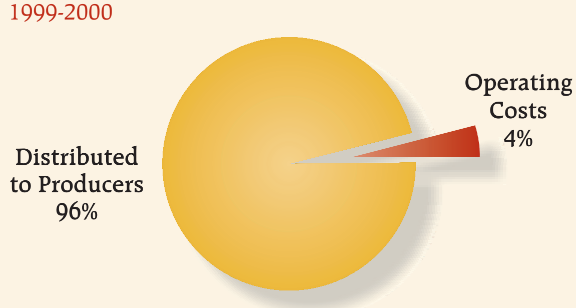
excess interest revenue over interest expense. The net interest earnings go directly into the pool accounts and are paid as part of final payments. Interest is also earned on the cash balances that build up in the pool accounts during the year. Net interest earnings for the current year amounted to $64.9 million, down 10 per cent from $72.5 million the previous year.

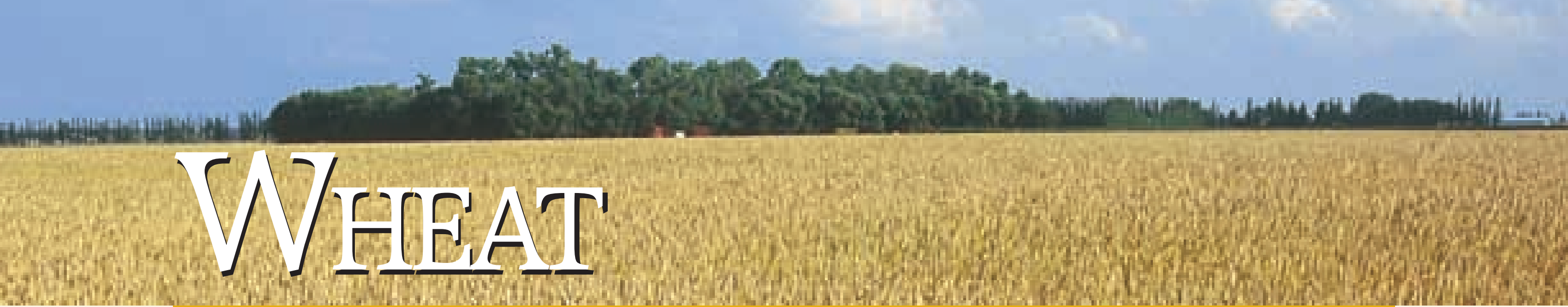
Distributed to producers

After deducting net operating costs of $181.2 million, the CWB returned over $4.3 billion to western Canadian farmers before cash ticket deductions for freight and handling, representing almost 96 per cent of the $4.5 billion in sales proceeds. This is similar to 97 per cent returned in the previous year.

Of the $4.3 billion earnings distributed to producers in 1999-2000, 93 per cent was returned prior to July 31, 2000 in the form of initial payments, adjustment payments and designated barley producer contract storage payments. This is up from 91 per cent in the previous year.

Distribution of sales proceeds (All Grains)
1999-2000





WHEAT

Wheat pool results

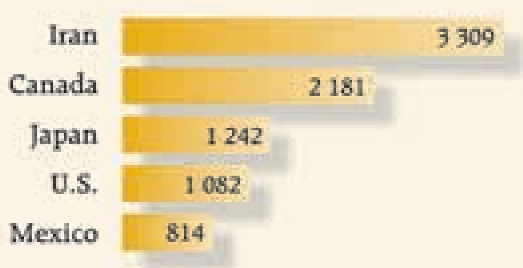
$ per tonne, except as noted	1999-2000	1998-1999	Change	%
Tonnes	16 426 836	12 512 726	3 914 110	31
Revenue	185.04	205.71	(20.67)	(10)
Operating costs				
Direct costs	5.54	5.18	0.36	7
Administrative & general expenses	2.70	2.81	(0.11)	(4)
Grain industry organizations	0.07	0.09	(0.02)	(20)
Net interest earnings	(2.91)	(4.15)	1.24	(30)
	5.40	3.93	1.47	37
Earnings distributed to producers	179.64	201.78	(22.14)	(11)

The wheat crop

The 1999 growing season got off to an early start in some areas with warm dry conditions, while in other areas of the Prairies seeding was delayed by heavy snow cover, above normal precipitation and cooler than normal temperatures. The prolonged seeding period created a wide variation in crop development throughout the growing season. Although adequate rainfall and cool temperatures through May, June and July helped to produce record spring wheat yields, averaging over one tonne per acre, CWRS protein levels fell substantially from an average of 14.1 per cent in 1998-99 to an average 13.3 per cent. This is slightly below the five-year average of 13.4 per cent. Moreover, these conditions put the crop 10 to 15 days behind normal, leaving the crop susceptible to frost damage and increasing the presence of green immature kernels in some areas. Ergot, fusarium and midge were also noticeable grade determinants. Only 65 per cent of the CWRS graded number one or two in 1999-2000, below the five-year average of 70 per cent.

A 10 per cent increase in acreage coupled with record yields resulted in 21.0 million tonnes of wheat production, an increase of about 24 per cent over last year's production of 16.9 million tonnes. As a result, farmers delivered 16.4 million tonnes to the pool account, an increase of 31 per cent over 12.5 million tonnes the previous year.

Largest volume wheat customers
(000 tonnes) 1999-2000



Revenue

Total revenue was $3.0 billion, an increase of $465.6 million or 18 per cent over the previous year. This increase is due to the 31 per cent larger pool size, partially offset by lower per tonne returns. Per tonne returns averaged $185.04, down 10 per cent from the previous year's average of $205.71 because of significantly lower grade and protein pattern in CWRS, lower world prices particularly for mid-quality and lower protein wheat and a stronger Canadian dollar. It is also important to note that a larger pool size meant that a larger proportion of the total crop had to be sold into lower return markets.

Although the crop was larger, supplies of higher-grade high protein wheat were relatively tight. With a relatively stable price outlook, the CWB was able to manage the tighter supply and target quality-conscious customers throughout the year to capture the higher returns. The strategy was different for lower grade, lower protein wheat and for specialty classes. Facing an abundance of mid-quality, low protein wheat and large supplies held by other major exporters, the CWB undertook an aggressive campaign early in the crop year. This allowed the CWB to provide good harvest movement ahead of the competition from the southern hemisphere and to minimize the impact of that competition on returns.

Operating costs

Direct costs totalled $5.54 per tonne, an increase of $0.36 or seven per cent from the prior year. Direct costs as a percentage of sales increased to 3.0 per cent from 2.5 per cent the previous year, primarily due to lower sales revenues.

Inventory financing and storage costs totalled $3.83 per tonne, down $1.24 or 24 per cent from 1998-99. The grain terminal at Prince Rupert was kept open later in the crop year to increase terminal capacity and facilitate the movement of the larger pool. In addition, more grain was stockpiled in eastern export position to meet sales commitments. The increased terminal inventory levels facilitated the more aggressive sales campaign and allowed for more grain to be moved out of country position, resulting in increased turnover in the country and reduced costs.

Net despatch earnings added $0.28 per tonne to the wheat pool, a decrease of $0.15 or 34 per cent from the year before. The varied grade distribution and larger pool size presented some logistical challenges during the year and consequently, net despatch earnings declined accordingly. In spite of these challenges, the CWB was able to generate revenue of $4.6 million for the wheat pool.

Additional freight cost to terminals totalled $0.64 per tonne, up $0.46 from last year. In order to maximize returns, the CWB cross-hauled significant quantities of high protein wheat from eastern producing regions to take advantage of West Coast sales opportunities. The higher returns on these sales resulted in net contributions that exceeded the alternative of shipping the grain east through Thunder Bay or the St. Lawrence.

Additional freight to move wheat into eastern export position totalled $1.23 per tonne, an increase of $1.02 over the previous year. Total costs of moving grain into eastern export position were consistent with the previous year, at just over $43 million, as marginally more tonnage was shipped east but at more favourable rates compared to last year. This amount was reduced by freight adjustment factor deductions of $23 million from producer cash tickets this year, down from $41 million in 1998-99. The decrease in deductions happened because overall production distribution in the eastern catchment regions changed subsequent to the setting of the deduction rates at the start of the crop year.

A decrease in freight rates effective August 1, 2000 resulted in earnings of $0.04 per tonne. This represents the difference in the actual rate of shipping grain to terminal from that deducted on the cash ticket.

Drying charges were negligible again this year as favourable harvest conditions were experienced in most production areas. The per tonne charge for CWB hopper cars, which is allocated to the pool accounts based on relative tonnage, is down slightly from the previous year.

Net interest earnings added $2.91 per tonne to the wheat pool, down $1.24 or 30 per cent from the previous year. The decrease can be attributed to lower overall net interest earnings that are distributed over a larger number of tonnes. The decrease in overall net interest earnings, to $47.7 million from $52.0 million the year before, resulted because of rising interest rates that led to reduced net interest earnings on credit receivables. This occurs because interest rates charged to credit customers are usually fixed for three to six months, which is longer than the rates for the corresponding financing. The rise in both Canadian and U.S. interest rates continued throughout the current year.

Earnings distributed to producers

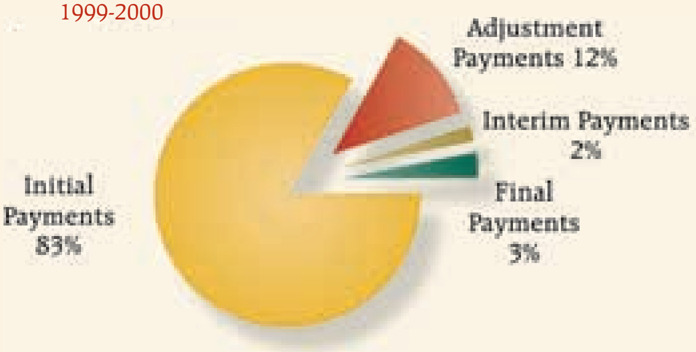
In the 1999-2000 wheat pool account, 97 per cent of sales proceeds were returned to producers, consistent with the previous year.

Of the amount distributed to producers, 95 per cent was distributed prior to August 4, 2000 through initial and adjustment payments, comparing favorably to 92 per cent the previous year.

Stan Wiebe (right) from MacGregor, Manitoba discusses a grain sample with Bernard Prince from Delmas, Saskatchewan at a Combine to Customer course.

Earnings distributed to producers (Wheat)

1999-2000



DURUM

Durum pool results

$ per tonne, except as noted	1999-2000	1998-1999	Change	%
Tonnes	3 975 734	4 904 639	(928 905)	(19)
Revenue	**224.48**	220.65	3.83	2
Operating costs				
Direct costs	**20.45**	16.44	4.01	24
Administrative & general expenses	**2.70**	2.81	(0.11)	(4)
Grain industry organizations	**0.07**	0.09	(0.02)	(20)
Net interest earnings	**(1.90)**	(2.05)	0.15	(7)
	21.32	17.29	4.03	23
Earnings distributed to producers	**203.16**	203.36	(0.20)	(0)

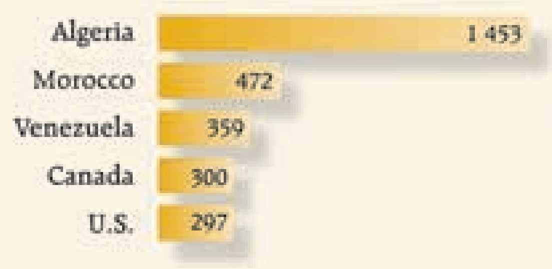
The durum crop

In response to a weaker price outlook, producers in Western Canada reduced their durum plantings from 7.3 million acres in 1998 to 4.4 million acres in 1999. This reduction in acreage was partially offset by record yields of almost one tonne per acre, resulting in an overall decline in production of 29 per cent when compared to the previous year. Total production of durum for the current crop year amounted to 4.3 million tonnes. Similar to spring wheat, good growing conditions stimulated higher durum yields and lower protein estimates which averaged 11.9 per cent compared to 12.5 per cent a year earlier. This is slightly below the five-year average of 12.2 per cent. The grade distribution of the crop was also poorer with approximately 61 per cent of the CWAD grading number one and two compared to 76 per cent last year and a five-year average of 66 per cent. The durum pool was slightly less than four million tonnes in 1999-2000, representing a decrease of 19 per cent from the previous year.

Revenue

Total revenue was $892 million, a decrease of $190 million or 18 per cent from the previous year. This decrease is due primarily to the smaller pool size, as per tonne returns of $224.48 were slightly higher than last year's average return of $220.65.

Largest volume durum customers
(000 tonnes) 1999-2000



World durum wheat production decreased by 15 per cent in 1999 while import demand was increased by 13 per cent. World ending stocks were drawn down during 1999-2000, largely among the major exporting countries. However, stocks remained at burdensome levels, particularly in North America. Canada's share in the world market was about 60 per cent of the bulk durum trade. Increased exports from Australia, the EU and other minor exporters provided increased competition. Algeria was again the largest Canadian export customer, taking 1.5 million tonnes. While shipments of durum to the U.S. decreased from 658 000 to 297 000 tonnes, shipments to both Morocco and Venezuela increased significantly. With a lower grade pattern and lower protein compared to last year and the five-year average, the most effective marketing approach for the limited supplies of higher quality durum was to selectively target higher return customers over the year. Global trade in mid to lower quality durum markets was highly competitive and the CWB aggressively pursued export opportunities throughout the world. In addition to the acreage-based deliveries, the CWB accepted 100 per cent of the 3.6 million tonnes of durum offered for delivery by farmers under contract.

Operating costs

Direct costs totalled $20.45 per tonne, an increase of $4.01 or 24 per cent from the previous year. Direct costs as a percentage of sales increased to 9.1 per cent, up from 7.5 per cent the previous year primarily as a result of the increased proportion of grain moved into eastern export position and increased terminal storage.

Inventory storage and financing costs totalled $5.81, up $1.03 or 22 per cent over last year. Stocks built up in both country and terminal facilities this year as the CWB increased delivery opportunities to durum producers to improve their cash flow.

Net despatch earnings added $0.30 per tonne to the durum pool, an increase of $0.06 or 25 per cent from the year before as higher inventory in the St. Lawrence allowed for more efficient loading of customer vessels.

Additional freight cost to terminals was consistent with the previous year at $0.36 per tonne. Additional freight to move durum into eastern export position totalled $14.56 per tonne, up $3.22 or 28 per cent over the previous year. A greater proportion of durum was exported from eastern positions this year to take advantage of favourable ocean freight costs in the Atlantic. This made it more attractive to service North African customers from the east because it increased net returns to the durum pool. Additional freight from freight rate changes, representing the difference of the actual rate of shipping grain to terminal from that deducted on the cash ticket, added $0.13 per tonne in revenue to the durum pool due to a decrease in freight rates effective August 1, 2000.

Drying charges were negligible again as favourable harvest conditions were experienced in most production areas. The per tonne charge for CWB hopper cars, which is allocated to the pool accounts based on relative tonnage, is down slightly from the previous year.

Net interest earnings added $1.90 per tonne to the durum pool representing a decrease of $0.15 or seven per cent from the prior year. Overall net interest earnings were down 25 per cent, to $7.6 million from $10 million last year, as a result of rising interest rates that led to lower net interest earnings on credit receivables. This drop is more significant than in wheat because durum earns a greater proportion of net interest earnings from credit receivables. The decrease in interest earnings per tonne was not as significant because the earnings were distributed over a smaller pool size.

Earnings distributed to producers

In the 1999-2000 durum pool account, 91 per cent of sales proceeds were returned to producers, down slightly from 92 per cent the previous year. This percentage is generally lower than the wheat pool primarily because the durum pool incurs higher costs associated with exporting a higher proportion of grain out of eastern ports.

Of the amount distributed to producers, 87 per cent was distributed prior to August 4, 2000 through initial and adjustment payments, compared to 89 per cent the previous year. This is because of the greater risk associated with a higher proportion of unsold stocks later in the year.

Earnings distributed to producers (Durum)
1999-2000

FEED BARLEY

Feed barley pool results

$ per tonne, except as noted	1999-2000	1998-1999	Change	%
Tonnes	671 703	277 100	394 603	142
Revenue	**134.38**	138.39	(4.01)	(3)
Operating costs				
Direct costs	**4.62**	8.25	(3.63)	(44)
Administrative & general expenses	**2.70**	2.81	(0.11)	(4)
Grain industry organizations	**0.07**	0.09	(0.02)	(20)
Net interest earnings	**(7.90)**	(22.34)	14.44	(65)
	(0.51)	(11.19)	10.68	(95)
Earnings distributed to producers	**134.89**	149.58	(14.69)	(10)

The barley crop

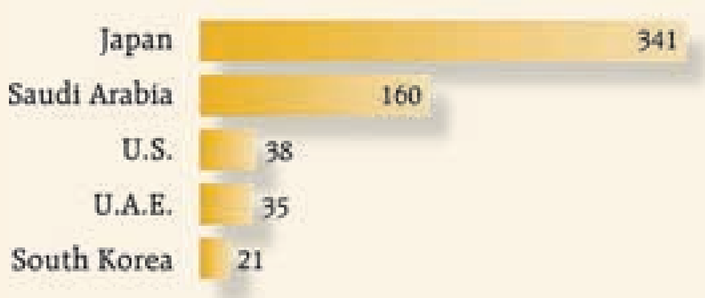
Seeded barley acreage in Western Canada decreased by almost 0.5 million acres to 10.1 million acres in 1999. With the help of record yields, however, production climbed to 12.2 million tonnes, up 0.5 million tonnes from 1998. Farmer deliveries to the barley pool totalled 671 703 tonnes, up 142 per cent from 277 100 tonnes the previous year. Factors that affected the volume of feed barley deliveries into the pool were the increase in western Canadian barley production, some weakness in domestic demand as a result of a mild winter and a strengthening in offshore prices late in the crop year.

Revenue

This increased pool size resulted in total revenue of $90 million, up $52 million or 135 per cent from the previous year. This increase is due primarily to the larger pool size, offset slightly by lower average revenue of $134.38 per tonne, which is down by $4.01 from the previous year. Market prices were relatively flat although they were pressured for much of the year by the expectation of a huge U.S. corn crop. As with the other pools, the stronger Canadian dollar had a negative impact on the average return.

Deliveries to the feed barley pool are highly dependent on projected CWB returns on export sales relative to the domestic market. The domestic feed barley market was somewhat weaker in 1999-2000 given the larger feed grain supplies. Concurrently, changes in the EU's approach to pricing export feed barley resulted in relatively stronger international prices. Given these conditions, the CWB export program was higher than 1998-99 with a larger proportion of barley sales later in the crop year as world barley prices strengthened. In addition to regular contract deliveries, the CWB implemented an open delivery for feed barley late in the crop year to take advantage of the strong offshore feed barley market. This initiative was very successful and allowed for additional sales into the export

Largest volume feed barley customers
(000 tonnes) 1999-2000



market at attractive levels. The increased deliveries this pool year allowed the CWB to pursue opportunities in Japan, Saudi Arabia and the U.S., increasing feed barley export shipments to 598 000 tonnes from 127 000 tonnes during 1998-99.

Operating costs

Direct costs totalled $4.62 per tonne this year, a decrease of $3.63 or 44 per cent from the previous year. Direct costs as a percentage of sales decreased to 3.4 per cent, down from 6.0 per cent the previous year primarily due to decreased costs of country elevator storage and moving grain into eastern export position.

Inventory financing and storage costs totalled $4.26 per tonne, down $3 or 41 per cent from the previous year. The larger pool size facilitated a more evenly distributed export sales program and allowed for more fluid movement of barley through the distribution system. This reduced the average time that barley stocks remained in country and terminal elevators.

Additional freight cost to terminals was $0.38 per tonne. The CWB utilized the grain terminal in Prince Rupert this year to facilitate additional export sales of feed barley and enhance the overall pool return. Freight rates are slightly higher for movement to Prince Rupert compared to Vancouver. There were no additional freight costs to move barley into eastern export position this year as no barley was shipped east. Additional freight from freight rate changes, representing the difference in the actual rate of shipping grain to terminal from that deducted on the cash ticket, added $0.19 per tonne in revenue to the barley pool due to a decrease in freight rates effective August 1, 2000.

Drying charges were negligible as favourable harvest conditions were experienced in most production areas. The per tonne charge for CWB hopper cars, which is allocated to the pool accounts based on relative tonnage, is down slightly from the previous year.

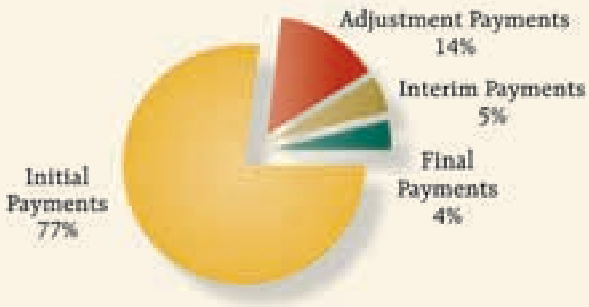
Net interest earnings added $7.90 revenue per tonne to the barley pool, which was down 65 per cent from $22.34 last year. As a result of increasing interest rates, overall net interest earnings were down 14 per cent to $5.3 million from $6.2 million the previous year. These earnings however, were distributed over a much larger pool account with 142 per cent more tonnes, resulting in a significant drop in net interest earnings per tonne.

Earnings distributed to producers

The 1999-2000 barley pool account returned $134.89 per tonne to producers, representing a return of more than 100 per cent of the sales value. The majority of net interest earnings in the feed barley pool were earned from credit receivables and do not fluctuate with pool size or with the cash build-up in the pool accounts from operations. During years when the number of tonnes in the pool are small, the interest earned on a per tonne basis can be substantial, and can even exceed total direct costs and administrative expenses resulting in net operating earnings. In fact this year, net interest revenue exceeded the other operating costs by $0.51 per tonne. This amount is down from over $11 in the previous year when the net interest revenue was spread over an exceptionally small pool size of 277 100 tonnes.

Of the total amount returned to producers, 91 per cent was distributed prior to August 4, 2000 through initial and adjustment payments, comparing favourably to 88 per cent the previous year.

Earnings distributed to producers (Feed barley)
1999-2000



Designated Barley

Designated barley pool results

$ per tonne, except as noted	1999-2000	1998-1999	Change	%
Tonnes	2 554 577	1 921 667	632 910	33
Revenue	**188.85**	172.81	16.04	9
Operating costs				
Direct costs	**2.08**	0.71	1.37	193
Administrative & general expenses	**2.70**	2.81	(0.11)	(4)
Grain industry organizations	**0.07**	0.09	(0.02)	(20)
Net interest earnings	**(1.69)**	(2.24)	0.55	(25)
	3.16	1.37	1.79	131
Earnings distributed to producers	**185.69**	171.44	14.25	8

Revenue

In 1999-2000, both the EU and Canada increased their exports to meet record world demand. Exports of Canadian malting barley were up 16 per cent from the previous year. Import demand from the world's largest buyer of malting barley, China, has increased steadily since 1997-98. In the face of aggressive competition from both Australia and the EU, the CWB targeted customers that were prepared to pay a premium for Canadian varieties and quality. Premiums were consistently obtained for Canadian two-row malting barley over EU and Australian offerings. With a much smaller six-row crop in the U.S., the CWB timed sales strategically to maximize returns. As a result, total revenue topped $482 million, up by 45 per cent compared to $332 million in 1998-99. Sales value per tonne averaged $188.85, an increase of nine per cent over $172.81 the previous year.

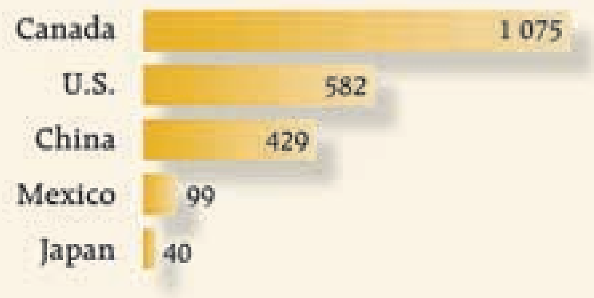
The 1999-2000 designated barley pool was the largest ever at 2.55 million tonnes, exceeding the previous record set in 1995-96 by 4 000 tonnes.

Operating costs

Direct costs totalled $2.08 per tonne, a significant increase of $1.37 compared to $0.71 the previous year. Direct costs as a percentage of sales increased to 1.1 per cent, up from 0.4 per cent in the previous year as a result of an increase in the cost of country inventory financing and country elevator storage.

Inventory financing and storage costs totalled $2.01 per tonne, an increase of $1.46 over 1998-99. There were a number of factors that contributed to this increase. Comparably slower movement was experienced with some of the newer varieties of designated barley as they continue through the early stages of gaining customer acceptance. A significant increase in pool size, an increase in the proportion of street receipts versus

Largest volume malting barley customers
(000 tonnes) 1999-2000



consigned receipts and shipping delays later in the year as a result of dormancy-related germination problems served to increase inventory. Toward the end of the year, the CWB strongly encouraged grain companies to select barley to provide producers with additional delivery opportunities. This resulted in increased inventory.

Additional freight from freight rate changes, representing the difference in the actual rate of shipping grain to terminal from that deducted on the cash ticket, added $0.06 per tonne of revenue to the pool account due to a decrease in freight rates effective August 1, 2000.

The per tonne charge for CWB hopper cars, which is allocated to the pool accounts based on relative tonnage, was down slightly from the previous year.

Net interest earnings added $1.69 per tonne to the designated barley pool, down $0.55 or 25 per cent from the previous year as a result of the larger pool size. Overall net interest earnings, at $4.3 million, were similar to the previous year. Unlike other pool accounts, the designated barley pool account has minimal credit receivables. As a result, the majority of net interest earnings is earned on cash balances that build up in the pool during the year. The build up of cash balances was consistent with the previous year. However, these earnings were distributed over 33 per cent more tonnes this year, reducing the net interest earnings per tonne.

Earnings distributed to producers

In the 1999-2000 designated barley pool, 98 per cent of sales proceeds were returned to producers, roughly equivalent to 99 per cent the previous year.

Of the amount distributed to producers, 92 per cent was distributed prior to August 4, 2000 through initial and adjustment payments, compared to 86 per cent the previous year.

Earnings distributed to producers
(Designated barley)
1999-2000

Running the CWB

Administrative & general expenses

	1999-2000 Budget	1999-2000 Actual	1998-1999 Actual
CWB costs			
Advisory Committee	*$ -*	$ -	$ 54,816
Board of Directors	*1,441,164*	1,177,752	825,310
Computer contractors	*3,446,486*	4,119,871	4,176,889
Computer maintenance & services	*5,273,469*	4,376,270	3,696,916
Communications	*642,095*	719,395	654,701
CWB publications *(See note)*	*748,650*	771,341	639,952
Farmer permits, contracts & payments *(See note)*	*666,500*	601,355	453,163
Facilities	*1,708,983*	1,668,507	1,613,995
Office services *(See note)*	*3,237,094*	2,574,637	2,666,514
Human resources	*30,816,053*	30,580,409	27,953,462
Training and development	*860,000*	456,544	702,732
Recruiting	*167,400*	320,718	122,881
Other	*581,050*	642,216	623,837
Professional fees & outside services	*1,717,334*	1,546,968	2,156,457
Taxes	*428,027*	400,244	415,285
Travel	*1,970,647*	1,495,541	1,306,676
Total excluding depreciation	*53,704,952*	51,451,768	48,063,586
Depreciation	*8,470,468*	8,875,490	6,835,975
	62,175,420	60,327,258	54,899,561
Other costs			
Corporate reorganization	-	2,583,072	-
U.S. trade challenges	-	732,582	447,443
Director elections	*300,000*	70,216	1,242,423
	300,000	3,385,870	1,689,866
Total	*$ 62,475,420*	$ 63,713,128	$ 56,589,427

Note – Costs associated with printing and distributing farmer permit books and delivery contracts, and preparing and issuing adjustment, interim and final payments are disclosed separately as "Farmer permits, contracts & payments". These costs have previously been disclosed as part of "CWB publications" and of "Office services". Current year budget and previous year comparative figures have been reclassified to conform to the new presentation.

Results

The cost of running the CWB, before other costs, was $60.3 million, which was $1.8 million, or three per cent, less than what had been budgeted. The Board of Directors and management team have made a concerted effort to achieve savings from budgeted levels wherever possible while at the same time delivering improved service to customers and farmers. Savings have been achieved from deferring or cancelling certain computer-related expenditures, reducing staff counts, purchasing telephone and office equipment rather than leasing, and scheduling less frequent Board of Director and standing committee meetings. In addition, some travel and training was deferred or cancelled due to resource constraints and the need to focus attention on transportation and other issues on behalf of farmers. These savings were partially offset by additional costs for depreciation and computer contractors related to building and maintaining the CWB's complex computer systems and processes.

The CWB incurred other costs totalling $3.4 million for the 12 month period ending July 31, 2000 related to corporate reorganization, addressing U.S. trade challenges and preparation for director elections in five districts in the fall of 2000.

CWB costs

There were no costs related to the Advisory Committee since it was eliminated on December 31, 1998 as part of Bill C-4, *An Act to Amend the Canadian Wheat Board Act*. Costs associated with the Board of Directors totalled $1.2 million. This was 18 per cent below budget as a result of scheduling fewer Board and standing committee meetings during the year. The previous year figures were lower because the Board of Directors did not take office until December 31, 1998.

The operations of the CWB are heavily reliant on complex computer information systems. The cost of maintaining and supporting the CWB computer systems increases as they age. The increase in computer maintenance and services costs was not as large as anticipated because certain costs have been deferred or cancelled, especially for systems that are in the process of being replaced over the next two years. From time to time, computer contractors with specialized expertise are required to supplement CWB staff for the maintenance or development of these systems. This year's planned reduction in computer contractor costs did not occur because of the difficulty of finding and hiring staff with special skills in the local market.

As part of the commitment to openness and accountability, the CWB must ensure that farmers, customers, staff, media, government and the public at large are informed about new and existing programs and services, and grain and agricultural issues. Communications costs include advertising, producer meetings, crop demonstration sites, the *Combine to Customer* and *Go with the Grain* tour programs, and the annual *Moving Up Market* conference. These costs were budgeted to be consistent with last year, but actual costs were higher by 10 per cent as a result of adding *It's Your Business* meetings to the plan. These meetings were held across the Prairies in March, offering farmers the opportunity to talk to their

Board of Directors

	1999-2000 Budget	1999-2000 Actual	1998-1999 Actual
Remuneration		$ 734,358	$ 432,444
Travel & business expenses		322,271	220,896
District communications		8,289	24,600
Board & committee costs		112,834	147,370
Total	*$ 1,441,164*	**$ 1,177,752**	$ 825,310

elected Directors about what they want from their marketing agency and receive an update on past and future activities.

CWB publication costs include the cost of printing and distributing the annual report, *Grain Matters*, *Pool Return Outlooks* (PRO) and customer newsletters, along with various producer and industry brochures and guides explaining programs and services. Costs were slightly higher than planned and up from last year as a result of revising *Grain Matters* to a magazine format and improving and expanding the CWB calendar. These additional costs were partially offset by savings from moving the design of the annual report in-house.

Costs associated with printing and distributing farmer permit books and delivery contracts, and preparing and issuing adjustment, interim and final payments are now disclosed separately under "Farmer permits, contracts & payments". These costs have previously been disclosed as part of "CWB publications" and "Office services". These costs were up 33 per cent, mainly due to more adjustment payments – five payments totalling 325,000 cheques and direct deposits this year compared to three payments totalling 272,000 the previous year.

The CWB operates branch offices in Vancouver and Regina, marketing offices in Tokyo, Japan and Beijing, China and a head office in Winnipeg. The costs of operating these facilities and providing related office services are well below budget this year and down from last year as a result of continued attention to reducing costs. Some leased office space was eliminated and certain office and telecommunications equipment has been purchased rather than leased where it is more economical to do so. The CWB has also benefited from the downward trend in long distance telephone rates.

Human resource costs represent the costs associated with developing and retaining a motivated, skilled professional work force. They account for 50 per cent of the cost of running the CWB. Salary costs increased by 5.6 per cent over the previous year as a result of an average salary increase of 3.0 per cent on August 1, 1999. Additional costs were incurred related to ensuring that CWB remuneration is competitive with market levels and ensuring retention of staff in key positions. These increases were partially offset by a decrease in the average number of staff during the year to 533, compared to 551 in 1998-99. The cost of benefits increased at a greater rate than salary as a result of the federal government's decision to more than double the employer share of contributions under the *Public Service Super-annuation Act*, combined with an increase in certain benefit rates.

Training and development costs were significantly lower than planned, and down from last year. The 1999-2000 budget was designed to return the investment in staff training and development to more normal levels, after several years of constraint and cutback. The strength of the current labour market makes this a necessity in order to attract and retain quality employees. Unfortunately, significant training was deferred or cancelled due to resource constraints and the need to focus attention on transportation and other issues on behalf of farmers.

Recruiting costs were higher than planned as the CWB, like most companies

Human Resources

	1999-2000 Budget	1999-2000 Actual	1998-1999 Actual
Salaries		$ 23,867,035	$ 22,595,667
Benefits		6,172,194	4,820,025
Payroll tax		541,180	537,770
Total	*$ 30,816,053*	**$ 30,580,409**	$ 27,953,462

heavily reliant on technology, had to compete in a very tight labor market for skilled resources. In many cases it was necessary to recruit and hire outside of the local market at a higher cost.

Professional fees and outside services were less than anticipated and down significantly from last year as a result of a reduction in the use of management consultants.

CWB's investment in capital assets – with the exception of the CWB hopper cars, which are charged directly to the pool accounts. Depreciation increased this year by a total of $2 million primarily as a result of a one-time $1.5 million charge to write-down obsolete computer systems and revise estimates of useful life.

Professional fees and outside services

	1999-2000 Budget	1999-2000 Actual	1998-1999 Actual
Audit fees		**$ 170,000**	$ 163,000
Insurance		**181,190**	170,030
Legal fees and court costs		**234,086**	205,060
Management consulting		**723,524**	1,228,833
Other professional fees		**48,030**	137,354
Temporary staffing agencies		**190,138**	252,180
Total	*$ 1,717,334*	**$ 1,546,968**	$ 2,156,457

Taxes include municipal and provincial realty, school and business tax assessments and are down again as the City of Winnipeg continues to hold the line on these taxes to encourage business to locate downtown and to stimulate usage of surplus property.

Travel costs are significant for a marketing agency with customers all over the globe. Travel costs were up this year, but it is important to note that the previous year was characterized by a smaller high protein crop that required less travel to support the marketing effort. The current year also saw increased fares as a result of decreased competition in the Canadian airline industry with the merger of the two dominant carriers.

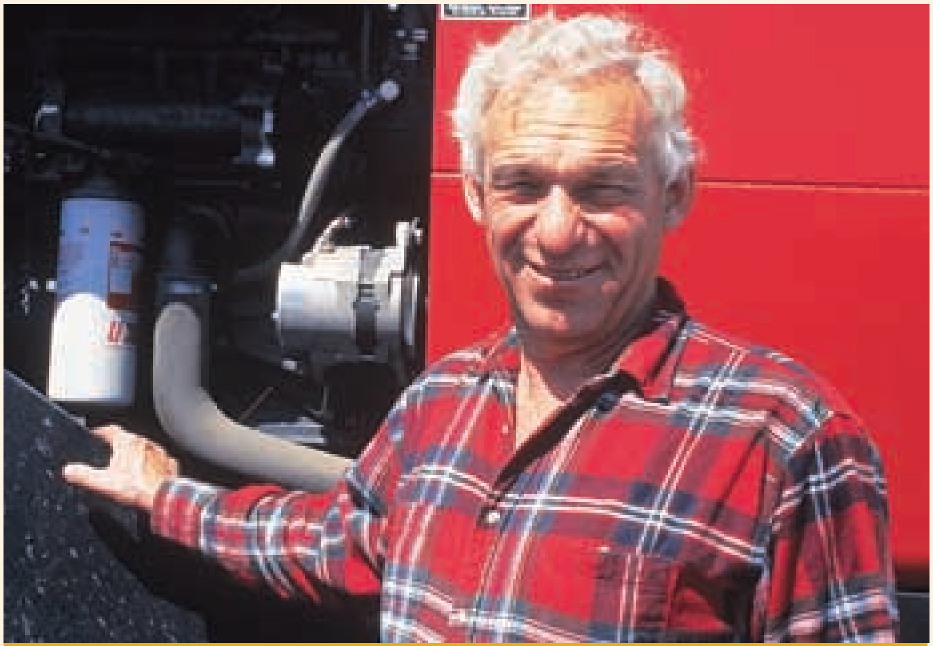
Depreciation expense accounted for almost 15 per cent of costs and reflects the amortization of the

Ken Ritter (left) talks with reporters at the CWB's crop year-end news conference on August 2, 2000. The CWB's goals include providing as much information as possible to farmers.

Other costs

The Board of Directors and the management team are committed to positioning the CWB to add value for prairie farmers. As part of this effort, a corporate reorganization took place during the year that was designed to streamline operations and improve effectiveness. As part of this reorganization, the CWB offered an early retirement option to some employees and also reduced staff in areas where business needs had changed. The $2.6 million cost of this reorganization, primarily severance and retirement charges, was charged to 1999-2000. The reorganization will result in the elimination of 30 positions, roughly six per cent of the CWB workforce, by December 31, 2000. In total, this initiative is expected to result in annual cost savings of $1.3 million in 2000-01 and $2.1 million in 2001-02.

U.S. trade challenges relate to addressing and defending against trade investigations that have been threatened or launched by American interests. Of the $732,582 costs incurred, $463,062 was related to preparing for trade actions that the North Dakota Wheat Commission had threatened to file. Subsequent to the end of the crop year, the North Dakota Wheat Commission filed a petition under Section 301 of the *U.S. Trade Act of 1974* requesting the United States Trade Representative (USTR) to commence an investigation of the CWB and the Government of Canada. On October 23, 2000 the USTR, a member of the President's Cabinet, announced the initiation of an investigation into certain of the allegations contained in the petition. In particular, the USTR will investigate certain elements of the Canadian wheat trading system and certain allegations of unreasonable trading practices on the part of the CWB. The USTR has one year to determine what, if any, action should be taken. This is the ninth time within the past 10 years that the CWB has been the subject of some form of trade investigation instituted by American interests. In each case, the outcome of the investigation has established that all CWB trade activities meet North American Free Trade Agreement and World Trade Organization standards. The CWB believes that the current trade action is unjustified and will not succeed.


CWB director Butch Harder on the farm.

The remaining trade challenge costs were related to the successful defence of a U.S. Countervailing Duty action filed in November 1998 against imports of live cattle from Canada. On October 12, 1999 the U.S. Department of Commerce issued its final determination dismissing the petitioner's claim that the CWB's operations in the feed barley industry provide a subsidy to Canadian cattle producers.

Election expenses relate to the preliminary costs incurred to conduct the Board of Director elections in even-numbered districts in December 2000.

Credit Sales

Credit sales during the year

$ 000, except as noted	1999-2000 Sales	% of Total Sales	1998-1999 Sales	% of Total Sales
Credit sales				
Credit Grain Sales Program	**$ 371,671**	8.3	$ 95,473	2.4
Agri-food Credit Facility	**145,868**	3.2	95,378	2.4
Other	**185,798**	4.1	65,961	1.6
Total credit sales	**703,337**	15.6	256,812	6.4
Total sales	**$ 4,504,817**	100.0	$ 4,026,703	100.0

Credit programs

To support the sale of western Canadian grain, the Government of Canada provides repayment guarantees. Acting within credit limits and terms approved by the federal government, the CWB works with individual customers and commercial banks on a case by case basis to structure credit facilities to meet customer needs. These credit arrangements can be an important factor in many foreign markets. During 1999-2000, credit sales totalled $703.3 million, representing 15.6 per cent of total sales, compared to $256.8 million or 6.4 per cent of sales in the previous year.

The CWB uses the following programs to offer credit on commercial terms:

Credit Grain Sales Program

The Credit Grain Sales Program (CGSP) allows the CWB to sell grain on credit to customers that can provide a sovereign guarantee of repayment from their central bank or ministry of finance. The Government of Canada, in consultation with the CWB, establishes country eligibility and individual country credit ceilings for this program on an annual basis. Repayment terms cannot exceed 36 months from time of shipment, and commercial rates of interest are charged. During the year ended July 31, 2000, credit extended under this program totalled $371.7 million, compared to $95.5 million the previous year.

The balance receivable at July 31, 2000

CGSP receivable at July 31, 2000

$ 000	Current	Overdue	Total
Rescheduled			
Due from foreign customers	$ 5,926,417	$ 319	**$ 5,926,736**
Due from Government of Canada	57,840	-	**57,840**
	5,984,257	319	**5,984,576**
Non-Rescheduled	403,064	756,031	**1,159,095**
Total Credit Grain Sales Program	$ 6,387,321	$ 756,350	**$ 7,143,671**

from sales made under this program to date is $7.1 billion. Of this amount, $6.0 billion represents receivables for which payments of principal and interest have been rescheduled over periods ranging from five to 25 years under terms agreed to by the Government of Canada at the Paris Club. Included in the rescheduled amount is $57.8 million owed to the CWB by the Government of Canada under debt reduction arrangements where they have assumed certain amounts that otherwise would have been paid by the debtor government. The balance of non-rescheduled receivables at July 31, 2000 was $1.2 billion.

Overdue amounts include $0.3 million that was receivable from Zambia on a rescheduled credit receivable that had not been received on the due date and was still outstanding at July 31, 2000. Zambia paid the overdue amount in August.

Overdue amounts also include $752.2 million due from Iraq and $3.9 million due from Pakistan where payments for credit sales had not been received on the due dates and were still outstanding at July 31, 2000. Iraq is not currently paying obligations because of United Nations sanctions. The CWB expects the overdue amounts from Pakistan to be rescheduled under Paris Club arrangements.

Since the Government of Canada guarantees repayment of the principal and interest of all credit receivables under this program, the CWB makes no allowance for credit losses.

Agri-food Credit Facility

The Agri-food Credit Facility allows the CWB to sell grain, either directly or through accredited exporters, on credit to private importers where the importer cannot provide a sovereign guarantee of repayment. Since these transactions involve private buyers and their banks, country credit ceilings do not apply. Instead, the Government of Canada evaluates each transaction on an individual basis. During the year ended July 31, 2000, credit under this program totalled $145.9 million, compared to $95.4 million for the previous year.

The balance receivable at July 31, 2000 from sales made under this program to date was $63.3 million. The Government of Canada guarantees a declining percentage of the receivables under this program based on the repayment period, with the CWB assuming the residual risk not guaranteed. The portion of credit risk assumed by the CWB under this program at July 31, 2000 of $1.3 million is considered collectable, therefore there was no allowance for credit losses.

Other

From time to time, Canadian commercial banks participate with the CWB in providing credit under the above programs. In these cases, the CWB receives payment for the bank's portion of the credit transaction. The bank then assumes the risk of non-payment by the customer on their portion of the credit extended, without recourse to the CWB. During the year ending July 31, 2000, credit provided by banks under these arrangements totalled $185.8 million, compared to $61 million the previous year.

On other occasions, the CWB may extend credit under a guarantee of repayment provided by a commercial bank. The CWB's exposure in this type of transaction is limited to the risk of non-performance by the bank in the event of default by the customer. This exposure is managed by contracting only with highly rated financial institutions. There were no transactions in this category during the year ended July 31, 2000, compared to $5 million the previous year. There were no amounts due from customers under these guarantee arrangements at July 31, 2000, compared to $0.8 million at July 31, 1999.

Funding & Liquidity

Under the *Canadian Wheat Board Act*, and with the approval of the Minister of Finance, the CWB is empowered to borrow money by any means, including the issuing, reissuing, selling and pledging of bonds, debentures, notes and other evidences of indebtedness. All borrowings of the CWB are unconditionally and irrevocably guaranteed by the Minister of Finance on behalf of Her Majesty in right of Canada.

The CWB has established borrowing programs in various markets around the world. The CWB's primary funding sources are:

- Domestic Commercial Paper Program (the "Wheat Board Note" program);
- U.S. Commercial Paper Program;
- Euro Commercial Paper Program; and
- Euro Medium-Term Note Program.

The CWB borrows money in order to finance grain inventories, credit sales, administrative and operating expenses, as well as to administer the Government of Canada's advance payment programs. The CWB borrows in a variety of currencies but eliminates currency risk by converting borrowings into either Canadian or U.S. dollars to match the assets being financed. The total debt portfolio generally fluctuates between $6 and $7 billion Canadian dollar equivalent.

The CWB continues to explore new borrowing opportunities in an ongoing effort to further reduce borrowing costs, expand and diversify its investor base and maintain access to money.

The CWB has the following credit ratings:

	Domestic		Foreign Currency	
Credit Ratings:	*Long-term*	*Short-term*	*Long-term*	*Short-term*
Moody's Investor Service	Aa1	P1	Aa1	P1
Standard & Poor's Ratings Group	AAA	A1+	AA+	A1+
Dominion Bond Rating Service	AAA	R-1H	AAH	R-1H
Canadian Bond Rating Service	AA+	A-1+	AA+	A-1+

Risk Management

The CWB seeks to minimize risks related to the financial operations of the corporation. These risks include market risk, credit risk and liquidity risk, as described below. The CWB analyzes, manages, reports and controls exposures to these financial risks and ensures adherence to approved corporate policies and risk management guidelines.

Market risk

Market risk is the risk to the CWB's financial condition resulting from adverse movements in the level or volatility of market prices. The CWB is exposed to market risk in the areas of commodity price risk, foreign exchange risk and interest rate risk.

Commodity price risk

Commodity price risk is the risk of reduced revenue for the CWB resulting from adverse changes in commodity prices. Commodity price risk is inherent in the CWB's core business operations. The CWB is exposed to commodity price risk on grain sales made into export and domestic markets and is authorized to use futures and options to assist in the pricing of grain sales. One of the CWB's major commodity risk management programs involves managing the price risk associated with customer basis contracts, which enable the CWB and the customer to manage price risk independently, and provide the customer with the ability to determine the date that the contract will be priced. In 1999-2000, 38 per cent of wheat was sold on basis contracts.

The CWB manages the risk of an adverse movement in the price of grain between the time the grain is sold and when it is priced by the customer by selling grain futures contracts on regulated U.S. futures markets. The CWB may also utilize futures contracts to price grain where there is no opportunity to do so in the physical market.

Foreign exchange risk

Foreign exchange risk is the exposure to adverse changes in foreign exchange rates that would negatively affect the Canadian dollar returns to the CWB. Given the nature of its business, the CWB is exposed to substantial foreign exchange risk. Since the world price for grain is established in U.S. dollars, all sales made by the CWB are priced either directly or indirectly in U.S. dollars.

To manage foreign exchange risk on sales, the CWB hedges foreign currency sales values using derivative contracts to protect the expected Canadian dollar proceeds on sales contracts.

Interest rate risk

Interest rate risk is the exposure to negative fluctuations in the CWB's net interest earnings resulting from adverse changes in market interest rates. The CWB's interest rate risk arises from the mismatch in interest rate term and re-pricing dates on the CWB's interest earning assets and interest paying liabilities. The interest spread between the interest rate set on the assets and the rate set on the liabilities is typically positive, resulting in net interest earnings for the CWB which are allocated to the pool accounts and flow directly to farmers.

The CWB manages its interest rate risk to ensure interest earnings for the CWB's producers are maintained.

Credit risk

Credit risk is the risk of potential loss should a counter-party fail to meet its contractual obligations. The CWB is exposed to credit risk with respect to non-guaranteed accounts receivable, as well as credit risk on investments and derivative transactions used to manage the CWB's market risks.

Receivables

The CWB sells grain under two government-supported export credit programs: the Credit Grain Sales Program and the Agri-food Credit Facility. Under the Credit Grain Sales Program, the CWB is not exposed to credit risk since grain is sold to sovereign buyers who can provide a sovereign guarantee of repayment and the Government of Canada, in turn, guarantees 100 per cent of the credit receivable. Under the Agri-food Credit Facility, grain is sold to non-sovereign buyers who cannot provide a sovereign repayment guarantee, and the Government of Canada guarantees a declining percentage of the receivable based on the repayment period of the credit. CWB exposure to credit risk under this program is limited to the residual risk not guaranteed. Because of the nature of the CWB's credit sales, the vast majority of the CWB's credit exposure on credit receivables is ultimately to the Government of Canada.

Any other credit exposure is limited to highly rated commercial banks. There have been no defaults to date related to sales made under this type of arrangement, and there are no outstanding balances due.

Investments

The CWB manages counter-party exposure to the risk of loss from an investment by transacting only with highly rated counter-parties. Investments are made according to the credit rating requirements of the *Canadian Wheat Board Act*, the CWB's annual borrowing authority granted by the Minister of Finance and applicable government guidelines.

Derivative transactions

The risk of loss on derivative financial instruments is limited to the replacement cost of contracts having a positive fair value. The CWB manages its risk on over-the-counter derivative transactions by contracting only with highly rated counter-parties that meet or exceed the CWB's financial risk management policies. These policies are in line with the Minister of Finance credit policy guidelines. In addition to strict credit rating requirements, the CWB signs master agreements in advance of any over-the-counter derivative transactions to minimize the credit risk, legal risk and payment risk of these transactions. The CWB manages its credit risk on futures contracts by dealing through exchanges where changes in market position are settled on a daily basis.

Liquidity risk

The CWB's liquidity risk is comprised of funding liquidity risk and market liquidity risk.

Funding liquidity risk

Funding liquidity risk is the risk that the CWB will be unable to meet its debt payment obligations on settlement dates. The CWB is a net borrower and uses investments to minimize its funding liquidity risk associated with its activities in the debt markets. In the course of normal operations, the CWB's funding programs provide sufficient liquidity to meet daily cash requirements. The CWB may hold highly rated short-term investments to ensure that sufficient funds are available to meet debt obligations. Sufficient lines of credit are also maintained with financial institutions to provide additional access to funds.

Market liquidity risk

Market liquidity risk is the risk that the CWB may not be able to, or can not easily unwind or offset a particular market position at or near the current market price because of inadequate market depth or disruptions in the market place. The CWB only uses liquid derivatives to manage its market risk and generally purchases marketable investments to manage funding liquidity risk.

The Year 2000 issue

The Year 2000 issue arose because many existing computer systems recorded and identified years with two digits, rather than four. When the century rollover occurred, date fields contained the two-digit year "00". The risk was that many computers or electronic equipment would fail to recognize the change to the Year 2000, and could have failed or produced erroneous results, potentially affecting business viability and profitability.

The CWB's efforts with respect to the Year 2000 proved successful. The transition to the Year 2000 was uneventful as a result of the significant preparation that the company undertook including an inventory of all technology, conversion or replacement of key computer systems and infrastructure, readiness testing and development and implementation of contingency plans. In addition, the CWB conducted business partner readiness assessment and monitoring, and worked with grain elevator companies, railways, banks, other significant suppliers and grain customers to ensure that there were no disruptions to western Canadian grain shipments on and after January 1, 2000.

The total cost incurred by the CWB between 1996 and 2000, related to the conversion of systems and infrastructure, was $23.3 million. These costs have been capitalized to minimize the impact on any particular pool account, and are being amortized over a 10-year period.

A day in the treasury department (left to right): Will Reid, Wendi Thiessen, Candace Gauthier, Andrea Carlson, Glenn Bunston

OUTLOOK

Canadian wheat, durum and barley exports are likely to remain at their current levels in coming years given production competition from other crops and limited growing area. There is potential for a longer term overall improvement in returns to producers for a number of reasons.

Demand

Population growth and increasing demand for higher quality grain will help to ensure an outlet for western Canadian wheat, durum and barley in coming years. Countries in Asia, the Middle East, Africa and Latin America, which accounted for about 78 per cent of western Canadian exports in 1999-2000, are expected to experience the largest growth in population. Moreover, gross domestic product growth rates for most of the developing countries in these regions are projected to surpass those for developed countries. As a result, not only will consumption increase because of population growth, but higher incomes will also fuel a demand for higher quality.

Supply

The global price effect of an increase in demand depends upon the production response - increase or decrease in supply as a result of changing acreage or yields. Improving agronomic practices, particularly in developing countries, and the development of new varieties through traditional plant breeding techniques and genetic engineering have the potential to increase global yield prospects in the long run. However, competition for acreage from oilseeds and other crops is expected to ensure support for cereal grain prices in the future.

Large stocks among the major exporting countries and a significant, although highly variable, exportable surplus in minor exporting countries will continue to ensure a competitive trade environment in the medium term. Given expectations of relatively static western Canadian wheat, durum and barley exports, we are not expecting an overall increase in the Canadian share of the total world wheat trade to any great extent. CWB efforts on behalf of producers will continue to focus on increasing market share and revenue in high return markets.

Global trade environment

The World Trade Organization (WTO) is currently entering a new round of trade negotiations. The last round, known as the Uruguay Round, saw the first agreement on agriculture, which was expected to usher in a new era of lower subsidies and greater trade liberalization. While this agreement was successful in reducing import duties, and to some extent export subsidies, massive domestic support in certain countries continues to distort production and trade. This has resulted in western Canadian producers receiving grain prices that are, for many, insufficient to sustain viable operations without significant support from the federal and provincial governments. The next round of talks will play a critical role in addressing domestic support levels, export subsidies, market promotion and market access in an attempt to create a more level playing field for producers around the globe. If successful, the international trade environment in ten years' time should favour western Canadian producers given their high level of efficiency and competitive advantage in grain production.

CWB commitment to innovation

The CWB will continue its commitment to finding innovative ways to improve the procurement and marketing aspects of our business that enhance producer returns directly and indirectly.

As customers become more price-sensitive, quality-specific and service-oriented, our market development activities will continue to play a pivotal role in working first hand with end users to promote the benefits of using Canadian grain. Working toward the development of new varieties of wheat, durum and malting barley that are tailored to meet both customer and producer requirements, making strategic investments such as the pilot pasta plant at the Canadian International Grains Institute, and working toward the development of non-visual quality control systems are all part of the value added service provided by the CWB that will continue to enhance producer returns.

Innovations in agricultural biotechnology, and in particular the development of new products through genetic modification, are attracting considerable attention and controversy. The CWB recognizes that biotechnology and its products may provide benefits to consumers and to wheat and barley farmers in Western Canada. However, especially given consumer reaction to date, the CWB is leading efforts to ensure a competent and complete evaluation of the issues. While there currently are no genetically modified wheat or barley varieties registered for commercial production in Canada or elsewhere, as part of its strategy, the CWB is helping prepare the marketing system for their possible production. As well, the CWB is thoroughly evaluating the benefits, costs and risks that farmers and the CWB would face in marketing such products to help determine if and when they should be introduced. The CWB's objective is to ensure that, if introduced, the market entry of any genetically modified wheat and barley varieties be accomplished in a manner that will satisfy customers' requirements and improve returns to western Canadian farmers.

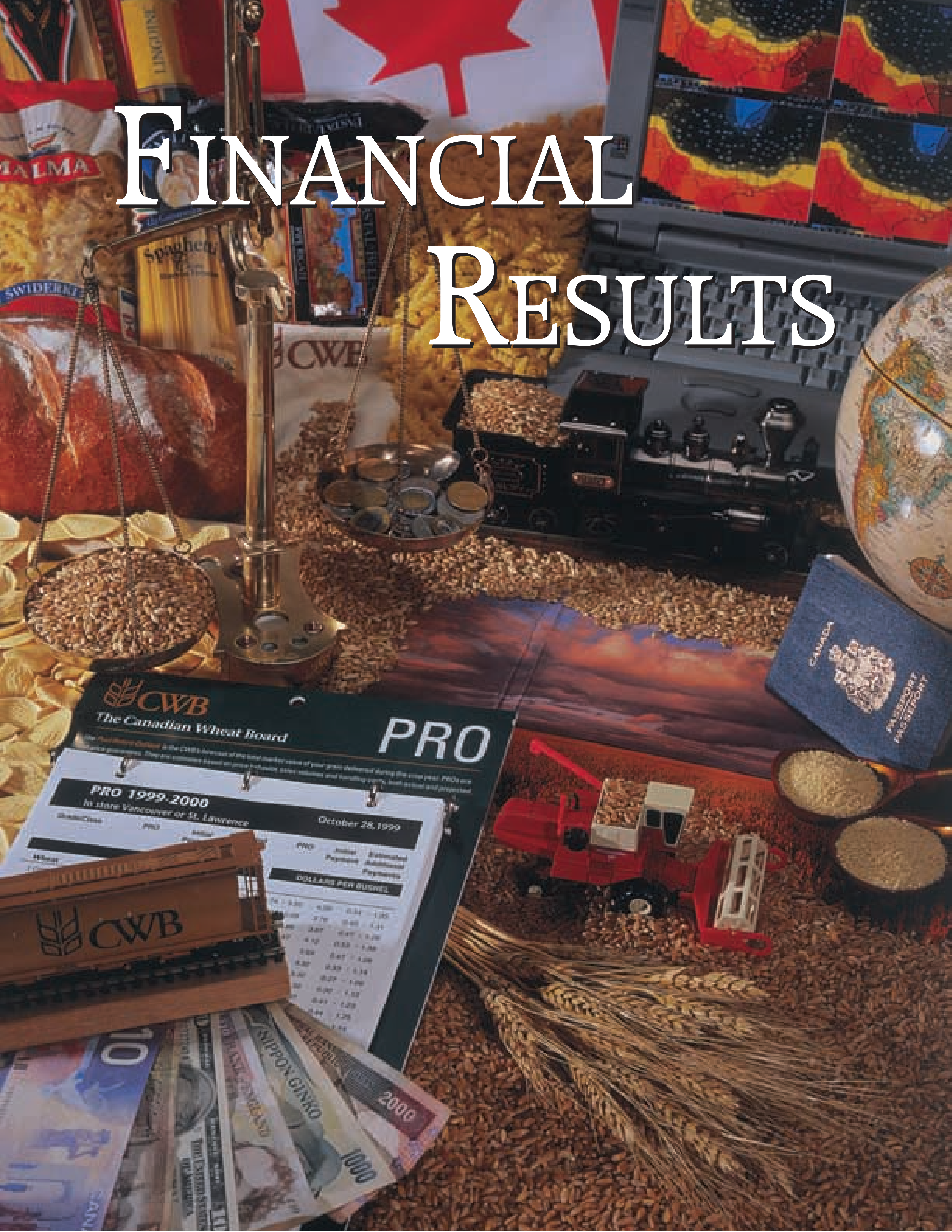
The introduction of flexible pricing options in response to producer cash flow and risk management concerns also demonstrates our commitment to innovation. These new products give producers more flexibility in managing their individual farming operations. Ongoing efforts to improve existing pricing and payment options and to develop new ones will benefit western Canadian producers.

Maximizing producer returns also implies minimizing costs. Producers are the direct beneficiaries of a low cost, competitive grain handling and transportation system that improves the CWB's ability to put the right grain quality and quantity in the right place at the right time. Our grain transportation system will continue to change and the CWB will require direct access to the car supply and the establishment of commercial contracts with performance criteria for system participants to ensure an efficient and accountable transportation system. As part of these changes, the CWB has designed tender agreements and a new car awards system to ensure that the consolidating grain handling system in Western Canada remains competitive. Achieving a competitive, least-cost grain handling and transportation system will require ongoing innovation.

Forward-Looking Information

A number of factors could cause actual results to differ materially from those expressed in the forward-looking statements, including: climate; changes in government policy and regulations; and the international economic environment.

Financial Results



Management's Responsibility for Financial Reporting

The financial statements of the Canadian Wheat Board included in this Annual Report are the responsibility of the Corporation's management and have been reviewed and approved by the Board of Directors. Management is also responsible for all other information in the Annual Report and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles appropriate in the circumstances and reflect the results for the 1999-2000 pool accounts and the financial status of the Corporation at July 31, 2000.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. The system of internal control is augmented by an internal audit department that conducts periodic reviews of different aspects of the Corporation's operations.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board of Directors exercises this responsibility through the Audit and Finance Committee of the Board, which is composed of Directors who are not employees of the Corporation. The Audit and Finance Committee meets with management, the internal auditors and the external auditors on a regular basis, and the external and internal auditors have full and free access to the Audit and Finance Committee.

The Corporation's external auditors, Deloitte & Touche LLP, are responsible for auditing the transactions and financial statements of the Corporation and for issuing their report thereon.

Greg S. Arason
President and Chief Executive Officer
Winnipeg, Manitoba
December 6, 2000

Gordon P. Menzie
Executive Vice-President, Finance and Treasurer

Auditors' Report

To the Board of Directors of the Canadian Wheat Board:

We have audited the financial statements of the Canadian Wheat Board which consist of the balance sheet at July 31, 2000 and the combined statement of operations and statement of distribution to producers for the 1999-2000 pool accounts, the statements of operations and the statements of distribution to producers for the 1999-2000 pool accounts for wheat, amber durum wheat and barley for the period August 1, 1999 to completion of operations on August 31, 2000 and for designated barley for the period August 1, 1999 to completion of operations on September 30, 2000, the statement of cash flow for the year ended July 31, 2000 and the statement of administrative and general expenses for the year ended July 31, 2000. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Canadian Wheat Board as at July 31, 2000 and the results of its operations and cash flow for the periods shown in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

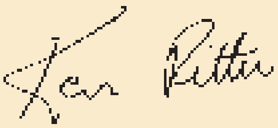
Deloitte & Touche LLP
Chartered Accountants

Winnipeg, Manitoba
December 6, 2000

BALANCE SHEET

As of July 31 (000's)	2000	1999
Assets		
Accounts Receivable		
Credit programs *(Note 3)*	$ 7,206,991	$ 6,875,649
Non-credit sales	6,545	30,432
Advance payment programs *(Note 4)*	258,393	72,073
Other	64,463	20,961
	7,536,392	6,999,115
Inventory of Grain *(Note 5)*	1,182,227	1,105,747
Deferred and Prepaid Expenses *(Note 6)*	7,958	24,332
Capital Assets *(Note 7)*	68,349	75,665
Total Assets	$ 8,794,926	$ 8,204,859
Liabilities		
Borrowings *(Note 8)*	$7,264,209	$ 6,768,869
Accounts Payable and Accrued Expenses *(Note 9)*	139,248	137,438
Liability to Agents *(Note 10)*	858,511	758,523
Liability to Producers – Outstanding Cheques *(Note 11)*	222,335	171,055
Liability to Producers – Undistributed Earnings *(Note 12)*	301,326	359,020
Provision for Producer Payment Expenses *(Note 13)*	5,960	5,934
Special Account – Net Balance of Undistributed Payment Accounts *(Note 14)*	3,337	4,020
Total Liabilities	$ 8,794,926	$ 8,204,859

On behalf of the Board:



Ken Ritter
Chair, Board of Directors

Greg S. Arason
President and Chief Executive Officer

Combined Pool Accounts

Statement of Operations

Pool Account ($000's)	1999-2000	1998-1999
RECEIPTS FROM PRODUCERS (Tonnes)	23 628 850	19 616 132
Revenue *(Note 17)*	$ 4,504,817	$ 4,026,703
Operating Costs		
Direct costs		
Country inventory financing	24,037	24,426
Storage		
- country elevator	43,126	47,562
- terminal	26,839	17,960
Despatch earnings, net of demurrage costs	(5,810)	(6,662)
Additional freight		
- to terminal	12,136	4,149
- to move grain into eastern export position	78,139	58,530
- from freight rate changes	(1,563)	(75)
Drying charges	395	69
CWB hopper cars – interest and depreciation	3,348	3,163
Total direct costs	180,647	149,122
Administrative and general expenses *(Note 18)*	63,771	55,204
Grain industry organizations *(Note 19)*	1,701	1,699
Net interest earnings	(64,895)	(72,519)
Total Operating Costs	181,224	133,506
Earnings for Distribution to Producers	$ 4,323,593	$ 3,893,197

Statement of Distribution to Producers

Pool Account ($000's)	1999-2000	1998-1999
Earnings Distributed to Producers		
Initial payments on delivery	$3,519,524	$ 3,162,228
Adjustment payments	490,402	360,688
Interim payment	148,756	172,410
Final payment	152,470	186,506
Producer contract storage payments	12,342	11,261
Rebate on producer cars	99	104
Total Earnings Distributed to Producers	$ 4,323,593	$ 3,893,197

Wheat Pool Account

Statement of Operations

($000's, except rates per tonne)	1999-2000 Amount	1999-2000 Rate per Tonne	1998-1999 Amount	1998-1999 Rate per Tonne
RECEIPTS FROM PRODUCERS (Tonnes)	16 426 836		12 512 726	
Revenue *(Note 17)*	$ 3,039,640	$ 185.04	$ 2,574,023	$ 205.71
Operating Costs				
Direct costs				
Country inventory financing	16,467	1.00	18,036	1.44
Storage				
- country elevator	29,195	1.78	34,620	2.77
- terminal	17,256	1.05	10,769	0.86
Despatch earnings, net of demurrage costs	(4,561)	(0.28)	(5,414)	(0.43)
Additional freight				
- to terminal	10,461	0.64	2,301	0.18
- to move grain into eastern export position	20,236	1.23	2,660	0.21
- from freight rate changes	(774)	(0.04)	(187)	(0.02)
Drying charges	319	0.02	36	0.01
CWB hopper cars – interest and depreciation	2,328	0.14	2,017	0.16
Total direct costs	90,927	5.54	64,838	5.18
Administrative and general expenses *(Note 18)*	44,328	2.70	35,214	2.81
Grain industry organizations *(Note 19)*	1,183	0.07	1,084	0.09
Net interest earnings	(47,713)	(2.91)	(51,991)	(4.15)
Total Operating Costs	88,725	5.40	49,145	3.93
Earnings for Distribution to Producers	$ 2,950,915	$ 179.64	$ 2,524,878	$ 201.78

Statement of Distribution to Producers

($000's, except rates per tonne)	1999-2000 Amount	1999-2000 Rate per Tonne	1998-1999 Amount	1998-1999 Rate per Tonne
Earnings Distributed to Producers				
Initial payments on delivery	$ 2,452,411	$ 149.29	$ 2,070,448	$ 165.47
Adjustment payments	339,965	20.70	242,257	19.36
Interim payment	65,453	3.98	112,598	8.99
Final payment	93,007	5.66	99,496	7.95
Rebate on producer cars	79	0.01	79	0.01
Total Earnings Distributed to Producers	$ 2,950,915	$ 179.64	$ 2,524,878	$ 201.78

For the period August 1, 1999 to completion of operations on August 31, 2000
(with prior year comparatives for the period ended August 31, 1999)

Durum Pool Account

Statement of Operations

($000's, except rates per tonne)	1999-2000 Amount	1999-2000 Rate per tonne	1998-1999 Amount	1998-1999 Rate per tonne
RECEIPTS FROM PRODUCERS (Tonnes)	3 975 734		4 904 639	
Revenue *(Note 17)*	$ 892,476	$ 224.48	$ 1,082,241	$ 220.65
Operating Costs				
Direct costs				
Country inventory financing	5,571	1.40	5,636	1.15
Storage				
- country elevator	8,768	2.21	11,144	2.27
- terminal	8,761	2.20	6,664	1.36
Despatch earnings, net of demurrage costs	(1,212)	(0.30)	(1,178)	(0.24)
Additional freight				
- to terminal	1,420	0.36	1,846	0.38
- to move grain into eastern export position	57,904	14.56	55,624	11.34
- from freight rate changes	(510)	(0.13)	76	0.01
Drying charges	48	0.01	23	0.01
CWB hopper cars – interest and depreciation	563	0.14	791	0.16
Total direct costs	81,313	20.45	80,626	16.44
Administrative and general expenses *(Note 18)*	10,734	2.70	13,802	2.81
Grain industry organizations *(Note 19)*	286	0.07	425	0.09
Net interest earnings	(7,571)	(1.90)	(10,030)	(2.05)
Total Operating Costs	84,762	21.32	84,823	17.29
Earnings for Distribution to Producers	$ 807,714	$ 203.16	$ 997,418	$ 203.36

Statement of Distribution to Producers

($000's, except rates per tonne)	1999-2000 Amount	1999-2000 Rate per Tonne	1998-1999 Amount	1998-1999 Rate per Tonne
Earnings Distributed to Producers				
Initial payments on delivery	$ 619,492	$ 155.82	$ 796,906	$ 162.48
Adjustment payments	80,732	20.31	92,534	18.87
Interim payment	61,933	15.58	44,420	9.06
Final payment	45,542	11.45	63,535	12.95
Rebate on producer cars	15	0.00	23	0.00
Total Earnings Distributed to Producers	$ 807,714	$ 203.16	$ 997,418	$ 203.36

For the period August 1, 1999 to completion of operations on August 31, 2000
(with prior year comparatives for the period ended August 31, 1999)

Barley Pool Account

Statement of Operations

($000's, except rates per tonne)	1999-2000 Amount	1999-2000 Rate per Tonne	1998-1999 Amount	1998-1999 Rate per Tonne
RECEIPTS FROM PRODUCERS (Tonnes)	671 703		277 100	
Revenue *(Note 17)*	$ 90,262	$ 134.38	$ 38,348	$ 138.39
Operating Costs				
Direct costs				
Country inventory financing	439	0.65	242	0.87
Storage				
- country elevator	1,639	2.45	1,360	4.91
- terminal	781	1.16	409	1.48
Despatch earnings, net of demurrage costs	(9)	(0.01)	(6)	(0.02)
Additional freight				
- to terminal	255	0.38	1	0.00
- to move grain into eastern export position	-	-	246	0.89
- from freight rate changes	(127)	(0.19)	(12)	(0.04)
Drying charges	28	0.04	-	-
CWB hopper cars – interest and depreciation	95	0.14	45	0.16
Total direct costs	3,101	4.62	2,285	8.25
Administrative and general expenses *(Note 18)*	1,816	2.70	781	2.81
Grain industry organizations *(Note 19)*	48	0.07	24	0.09
Net interest earnings	(5,306)	(7.90)	(6,192)	(22.34)
Total Operating Costs	(341)	(0.51)	(3,102)	(11.19)
Earnings for Distribution to Producers	$ 90,603	$ 134.89	$ 41,450	$ 149.58

Statement of Distribution to Producers

($000's, except rates per tonne)	1999-2000 Amount	1999-2000 Rate per Tonne	1998-1999 Amount	1998-1999 Rate per Tonne
Earnings Distributed to Producers				
Initial payments on delivery	$ 69,773	$ 103.88	$ 32,897	$ 118.72
Adjustment payments	12,496	18.60	3,701	13.35
Interim payment	4,702	7.00	1,940	7.00
Final payment	3,627	5.40	2,910	10.50
Rebate on producer cars	5	0.01	2	0.01
Total Earnings Distributed to Producers	$ 90,603	$ 134.89	$ 41,450	$ 149.58

For the period August 1, 1999 to completion of operations on August 31, 2000
(with prior year comparatives for the period ended August 31, 1999)

DESIGNATED BARLEY POOL ACCOUNT

Statement of Operations

($000's, except rates per tonne)	1999-2000 Amount	1999-2000 Rate per tonne	1998-1999 Amount	1998-1999 Rate per tonne
RECEIPTS FROM PRODUCERS (Tonnes)	2 554 577		1 921 667	
Revenue *(Note 17)*	$ 482,439	$ 188.85	$ 332,091	$ 172.81
Operating Costs				
Direct costs				
Country inventory financing	1,560	0.61	511	0.26
Storage				
- country elevator	3,525	1.38	439	0.23
- terminal	40	0.02	118	0.06
Despatch earnings, net of demurrage costs	(29)	(0.01)	(64)	(0.03)
Additional freight				
- to terminal	-	-	1	0.00
- from freight rate changes	(152)	(0.06)	48	0.02
Drying charges	-	-	10	0.01
CWB hopper cars – interest and depreciation	362	0.14	310	0.16
Total direct costs	5,306	2.08	1,373	0.71
Administrative and general expenses *(Note 18)*	6,893	2.70	5,407	2.81
Grain industry organizations *(Note 19)*	184	0.07	166	0.09
Net interest earnings	(4,306)	(1.69)	(4,306)	(2.24)
Total Operating Costs	8,077	3.16	2,640	1.37
Earnings for Distribution to Producers	$ 474,362	$ 185.69	$ 329,451	$ 171.44

Statement of Distribution to Producers

($000's, except rates per tonne)	1999-2000 Amount	1999-2000 Rate per Tonne	1998-1999 Amount	1998-1999 Rate per Tonne
Earnings Distributed to Producers				
Initial payments on delivery	$ 377,849	$ 147.91	$ 261,977	$ 136.33
Adjustment payments	57,209	22.39	22,196	11.55
Interim payment	16,669	6.53	13,452	7.00
Final payment	10,293	4.03	20,565	10.70
Producer contract storage payments	12,342	4.83	11,261	5.86
Total Earnings Distributed to Producers	$ 474,362	$ 185.69	$ 329,451	$ 171.44

For the period August 1, 1999 to completion of operations on September 30, 2000
(with prior year comparatives for the period ended September 30, 1999)

Statement of Cash Flow

For the year ended July 31 (000's)	2000	1999
Increases (Decreases) of Cash during the Year		
Cash Flow from Operating Activities		
Cash received from sale of grain	$ 4,504,817	$ 4,026,703
Net cash paid for operating costs	(181,224)	(133,506)
Add items not requiring an outlay of cash		
Depreciation on CWB hopper cars	2,870	2,884
Depreciation on other capital assets	8,875	6,836
Cash flow from operating activities before changes in working capital	4,335,338	3,902,917
Changes in non-cash working capital		
Accounts receivable, excluding credit sales	(205,935)	(719)
Inventory of grain	(76,480)	(155,276)
Deferred and prepaid expenses	16,374	(8,142)
Accounts payable and accrued expenses	1,811	16,091
Liability to agents	99,988	28,282
Liability to producers for outstanding cheques	51,280	(13,889)
Provision for producer payment expenses	26	(1,709)
Special account	(683)	1,228
	4,221,719	3,768,783
Cash Flow from Financing Activities		
Increase in borrowings	495,340	53,290
	495,340	53,290
Cash Flow from Investing and Other Activities		
(Increase) decrease in accounts receivable – credit programs	(331,342)	147,291
Purchase of capital assets	(4,950)	(19,400)
Proceeds from sale of capital assets	521	292
	(335,771)	128,183
Cash Distributed to Producers		
Distribution of cash balances that were undistributed at beginning of year	(359,020)	(416,080)
Distribution of cash balances prior to July 31 related to the current year	(4,022,268)	(3,534,176)
	(4,381,288)	(3,950,256)
Net Increase in Cash and Cash Equivalents	-	-
Net Cash Position at Beginning of Year	-	-
Net Cash Position at End of Year	$ -	$ -

Statement of Administrative and General Expenses

For the year ended July 31 (000's)	**2000**	1999
CWB Costs		
Advisory Committee	**$ -**	$ 55
Board of Directors	**1,178**	825
Computer contractors	**4,120**	4,177
Computer maintenance and services	**4,376**	3,697
Communications	**719**	655
CWB publications	**771**	640
Farmer permits, contracts and payments	**601**	453
Facilities	**1,669**	1,614
Office services	**2,575**	2,666
Human resources	**30,580**	27,953
Training and development	**457**	703
Recruiting	**321**	123
Other	**642**	624
Professional fees and outside services	**1,547**	2,157
Taxes	**400**	415
Travel	**1,496**	1,307
Total excluding depreciation	**51,452**	48,064
Depreciation	**8,875**	6,836
	60,327	54,900
Other Costs		
Corporate reorganization	**2,583**	-
U.S. trade challenges	**733**	447
Director elections	**70**	1,242
	3,386	1,689
Total Administrative and General Expenses	**$ 63,713**	$ 56,589

NOTES TO THE FINANCIAL STATEMENTS

1. ACT OF INCORPORATION AND MANDATE

The Canadian Wheat Board (the Corporation) was established by the *Canadian Wheat Board Act*, a statute of the Parliament of Canada. On June 11, 1998, Bill C-4, *An Act to Amend the Canadian Wheat Board Act* continued the CWB as a shared governance corporation, without share capital, effective December 31, 1998.

The Corporation was created for the purpose of marketing, in an orderly manner, in inter-provincial and export trade, grain grown in Western Canada. The Corporation is headed by a Board of Directors, comprised of ten producer-elected and five government-appointed members. The Corporation is accountable for its affairs to both western Canadian farmers through its elected Board members and to Parliament through the Minister responsible for the Canadian Wheat Board.

The Corporation is exempt from income taxes pursuant to Section 149(1)(d) of the *Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

Results of Operations

The financial statements at July 31 include the final operating results for all pool accounts for the crop year ended July 31, where marketing operations have been completed before the issuance of the annual report for that year. In determining the financial results for such pools, the accounts of the Corporation at July 31 include:

Revenue – Revenue from grain sales recognized in the accounts at the time that shipment is made, at the equivalent value of the proceeds receivable at Vancouver, Churchill or St. Lawrence position.

Inventory – Inventory of grain on hand at July 31 at the values that were ultimately expected to be received as sale proceeds.

Expenses incurred subsequent to July 31 – Provision for all expenses incurred or to be incurred in the process of marketing these inventories of grain including a charge for the portion of administrative and general expenses incurred subsequent to July 31 but relating to this marketing activity. Expenses related to marketing activities carried out subsequent to July 31 are included in accounts payable and accrued expenses. The expenses included are carrying charges, storage, interest, transportation charges, and administrative costs, together with all other sundry expenses incurred during the period.

Liability to Producers – Balances not yet distributed to producers at July 31 where marketing operations have been completed for the current pool accounts are included in Liability to Producers.

Allowances for Losses on Accounts Receivable

Accounts receivable from credit programs – The Government of Canada guarantees the repayment of the principal and interest of all receivables resulting from sales made under the Credit Grain Sales Program, and a declining percentage, based on the repayment term of the credit, of all receivables resulting from sales made under the Agri-food Credit Facility. The Corporation assumes the risk not covered by the Government of Canada. For receivables resulting from credit sales made outside of the Credit Grain Sales Program and the Agri-food Credit Facility, the Corporation may enter into arrangements with commercial banks who will assume the credit risk without recourse.

Accounts receivable from non-credit sales – Shipments are made pursuant to the receipt of appropriate letters of credit issued by commercial banks that guarantee the receipt of funds by the Corporation.

Accounts receivable from advance payment programs – The Government of Canada guarantees the repayment of the principal amount due from producers resulting from cash advances made under the *Agricultural Marketing Programs Act*, the *Prairie Grain Advance Payments Act*, and the Spring Credit Advance Program.

As a result of these guarantees and arrangements, no provision is made with respect to the possibility of debtors defaulting on their obligations.

Capital Assets and Depreciation

Capital assets are recorded at cost and depreciated on a straight line method over their expected useful life as follows:

Asset Class	Term (years)
Computer equipment	1 to 5
Computer systems development	2 to 10
Automobiles	3
Building and office improvements	3
Office furniture and equipment	10
Hopper cars	30
Building	40
Leasehold improvements	Term of lease

Translation of Foreign Currencies

All monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the balance sheet date. The Corporation hedges its United States dollar assets and liabilities on a portfolio basis. Exchange adjustments arising from the translation of foreign currency denominated assets or liabilities are recognized in the period in which they occur, as a component of revenue. Borrowings in currencies other than the Canadian or United States dollar are hedged by currency exchange agreements and are converted into Canadian or United States dollars at the rates provided therein.

Sales contracts denominated in foreign currencies are hedged by foreign exchange forward and option contracts. Forward exchange contracts are translated into Canadian dollars at the rates provided therein, purchased option contracts at the higher of the option strike price or the market price net of premium, and written option contracts at the option strike price when exercised by the purchaser. These amounts are recorded in revenue as an adjustment to the underlying sales transactions.

Other income and expenses are translated at the daily exchange rates in effect during the year.

Derivative Financial Instruments

The Corporation uses various types of derivative financial instruments such as currency and interest rate swaps, foreign exchange forward and option contracts and commodity future and option contracts in order to manage its exposure to currency, interest rate and commodity price risks. These instruments are designated as hedges and are only used for risk management purposes.

Interest rate contracts – Amounts to be paid or received under swap and forward contracts are recognized in the period in which they occur, as a component of net interest earnings.

Currency exchange contracts – Amounts to be paid or received under currency exchange contracts are recognized in the same pool account in which the related foreign currency transaction occurs, as a component of sales revenue.

Commodity contracts – Amounts to be paid or received under wheat future and option contracts are recognized in the same pool account as the related sale that is being hedged, as a component of sales revenue.

Net Interest Earnings

Net interest earnings includes interest revenue and expenses related to accounts receivable and borrowings, bank charges, transaction and program fees on borrowing facilities and interest earned on each pool account during the pool period and until final distribution of earnings to producers. Interest revenue and expenses are netted which is consistent with the requirement under the *Canadian Wheat Board Act* that such amounts be treated as charges or recoveries of operating costs.

Administrative and General Expenses

Administrative and general expenses, except for that portion of such expenses attributable to distributing final payments to producers, are allocated to the various pool accounts to which the services relate on the basis of the relative tonnage. Expenses attributable to final payments are allocated on the basis of the number of producers receiving payments from the various pool accounts. A portion of the administrative and general expenses incurred in the current crop year are allocated to the previous year's pool accounts to reflect the cost of marketing activities for those pool accounts during the year. A portion of the administrative and general expenses incurred in the current crop year are also allocated to the provision for payment expenses to reflect the cost of administering the payment accounts during the year.

Pension Plan

Employees participate in the *Public Service Superannuation Act* pension plan administered by the Government of Canada. The Corporation matches employees' contributions for current or prior service. These contributions are expensed during the year in which the services are rendered and represent the total pension obligations of the Corporation. The Corporation is not required under present legislation to make contributions with respect to any actuarial deficiencies of the plan.

Post-employment Benefits

Employees of the Corporation are entitled to specified benefits provided upon retirement or termination.

The liability for long service allowance and unused sick leave accumulated prior to 1988 is recorded in the accounts as the benefits accrue to employees. The unrecognized balance as at July 31, 1993 of $7,980,330 is being amortized on a straight-line basis over ten years commencing with the 1993-94 crop year. The unrecognized balance at July 31, 2000 is $2,394,099 (1999 - $3,192,132).

The costs of health care and life insurance benefits for retirees are expensed as paid.

3. Accounts Receivable from Credit Sales Programs

(000's)	*Credit Grain Sales Program*	*Agri-food Credit Facility*	*Other Credit*	**2000** *Total*	1999 *Total*
Due from Foreign Customers					
Current	$403,064	$63,320	$ -	$466,384	$192,341
Overdue	756,350	-	-	756,350	714,228
Subject to Paris Club rescheduling	233,511	-	-	233,511	116,539
Rescheduled	5,692,906	-	-	5,692,906	5,795,377
	7,085,831	63,320	-	7,149,151	6,818,485
Due from Government of Canada	57,840	-	-	57,840	57,164
	$7,143,671	$63,320	$ -	$7,206,991	$6,875,649
Credit Risk					
Guaranteed by Government of Canada	$7,143,671	$61,993	$ -	$7,205,664	$6,872,896
Guaranteed by commercial banks	-	-	-	-	850
Assumed by CWB	-	1,327	-	1,327	1,903
	$7,143,671	$63,320	$ -	$7,206,991	$6,875,649

3. Accounts Receivable from Credit Sales Programs - Continued

The Corporation's maximum exposure to credit risk related to these accounts receivable is limited to $1,326,696 (1999 – $1,902,971). The credit risk for all other balances is assumed by either the Government of Canada guarantee of principal and interest balances resulting from sales made under the Credit Grain Sales Program and the Agri-food Credit Facility, or by commercial banks who have assumed part of the credit risk without recourse to the Corporation.

Accounts receivable balances are classified under the following applicable credit programs:

Credit Grain Sales Program

Accounts receivable under this program arise from sales to Algeria, Brazil, Egypt, Ethiopia, Haiti, Iran, Iraq, Jamaica, Pakistan, Peru, Poland, Russia and Zambia. Of the $7,085,830,625 principal and accrued interest due from foreign customers at July 31, 2000, $5,317,386,143 represents the Canadian equivalent of $3,575,915,362 repayable in United States funds. Of the $6,738,388,380 principal and accrued interest due from customers at July 31, 1999, $4,924,152,682 represents the Canadian equivalent of $3,269,038,493 repayable in United States funds.

Overdue accounts receivable at July 31, 2000 represent amounts due from Iraq, Pakistan and Zambia where payments for past credit sales had not been received on due dates and were still outstanding at year end.

Through a forum known as the Paris Club, the Government of Canada and other creditors have periodically agreed to extend repayment terms beyond the original maturity dates or to reduce the principal owed by a debtor country for a variety of reasons, including humanitarian concerns. All members of the Paris Club are obligated to grant the debtor country the same treatment. Under terms agreed to by the Government of Canada at the Paris Club, the Corporation has entered into agreements to reschedule certain receivables beyond their original maturity dates for Algeria, Brazil, Egypt, Ethiopia, Haiti, Jamaica, Pakistan, Peru, Poland, Russia and Zambia. The terms for these reschedulings vary, calling for payment of interest and rescheduled principal for periods ranging from five to 25 years.

Also under terms agreed to by the Government of Canada at the Paris Club, the Corporation will be entering into an agreement with Russia to reschedule certain receivables totalling $233,510,517 at July 31, 2000 beyond their original maturity dates under previous rescheduling agreements. This amount is classified as subject to Paris Club rescheduling until the agreement is signed.

In addition to debt relief by means of extending repayment terms, the Government of Canada has, in certain cases, agreed to reduce the debt owed to the Corporation by Poland and Zambia. Under these debt reduction arrangements, amounts that otherwise would have been paid by the debtor government are paid to the Corporation by the Government of Canada. A total of $57,840,134 was due from the Government of Canada as at July 31, 2000 under these debt reduction agreements. Of this amount, $30,343,053 represents the Canadian equivalent of $20,405,550 that will be repayable in United States funds.

There is no allowance for credit losses, as the Government of Canada guarantees repayment of the principal and interest of all credit receivables under this program.

Agri-food Credit Facility

Accounts receivable under this facility arise from sales to customers in Brazil, China, Indonesia, Mexico, South Korea and Peru. The July 31, 2000 balance of $63,320,529 principal and accrued interest due under the Agri-food Credit Facility represents the Canadian equivalent of $42,582,736 repayable in United States funds. The July 31, 1999 balance of $79,246,559 principal and accrued interest represents the Canadian equivalent of $52,610,077 repayable in United States funds.

The maximum exposure to credit risk under this facility at July 31, 2000 is $1,326,696 (1999 - $1,902,971), representing the risk not covered by the Government of Canada. Management considers this balance collectable in its entirety therefore there is no allowance for credit losses.

Fair Value

All accounts receivable resulting from sales made under credit programs as at July 31, 2000 have contractual interest rate repricing dates under 365 days. As a result of the short terms to repricing dates of these financial instruments, fair value approximates the carrying values.

Maturities

These accounts receivable mature as follows:

(000's)	**2000**	1999
Amounts due:		
within 1 year	**$749,573**	$502,112
from 1 - 2 years	**224,113**	147,653
from 2 - 3 years	**331,051**	216,063
from 3 - 4 years	**429,436**	320,803
from 4 - 5 years	**513,415**	417,565
over 5 years	**4,203,053**	4,557,225
overdue	**756,350**	714,228
	$7,206,991	$6,875,649

4. Accounts Receivable from Advance Payment Programs

(000's)	Agricultural Marketing Programs Act	Prairie Grain Advance Payments Act	Spring Credit Advance Program	2000 Total	1999 Total
Due from Producers					
Principal balances outstanding	$66,200	$ -	$190,834	$257,034	$72,641
	66,200	-	190,834	257,034	72,641
Due from (to) Government of Canada					
Recovery of interest costs on producers' interest free portion of advances	1,338	(5)	1,750	3,083	1,464
Amounts collected from producers and grain companies subsequent to reimbursement by Government of Canada	(304)	(62)	-	(366)	(832)
Interest on defaulted accounts collected from producers on behalf of Government of Canada	(1,327)	(31)	-	(1,358)	(1,200)
	(293)	(98)	1,750	1,359	(568)
	$65,907	$(98)	$192,584	$258,393	$72,073

The Corporation administers the cash advance programs for wheat, durum and barley farmers in Western Canada on behalf of the Government of Canada. The Government guarantees the repayment of advances made to farmers therefore the corporation is not exposed to credit risk. The Corporation recovers its costs of administering the programs from the Government.

The Government of Canada introduced the *Agricultural Marketing Programs Act* in 1997 to provide farmers with cash flow by advancing money for grain stored on the farm. This program replaced a previous Government of Canada program under the *Prairie Grain Advance Payments Act*. The Government of Canada pays interest on advances up to $50,000, and the producer pays interest on any amounts in excess of $50,000.

The Government of Canada introduced the Spring Credit Advance Program in the spring of 2000 to assist farmers with spring seeding costs. The program enables producers to receive up to $20,000 with interest paid by the Government of Canada. Any balances outstanding under the program will reduce the interest-free and maximum entitlements available to the producer in the fall of 2000 under the *Agricultural Marketing Programs Act.*

Cash advances issued during the year by the Corporation under these programs totalled $706,881,345, including $514,999,700 issued under the *Agricultural Marketing Programs Act* and $191,881,645 issued under the Spring Credit Advance Program.

Cash advances issued by the Corporation under Government of Canada cash advance programs totals $13,029,760,920, including $11,316,812,153 issued under the *Prairie Grain Advance Payments Act* since its inception in 1957, $1,521,067,122 issued under the *Agricultural Marketing Programs Act* since its inception in 1997, and $191,881,645 issued under the Spring Credit Advance Program since its inception in 2000.

5. Inventory of Grain

Inventory of grain at July 31 is reported at the values that were ultimately expected to be received as sale proceeds as follows:

(000s)	2000	1999
Wheat	$ 691,068	$ 702,649
Durum	369,403	350,848
Barley	31,206	18,838
Designated Barley	90,550	33,412
	$1,182,227	$ 1,105,747

6. Deferred and Prepaid Expenses

(000's)	2000	1999
Prepaid cost of moving inventory to eastern export position	$12,320	$16,515
Purchase and lease-renewal options on leased hopper cars	5,137	5,137
Deposits on commodity margin accounts	3,692	3,271
Other	2,946	2,629
Net results of commodity hedging activities applicable to subsequent pool accounts	(16,137)	(3,220)
	$7,958	$24,332

7. Capital Assets

(000's)	Cost	Accum. Deprec.	Net Book Value
July 31, 2000			
Computer systems development	**$45,025**	**$9,390**	**$35,635**
Hopper cars	**85,258**	**58,260**	**26,998**
Computer equipment	**12,816**	**10,017**	**2,799**
Furniture & equipment	**4,737**	**2,972**	**1,765**
Land, building and improvements	**7,563**	**6,752**	**811**
Automobiles	**509**	**168**	**341**
Leasehold improvements	**139**	**139**	**-**
	$156,047	**$87,698**	**$68,349**

(000's)	Cost	Accum. Deprec.	Net Book Value
July 31, 1999			
Computer systems development	$43,077	$5,255	$37,822
Hopper cars	86,345	56,124	30,221
Computer equipment	12,525	8,289	4,236
Furniture & equipment	4,720	2,673	2,047
Land, building and improvements	7,288	6,286	1,002
Automobiles	621	306	315
Leasehold improvements	139	117	22
	$154,715	$79,050	$75,665

Two thousand hopper cars were purchased by the Corporation in 1979-80 having an original cost of $90,555,623. Of these 2,000 cars, 117 cars have been wrecked and dismantled, leaving 1,883 still in the fleet. The Corporation is reimbursed for destroyed cars under an operating agreement with the Canadian National Railway.

8. Borrowings

(000's)	Effective Interest Rate (%)	2000	1999
Commercial paper borrowings			
Canadian Commercial Paper Program		**$1,580,332**	$2,297,476
United States Commercial Paper Program		**2,589,723**	1,860,756
Euro Commercial Paper Program		**2,314,832**	1,972,674
	5.10 - 7.27	**6,484,887**	6,130,906
Euro Medium Term Notes Program	5.84 - 6.67	**576,291**	1,223,784
Bank lines and other	5.15 - 6.75	**171,013**	244,075
Accrued interest	-	**93,836**	81,914
Total borrowings	5.10 - 7.27	**7,326,027**	7,680,679
Less investments	5.75 - 6.66	**(61,818)**	(911,810)
Net borrowings	**5.10 - 7.27**	**$7,264,209**	$6,768,869

The Corporation's borrowings are undertaken with the approval of the Minister of Finance. The borrowings are unconditionally and irrevocably guaranteed by the Minister of Finance on behalf of Her Majesty in right of Canada through an explicit guarantee included in the *Canadian Wheat Board Act*.

Borrowings denominated in currencies other than the Canadian or United States dollar have been fully swapped into Canadian or United States dollars.

Of the net borrowings at July 31, 2000, $5,503,964,457 represents the Canadian equivalent of $3,701,388,337 that will be repayable in United States funds. Of the net borrowings at July 31, 1999, $5,055,432,986 represents the Canadian equivalent of $3,356,192,648 repayable in United States funds.

These borrowings mature as follows:

(000's)	2000	1999
Amounts due:		
within 1 year	**$7,121,486**	$7,179,919
from 1 - 2 years	**-**	376,575
from 2 - 3 years	**-**	-
from 3 - 4 years	**-**	-
from 4 - 5 years	**-**	-
over 5 years	**204,541**	124,185
	$7,326,027	$7,680,679

All borrowings have contractual interest rate repricing dates under 365 days. As a result of the short term to maturity of these financial instruments, fair value approximates the carrying values.

9. Accounts Payable and Accrued Expenses

(000's)	2000	1999
Accounts payable and accrued liabilities	**$39,073**	$45,971
Expenses incurred subsequent to July 31 for marketing activities on behalf of the current year pool accounts	**70,465**	56,465
Deferred sales revenue	**29,710**	35,002
	$139,248	$137,438

10. Liability to Agents

(000's)	2000	1999
For grain purchased from producers	**$789,428**	$674,620
For deferred cash tickets	**69,083**	83,903
	$858,511	$758,523

Grain Purchased from Producers

Grain companies, acting in the capacity of agents of the Corporation, accept deliveries from producers at country elevators and pay the producers on behalf of the Corporation based on the initial payment rates that are in effect at the time. The Corporation does not make settlement for these purchases until the grain is delivered to the Corporation by the agents at terminal or mill position. The liability to agents for grain purchased from producers represents the amount payable by the Corporation to its agents for 4 687 138 (1999 – 3 776 084) tonnes of grain on hand at country elevator points and in transit at July 31 for which delivery to and settlement by the Corporation is to be completed subsequent to the year end date.

Deferred Cash Tickets

Grain companies, acting in the capacity of agents of the Corporation, deposit in trust with the Corporation an amount equal to the value of deferred cash tickets issued to producers for CWB grain. The Corporation returns these funds to the grain companies to cover producer-deferred cash tickets maturing predominantly during the first few days of the following calendar year.

11. Liability to Producers – Outstanding Cheques

(000's)	**2000**	1999
Outstanding Producer Cheques at July 31		
Wheat	**$160,173**	$91,542
Durum	**37,122**	59,042
Barley	**8,202**	4,437
Designated Barley	**16,838**	16,034
	$222,335	$171,055

Of the amount outstanding at July 31, 2000, the balance of $217,039,913 is from the 1999-2000 adjustment payment with an effective date of July 28, 2000.

Of the amount outstanding at July 31, 1999, the balance of $165,004,956 is from the 1998-99 adjustment payment with an effective date of July 20, 1999.

12. Liability to Producers – Undistributed Earnings

(000's)	**2000**	1999
Earnings distributed as interim payments		
Wheat	**$65,453**	$112,598
Durum	**61,933**	44,420
Barley	**4,702**	1,940
Designated Barley	**16,669**	13,452
	148,757	172,410
Earnings distributed as final payments and producer car rebates		
Wheat	**93,086**	99,575
Durum	**45,557**	63,558
Barley	**3,632**	2,912
Designated Barley	**10,294**	20,565
	152,569	186,610
	$301,326	$359,020

Of the undistributed earnings to producers totalling $301,325,339 at July 31, 2000, $148,756,397, representing 49% of the outstanding balance, was distributed to producers in an interim payment on October 24, 2000. The balance of $152,568,942 will be distributed to producers through final payments and producer car rebates on January 2, 2001.

13. Provision for Producer Payment Expenses

The amount of $5,960,386 (1999 -- $5,934,196) represents the balance of the reserve for producer payment expenses of pool accounts that have been closed. Six years after particular accounts have been closed, the remaining reserves for these pools may be transferred to the Special Account upon authorization of the Governor in Council.

14. Special Account – Net Balance of Undistributed Payment Accounts

In accordance with the provision of Section 39 of the *Canadian Wheat Board Act*, the Governor in Council may authorize the Corporation to transfer to a Special Account the unclaimed balances remaining in payment accounts which have been payable to producers for a period of six years or more. In addition to providing for payment of proper claims from producers against these old payment accounts, the section further provides that these funds shall be used for purposes as the Governor in Council, upon the recommendation of the Corporation, may deem to be for the benefit of producers.

During the year ended July 31, 2000, the balance from payment accounts for 1992 Wheat and 1992 Durum were transferred to the Special Account under Order-in-Council P.C. 2000-691.

The activity in the Special Account is comprised of:

(000's)	**2000**	1999
Beginning of year	**$4,020**	$2,792
Transfer from payment accounts	**902**	2,674
Expenditures	**(1,573)**	(1,441)
Payments to producers against old payment accounts	**(12)**	(5)
End of year	**$3,337**	$4,020
Ending balance comprised of:		
Unexpended authorizations	**$1,731**	$165
Unallocated	**1,606**	3,855
	$3,337	$4,020

14. Special Account – Net Balance of Undistributed Payment Accounts *(continued)*

The program expenditures during the 1999-2000 crop year are detailed as follows:

(000's)	*Unexpended at beginning of year*	*Authorized*	*Expended*	*Expired*	*Unexpended at end of year*
Market development program	$74	$175	$16	$ -	$265
Scholarship program	32	368	(376)	-	24
Canadian International Grains Institute					
Capital expenditures	59	250	(197)	-	112
Pilot pasta plant	-	846	(846)	-	-
Canadian Malting Barley Technical Center	-	1,500	(170)	-	1,330
	$165	$3,139	$(1,573)	$ -	$1,731

15. Lease Commitments

The Corporation leases 2,000 covered hopper cars for the Government of Canada. All lease costs to the end of the original lease periods are recoverable from the government and are not a charge to the pool accounts. Total payments associated with these leases in the year ended July 31, 2000, amounting to $20,953,717 (1999 – $20,598,030) have been recovered by the Corporation. Lease terms are for 20 and 25 years, expiring in 2000 and 2006.

In 1995, the Corporation purchased an option to extend the lease term for 250 of the cars beyond the expiry date of October 2000. The option covers two successive five-year periods, with the first renewal at a bargain lease rate, and the second at fair market value. The lease payments under these lease extension options are not recoverable from the Government of Canada and will be paid directly by the pool accounts. The lease payments for the initial five-year term are disclosed in the following table.

Between 1991 and 1995, the Corporation also purchased options to acquire 1,550 of these cars at the end of the lease term in 2006, at a cost of $17,897,875 in United States dollars. The cost of these options is recorded in deferred and prepaid expenses.

The Corporation has entered into operating leases for premises and office equipment. Lease terms are for periods ranging from one to five years, expiring between September 2000 and December 2004. The Corporation has the option to renew most of these leases for additional terms ranging from one to three years. Total lease payments for premises and office equipment expensed in the year ended July 31, 2000 were $1,061,891 (1999 – $901,462).

Lease costs on hopper cars are recovered from the Government of Canada. Lease costs on premises and office equipment are charged to Administrative and General Expenses. Commitments under operating leases are as follows:

	Hopper Cars (US$)	Premises & Office Equipment (Cdn $)
2001	$229	$725
2002	458	441
2003	458	294
2004	458	149
2005	458	41
After 2005	229	-

16. Off-Balance-Sheet Financial Instruments

The Corporation enters into interest rate hedging transactions to manage its funding costs and to implement asset/liability management strategies. These transactions are designed to reduce exposure to mismatches in revenue and expenses resulting from currency and interest rate fluctuations. These transactions include interest rate swap contracts, cross-currency interest rate swap contracts and currency swap contracts.

The Corporation also transacts foreign exchange forwards and swaps with financial institutions with the objective of hedging currency exposure arising primarily from grain sales. By hedging the currency exposure, risk arising from adverse currency movements is reduced.

As at July 31, the total notional amount of these off-balance-sheet financial instruments, all either maturing or rate re-setting within one year, is as follows:

	2000			1999		
(000's)	*Notional Amounts*	*Fair Value*	*Credit Risk*	*Notional Amounts*	*Fair Value*	*Credit Risk*
Interest rate contracts						
Single-currency interest rate swaps	**$753,314**	**$(7,206)**	**$461**	$1,154,880	$251	$8,164
Cross-currency interest rate swaps	**204,541**	**(11,472)**	**5,595**	124,185	(145)	3,691
Currency swaps	**85,634**	**(3,356)**	**-**	260,209	2,035	2,775
	1,043,489	**(22,034)**	**6,056**	1,539,274	2,141	14,630
Foreign exchange contracts						
Forwards	**546,278**	**(4,263)**	**120**	663,477	2,462	5,878
Swaps	**-**	**-**	**-**	124,759	3	714
	546,278	**(4,263)**	**120**	788,236	2,465	6,592
	$1,589,767	**$(26,297)**	**$6,176**	$2,327,510	$4,606	$21,222

The fair value of interest rate contracts refers to the net present value of expected future cash flows based on current market rates. These values have been derived using various methodologies including net present value analysis and quoted market prices where available. The fair value of foreign exchange contracts refers to the market value of forward contracts. These estimates of fair value are extensively affected by the assumptions used and as such, should not be interpreted as realizable values in an immediate settlement of the instruments.

Credit risk is the risk of financial loss occurring as a result of default by a counter-party on its obligations to the Corporation. A positive fair value indicates the Corporation's exposure to counter-party credit risk. The Corporation manages its exposure to credit risk by contracting only with financial institutions having a credit rating that complies with the financial risk management guidelines approved by the Department of Finance. Master netting agreements are used to reduce the credit risk from potential counter-party default. The largest cumulative notional amount contracted with any institution as at July 31, 2000 was $464,632,481 (1999 - $1,024,284,000) and the largest credit risk with any institution as at July 31, 2000 was $3,239,206 (1999 - $7,265,308).

17. Revenue

	1999-2000		1998-1999	
($000's, except tonnes)	*Tonnes*	*Amount*	*Tonnes*	*Amount*
Wheat				
Disposition of grain				
Shipped prior to July 31	15 360 608	$2,887,478	11 792 939	$2,409,387
Shipped subsequent to July 31	1 536 091	285,434	846 128	174,330
Weight losses in transit and drying	764	-	716	-
Total disposition of grain	16 897 463	3,172,912	12 639 783	2,583,717
Add grain sold to subsequent pool account	2 241 631	405,634	2 649 485	528,319
Gross sales	19 139 094	3,578,546	15 289 268	3,112,036
Less sales used to value prior pool account	(2 649 485)	(528,319)	(2 703 488)	(526,193)
	16 489 609	3,050,227	12 585 780	2,585,843
Deduct cost of grain purchased from other than producers	(62 773)	(10,587)	(73 054)	(11,820)
Revenue	16 426 836	$3,039,640	12 512 726	$2,574,023
Durum				
Disposition of grain				
Shipped prior to July 31	3 516 885	$791,720	3 739 357	$826,174
Shipped subsequent to July 31	355 049	76,251	391 673	86,803
Weight losses in transit and drying	1 362	-	972	-
Total disposition of grain	3 873 296	867,971	4 132 002	912,977
Add grain sold to subsequent pool account	1 332 145	293,152	1 203 801	264,045
Gross sales	5 205 441	1,161,123	5 335 803	1,177,022
Less sales used to value prior pool account	(1 203 801)	(264,045)	(426 046)	(93,618)
	4 001 640	897,078	4 909 757	1,083,404
Deduct cost of grain purchased from other than producers	(25 906)	(4,602)	(5 118)	(1,163)
Revenue	3 975 734	$892,476	4 904 639	$1,082,241
Barley				
Disposition of grain				
Shipped prior to July 31	560 992	$75,749	203 539	$26,139
Shipped subsequent to July 31	65 334	8,406	16 567	2,161
Weight losses in transit and drying	-	-	8	-
Total disposition of grain	626 326	84,155	220 114	28,300
Add grain sold to subsequent pool account	167 357	22,800	121 893	16,677
Gross sales	793 683	106,955	342 007	44,977
Less sales used to value prior pool account	(121 893)	(16,677)	(48 646)	(4,818)
	671 790	90,278	293 361	40,159
Deduct cost of grain purchased from other than producers	(87)	(16)	(16 261)	(1,811)
Revenue	671 703	$90,262	277 100	$38,348
Designated Barley				
Disposition of grain				
Shipped prior to July 31	2 139 092	$399,190	1 780 583	$309,656
Shipped subsequent to July 31	222 312	45,697	157 900	26,244
Weight losses in transit and drying	-	-	-	-
Total disposition of grain	2 361 404	444,887	1 938 483	335,900
Add grain sold to subsequent pool account	236 896	44,853	42 741	7,168
Gross sales	2 598 300	489,740	1 981 224	343,068
Less sales used to value prior pool account	(42 741)	(7,168)	(59 065)	(10,910)
	2 555 559	482,572	1 922 159	332,158
Deduct cost of grain purchased from other than producers	(982)	(133)	(492)	(67)
Revenue	2 554 577	$482,439	1 921 667	$332,091

17. Revenue *(continued)*

Weight losses in transit and drying include losses that occur during the transport of grain after delivery to the Corporation by agents at terminal or mill position and losses that occur during drying at terminal position.

Disposition of grain represents tonnes that are shipped in a pool account prior to the completion of operations for that pool account or weight losses in transit and drying, and is comprised of the following:

(Tonnes)	*Wheat*	*Durum*	*Barley*	*Designated Barley*	*Total*
1999-2000					
Domestic	**2 105 215**	**273 899**	**13 141**	**337 607**	**2 729 862**
Export	**14 791 484**	**3 598 035**	**613 185**	**2 023 797**	**21 026 501**
Weight losses	**764**	**1 362**	**-**	**-**	**2 126**
	16 897 463	**3 873 296**	**626 326**	**2 361 404**	**23 758 489**
1998-1999					
Domestic	2 184 479	236 557	34 076	370 188	2 825 300
Export	10 454 588	3 894 473	186 030	1 568 295	16 103 386
Weight losses	716	972	8	-	1 696
	12 639 783	4 132 002	220 114	1 938 483	18 930 382

18. Administrative and General Expenses

Administrative and General Expenses are allocated as follows:

For the year ended July 31 (000's)	**2000**	1999
Administrative and General Expenses for the Crop Year	**$63,713**	$56,589
Less amounts allocated to:		
Preceding pool accounts related to administration of those pool accounts during the current crop year	**(20,656)**	(21,746)
Provision for expenses related to administration of the producer payment accounts during the current crop year	**(314)**	(295)
Fixed price contract program relating to the subsequent crop year	**(191)**	-
Balance Applicable to Current Pool Accounts	**42,552**	34,548
Add amounts allocated from:		
From estimated administrative and general expenses for the subsequent crop year related to administration of the current pool accounts	**21,219**	20,656
Total Allocated to 1999-2000 Pool Accounts	**$63,771**	
Total Allocated to 1998-1999 Pool Accounts		$55,204
Net allocation as follows:		
Wheat	**$44,328**	$35,214
Durum	**10,733**	13,802
Barley	**1,816**	781
Designated Barley	**6,894**	5,407
	$63,771	$55,204

The administrative and general expenses that are charged to the current pool accounts include an allocation of costs that are expected to be incurred in the subsequent crop year. The purpose of this is to ensure that the current pool accounts reflect the costs of the marketing activities that take place after the end of the crop year.

19. Grain Industry Organizations

For the year ended July 31 (000's)	**2000**	1999
CWB share of operating costs of:		
Canadian International Grains Institute (40 per cent share)	**$1,701**	$1,664
Car Allocation Policy Group (33.3 per cent share)	**-**	35
	$1,701	$1,699
Allocated as follows:		
Wheat	**$1,183**	$1,084
Durum	**286**	425
Barley	**48**	24
Designated Barley	**184**	166
	$1,701	$1,699

The Car Allocation Policy Group ceased to exist effective July 31, 2000. There were no costs incurred during the current crop year.

The Corporation's share of operating costs of grain industry organizations is allocated to the current pool accounts based on relative tonnage.

20. Comparative Figures

Certain of the prior year's figures have been restated to conform with the current year's presentation.

Glossary of Financial Terms

Cross-currency interest rate swap – a contractual agreement for specified parties to exchange principal, fixed and floating interest rate payments, in different currencies. Notional amounts upon which the interest rate payments are based are not exchanged.

Currency swap – a contractual agreement for specified parties to exchange the cash flow of one currency for a fixed cash flow of another currency.

Derivative instrument – a contract or security that obtains much of its value from price movements in a related or underlying security, future, or other instrument or index.

Fair value – an estimate of the amount of consideration that would be agreed upon between two arm's length parties to buy or sell a financial instrument at a point in time.

Foreign exchange forward – an agreement to buy and sell currency at a specified price and date in the future.

Foreign exchange swap – a transaction in which a foreign currency is simultaneously purchased in the spot market and sold in the forward market or vice-versa.

Futures contract – a future commitment to purchase or deliver a commodity or financial instrument on a specified future date at a specified price. The futures contract is an obligation between the corporation and the organized exchange upon which the contract is traded.

Hedge – a risk management technique used to decrease the risk of adverse commodity price, interest rate or foreign exchange movements by establishing offsetting or risk-mitigating positions intended to reduce or minimize the corporation's exposure.

Liquidity – having sufficient funds available to meet corporate obligations in a timely manner.

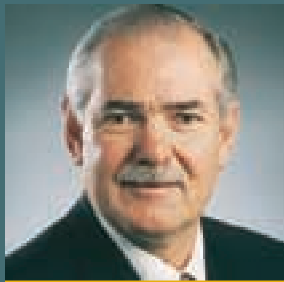
Notional amounts – a reference amount upon which payments for derivative financial instruments are based.

Option – a contract that grants the right, but not the obligation, to buy or sell a commodity or financial instrument at a specified price at a specific point in time or during a specified period.

Risk management – the application of financial anaylsis and diverse financial instruments to the control and, typically, the reduction of selected types of risk.

Single currency interest rate swap – a contractual agreement for specified parties to exchange fixed interest rate payments for floating interest rate payments based on a notional value in a single currency. Notional amounts upon which the interest rate payments are based are not exchanged.

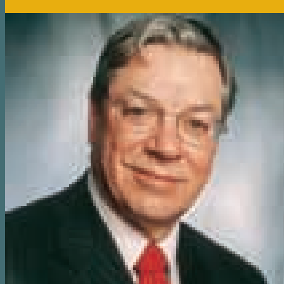
Swap – a contractual agreement to exchange a stream of periodic payments with a counter-party.



Greg Arason
President and
Chief Executive Officer (CEO)

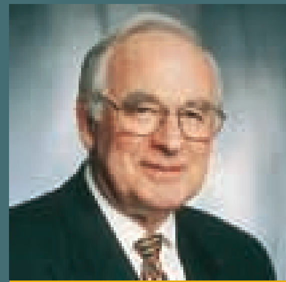
Ken Ritter
CWB Chair
Director-elected (District 4)

Betty-Ann Heggie
Director-appointed

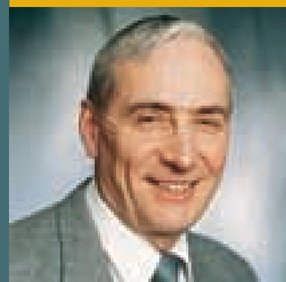


David Hilton
Director-appointed

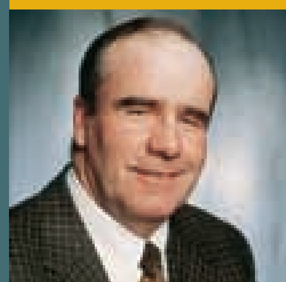
Ross Keith
Director-appointed



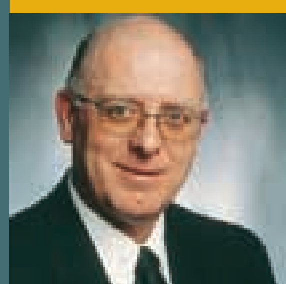
James Stanford
Director-appointed



Art Macklin
Director-elected (District 1)

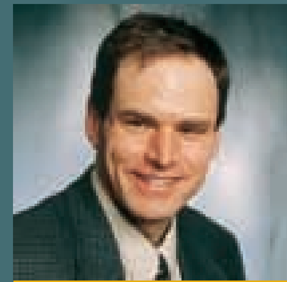


James Chatenay
Director-elected (District 2)



Larry Hill
Director-elected (District 3)

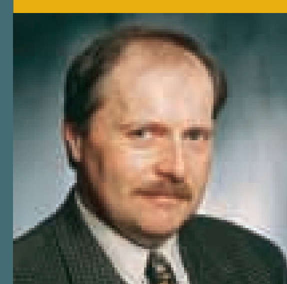
John Clair
Director-elected (District 5)



Ian McCreary
Director-elected (District 6)

Micheal Halyk
Director-elected (District 7)

Terry Hanson
Director-elected (District 8)



Bill Nicholson
Director-elected (District 9)

Wilfred Harder
Director-elected (District 10)

Corporate Governance: A Report from the Board of Directors

The CWB Board of Directors (the "Board") believes that the strength of the organization will depend on the strength of the Board. The Corporate Governance policies of the CWB were developed to empower the Board of Directors to provide the strategic guidance needed to ensure the organization meets its mission of maximizing returns to farmers.

Responsibilities

The CWB Board of Directors is responsible for overseeing the conduct of the business of the CWB. As part of the overall responsibility, the Board:

- reviews and approves the strategic plan, annual operating and capital budgets and the corporate and borrowing plans.
- reviews the progress in achieving the goals established in the strategic operating and capital plans and alters CWB's strategic direction through management in light of changing circumstances.
- ensures management has identified the principal risks of the CWB's business and takes all reasonable steps to ensure the implementation of appropriate systems to manage these risks. Directs management to ensure systems are in place for maintaining the integrity of the CWB's internal financial control and management information systems.
- ensures a management succession plan is in place.
- assesses the integrity and effectiveness of the CWB's internal controls and management information systems.

Composition

The Board is comprised of fifteen directors: the CEO and President, appointed by the federal government, four other appointed directors and ten directors elected by farmers.

Code of Conduct

The Board operates under a detailed Code of Conduct and Conflict of Interest policy which establishes standards of conduct expected and required of all directors. This code enables the CWB to effectively achieve its mission by maintaining a reputation for the highest standard of public trust and confidence in serving farmers, customers and the public interest.

Strategic planning process

The Board of Directors is responsible for the establishment and periodic evaluation of the strategic plan and held two strategic planning sessions during the 1999-2000 crop year.

Integrity of internal controls and management information systems

The Audit and Finance Committee of the Board meets with external auditors, internal auditors and corporate management to assess the reliability and effectiveness of the companies accounting systems and internal control systems and to review any significant control weaknesses. The Audit Committee reports at each meeting of the Board of Directors.

Board & C.E.O. evaluation processes

The Board assesses its effectiveness and the effectiveness of its committees annually. Each Board committee annually reviews its terms of reference and reports directly to the Board of Directors. The Board annually reviews the C.E.O.'s performance.

Director Communication Policy

In recognition of the unique responsibility the CWB Board of Directors has to western Canadian farmers, the Board created a communications policy to define how directors exercise their communication role in a manner that supports the twin imperatives of functioning as an efficient commercial operation and being accountable to farmers for decisions made on their behalf. This policy allows directors the flexibility to speak externally about Board issues and topics on his or her own voting choices and position, while maintaining the integrity of the Board's decision-making process.

Discussion at a board meeting. (l. to r.) James Chatenay, Larry Hill, Ross Keith, Art Macklin, Butch Harder, Terry Hanson, and John Clair.

Accomplishments of Board of Director Committees 1998-2000

Audit and Finance Committee:

David Hilton (Chair); John Clair, Larry Hill (Members)

Mandate:

- To ensure that the CWB's accounting and financial reporting systems provide accurate and timely financial information and that management has designed an effective system of internal controls.
- To facilitate the conduct of the annual audit in an efficient, cost effective manner.
- To recommend approval of the annual financial statements to the Board, including the selection of appropriate accounting policies and practices.
- To recommend an audit firm for appointment as external auditor and assess auditor performance.
- To review and recommend to the Board financial plans and proposals consistent with the CWB's overall objectives and ensure its long-term financial viability.
- To review the adequacy of, and recommend to the Board, financial risk policies.

Accomplishments:

- Met annually, and any other time deemed necessary, independently with the external auditors.
- Jointly, with the Risk Management and Strategic Issues Committee, reviewed the corporate plan and recommended Board approval of the corporate plan.
- Recommended an audit firm and appointed an external auditor and assessed auditor performance.
- Inquired of management, the Director of Internal Audit and the external auditor about significant financial risks or exposures affecting the CWB and assessed the steps management had taken to minimize or manage such risks.
- Met with the Office of the Auditor General (OAG) to provide input into their development of an audit plan for the special audit to be undertaken by the OAG.
- Met regularly with management to discuss and approve accounting and financial policies including all financial risk management policies.
- Reviewed and recommended the annual budget for Board approval.

Governance and Management Resources Committee:

Jim Stanford (Chair); James Chatenay, Art Macklin (Members)

Mandate:

- To assist the Board in fulfilling its obligations relating to human resource and compensation matters and to establish a plan of continuity and development of senior management.
- To provide a focus on governance that will enhance the effectiveness of the Board and the CWB's performance.

Accomplishments:

- Developed Board Governance Manual containing all policies relating to Board conduct, including Terms of Reference for the Board, Directors, C.E.O and Committees as well as the Code of Conduct and Conflict of Interest Guidelines.
- Developed Corporate by-laws.
- Developed and implemented annual Board and C.E.O. evaluation process.
- Developed Director Compensation Policy and conducted annual review.
- Jointly with the Risk Management and Strategic Issues Committee and the Grain Marketing Review Commission, reviewed the 1998 CWB director election process and made recommendations for regulatory change for 2000 election.
- Developed Code of Conduct to govern directors behavior during director election process.

Risk Management and Strategic Issues Committee:

Ian McCreary (Chair); Greg Arason, Terry Hanson, Bill Nicholson (Members)

Mandate:

- To identify and define areas of corporate risk and strategic and policy issues. Corporate risk encompasses actions, threats or opportunities, either internal or external, which could affect the ability of the CWB to perform its mandate.
- To recommend priorities, time frames and processes for addressing these issues, as part of the annual strategic plan or as circumstances require, for approval by the Board.

Accomplishments:

- With the Governance and Management Resources Committee, reviewed the 1998 CWB director election process and made recommendations for regulatory change for 2000 election.
- Reviewed and made recommendations on the CWB policy for new generation co-operatives.
- With the Audit & Finance Committee, provided strategic input into the development of the corporate plan.
- Reviewed and made recommendations on the development of the fixed price and basis price contracts with farmers.
- Reviewed and made recommendations on the organic marketing policy.

Farmer Relations Committee:

Mike Halyk (Chair); Wilfred Harder, Betty-Ann Heggie, Ross Keith (Members)

Mandate:

- To assist the Board in developing strategies and policies regarding relations with farmers and communications with industry, government, customers, employees and the general public.

Accomplishments:

- Developed Director Communications Policy.
- Implemented district dinner meetings.
- Developed CWB's first Information Disclosure Policy.
- Developed comprehensive farmers communication strategy to improve accountability to farmers, including the creation of a Farmer Relations area, headed by a Vice-President.
- Oversaw communication strategy related to grain transportation issues.

In addition to the Board standing committees, there were three ad hoc committees established to undertake a specific task during a specific period of time.

Ad Hoc Committee on Transportation Strategy:

Ian McCreary (Chair); Greg Arason, Mike Halyk, Terry Hanson, Ross Keith, Art Macklin, Ken Ritter (Members)

Mandate:

- To provide strategic direction in the Federal Government review of the *Canada Transportation Act (the "CTA");*
- To provide strategic direction in the development of a commercialized transportation environment.
- To provide input to the development and functioning of the government monitoring body.

Ad Hoc Committee on Trade:

Larry Hill (Chair); David Hilton, Ross Keith, Art Macklin, Ian McCreary, Bill Nicholson (Members)

Mandate:

- To keep informed on all trade-related issues that could affect the ability of the CWB to perform its mandate and fulfil its mission.
- To recommend strategies and actions on trade issues for approval by the Board.

Ad Hoc Benchmarking Committee:

John Clair (Chair); Larry Hill, David Hilton, Ross Keith, Ian McCreary, Bill Nicholson (Members)

Mandate:

- To assist the Board of Directors in developing appropriate benchmarks for ongoing performance measurement and approving a process for the measurement against approved benchmarks.

Board of Directors

		Remuneration			Attendance		
Director	District	Board and Committee Retainers	Per Diems	Total	Board Meetings	Committee Meetings	Industry Meetings
Macklin, Art	1	$20,000	$39,450	$59,450	12	56	39
Chatenay, James	2	20,000	26,050	46,050	12	13	31
Hill, Larry	3	22,167	36,375	58,542	12	24	49
Ritter, Ken (Chair)	4	[1] 63,083	34,600	97,683	12	65	50
Clair, John	5	21,833	23,750	45,583	12	26	23
McCreary, Ian	6	24,333	40,150	64,483	12	60	41
Halyk, Micheal	7	22,167	29,975	52,142	12	76	51
Hanson, Terry	8	20,000	22,425	42,425	12	33	40
Nicholson, Bill	9	20,000	27,500	47,500	12	27	30
Harder, Wilfred	10	20,000	35,000	55,000	12	24	39
Arason, Greg (CEO)	*	N/A	N/A	N/A	12	N/A	N/A
Heggie, Betty-Ann	*	20,000	10,750	30,750	9	19	-
Hilton, David	*	21,333	21,500	42,833	11	27	11
Keith, Ross	*	20,000	35,500	55,500	12	58	13
Stanford, James	*	22,167	14,250	36,417	9	11	4
Total		**$337,083**	**$397,275**	**$734,358**			

** Appointed director*

Notes:

[1] Includes amounts paid during the current crop year pertaining to the previous crop year.

For the performance of their duties, directors are paid a basic annual retainer as well as per diem allowances. The board chair receives an annual retainer of $60,000. All other members receive $20,000, with committee chairs receiving a further $4,000. A per diem of $500 per full meeting day is also paid to each member. Most board meetings (including committee meetings) average 2 $\frac{1}{2}$ days in duration. Directors are reimbursed for all reasonable out-of-pocket expenses including travel, accommodation and meals while performing their duties on behalf of the Corporation. Directors are also entitled to a maximum of $5,000 per crop year to assist them in communicating with farmers.

During the 1999-2000 crop year, the annual remuneration limit was increased from $50,000 to $60,000 for directors and from $90,000 to $100,000 for the board chair. Also during the 1999-2000 crop year, the annual retainer for committee chairs was increased from $2,000 to $4,000 and was changed to no longer be a part of the remuneration limit. Under certain circumstances, the board may decide that a director or group of directors can exceed the remuneration limit.

Senior Management

To achieve the Canadian Wheat Board's vision of adding value for prairie farmers, the Senior Management Team (SMT) leads and challenges employees to deliver more comprehensive and flexible services to farmers in an ever-changing environment. The Senior Management Team is comprised of the Executive Team, the Vice-Presidents and the Director of Internal Audit of the organization.

Characterized by corporate restructuring and an early retirement program, the 1999-2000 crop year was a year of change. Gordon Menzie was promoted through competition to the position of Executive Vice-president Finance, and Laurel Repski was recruited as Vice-President, Human Resources.

CWB Executive Team from left to right, Adrian Measner, Margaret Redmond, Greg Arason, Gord Menzie, Earl Geddes, Laurel Repski, Gordon Miles. Missing: Brian Oleson

CWB Vice-Presidents, from left to right Ward Weisensel, Larry Nentwig, Brian White, Bob Harris, Bill Spafford, Jim McDonald, Tami Reynolds, Keith McMahon, Robert Roehle.

The SMT members are responsible for participating in the development of the corporate strategic plan, setting priorities, taking action, and managing progress toward the achievement of corporate objectives.

Members are expected to act in good faith, and exercise care, skill and diligence in accordance with the CWB strategic objectives and corporate policies. They adhere to the highest ethical standards of business, professional and personal conduct, including avoidance of conflicts of interest as specified in the CWB's Conflict of Interest policy. At all levels, CWB management is committed to fostering a positive, professional and ethical work environment.

The Executive Team, a subset of the full SMT, is comprised of the President and Chief Executive Officer; Executive Vice-President, Finance; Executive Vice-President, Marketing; Executive Vice-President, Corporate Affairs; Vice-President, Human Resources and General Counsel, Corporate Secretary. New additions in the 2000-2001 crop year are the Vice-President, Farmer Relations and the Chief Economist. Mandated to act on broad strategic direction and establish corporate priorities, the Executive Committee is the principal decision-making authority for the CWB.