CWB

2001-02 ANNUAL REPORT

CORPORATE PROFILE

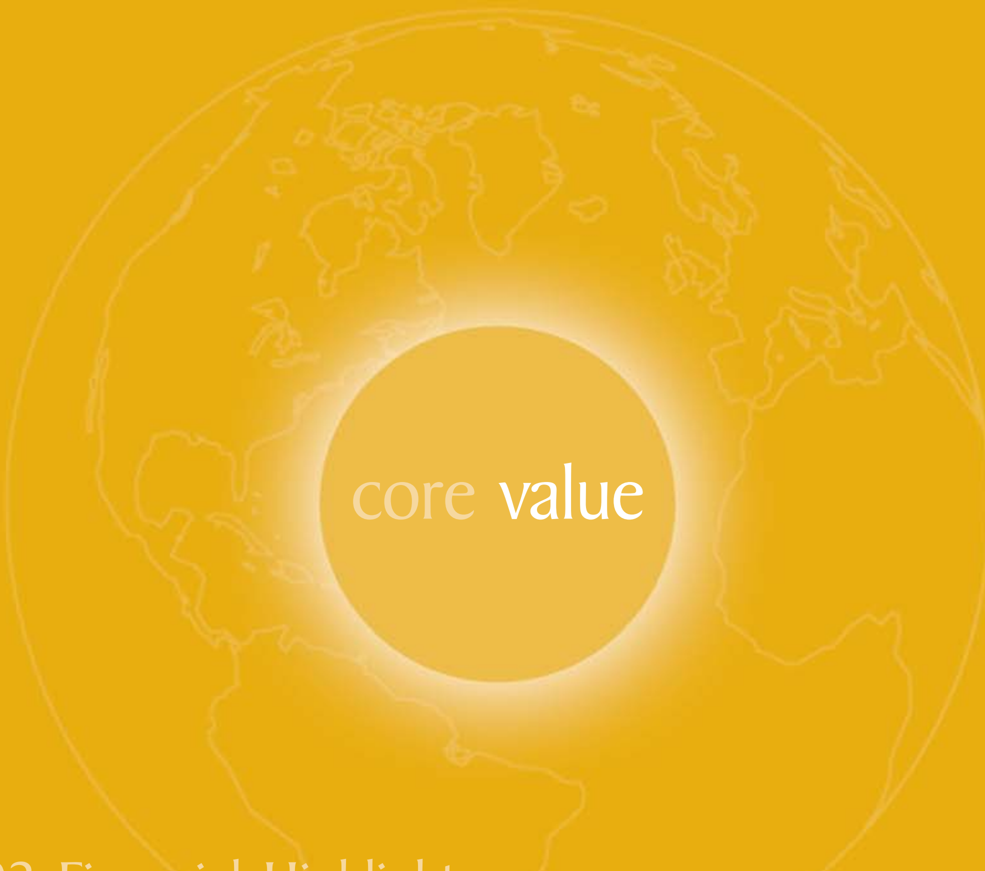
The CWB markets western Canadian wheat and barley in Canada and throughout the world. All sales revenue minus marketing costs is returned to farmers. The CWB is controlled by a board of directors that is comprised of 10 farmer-elected members and five federal government appointees.
As a major international grain trader and a major earner of foreign exchange, the CWB enables Prairie wheat and barley producers to go head-to-head with other major players in the grain industry.

Vision

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

Mission

The CWB markets quality products and services in order to maximize returns to western Canadian grain producers.



2001-02 Financial Highlights

	2001-02	2000-01	1999-00	1998-99	1997-98
Revenue ($ millions)	**$ 4,298.9**	$ 4,227.7	$ 4,482.4	$ 4,026.7	$ 4,757.7
Direct costs	**115.7**	177.4	164.3	149.1	170.7
Administrative expenses	**50.5**	66.4	63.8	55.2	52.9
Grain industry organizations	**1.7**	1.7	1.7	1.7	1.6
Net interest earnings	**(91.6)**	(75.2)	(71.0)	(72.5)	(75.9)
Operating costs	**76.2**	170.3	158.8	133.5	149.3
Earnings for distribution	**$ 4,222.7**	$ 4,057.4	$ 4,323.6	$ 3,893.2	$ 4,608.4

Note – 1997-98 figures have been restated to reflect pooling points as Vancouver/St. Lawrence

	2001-02	2000-01	1999-00	1998-99	1997-98
Receipts from Producers *(000 tonnes)*					
Wheat	**13 331**	13 961	16 427	12 513	15 201
Durum	**3 246**	3 665	3 976	4 905	3 938
Barley	**54**	454	672	277	262
Designated Barley	**2 205**	2 273	2 554	1 922	2 267
Total	**18 836**	20 353	23 629	19 617	21 668

Delivering value to farmers is the core of our business

Overcoming adversity means taking stock of what is important and leaving the rest behind.

Western Canadian farmers have faced many challenges in the past year. They have had to re-examine each facet of their businesses and determine what is essential and what can be put aside. Many tough decisions have been made, some as gut-wrenching as selling a breeding herd because of lack of feed, letting go of some acres or getting out while there is still some equity in the farm. Farming is never easy. But when weather is as uncooperative as it was in 2001-02, farmers need to focus on what works for them and their businesses and need to rely on this *core* of strength and value in building for the future.

The CWB strives to be one of these "sure things" on which farmers rely. We work hard to be an aggressive, competent marketer of their wheat and barley that adds value for them at every step in the grain marketing chain where we are involved. We use the tools at our disposal – the single-desk, the pool accounts and government guarantees on credit sales and farmer payments – to be a core of strength for farmers, to ensure that their returns from the marketplace are maximized.

This year's annual report is built around the theme of *Core Value*. It emphasizes the CWB's role as a stable presence for farmers in the grain industry, as a mainstay, a *core*. It also recognizes that at the core of the CWB's operations, there is the duty to add value for farmers. Lastly, the report is built upon the six core values that are fundamental to the CWB's operations:

- Create value for farmers
- Deliver service excellence
- Develop great people
- Demonstrate integrity
- Be world class
- Embrace innovation and change

CONTENTS

In recognition of the challenges that farmers faced in 2001-02 and that they continue to face in the current crop year, this is also a simple, no frills annual report. This is an annual report where we have tried to cut costs at every level, from the quality of the paper stock to the quantity of pictures to the number of pages.

Our commitment is to add value for Prairie farmers in every aspect of our business.

The CWB's core values are not just words on a piece of paper. They are the principles that guide how we act and the decisions that we make.

"The new test bakery shows customers how to use western Canadian wheat and flour in their baked goods."

– **Art Macklin,** CWB Director and Chair of the Canadian International Grains Institute

Create value for farmers

Build a results-oriented enterprise accountable to the farmer.

The CWB is committed to increasing marketing opportunities for Prairie farmers. This means finding new markets for the crops that are already being grown and providing leadership in the development of the crops that will secure market share for western Canadian wheat and barley for years to come.

OPPOSITE PAGE (LEFT TO RIGHT): *CWB director and Canadian International Grains Institute (CIGI) Chair Art Macklin breaks a ceremonial loaf of bread at the opening of CIGI's test bakery, April 2002; the CWB has been one of the main supporters of the Canadian Malting Barley Technical Centre, officially opened October, 2001; Canadian Grain newsletter to Asia-Pacific grain industry partners – published in English, Mandarin and Japanese (shown); the CWB participated in a technical seminar at Janjing Brewery, Beijing, China, December, 2001.*

The Elliott family (left to right): Jamie, Chad, Vicky, Blair and Brent. They farm near McLaughlin, Alberta.

"Developing new markets is key to our future. Through projects like the Canadian Malting Barley Technical Centre and ongoing involvement in the Canadian International Grains Institute, the CWB helps us compete effectively with the other sellers in the market."

Blair Elliott – McLaughlin, Alberta

"We have a horse (Canadian durum) that is winning and why would we change a horse that is winning?"

– **Michel Marbot,** mill owner and pasta manufacturer

Deliver service excellence

Be dedicated to a customer focus in all we do.

The CWB bridges the gap between customers and farmers in many meaningful ways. It brings farmers face-to-face with customers, arranges tours to showcase Prairie grain to buyers and hosts seminars to increase farmer awareness of customer needs.

OPPOSITE PAGE (LEFT TO RIGHT): *Polish mill owner and pasta manufacturer Michel Marbot's award-winning Malma pasta is made from Canadian Navigator durum; the CWB's Ramzy Yelda, Michel Marbot and Director Larry Hill at the Durum Customer Connection II meeting in Lethbridge; a group of millers from the United Kingdom on a farm tour near Somerset, Manitoba; champion durum growers visit a pasta processor in Montréal.*

Doug and Kirt Mueller farm near Foremost, Alberta.

"Everybody talks about connecting farmers with their end-use customers. The CWB's yearly durum conference does just that."

Kirt Mueller – Foremost, Alberta

"Our strength is our people. The CWB has a diverse and highly-skilled workforce that is crucial to our success."

– CWB Web site

Certificate of Completion

is hereby granted to:

Lana Hoffman

for completing the following courses of the

Management Development Program

March - April 2002

Communications

Leadership Essentials

Manager's Role in HR Management

IT Essentials for Non-IT Managers

Coaching & Mentoring

Performance Management

Building a Diverse & Respectful Workplace

Change Management

President & CEO

Vice-President, Human Resources

Develop great people

Respect, develop and recognize people – our most valuable resource.

The CWB's employees are its greatest asset, bringing a rich diversity of training and experiences to the company. Many come from family farms. The CWB provides employees with a challenging work environment and opportunities to improve their skills. It also invests in the professional development of young people from across Western Canada through bursaries and scholarships.

OPPOSITE PAGE (LEFT TO RIGHT): *The CWB's Earl Geddes presents an award to University of Manitoba student Tracy Brunet; CWB Honour Roll advertisement features 2001-02 scholarship recipients; bursary recipient Carl Potts from Watrous, SK works as a CWB policy analyst; certificate presented to CWB staff upon completion of the internal Management Development Program.*

Bursary recipient, Bev Staniland is a team leader in the CWB's Business Centre.

"Agriculture has always been a very important part of my life. I grew up on a farm and was active in the local farming community. It was a privilege to win the CWB scholarship in 1994 and it helped me get my university degree. Working in the CWB's Business Centre is a natural fit for me. I enjoy interacting with farmers and other people in the grain industry."

Bev Staniland – Minitonas, Manitoba

"We see the audit results as a confirmation that the CWB is an effective marketing organization."
– **Ken Ritter,** CWB Chair



Demonstrate integrity

Maintain the highest standards of ethical business conduct.

Integrity and ethics are the backbone of any successful business and crucial to its long-term survival. The untarnished reputation of the CWB ensures the trust of farmers who control it. An impartial audit by the federal Auditor General found the CWB to be economically and efficiently run.

OPPOSITE PAGE (LEFT TO RIGHT): *The Auditor General's report was released February 2002 after two years and 11,000 staff hours; the CWB and Auditor General of Canada Sheila Fraser discussed the audit at a joint news conference; chartered accountants Deloitte & Touche verified the methodology for the economic study "Benchmarks to Measure CWB Performance"; the CWB's 10 elected directors held 41 corporate accountability meetings across Western Canada in February and March 2002.*

Bill Toews farms near Kane, Manitoba.

"I was confident the CWB was being operated and managed efficiently. But the Auditor General's report gave me more proof. It's good to see that the CWB is acting on the Auditor's recommendations. Putting long-term goals and strategies in place is important."

Bill Toews – Kane, Manitoba

"Under the Quality First program, the CWB delivers what we believe to be the best product and service in North America."

– **John Miller,** President
Miller Milling, Virginia

Be world class

Demonstrate an uncompromising commitment to excellence.

In its ongoing pursuit of excellence, the CWB actively participates in many facets of the western Canadian grain industry. This has resulted in creative partnerships such as a program to provide U.S. customers with consistent, high-quality wheat, a world-class agriculture outlook conference and a high-profile Japanese baking competition.

OPPOSITE PAGE (LEFT TO RIGHT): *The CWB presented the 2001 Quality First award for low protein Canada Western Red Spring wheat to staff at Saskatchewan Wheat Pool's Ag Pro facility in Saskatoon, SK; the CWB is a proud sponsor of GrainWorld, Canada's premier, annual agriculture outlook conference; the CWB's 2nd annual bread baking contest in Japan was held as part of the Canadian Culinary Cup competition.*

Mark Schell, Director of Operations and Renée Olson, Assistant Office Manager of South West Terminal Ltd., Antelope, Saskatchewan – winner of the 2001 Quality First award for durum shipments.

"We're very proud to have met the standards that the CWB sets for the Quality First awards. It's a great honour for us and for the farmers who market their grain through our facility."

Mark Schell – Antelope, Saskatchewan

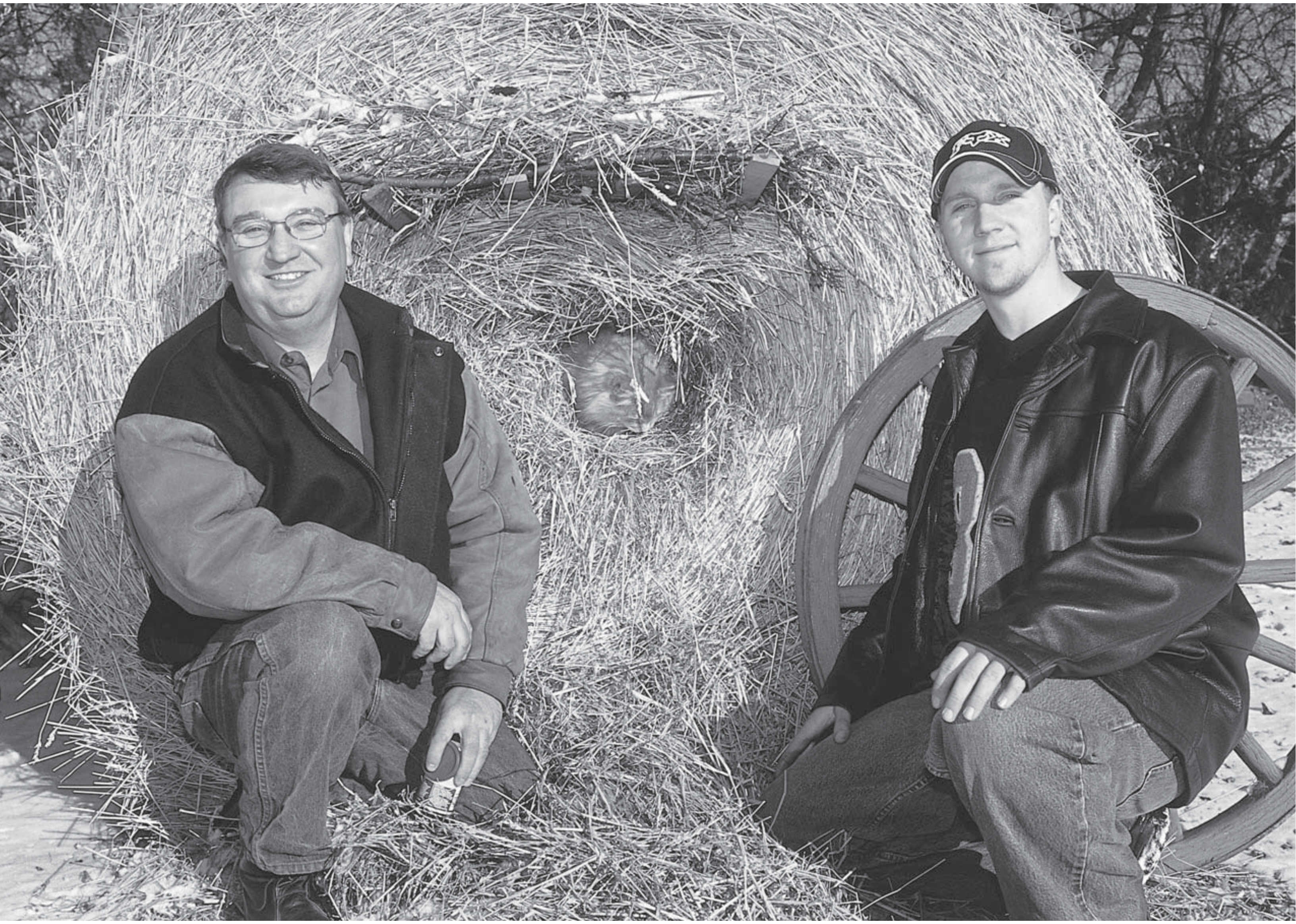
"Farmers told us that they value the choice and the flexibility that payment options provide."
– **Ken Ritter,** CWB Chair

Embrace innovation and change

Create and implement new and better solutions from winning ideas.

A successful organization never stops searching for innovative solutions. At the CWB, finding new ways to serve farmers more effectively is a constant goal, whether it's introducing e-contracting for farmers, developing new pricing choices or improving transportation options.

OPPOSITE PAGE (LEFT TO RIGHT): *Through a secure portal, farmers can submit, change or view contract information on-line; in 2001-02, the CWB began offering producer car administration services directly to farmers; farmer interest in a variety of Producer Payment Options continues to grow.*



Terry and T.J. Schullman farm near Swan River, Manitoba.

"I used the CWB's Producer Payment Options to take advantage of some good prices that I saw in the spring of 2001. It's great to have the choice between pricing my crop on my own and selling through the pool accounts."

Terry Schullman – Swan River, Manitoba

A message from the Chair of the board of directors and the President/CEO

The farmers of Western Canada are to be congratulated for the wheat and barley crops they produced in 2001 despite weather conditions that were less than ideal, to say the least. Of the many reasons why Prairie wheat and barley are viewed as standards of excellence the world over, none is more significant than farmers' ability to produce and deliver high quality crops, even in the face of very trying circumstances. With hindsight, of course, 2001 could have been much worse… the summer and fall of 2002, if nothing else, have taught us as much. But it was still a year when significant parts of the Prairies went without rain for several months.

There are significant accomplishments – as far as our marketing program is concerned – that warrant special mention. First of all, our export target of 16 million tonnes was met. Secondly, we expanded our market share among buyers of high quality grain. Lastly, we reduced durum inventories significantly.

These were our achievements on the field, so to speak. Off the field, there were many important developments as well. The Office of the Auditor General (OAG) completed and presented its report on the CWB's operations. While it observed what were termed "significant deficiencies" in areas like planning for the long-term future of the organization and how we report on the CWB's performance, the OAG arrived at some conclusions that farmers should find reassuring. Specifically, it said that:

President and CEO Greg Arason (left) with Chair Ken Ritter

- "the CWB has a solid reputation as a strong and capable marketer of high-quality grains. CWB marketers are viewed as tough negotiators on price."
- "(the) audit found that the CWB calculates the total net pooled returns to farmers in accordance with the requirements of the CWB Act and the CWB's price-pooling policy (…) and that (…) all revenues from the sale of grain, less operating costs were properly distributed to farmers."
- "the resources of the corporation were managed economically and efficiently and its operations were carried out effectively."

We substantially increased the number of payment options available to farmers. Fixed price and basis payment contracts were extended to all classes of wheat and, late in the spring of 2002, a Fixed Price Contract for durum was introduced. The 2001-02 crop year saw the introduction of the Early Payment Option (EPO) as well as a continuation of the Guaranteed Delivery Contract for feed barley. At the end of the year, the EPO was expanded to include all classes of wheat (excluding durum).

A major milestone was achieved when we reached an agreement in principle with the various members of the Western Grain Elevator Association and the Inland Terminal Association on issues related to grain handling and transportation. Along with other commercial agreements negotiated with the major railways, this agreement generated substantial system savings in 2001-02 that are being passed along to farmers in the form of higher returns in each of the pool accounts.

The CWB emerged from the latest U.S. trade challenge with ongoing access to the American market. Although the North Dakota Wheat Commission had requested tariffs and quotas on imports of wheat from Canada, no trade measures were announced at the time of the U.S. Trade Representative's report in mid-February. Further challenges, however, were threatened in the report itself, including antidumping and countervail duties. As this annual report goes to print, we are already in the midst of further trade harassment from our American neighbours. We will fight these accusations as we have fought all the others and we remain confident that facts will bear out that western Canadian farmers and their marketing agent are fair traders.

We are proud of the work that was done in 2001-02. As our management team prepares to renew itself with a new president and CEO and five newly-elected directors at the end of 2002, we are confident that the CWB will be up to the challenges that lie ahead.

KEN RITTER
Chair, board of directors

GREG ARASON
President and Chief Executive Officer

CWB performance highlights

FARMERS

STRATEGIC GOAL

To serve farmers' business needs while significantly increasing farmers' support for and trust in the CWB.

INITIATIVES

- Develop and launch a pilot Early Payment Option (EPO).
- Develop and implement the CWB's e-business strategy.
- Review the CWB's grain delivery policy.
- Enhance the CWB's relations with the media.
- CWB issue profiling.

RESULTS

- Contracted CWRW EPO volumes of 9 342 tonnes.
- Contracted CWSWS EPO volumes of 1 966 tonnes.
- EPO expanded to all classes of wheat (excluding durum) in 2002-03.
- Launch of the re-designed Web site and e-contracting on September 3, 2002.
- Changes resulting from Grain Policy Review were implemented. These included replacing remaining acreage-based delivery calls with contract calls, an increase in the minimum delivery provision to 45 tonnes and age of majority requirements on Permit Applications.
- Meetings with editorial boards of major newspapers have taken place.
- Four issue-profiling campaigns were launched: transportation savings, the Auditor General's report, enhancements to the Producer Payment Options and Canada-U.S. trade relations.

MANDATE

STRATEGIC GOAL

To strengthen the long-term CWB mandate at home and its support /acceptability in international trade.

INITIATIVES

- Develop more effective relationships with governments.
- Advance comprehensive trade strategy.

RESULTS

- Government relations strategy approved in May 2002.
- CWB views and position continue to be carried forward by Government of Canada's trade negotiators at the World Trade Organization and in other bilateral and multilateral forums.

CUSTOMER

STRATEGIC GOAL

To attract, develop and retain markets by delivering quality products and service to customers worldwide.

INITIATIVES

- Continue to implement the CWB biotechnology strategy.
- Complete a new long-term grain production and trade forecast for 2005-06 and 2010-11.
- Address primary/export grading standards and interior/terminal blending issues.

RESULTS

- Establishment of the Canadian Grain Industry Working Group in December 2001.
- Release of the study entitled "Agronomic Assessment of RoundUp Ready Wheat" on June 28, 2002.
- Development of a detailed set of conditions for the entry of GM wheat into commercial production.
- Efforts to ensure that domestic and international regulations do not adversely affect farmer returns.
- Completion of a new long-term grain production and trade forecast.
- Creation of a CGC/CWB Quality Assurance Group to evaluate/review grade specifications, blending/bulking issues, e-grading and enhanced tracking of quality data.
- Initiation of a CWB/CGC managed project to evaluate the suitability of using improved technology to manage falling number concerns.

EMPLOYEES/CORPORATE

STRATEGIC GOAL

To achieve excellence in the provision of human resource, financial, information technology and other corporate programs and services that support or advance the business of the CWB.

INITIATIVES

- Information Technology Services renewal.
- Action plan arising from employee survey results.
- Completing our comprehensive planning process.
- Develop and implement a comprehensive human resource planning strategy.

RESULTS

- Approval of an Information Technology renewal program in May 2001.
- Reports on internal communication and employee compensation have been completed.
- A five-year long-term plan was completed and approved by the board of directors in April 2002; a formal timeline and schedule of the planning process has been established for 2002-03.
- Approval of a concept paper on succession planning and leadership development.

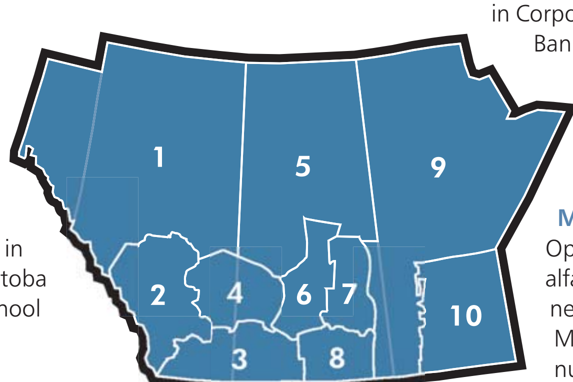
Farmer-run board of directors

The CWB board of directors consists of 10 farmer-elected members and five federal government appointees (there was one vacancy among appointed directors at the end of the 2001-02 crop year). This new governance structure has been in existence since 1998. It places control of the CWB firmly in farmers' hands and ensures that the CWB is accountable to farmers for everything it does.

ART MACKLIN (District 1):
Operates a family grain and cattle farm near Grande Prairie, Alberta. Active in church and community, he is a past president of the National Farmers Union and served as chair of the former CWB Advisory Committee.

JAMES CHATENAY (District 2):
Operates a family farm near Penhold, Alberta. A graduate of Olds Agricultural College, he served six years as director of the Alberta Charolais Association.

GREG ARASON, CWB President and Chief Executive Officer (Appointed):
Involved in the Prairie grain industry for more than 30 years. He is a former CEO of Manitoba Pool Elevators and has served as a director with many organizations in the agri-food sector. He was trained in agriculture at the University of Manitoba and in management at the Banff School of Advanced Management.



LARRY HILL (District 3):
Farms near Swift Current, Saskatchewan. A graduate of Agricultural Engineering and Farm Business Management at the University of Saskatchewan, he has worked for Saskatchewan Agriculture.

KEN RITTER, CWB Chair (District 4):
Operates a family farm near Kindersley, Saskatchewan. He has practiced law and taught school in both Canada and Australia. He has been the chair of the CWB's board of directors since its inception.

BONNIE DUPONT (Appointed):
Group Vice-President, Corporate Resources, at Calgary's Enbridge Inc. She has expertise in energy transportation and grain handling and has held senior positions with Alberta Wheat Pool and Saskatchewan Wheat Pool. She holds a Bachelor of Social Work from the University of Regina with majors in Program Administration and Evaluation Psychology, and a Master's in Human Resources Management from the University of Calgary.

JOHN M. CLAIR (District 5):
Senior partner in a family farm producing wheat, canola, peas and barley near Radisson, Saskatchewan. Currently, he is vice-president of the Saskatchewan Soil Conservation Association. He served on the CWB's Advisory Committee for eight years prior to being elected as a director.

IAN MCCREARY (District 6):
Runs a mixed family farm near Bladworth, Saskatchewan. He holds a Master's degree in Agricultural Economics and has previously worked at the CWB as a marketing manager and policy analyst. Ian's international experience also includes managing a pilot project on food aid and food markets with the Canadian Foodgrains Bank.

EDWARD ZINGER (Appointed):
Worked for the Bank of Montreal in Western Canada and Toronto for more than 39 years. Ed has extensive experience in Corporate, Government and Investment Banking. He is a Fellow of the Institute of Canadian Bankers and a graduate of the Senior Executive Program of the Banff School of Advanced Management.

MICHEAL HALYK (District 7):
Operates a grain, oilseed, pulse, alfalfa, seed and livestock operation near Melville, Saskatchewan. Micheal has been involved in numerous agricultural policy groups, including the former CWB Advisory Committee. Over the course of his professional career, he has gained specialized certificates in survey work, farm accounting, livestock genetics and seed husbandry.

ROD FLAMAN (District 8):
Farms with his wife Jeanne just south of the Qu'Appelle Valley near Edenwold, Saskatchewan. Their farm, which produces a variety of field and horticultural crops, is awaiting organic certification. Rod obtained his Bachelor of Engineering from the University of Saskatchewan. He is a founding director of Terminal 22 at Belcarres, Saskatchewan and has served on the executive of both the Saskatchewan Fruit Growers Association (president) and the Saskatchewan Association of Horticultural Industries.

BILL NICHOLSON (District 9):
Operates a grain farm near Shoal Lake, Manitoba. Bill served on the former CWB Advisory Committee and was a Manitoba Pool delegate. He has a degree in Agricultural Engineering, has worked in the farm machinery industry and currently serves as a credit union board president.

Photo taken at October 16, 2002 board of directors meeting.

Standing, *left to right*: Wilfred (Butch) Harder, Art Macklin, Larry Hill, Micheal Halyk, Ian McCreary, Ross L. Keith, Bill Nicholson, Edward Zinger

Seated, *left to right:* John M. Clair, Rod Flaman, Ken Ritter, Greg Arason, Bonnie DuPont

Missing from photo: James Chatenay

WILFRED (BUTCH) HARDER (District 10): Operates farms near Lowe Farm and Headingley, Manitoba. He also served on the former CWB Advisory Committee and as a director with Manitoba Pool Elevators and the Canadian Co-operative Association. He is also a past director of Xcan Grain and Western Co-op Fertilizer.

ROSS L. KEITH (Appointed): President of the Nicor Group property development company and former partner in the Regina law firm of MacLean-Keith. He has degrees from the University of Regina in Arts, Commerce and Law. Ross is the president of a third-generation family farming operation in southern Saskatchewan.

Board of directors update

Several changes to the composition of the board of directors have occurred since the end of the 2001-02 crop year:

- John Clair, elected director for District 5, retired at the end of his four-year mandate.
- Allen Oberg, who runs a grain and cattle operation at Forestburg, Alberta, was elected in the fall of 2002 as the director in District 5.
- In District 7, Dwayne Anderson was elected. Dwayne was born, raised and currently farms in the Fosstown/Rose Valley area of Saskatchewan.
- Greg Arason retired from his position as President/CEO, effective December 31, 2002. Adrian Measner, the CWB's Executive Vice-President of Marketing, was hired to replace him.

Corporate governance

COMPOSITION

Comprised of 15 directors, 10 of whom are elected by the farmers of Western Canada, the board of directors of the CWB has been in place since 1998. The farmer-elected representatives hold the majority of seats on the CWB's board of directors. They are mandated to represent farmers' interests and bring to the board table extensive experience in production agriculture, marketing of agricultural commodities, management of grassroots farm organizations and agri-business management. The elected directors represent 10 electoral districts across Western Canada. The Canadian Wheat Board Act requires elections to be held in half of the 10 districts every two years, resulting in directors serving four-year terms. In the 2002 round of elections, farmers cast ballots in Districts 1, 3, 5, 7 and 9. The 2004 elections will see elections in Districts 2, 4, 6, 8 and 10.

The remaining five directors are appointed by the federal government. They include the President and CEO who leads the senior management team and is accountable to the board of directors for the CWB's performance. The President/CEO is remunerated according to compensation levels set by the board. The other appointed directors have three-year terms and bring a variety of business expertise to the table. In 2001-02, Edward J. Zinger was named to fill a vacancy created when David Hilton reached the end of his mandate. With close to 40 years of experience in the banking industry, Mr. Zinger brings considerable experience in finance, including investment banking and lending in the natural resource sector. Betty-Ann Heggie resigned from the board of directors in December 2001 and no replacement had been named as of the end of the 2001-02 crop year.

MANDATE

Through their 10 elected representatives on the CWB's board of directors, western Canadian farmers are empowered to set direction and provide leadership to their grain marketing organization. Farmer control is a crucial component of the CWB's governance structure and is reflected in both the CWB's mission and vision statements.

The board of directors is specifically responsible for establishing strategic direction, reviewing and approving strategic plans, budgets, financial statements, the annual business plan and the borrowing plan. The board also ensures management has appropriate systems in place to manage risk, maintain integrity of financial controls and oversee information services. It has full governing powers and responsibilities and is vested with all the powers of the corporation, including oversight of management.

RESULTS

Continuous efforts are underway to improve the effectiveness of the board of directors. Now in its fourth year of operation, the board is working at several levels to demonstrate its commitment to sound governance principles. As part of this commitment to good governance, as well as its comprehensive response to the Auditor General's report, the board of directors achieved the following results in the 2002-03 crop year:

- **Response to OAG recommendations on governance:** The board of directors undertook a comprehensive process to address the issues raised in the Auditor General's report and developed an action plan, which included a restructuring of the board of directors' committees and a focus on performance management.
- **Board and Committee evaluation:** A comprehensive self-evaluation was undertaken using an external governance expert to compile the results and provide recommendations. The board reviewed the recommendations in combination with those contained in the OAG's report.
- **CEO search:** With the impending retirement of Greg Arason on December 31, 2002, the board of directors established an ad hoc committee to lead the process for selecting a new President/CEO. The committee assisted the board of directors in identifying a successor and his name was forwarded for approval to the federal government.
- **Election process:** The board of directors approved recommendations to improve the director election process, which included recommended changes to the election regulations (these were submitted to Ottawa and resulted in changes to the regulations). The Election Period Code of Conduct was reviewed and strengthened.
- **Director qualifications:** A list of director qualifications was developed, including specific skills, experience, and strengths. The board recommended to government the desired skill sets for the vacant director positions.
- **Pension redesign:** The board of directors oversaw the redesign of the employee pension plan and approved a pension governance model.
- **Conflict of interest:** The board of directors approved a mechanism for directors to declare on an annual basis any potential conflicts of interest.
- **Performance evaluation:** The annual performance evaluation for the President and CEO was completed.

- **Director compensation policy:** An audit of director expenses was completed by the external auditor; the board of directors' compensation policy was reviewed, clarified and strengthened.
- **Succession planning:** A comprehensive succession management process was initiated and a framework approved.
- **Political donations policy:** The board of directors reviewed and amended the political donations policy to disallow the use of corporate funds for donations to political parties or their representatives.
- **Orientation for new directors:** Thorough orientation sessions for two new directors were provided.

Committee structure for 2001-02

The board of directors structure includes four standing committees and several ad-hoc committees, with terms of reference reviewed annually.

AUDIT AND FINANCE COMMITTEE

Mandate: This committee ensures accounting and financial reporting systems provide accurate and timely information, including effective internal controls. It facilitates the conduct of an annual audit, reviews annual financial statements and accounting practices, and reviews financial risk policies, plans and proposals.

Members: David Hilton (chair from August 2001 until December 2001), Larry Hill (chair from February 2002 to present), James Chatenay, John Clair, Ed Zinger

2001-02 accomplishments:

- Oversaw the comprehensive audit by the Office of the Auditor General and the process for response.
- Recommended approval of the financial statements and notes for the fiscal year ended July 31, 2001.
- Reviewed the 2002-03 corporate and business plans and budget, recommending approval (together with the Strategic Issues Committee).
- Recommended approval of changes to the Financial Risk Management policies.
- Oversaw tendering of external audit responsibilities and recommended continued use of the firm Deloitte & Touche.
- Reviewed financial risk management activities.

GOVERNANCE AND MANAGEMENT RESOURCES COMMITTEE

Mandate: This committee provides a focus on governance to enhance board and organizational effectiveness. It assists the board in fulfilling its obligations related to human resource and compensation matters.

Members: Betty-Ann Heggie (co-chair from August 2001 until December 2001), Art Macklin (co-chair from August 2001 until February 2002, member at present), Bonnie DuPont (chair February 2002 to present), Ken Ritter

2001-02 accomplishments:

- Undertook a thorough governance review and developed a response to the governance issues raised by the Auditor General.
- Oversaw the process for review of the director elections and recommended approval of the Election Period Code of Conduct.
- Completed the annual review of committee terms of reference.
- Oversaw the annual evaluation of the board, its committees and the CEO.
- Approved a framework for the succession management process for CEO and Senior Management.
- Oversaw the initiation of a new CWB pension plan and recommended a pension governance structure.
- Recommended approval of a list of director qualifications.
- Recommended approval of amendments to the directors' compensation policy.

STRATEGIC ISSUES COMMITTEE

Mandate: This committee ensures that strategic and policy issues are identified and that priorities, time frames and processes to address these issues are recommended. It coordinates the board's input to the CWB strategic planning process.

Members: Ian McCreary (chair), Greg Arason, Rod Flaman, Bill Nicholson

2001-02 accomplishments:

- Oversaw development of the long-term plan and recommended approval.
- Reviewed the 2002-03 corporate and business plans and budget and recommended approval (together with the Audit and Finance Committee).
- Recommended approval of the CWB Statement of Core Values.
- Recommended approval of pricing enhancements and options to be implemented in 2002-03.
- Reviewed and recommended approval of amendments to the grain delivery policy.
- Provided direction for the response to the federal government's Agricultural Policy Framework (together with the Farmer Relations Committee).
- Recommended approval of feed barley origination options.
- Oversaw the preparation of the submission to the Canadian Grain Commission review.

FARMER RELATIONS COMMITTEE

Mandate: This committee assists the board by overseeing the development of strategies and policies for relations with farmers and the government.

Members: Micheal Halyk (chair), Wilfred Harder, Ross Keith

2001-02 accomplishments:

- Recommended approval of a proposal on corporate issue profiling.
- Reviewed and gave direction for the annual report.
- Gave direction for corporate accountability meetings and reviewed results of the meetings.
- Provided direction for the response to the federal government's Agricultural Policy Framework (together with the Strategic Issues Committee).
- Oversaw development of a government relations strategy.
- Recommended approval of guidelines for director attendance at industry events.

AD HOC COMMITTEES

Transportation
(McCreary-chair, Arason, Halyk, Keith, Macklin, Ritter): This committee provided strategic direction to help achieve a new commercialized transportation environment and was disbanded in December 2001.

Trade
(Hill-chair, Flaman, Hilton, Keith, Macklin, McCreary, Nicholson): This committee recommends strategies on trade-related issues that could affect the ability of the CWB to fulfill its mandate.

Benchmarking
(Clair-chair, Chatenay, DuPont, Hilton, Hill, McCreary, Nicholson): This committee assists in developing appropriate benchmarks for ongoing performance measurement of the core grain marketing function.

CEO Search Committee
(Ritter-chair, DuPont, Hill, Keith, Macklin, McCreary): This committee assisted the board in the recruitment and selection of a new President and Chief Executive Officer and was disbanded in November 2002.

BOARD OF DIRECTORS

Director	District	Remuneration: Retainer	Remuneration: Per diems	Remuneration: Total	Attendance: Board Meetings	Attendance: Committee Meetings	Attendance: Industry Meetings
Macklin, Art	1	$ 21,499.99	$ 41,750.00	$ 63,200.00[3]	12	54	33
Chatenay, James	2	20,000.00	28,750.00	48,750.00	11	13	19
Hill, Larry	3	26,333.33	36,800.00	63,133.33[3]	12	43	34
Ritter, Ken (chair)	4	60,000.00	44,550.00	104,550.00[4]	12	66	40
Clair, John	5	23,999.99	30,700.00	54,699.99	12	24	18
McCreary, Ian	6	25,666.66	34,050.00	59,716.66	12	52	29
Halyk, Micheal	7	24,000.00	40,250.00	64,250.00[3]	12	28	45
Flaman, Rod	8	20,000.00	28,850.00	48,850.00	12	23	28
Nicholson, Bill	9	20,000.00	30,300.00	50,300.00	11	31	40
Harder, Wilfred	10	20,000.00	29,250.00	49,250.00	11	14	24
Arason, Greg (CEO)	A	NA	NA	NA	11	NA	NA
DuPont, Bonnie	A	21,666.67	16,250.00	37,916.67	11	37	1
Heggie, Betty-Ann[1]	A	9,166.66	3,750.00	12,916.66	4	5	0
Hilton, David[1]	A	9,999.99	8,750.00	18,749.99	4	15	4
Keith, Ross	A	19,999.99	20,250.00	40,249.99	11	27	6
Zinger, Ed[2]	A	10,000.00	10,500.00	20,500.00	5	5	5
TOTAL		$ 332,333.28	$ 404,751.00	$ 737,083.28			

A = Appointed Director
[1] August to December 2001
[2] February to July 2002
[3] Remuneration limit exceeded due to committee chairmanship
[4] Remuneration limit excluded due to additional duties assumed at the request of the board of directors

Directors are paid an annual retainer and 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 regular meeting day is paid to each member. Directors are reimbursed for all reasonable out-of-pocket and travel expenses. They are also entitled to a maximum of $5,000 per crop year to assist them in communicating with farmers. The annual remuneration limit is $60,000 for directors and $100,000 for the board chair. This limit does not apply to the retainer for committee chairmanship, the communication allowance or any other item that the board specifically excludes. The table above includes some remuneration that was incurred in the previous crop year, but submitted during 2001-02.

Senior management

The Senior Management Team works in partnership with the board of directors to provide leadership and vision for the CWB, based on the cornerstone of obtaining the best returns for farmers. Senior management is comprised of the Executive Team, the Vice-Presidents, General Counsel, Corporate Secretary and the Director of Corporate Audit Services.

There have been a number of changes since the beginning of the 2001-02 crop year, including one retirement and the hiring of a number of senior managers to replace individuals who left during the 2000-01 crop year.

THE EXECUTIVE TEAM

(above) Standing, *left to right:* **Earl Geddes,** VP Farmer Relations; **Adrian Measner,** Executive VP Marketing; **Laurel Repski,** VP Human Resources

Seated, *left to right:* **Margaret Redmond,** Executive VP Corporate Affairs; **Greg Arason,** President and CEO; **Gord Menzie,** Executive VP Finance

SENIOR MANAGEMENT

(right) Standing, *left to right:* **Bill Spafford,** VP Sales and Market Development; **Larry Nentwig,** VP Finance; **Graham Paul,** VP Information Technology Services; **Victor Jarjour,** VP Strategic Planning & Policy (as of February 2002); **Deanna Allen,** VP Communications & Public Relations (as of January 2002); **Brita Chell,** VP Accounting; **Wendi Thiessen,** Treasurer (as of September 2002); **Barry Horan,** Director Corporate Audit Services; **Ward Weisensel,** VP Transportation and Country Operations

Seated, *left to right:* **Jim McLandress,** General Counsel; **Deborah Harri,** Corporate Secretary; **Brian White,** VP Commodity Analysis and Risk Management

SENIOR MANAGEMENT COMPENSATION

Senior Management Compensation	2001-2002 Actual	2000-2001 Actual
Salaries	**$ 2,546,263**	2,106,702
Benefits	**1,217,273**	1,004,460
Total	**$ 3,763,536**	$ 3,111,162

Senior management is compensated in accordance with policies approved by the board of directors. The noted increases are as a result of staffing several key senior management positions that had been vacated in the 2000-01 crop year. This impacted both salaries and benefits for this group.

In keeping with the CWB Information Policy and in a desire to be open and accountable to farmers, the following table sets forth compensation earned by the President and Chief Executive Officer, as well as the four other highest-paid senior officers for the year ended July 31, 2002.

SUMMARY COMPENSATION TABLE, 2001-02

Name and Principal Position	Annual Compensation: Salary	Annual Compensation: All Other Compensation[1]
Greg S. Arason President & Chief Executive Officer	$ 250,000	$ –
Adrian C. Measner Executive Vice-President, Marketing	217,350	–
Gordon P. Menzie Executive Vice-President, Finance and Treasurer	186,840	–
William W. Spafford Vice-President, Sales and Marketing	179,313	–
Margaret D. Redmond Executive Vice-President, Corporate Affairs	170,000	–

Notes:

[1] The CWB has no additional compensation plans beyond base salary. The value of perquisites for each senior officer did not exceed the lesser of $50,000 or 10% of total annual salary.

Management discussion and analysis

Because the CWB is ultimately accountable to farmers for everything it does, an analysis and discussion of the CWB's performance over the course of the 2001-02 crop year must begin with an assessment of the crop and the four pool accounts (wheat, durum, feed barley and designated barley).

Overall, the 2001-02 crop was of very high quality. Dry conditions at harvest time, combined with drought in many areas over the course of the growing season, meant that crops were generally harvested in good condition and disease problems were kept in check. The exception was southeastern Manitoba where several areas received excessive moisture throughout June and July, resulting in crops that either drowned or were downgraded due to fusarium.

Harvested volumes in 2001-02 were much lower than normal. Total production of the six major grains in Western Canada was 38.5 million tonnes compared to a five-year average of 46.4 million tonnes. Drought was by far the greatest contributing factor with huge areas of Alberta and Saskatchewan going without rain for most of the growing season. In some cases – for example, in the area around Lethbridge – this was the second consecutive year of drought and the impacts were particularly hard on farmers and their communities.

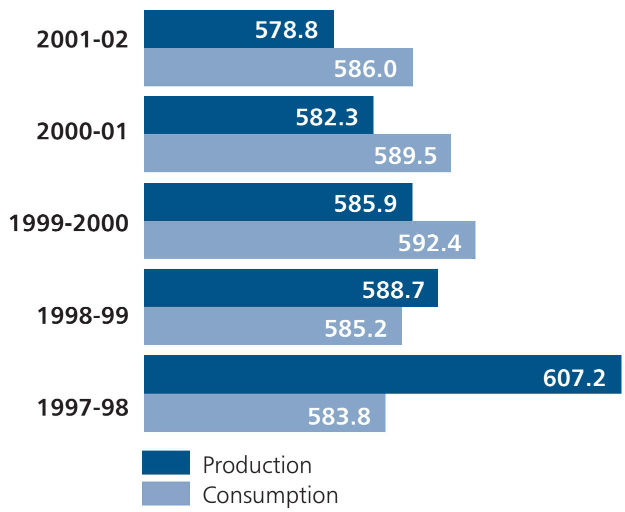
Crops in some of the other major exporting nations were also affected by unfavourable weather conditions. This was the case in the European Union where wheat production dropped from an average of 98.3 million tonnes to 91.7 million tonnes. Wheat output declined in the U.S. as well with total production declining from an average of 62.7 million tonnes to 53.3 million tonnes in 2001. On the other hand, Australia experienced excellent growing conditions and brought in a crop of over 24 million tonnes while the countries of Eastern Europe and the former Soviet Union saw their total wheat production climb 22 million tonnes above the five-year average to 127 million tonnes.

GLOSSARY OF FINANCIAL TERMS

This glossary is provided to assist in the comprehension of the CWB's management discussion and analysis.

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 financial 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 is simultaneously purchased in the spot market and sold in the forward market or vice-versa.

GLOBAL WHEAT SUPPLY AND DEMAND
(million tonnes)



Source: United States Department of Agriculture

This resulted in a decrease in global wheat production to 578.8 million tonnes in 2001-02, meaning that for the fourth time in the last five years, consumption of wheat worldwide exceeded production. Accordingly, global wheat stocks fell as well, going from a level of 168.7 million tonnes at the start to 161.5 million tonnes at the end of the crop year. This reduction in stocks is even more dramatic in relation to previous levels which rose to as much as 178.3 million tonnes in 1998-99.

The CWB set an export target of 16 million tonnes of wheat, durum and barley at the start of the 2001-02 crop year. This was approximately two million tonnes less than the previous year's target and simply reflected the smaller crop that farmers harvested. The target was achieved by the end of the crop year. The total value of CWB sales was $4.3 billion. In 2000-01, total revenue was slightly less at $4.2 billion.

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 specified point in time during a specified period.
Risk management	the application of financial analysis 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 counterparty.

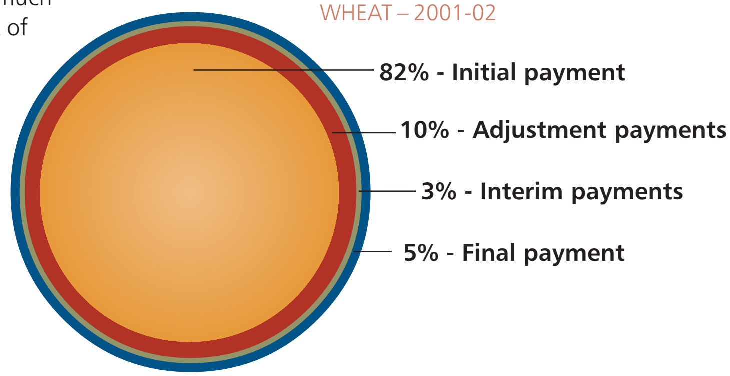
The wheat pool

		2001-02		2000-01
Receipts (tonnes)		**13 330 652**		13 960 639
Revenue	**$**	**218.68**	$	195.97
Operating Costs				
Direct costs		**3.61**		5.98
Administrative expenses		**2.68**		3.26
Grain industry organizations		**0.08**		0.08
Net interest earnings		**(5.23)**		(4.18)
		1.14		5.14
Earnings for distribution	**$**	**217.54**	$	190.83

THE CROP

High quality and reduced yields characterized much of the 2001-02 wheat crop. About 90 per cent of the crop graded either No. 1 or 2 and the average protein content was 14.7 per cent, more than a full percentage point higher than the long-term average of 13.6 per cent. On the other hand, total production was down by about two million tonnes with a total spring wheat crop of 15.7 million tonnes. Area planted to spring wheat increased by two per cent to just over 20 million acres, slightly above what was planted the previous year.

EARNINGS DISTRIBUTED TO FARMERS
WHEAT – 2001-02



THE MARKETING ENVIRONMENT

Clearly, the most significant challenge with the 2001-02 spring wheat crop was to maximize farmer returns in a marketplace where high quality wheat was in ample supply. Western Canada was not alone in producing a good quality crop – the U.S. also had a good quality spring wheat crop – and the market responded accordingly by reducing the premiums paid for high quality wheat. Protein premiums in 2001-02, for example, were only one-half of what they were the previous year.

THE STRATEGY

CWB sales staff worked hard to diversify and expand the number of customers willing to purchase the high quality wheat that was produced by Prairie farmers. This included finding new customers, expanding market share where possible and encouraging all customers to buy higher quality wheat than they traditionally would. Efforts were also undertaken to take advantage of protein premiums early in the crop year before the full pressure of the unusually high supplies of high quality wheat was felt in the market.

THE DELIVERIES

Delivery opportunities for farmers were evenly distributed throughout the crop year. About 50 per cent of the higher grades of Canadian Western Red Spring (CWRS) wheat signed up under contract was called into the system by December 31, 2001. This is higher than the levels called in the previous two years. All of the contracted tonnage of lower grades of CWRS and most of the minor classes of wheat were called by the end of December.

THE RESULTS

The major customer for wheat sold through the CWB was again our own domestic market. In 2001-02, approximately two in 10 bushels of grain (including wheat, durum and barley) were processed domestically. This was up from 10 years ago when one in 10 bushels was processed in Canada.

Japan, Iran and the U.S. – the CWB's largest export customers – bought slightly over one million tonnes of wheat each. Mexico was close behind with purchases of more than 800 000 tonnes. Exports to Mexico have grown from approximately half a million tonnes of Canadian wheat annually a decade ago to 871 000 tonnes in 2001-02.

Despite a smaller pool size, total revenue on wheat sales increased $179 million, or seven per cent compared to 2000-01, for a total of $2.9 billion. The impact of the smaller volume pool on overall revenue was more than offset by strengthening global prices resulting from reduced production and a high grade and high protein crop. The average revenue generated on wheat sales was up from the prior year by $22.71 per tonne, or an increase of 12 per cent, to $218.68.

DIRECT COSTS

Direct costs decreased $2.37 per tonne to $3.61, due primarily to lower country elevator financing, reduced demurrage costs and lower freight costs.

Substantially lower interest rates and marginally lower average stocks throughout the period resulted in a 45 cent per tonne decline in country elevator financing.

Several events in 2000-01 served to drive up demurrage costs, including delays due to poor weather and delays caused by a new railcar allocation program introduced by the railways. Similar issues did not arise in 2001-02, permitting better movement of grain to terminals. As a result, there was a reduction in demurrage of 58 cents per tonne, to 15 cents, while despatch earnings remained consistent at 36 cents per tonne.

Freight to terminals was 61 cents per tonne lower in 2001-02, reflecting lower shipments to Vancouver from the eastern Prairie catchment area and less movement through Prince Rupert as a result of declines in overall grain volumes.

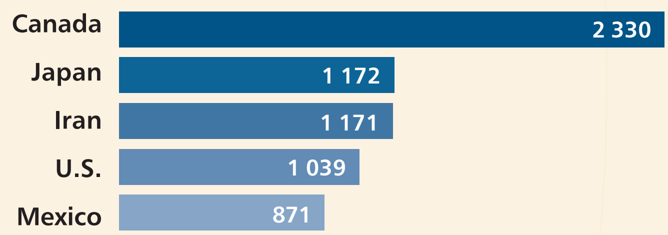
Movement to eastern export position is the cost of moving grain east of Thunder Bay less the Freight Adjustment Factor (FAF) recovery. Eastern movement costs remained virtually unchanged from 2000-01 at $3.11 per tonne. However, the FAF recovery has increased $6.5 million or 65 cents per tonne to $3.70. This was due to an increase in FAF rates in anticipation of a smaller crop combined with proportionally higher than expected eastern deliveries.

DISTRIBUTION OF EARNINGS

The average sales proceeds available for distribution increased 14 per cent or $26.71 per tonne to $217.54. Of the amounts returned to pool participants, 92 per cent was distributed by July 9 in the form of initial and adjustment payments.

Producer payment options, like the Fixed Price (FPC) and Basis Payment (BPC) contracts, constitute non-pool programs. Just over $32 million were transferred from the wheat pool to the producer payment option program. This amount represents the pool return on the specific grades and classes of wheat delivered to the wheat pool under the FPC and BPC. The payment option program in turn paid farmers for the wheat contracted under the FPC and the BPC.

LARGEST VOLUME WHEAT CUSTOMERS
(000 tonnes) 2001-02



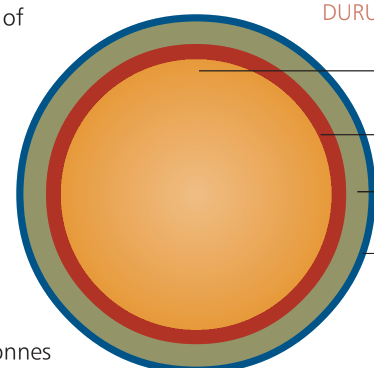
The durum pool

		2001-02		2000-01
Receipts (tonnes)		**3 246 369**		3 665 343
Revenue	**$**	**278.71**	$	264.61
Operating Costs				
Direct costs		**18.27**		22.84
Administrative expenses		**2.68**		3.26
Grain industry organizations		**0.08**		0.08
Net interest earnings		**(3.68)**		(2.21)
		17.35		23.97
Earnings for distribution	**$**	**261.36**	$	240.64

THE CROP

Drought in Western Canada dramatically reduced the size of the 2001-02 crop. Seeded acreage of 5.4 million acres yielded a crop of only three million tonnes. This translates into average yields of .6 tonne per acre or roughly 22 bushels per acre. As with spring wheat, the grade pattern for the durum crop was extraordinarily good, with 89 per cent grading No. 2 CWAD or better. This compares with the long-term average of 56 per cent.

EARNINGS DISTRIBUTED TO FARMERS
DURUM – 2001-02



THE MARKETING ENVIRONMENT

Global durum production fell by 2.5 million tonnes in 2001 to 31 million tonnes, mainly due to drought in Western Canada, but also as a result of lower acreage and reduced yields in both the European Union and the U.S. On the other hand, some of the minor durum exporters, like Syria and Australia, had good crops and increased their market share from 20 per cent in 2000-01 to 25 per cent in 2001-02. As well, some of the major importers in North Africa had better-than-normal crops in 2001. This enabled them to use more of their own stocks before entering the durum market. Western Canada came into the 2001-02 crop year with very large durum inventories of 2.87 million tonnes. To put the significance of these levels of stocks in perspective, total global durum trade typically hovers around 6.9 million tonnes.

THE STRATEGY

Although production was reduced by drought, large carry-in stocks meant that the CWB still had a great deal of durum to move in 2001-02. Decreased demand on the part of some of our traditional customers and a very high quality durum crop also reinforced the need to expand market share in markets for high quality durum such as Morocco, the U.S. and Venezuela.

THE DELIVERIES

Very early in the 2001-02 crop year, the CWB announced that it would be difficult to accept delivery of all of the durum that Prairie farmers had to offer on contract. This was primarily a function of the large carry-in stocks. Accordingly, acceptance levels on Series A and B delivery contracts for high quality durum (Nos.1 and 2 CWAD) were 60 and 50 per cent respectively while no Series C or D contracts were accepted. With most Series A contracts rolling over to the next series and 100 per cent acceptance on the lower grades of durum, close to 85 per cent of the total tonnage offered by farmers was ultimately accepted. As a result, total durum stocks both in commercial storage and on-farm decreased to 1.63 million tonnes from 2.87 million tonnes in the previous year.

THE RESULTS

Algeria continues to be the largest volume customer for western Canadian durum, even though it purchased 500 000 tonnes less than in the previous crop year. The U.S. was next largest, followed by Morocco, Tunisia and Italy. Canada's domestic industry was sixth, with purchases of just under 300 000 tonnes.

Total exports rebounded from last year's lower levels to come in at 3.6 million tonnes. At these levels, western Canadian farmers' market share was about 51 per cent of the global trade in durum.

Compared to 2000-01, the durum pool decreased by over 11 per cent, or about 420 000 tonnes. Revenue generated on durum sales also decreased by $65 million, or seven per cent, to $905 million.

DIRECT COSTS

Direct costs decreased $4.57 per tonne to $18.27, due primarily to lower country elevator financing, country storage and reduced eastern movement costs. An increase in terminal storage costs somewhat offset this decline.

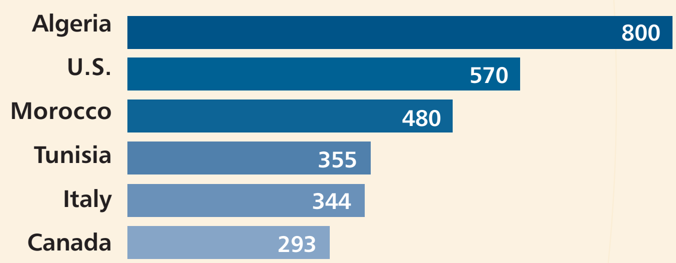
Substantially lower interest rates and the shift of significant carry-over stocks from country elevators to terminal position resulted in a 98 cent per tonne decline in country elevator financing. Country storage costs also benefited from this movement of stocks, while terminal storage costs were 65 cents per tonne higher.

Eastern movement costs show a decline relative to 2000-01. This reflects both lower sales volume through the eastern ports in 2001-02 and the movement of durum inventory into eastern export position late in the 2000-01 crop year.

DISTRIBUTION OF EARNINGS

The average sales proceeds available for distribution increased nine per cent or $20.72 per tonne to $261.36. Of the amounts returned to pool participants, 83 per cent was distributed by July 9 in the form of initial and adjustment payments. A further 13 per cent, or $33.48 per tonne, was distributed as an interim payment on October 18.

LARGEST VOLUME DURUM CUSTOMERS
(000 tonnes) 2001-02



The feed barley pool

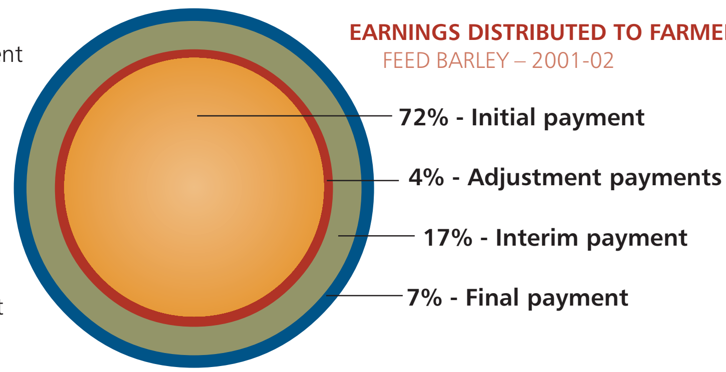
		2001-02		2000-01
Receipts (tonnes)		**54 373**		454 073
Revenue	**$**	**174.82**	$	139.13
Operating Costs				
Direct costs		**7.15**		8.26
Administrative expenses		**2.69**		3.32
Grain industry organizations		**0.08**		0.08
Net interest earnings		**(145.54)**		(14.11)
		(135.62)		(2.45)
Earnings for distribution	**$**	**310.44**	$	141.58
Less: Transferred to contingency fund		**130.85**		–
Earning distributed to pool participants	**$**	**179.59**	$	141.58

THE CROP

Barley acreage in 2001 was down eight per cent from the previous year's levels. In 2001-02, 10.8 million acres were sown to barley compared to 11.8 million in 2000-01.

Due to severe dryness in several important barley growing regions of Western Canada, production fell almost three million tonnes compared to the previous crop year to a total of 9.7 million tonnes. Very dry and hot harvest conditions, however, led to a smooth and early harvest.

EARNINGS DISTRIBUTED TO FARMERS
FEED BARLEY – 2001-02



THE MARKETING ENVIRONMENT

The domestic livestock industry uses approximately nine million tonnes of feed barley annually. With roughly 2.5 to 3.0 million tonnes typically marketed through the CWB either for export or to supply the domestic malting industry, it was clear, very early in the crop year, that supplies would be rationed through higher prices. The domestic feed market was the most attractive alternative in many regions throughout the year.

THE STRATEGY

Strong domestic prices for feed barley meant that many farmers decided to sell their feed barley into the domestic market rather than through the CWB to off-shore customers. For the barley delivered to the CWB, the strategy was simply to market these limited supplies to achieve the highest possible return, either in the offshore market or in the domestic market, depending on where and when the barley was delivered.

THE DELIVERIES

All feed barley offered by farmers and contracted for sale through the CWB was accepted for delivery. A guaranteed delivery contract for feed barley was offered at the start of 2001-02. As well, an open delivery call was issued at the end of the crop year, enabling farmers to deliver as much feed barley to the pool accounts as they wanted. Total farmer deliveries were 54 373 tonnes.

THE RESULTS

Over half of the feed barley pool was sold into the local domestic market in Western Canada. Foreign markets were Japan, the United Arab Emirates and the U.S. The total feed barley pool – as noted earlier – was small as a result of reduced supplies overall and a very strong domestic market. The 54 373 tonnes in the feed barley pool represented a decrease of over 350 000 tonnes compared to average annual receipts over the previous four-year period.

In July 2002, the CWB board of directors announced that, given the size of the feed barley pool, only a portion of interest earnings would be paid to farmers through the pool account. This was done to avoid distorting the price relationship between feed and designated barley. The remaining interest earnings were allocated to a contingency fund. The board of directors furthermore committed to consulting with farmers on the use of the contingency fund. Consultations will be undertaken in the 2002-03 crop year.

Revenue generated on barley sales totaled $9.5 million, a decrease of $54 million or 85 per cent relative to 2000-01. Reduced acreage combined with severe dryness pushed volumes down while the resulting increase in domestic demand and offshore prices drove the pool return up 26 per cent over the prior year to $174.82 per tonne.

DIRECT COSTS

Direct costs in the feed barley pool decreased $1.11 per tonne to $7.15, due primarily to lower country elevator financing and storage, demurrage costs and freight to terminals. These reductions were partially offset by an increase in terminal storage costs.

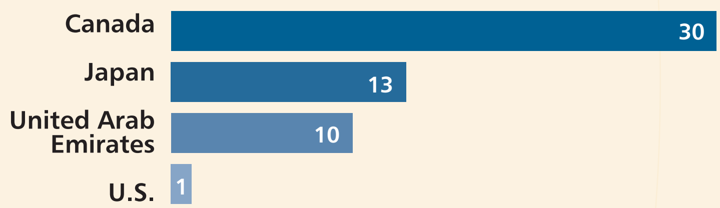
The substantial decline in stocks equated to decreased country elevator financing and storage. Few export sales during the year and more efficient grain movement led to the sharp decline in demurrage. A recovery of freight costs related to stock switches by grain companies resulted in net revenue for freight to terminals.

Total terminal storage costs tend to be fairly consistent from year to year as some level of stock is maintained at terminal position regardless of pool size. As a result, costs per tonne increase significantly in a year when deliveries are at very low levels as is the case in 2001-02.

DISTRIBUTION OF EARNINGS

Including the benefit of greater than $145 per tonne in net interest earnings, primarily related to previous years' credit sales, the average proceeds from the feed barley pool available for distribution amounted to $310.44 per tonne. Of this amount, the average return disbursed to farmers through the feed barley pool account was $179.59 per tonne. CWB initial and adjustment payments paid out 76 per cent of this total to farmers by July 9. A further 17 per cent, or $30 per tonne, was distributed as an interim payment on October 18. Remaining interest earnings of $7.1 million were transferred into a contingency fund.

LARGEST VOLUME FEED BARLEY CUSTOMERS
(000 tonnes) 2001-02



The designated barley pool

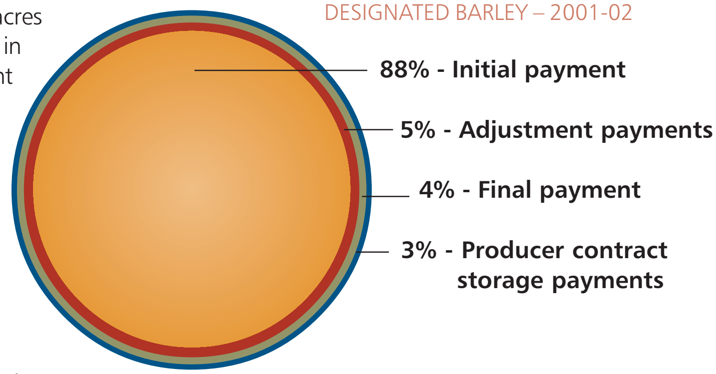
		2001-02		2000-01
Receipts (tonnes)		**2 205 058**		2 273 488
Revenue	**$**	**212.88**	$	201.75
Operating Costs				
Direct costs		**3.58**		2.81
Administrative expenses		**2.67**		3.26
Grain industry organizations		**0.13**		0.11
Net interest earnings		**(0.92)**		(1.03)
		5.46		5.15
Earnings for distribution	**$**	**207.42**	$	196.60

THE CROP

Barley acreage in 2001 was down eight per cent from the previous year's levels. In 2001-02, 10.8 million acres were planted to barley compared to 11.8 million in 2000-01. Of these acres, approximately 66 per cent were planted to malting-eligible varieties.

Because of severe dryness in several important barley growing regions of Western Canada, production fell almost three million tonnes compared to the previous crop year to a total of 9.7 million tonnes. Very dry and hot conditions generally resulted in high quality barley crops. However, this also created some quality challenges due to higher than average protein levels and heat-stressed, shrunken kernels. In some areas in Manitoba, excessive moisture and humidity over the course of the summer led to a high incidence of fusarium in barley crops.

EARNINGS DISTRIBUTED TO FARMERS
DESIGNATED BARLEY – 2001-02



THE MARKETING ENVIRONMENT

While local supply and demand conditions provided exceptional strength to the domestic feed barley market, the market for malting barley was under some pressure from global factors. Among these, a record Australian barley crop was the most notable. Of the 7.5 million tonnes of Australian barley that were harvested in 2001-02, two million tonnes were used domestically, leaving the remainder for export and carry-forward into the new crop year. Increased availability of Australian supplies was offset by reduced availability in Canada (because of drought) and in the European Union (because of harvest rains). As a result, prices rose marginally in 2001-02 compared to the previous year. In spite of a near-record Chinese import program, global trade fell due to good crops in Eastern Europe and the Commonwealth of Independent States and lower U.S. import demand.

THE STRATEGY

Malting barley sales were evenly spread throughout the year. Lower demand in the U.S. for six-row malting barley coincided with lower supplies and therefore did not affect the marketing strategy. There was increased buyer acceptance of AC Metcalfe, AC Kendall and CDC Stratus in two-row markets.

THE DELIVERIES

Two- and six-row designated barley deliveries were spread fairly evenly throughout the year. The drought-reduced 2001 crop and early concerns about potential dryness and reduced production in 2002 resulted in a smaller designated barley pool in the 2001-02 crop year. It was 2.2 million tonnes, about 68 000 tonnes less than the designated barley pool in 2000-01.

THE RESULTS

The CWB's most significant malting barley customer in 2001-02 was Canada, purchasing 1.15 million tonnes for both domestic consumption and export sales of processed malt – unchanged from the previous two years. In the last decade, Canadian malting capacity has grown by about 490 000 tonnes (bulk barley equivalent), or about 75 per cent, and growth has mainly occurred on the Prairies. The U.S. retained its status as the largest foreign customer for western Canadian malting barley with purchases of 452 000 tonnes. This was 100 000 less than the previous year. China again was in third spot, followed by two importers of significantly smaller volumes, South Africa and Colombia.

Revenue generated from the malting barley pool totaled $469 million, an increase of $11 million or 2 per cent relative to 2000-01. Reduced acreage combined with dryness pushed volumes down slightly. However, prices increased only marginally as supplies in competing nations remained strong. This resulted in revenues of $212.88 per tonne compared to $201.75 in the previous year.

DIRECT COSTS

Direct costs in the designated barley pool rose 77 cents per tonne to $3.58, due primarily to higher country storage. This was offset somewhat by lower country elevator financing and terminal storage.

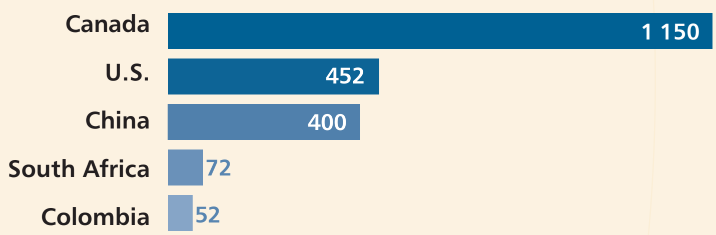
Drought and a strong domestic market for feed barley led to concerns of tightening supplies of malting barley among malting companies. These customers, anxious to secure adequate supplies, called malting barley into country position more rapidly than usual, resulting in increased country storage costs.

Although average country stock levels increased, financing costs declined due to the substantial decline in interest rates. Terminal storage showed a comparatively greater revenue balance, reflecting greater recovery of costs from customers who did not call forward their grain in a timely manner.

DISTRIBUTION OF EARNINGS

Average sales proceeds in the designated barley pool available for distribution increased six per cent, or $10.82 per tonne, to $207.42. Of the amounts returned to pool participants, 88 per cent was distributed to producers upon delivery in the form of initial payments.

LARGEST VOLUME DESIGNATED BARLEY CUSTOMERS
(000 tonnes) 2001-02



Operating costs

The four components of operating costs are direct costs, administrative expenses, grain industry organizations and net interest earnings. Direct costs have been addressed under each individual pool and are not discussed further under this section.

ADMINISTRATIVE EXPENSES

Administrative expenses have declined $4.6 million or seven per cent from the previous crop year to $61.3 million. The reductions were realized primarily in the area of computer-related costs as the CWB has made strides to reduce its use of contractors and has realized the benefits of a strengthened and more focused information technology structure.

Further savings have been realized by reducing the usage of other consultants as well as a decrease in activity surrounding trade challenges to the CWB. The fact that 2001-02 was a non-election year for the Board of Directors also contributed to the decrease in costs.

A notable increase was in the area of communication. The CWB took steps to make farmers aware of a number of new initiatives, including the transportation agreement that was reached with the grain companies in August 2001, the enhancements to the Producer Payment Options and changes to the CWB's delivery policy. As well, the CWB dealt with a number of important current issues such as the Auditor General's report on the CWB and the latest U.S. trade challenge.

Recoveries of administrative expense realized by the CWB decreased as the CWB spent proportionately less time on cost-recoverable activities. These activities are primarily related to the advance payment programs administered on behalf of the Government of Canada.

GRAIN INDUSTRY ORGANIZATIONS

The CWB has continued to provide support for organizations that benefit, both directly and indirectly, the western Canadian grain farmer. During 2001-02, the CWB contributed a combined $1.7 million to the operations of Canadian International Grains Institute (CIGI) and the Canadian Malting Barley Technical Centre (CMBTC).

NET INTEREST EARNINGS

Net interest earnings of $91.6 million are due primarily to the net interest earned on amounts owed to the CWB on credit grain sales made under the Credit Grain Sales Program (CGSP) and the Agri-food Credit Facility (ACF). When the CWB sells grain on credit, it must borrow an equal amount to facilitate payments to farmers and conduct ongoing operations. The CWB is able to borrow 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 since interest revenue exceeds interest expense.

During periods of falling interest rates, as was the case during most of 2001-02, interest earnings will tend to increase. This is because credit receivables are typically longer in term and are locked in at comparatively higher rates than borrowings which have shorter terms and are refinanced at lower rates.

Although the spread in interest rates widened during 2001-02, overall interest revenue and expenses both declined steeply due to substantially lower interest rates and significantly lower credit receivable balances, as countries such as Poland, Iran and Russia make sizeable repayments.

(000'S)	2001-02	2000-01
Interest on credit sales		
Revenue on credit sales receivable	**$ 273,848**	$ 492,448
Expense on borrowings used to finance credit sales receivables	**187,907**	421,946
Net interest on credit sales	**85,941**	70,502
Interest revenue on pool account balances	**5,105**	6,312
Other interest		
Revenue	**4,630**	5,141
Expense	**4,037**	6,735
Net other interest	**593**	(1,594)
Total Net interest earnings	**$ 91,639**	$ 75,220

The other significant components of net interest earnings include:

- the interest income accumulated on pool account balances over the course of the crop year
- interest revenue from customers from delays in the receipt of sales proceeds on non-credit sales
- interest expense primarily from financing costs such as treasury fees and bank charges.

Smaller outstanding pool balances due to quicker payments to farmers and lower interest rates are the primary reasons for the decrease in pool related interest. Other interest revenue has declined due to lower interest rates and declining non-credit receivables from lower sales volumes. Other interest expense decreased because of reduced agency fees and dealer commissions paid to financial institutions, lower interest rates and reduced prepaid sales due to lower overall pool volumes.

Producer Payment Options

Providing farmers with choice and flexibility is a priority of the farmer-controlled board of directors. Beginning in 2000-01, the board of directors introduced a number of innovative Producer Payment Options (PPO) which, in the 2001-02 crop year, were enhanced and extended to a wider range of crops. While the PPO offer farmers unprecedented opportunities to exercise control over the marketing of their wheat and barley, they are structured so that the viability and the integrity of the CWB pool accounts are maintained. Price pooling, which provides farmers a return that reflects sales made throughout the crop year, is an effective price risk management tool that farmers continue to value and support.

PROGRAMS

Three types of PPO are available to Prairie farmers through the CWB.

1. The Fixed Price Contract (FPC): Introduced in the 2000-01 crop year, the FPC enables farmers to lock in a price for all or a portion of their wheat or feed barley before the beginning of the crop year (August 1). It is based on the CWB Pool Return Outlook (PRO) minus a discount for risk, time value of money and administration costs of the program. Program costs are entirely covered by the farmers who use it. Farmers get full payment for their grain when it has been both delivered and priced. They receive no further payments from the pool accounts for these deliveries. In 2000-01, fixed prices on CWRS and feed barley were offered. For 2001-02 and 2002-03, the FPC was extended to all classes of wheat and to feed barley. As well, an FPC on durum wheat was developed and made available to farmers on a trial basis for 2002-03. During the 2001-02 crop year, 437 farmers signed an FPC. They delivered 85 296 tonnes of wheat under the FPC.
2. The Basis Payment Contract (BPC): Launched at the same time as the FPC, the BPC enables farmers to lock in the difference or *basis* between the fixed price and the relevant U.S. futures price. When pricing their grain, farmers get the futures price that they have selected plus the basis that they locked in. Farmers get full payment for their grain when it has been both delivered and priced. They receive no further payments from the pool accounts for these deliveries. As with the FPC, the BPC was extended to all classes of wheat (excluding durum) for the 2001-02 crop year. In 2001-02, 379 farmers signed a BPC. A total of 66 855 tonnes were delivered under the BPC.
3. The Early Payment Option (EPO): In 2001-02, the CWB introduced the EPO as a pilot program for producers of CWRW and CWSWS wheat. It had previously only been available on feed barley committed to Guaranteed Delivery Contracts. The EPO enables farmers to receive 90 per cent of the PRO – less a discount for risk, time value of money and administration costs - at time of delivery while remaining in the pool account. Farmers receive the initial payment less the usual freight and elevation charges at that time. The CWB then issues an additional payment to bring the total to 90 per cent of the locked-in PRO less the discount. Because these deliveries remain in the pool account, farmers are eligible for any future adjustment, interim and final payments that increase the price of these deliveries beyond the value that they have locked in. This program therefore not only serves to help farmers meet their cash flow needs but also gives them the opportunity to set a floor price for their wheat and barley. The EPO has been extended to all classes of wheat for the 2002-03 crop year. Under the EPO, a total of 9 342 tonnes of CWRW and 1 966 tonnes of CWSWS were delivered for sale through the CWB in 2001-02. Eighty farmers signed EPO contracts for wheat. Total barley delivered under the EPO during the 2001-02 crop year was 2 501 tonnes. Twenty-one farmers signed barley EPO contracts.

FINANCIAL RESULTS

Once grain is delivered to the CWB for selling purposes, there is no segregation between deliveries made as a pool participant and those made under the FPC or BPC programs. Because deliveries made under the FPC and BPC are outside of the pool accounts, all pool returns (initial, interim and final payments) that otherwise would have been paid to farmers are instead paid to the programs. In 2001-02, this amounted to $32,070,429. When other revenue like hedging gains and liquidated damages and program expenses (including interest and administrative expenses) are accounted for, the FPC and BPC programs showed a surplus of $3,922,614. To this amount was added the surplus in the EPO pilot program on CWRW and CWSWS, which generated revenues of $28,551 against which $4,086 in interest costs were applied. The resulting surplus on all wheat PPO was $3,947,079. This was transferred to the contingency fund at year end (see Financial Statement note 14).

The strength in the domestic feed barley market in 2001-02 significantly impacted farmer commitments to the EPO. Total deliveries under the EPO fell from 191 253 tonnes in 2000-01 to 2 501 tonnes in 2001-02. The EPO discount, charged to farmers for risk, time value of money and program administration costs, was $18,046. Along with liquidated damages charged for non-delivery and net interest, this resulted in total revenue of $25,827. Hedging losses of $11,094 were applied against barley EPO revenue. The remaining surplus of $14,733 was transferred to the contingency fund at year end (see Financial Statement Note 14).

Credit sales

CREDIT SALES DURING THE YEAR		
(000's)	**2001-02 Sales**	2000-01 Sales
Credit Grain Sales Program	**$ 131,554**	$ 222,463
Agri-food Credit Facility	**114,717**	159,431
Credit assumed by others	**158,568**	139,184
Total credit sales	**404,839**	521,078
Total sales	**$ 4,298,919**	$ 4,227,675

CREDIT PROGRAMS

The Government of Canada provides repayment guarantees on CWB credit sales. New credit proposals are recommended by the CWB for review and approval by the government. Acting within credit limits and terms approved by the government, the CWB works with individual customers to structure credit facilities. These credit arrangements are structured according to commercial terms and can be an important factor in foreign markets. During 2001-02, credit sales totaled $404.8 million, representing 9.5 per cent of total sales, compared to $521.1 million, or 12.3 per cent, of sales in the previous year.

The CWB uses two credit programs to offer credit:

Credit Grain Sales Program (CGSP)
The CGSP allows the CWB to sell grain on credit to customers who can provide a sovereign guarantee of repayment from their central bank or ministry of finance. During the year ended July 31, 2002, $131.6 million of grain was sold under the CGSP program (compared to $222.5 million the previous year).

The balance receivable at July 31, 2002 was $6.9 billion. Of this amount, $5.9 billion represented receivables for which payments of principal and interest has been rescheduled over periods ranging from five to 25 years under terms agreed to by the Government of Canada. Included in the rescheduled amount was $30.8 million to be paid to the CWB by the government under debt-reduction arrangements, where the government had assumed certain amounts that otherwise would have been paid by the debtor government.

Overdue amounts of $884.1 million were due from Iraq at July 31, 2002. Iraq is not currently honoring its payment obligations because of United Nations sanctions.

Since the Government of Canada guarantees repayment of 100 per cent of the principal and interest of the CGSP receivables, the CWB makes no allowance for credit losses (see Note 3 on page 50 for more information).

Agri-food Credit Facility (ACF)
The ACF allows the CWB to sell grain directly or through accredited exporters, on credit to commercial (non-government) customers around the world. The Government of Canada, and the CWB evaluate each transaction. During the year ended July 31, 2002, $114.7 million of grain was sold under the ACF program, compared to $159.4 million for the previous year.

The balance receivable at July 31, 2002 from sales made under this program was $60.2 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, 2002 was $1.2 million. This is considered collectable, therefore there was no allowance for credit losses (Note 3, page 50).

Credit Assumed by Others
The CWB may partner with other parties in providing credit to CWB customers. In these cases, the CWB receives payment for the other party's portion of the credit transaction. The other party then assumes the risk of non-payment by the customer on their portion of the credit extended. During the year ended July 31, 2002, credit provided by other parties under these arrangements totaled $158.6 million, compared to $139.2 million the previous year.

SUMMARY

The CWB's accounts receivable from credit sales totaled $6.965 million for 2001-02 (Note 3, page 50). This amount is guaranteed by the Government of Canada except for $1.2 million that is assumed by the CWB.

Funding

The CWB is committed to minimizing borrowing costs and maintaining access to money through exploring new borrowing opportunities, as well as expanding and diversifying its investor base.

Under the *Canadian Wheat Board Act*, and with the approval of the federal Minister of Finance, the CWB is empowered to borrow money by any means, including the issuing, re-issuing, selling and pledging of bonds, debentures, notes and other evidences of indebtedness.

All borrowings of the Corporation are unconditionally and irrevocably guaranteed by the Minister of Finance, resulting in the top credit ratings from Moody's Investor Service (Aaa and P-1), Standard and Poor's Ratings Group (AAA, A1+ and AA+) and Dominion Bond Rating Service (AAA, R-1H and AAH).

The CWB borrows money to finance grain inventories, accounts receivable from credit sales, administrative and operating expenses and 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 CWB manages multiple debt portfolios totaling $7 to $8 billion Canadian. These include:

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

Financial risk management

The CWB seeks to minimize risks related to the financial operations of the corporation. The CWB actively manages exposures to 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 market risks to which the CWB is exposed are commodity, foreign exchange and interest rate risk.

Commodity price risk

Commodity price risk is exposure to reduced revenue for the CWB resulting from adverse change in commodity prices. The CWB uses exchange traded futures and option contracts to mitigate commodity price risk inherent to its core business.

One of the CWB's major commodity risk management programs involves managing the price risk associated with customer 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 the customer prices the grain by using exchange traded derivative contracts. The CWB may also use derivative contracts to price grain when there is insufficient opportunity to do so in the physical market. In addition, the CWB manages commodity price risk related to various pricing options offered to Prairie farmers.

Foreign exchange risk

Foreign exchange risk is the exposure to changes in foreign exchange rates that may adversely affect Canadian dollar returns to the CWB. Sales made by the CWB are priced either directly or indirectly in U.S. dollars, resulting in exposure to foreign exchange risk.

To manage foreign exchange risk, the CWB hedges foreign currency sales values using derivative contracts to protect the expected Canadian dollar proceeds on sales contracts. In addition, the CWB manages foreign exchange risk as it relates to various pricing options offered to Prairie farmers.

Interest rate risk

Interest rate risk is the exposure to changes in market interest rates that may adversely affect the CWB's net interest earnings. The CWB's interest rate risk arises from the mismatch in term and interest rate re-pricing dates on the CWB's interest earning assets and interest paying liabilities. The spread between the interest earning assets and interest paying liabilities represents net interest earnings, which are paid to farmers annually.

CREDIT RISK

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

Accounts receivable from credit sales

The CWB sells grain under two government-guaranteed export credit programs: the Credit Grain Sales Program (CGSP) and the Agri-food Credit Facility (ACF) of which CWB assumes a portion of credit risk. There have been no ACF defaults to date and there are no outstanding ACF balances that are overdue. For more information on credit sales, see the "Credit sales" section on page 36 and Note 3 on page 50.

Investments

The CWB uses short-term investments for the purpose of cash management, adhering to requirements of the *Canadian Wheat Board Act,* the CWB's annual borrowing authority granted by the Minister of Finance and applicable government guidelines. The CWB manages investment related credit risk by transacting only with highly-rated counterparties.

Derivative Transactions

The CWB enters into master agreements with all counterparties to minimize credit, legal and settlement risk. The CWB transacts only with highly-rated counterparties who meet the requirements of the CWB's financial risk management policies. These policies meet or exceed the Minister of Finance's credit policy guidelines.

The CWB's commodity futures and option contracts involve minimal credit risk, as the contracts are exchange traded. The CWB manages its credit risk on futures and option contracts by dealing through exchanges which require daily mark-to-market and settlement.

LIQUIDITY RISK

Liquidity risk is the risk that the CWB will be unable to meet its corporate obligations. In the normal course of operations, the CWB's diversified 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. Additionally, the CWB maintains lines of credit with financial institutions to provide supplementary access to funds.

OPERATIONAL RISK

Operational Risk is the risk of loss resulting from a breakdown in administrative procedures and controls or any aspect of operating procedures. The CWB's operational risk management philosophy encourages an environment of effective operational risk discipline. Operational risk management activities include segregation of duties, cross-training and professional development, disaster recovery planning, use of an integrated financial system, internal and external audits and an independent risk-control and reporting function.

Outlook

The disastrous crop conditions that plagued Prairie farmers in 2002 have resulted in sharply lower production of wheat, durum and barley for the 2002-03 crop year. Total production in fact was less than 50 per cent of historical averages. Unlike the previous year, where lower yields were partially offset by higher quality, poor harvesting conditions in the fall of 2002 have downgraded significant portions of the wheat, durum and barley crops and adversely affected the grade pattern. This means that the CWB will be focussing on selling the limited supplies of high quality grain into the highest value markets while working hard to meet the needs of other customers with the remaining grain. However, the CWB will not be able to meet the full requirements of all its traditional customers.

The upshot of poor crops in Western Canada, as well as in other major exporting nations like Australia and, to a lesser extent, the U.S., is that prices rallied strongly in the late summer of 2002 and that they continue to be volatile. Markets for high quality wheat and barley, in particular, have risen significantly, reflecting tight worldwide supplies. This is of small consolation to the many Prairie farmers who do not have a crop or who have seen the quality of their crop decimated by unfavourable weather conditions. For those fortunate enough to have received timely rains and good weather conditions, 2002-03 may actually be one of those rare occasions where reasonable yields and strong prices coincide.

The precipitation that has hampered harvesting operations in many areas across Western Canada has also improved soil moisture conditions over what they were in the fall of 2001. Total rainfall in significant parts of Western Canada over the August 1 to September 30 period, for example, was over 125 per cent of normal. While this resulted in significant harvest problems, it augurs well for the 2003 crop, since fall precipitation provides an important buffer, reducing the risk of a repeat of last summer's drought. However, large areas of northwestern Saskatchewan as well as central and northern Alberta are still in serious need of moisture.

The stronger prices of 2002-03 are expected to decline if global production returns to more normal levels in the 2003-04 crop year. Increased production from nations in Eastern Europe and Asia – which were considered until recently to be minor exporters – will likely continue to pressure prices for lower quality and feed grain. However, with tighter stocks in major exporting nations like Canada and Australia, any problems with next year's crop would support higher prices.

Prairie farmers, however, have reason to be concerned by two important issues that threaten to limit their access to some of the higher value markets in which they have achieved a significant market share. The first is the most recent anti-dumping and countervail duty petitions brought forth by the U.S. wheat industry. Although this comes on the heels of nine previous unsuccessful trade challenges, the uncertainty caused by the threat of punitive tariffs and the cost of fighting allegations of unfair trading practices remain a source of aggravation for Prairie farmers. The CWB is committed to maintaining access to the American market and to ensuring that the facts alone determine the outcome of this latest challenge.

The CWB is also working hard to preserve market access for western Canadian wheat by ensuring that no genetically-modified varieties are brought forward for registration until strict conditions are met, including market acceptance and effective segregation systems. The CWB and its grain industry partners agree that without adequate market acceptance, harm to Prairie farmers will occur. The extent of market harm must be estimated and evaluated against all other expected benefits.

Forward-looking information

Certain forward-looking statements contained in this annual report are subject to risk and uncertainty because they rely on assumptions and estimates based on current information. A number of factors could cause actual results to differ from those expressed, including, but not limited to: weather; changes in government policy and regulations; world agricultural commodity prices and markets; changes in competitive forces; and global political/economic conditions, including grain subsidy actions of the U.S. and the EU.

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 2001-02 pool accounts, producer payment options and the financial status of the Corporation at July 31, 2002.

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

Gordon P. Menzie
Executive Vice-President, Finance

Winnipeg, Manitoba
November 15, 2002

Deloitte & Touche

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 as at July 31, 2002 and the combined statement of operations and statement of distribution for the 2001-02 pool accounts, the statements of operations and statements of distribution for the 2001-02 pool accounts for wheat, durum and barley for the period August 1, 2001 to completion of operations on July 31, 2002 and for designated barley for the period August 1, 2001 to completion of operations on August 31, 2002, the statement of operations for wheat and barley payment option programs for the period August 1, 2001 to July 31, 2002, the statement of cash flow for the year ended July 31, 2002, and the statement of administrative expenses for the year ended July 31, 2002. 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 an 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, 2002 and the results of its operations and its cash flows for the periods shown in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants

Winnipeg, Manitoba
November 15, 2002

Balance sheet

AS OF JULY 31 (000's)	2002	2001
ASSETS		
Accounts Receivable		
Credit programs (Note 3)	**$ 6,965,448**	$ 7,179,353
Non-credit sales	**15,166**	25,872
Advance payment programs (Note 4)	**394,921**	447,048
Prepayment of inventory program	**42,102**	13,480
Other	**59,190**	17,058
	7,476,827	7,682,811
Inventory of Grain (Note 5)	**905,643**	995,804
Deferred and Prepaid Expenses (Note 6)	**32,886**	21,209
Capital Assets (Note 7)	**56,762**	60,261
Total Assets	**$ 8,472,118**	$ 8,760,085
LIABILITIES		
Borrowings (Note 8)	**$ 7,336,362**	$ 7,644,976
Accounts Payable and Accrued Expenses (Note 9)	**128,873**	138,887
Liability to Agents (Note 10)	**550,015**	594,219
Liability to Producers – Outstanding Cheques	**34,701**	32,132
Liability to Producers – Undistributed Earnings (Note 11)	**402,859**	341,476
Provision for Producer Payment Expenses (Note 12)	**3,687**	4,769
Special Account (Note 13)	**4,199**	3,281
Contingency Fund (Note 14)	**11,422**	345
Total Liabilities	**$ 8,472,118**	$ 8,760,085

Approved by the board of directors:

Ken Ritter

KEN RITTER
Chair, board of directors

GREG ARASON
President and Chief Executive Officer

Combined pool accounts

Crop year (000's)	2001-2002	2000-2001
STATEMENT OF POOL OPERATIONS *		
Receipts (tonnes)	**18 836 452**	20 353 543
Revenue	**$ 4,298,919**	$ 4,227,674
Operating Costs		
Direct costs		
Country elevator carrying charges		
Financing	**11,684**	22,917
Storage	**36,468**	43,074
Terminal storage	**20,867**	19,266
Net Demurrage (Despatch)	**(4,175)**	6,085
Additional freight		
To terminals	**16,125**	25,023
Movement to eastern export position	**31,952**	56,346
Freight rate changes	**1,241**	995
Drying	**113**	318
CWB hopper cars	**1,437**	3,360
Total direct costs	**115,712**	177,384
Administrative expenses (Note 18)	**50,446**	66,435
Grain industry organizations	**1,689**	1,652
Net interest earnings	**(91,639)**	(75,220)
Total Operating Costs	**76,208**	170,251
Earnings for Distribution	**$ 4,222,711**	$ 4,057,423

* Excludes operation of producer payment option programs

Crop year (000's)	2001-2002	2000-2001
STATEMENT OF DISTRIBUTION		
Pool Accounts		
Receipts (tonnes)	**18 684 301**	20 332 405
Initial payments on delivery	**$ 3,366,342**	$ 3,175,762
Adjustment payments	**401,370**	520,447
Interim payment	**209,793**	233,949
Final payment	**192,959**	107,376
Producer contract storage payments	**12,955**	15,574
Rebate on producer cars	**107**	152
Earnings Distributed to Pool Participants	**4,183,526**	4,053,260
Non-Pool Producer Payment Option Programs		
Receipts (tonnes)	**152 151**	21 138
Pool returns paid to payment programs	**32,070**	4,163
Transferred to Contingency Fund		
Undistributed earnings	**7,115**	–
Total Distribution	**$ 4,222,711**	$ 4,057,423

Wheat pool

Crop year (000's)	2001-02 Total	2001-02 Per Tonne	2000-01 Total	2000-01 Per Tonne
STATEMENT OF POOL OPERATIONS *				
Receipts (tonnes)	**13 330 652**		13 960 639	
Revenue (Note 17)	**$ 2,915,188**	**$ 218.68**	$ 2,735,936	$ 195.97
Operating Costs				
Direct costs				
Country elevator carrying charges				
Financing	**8,193**	**0.61**	14,903	1.06
Storage	**24,480**	**1.84**	26,679	1.91
Terminal storage	**12,569**	**0.94**	11,973	0.86
Net Demurrage (Despatch)	**(2,841)**	**(0.21)**	5,041	0.36
Additional freight				
To terminals	**11,883**	**0.89**	20,951	1.50
Movement to eastern export position	**(7,864)**	**(0.59)**	776	0.06
Freight rate changes	**556**	**0.04**	613	0.04
Drying	**111**	**0.01**	278	0.02
CWB hopper cars	**1,017**	**0.08**	2,305	0.17
Total direct costs	**48,104**	**3.61**	83,519	5.98
Administrative expenses (Note 18)	**35,708**	**2.68**	45,545	3.26
Grain industry organizations	**1,123**	**0.08**	1,075	0.08
Net interest earnings	**(69,709)**	**(5.23)**	(58,340)	(4.18)
Total Operating Costs	**15,226**	**1.14**	71,799	5.14
Earnings for Distribution	**$ 2,899,962**	**$ 217.54**	$ 2,664,137	$ 190.83

* Excludes operation of producer payment option programs

Crop year (000's)	2001-02 Total	2001-02 Per Tonne	2000-01 Total	2000-01 Per Tonne
STATEMENT OF DISTRIBUTION				
Pool Account				
Receipts (tonnes)	**13 178 501**		13 939 501	
Initial payments on delivery	**$ 2,336,994**	**$ 177.33**	$ 2,156,832	$ 154.73
Adjustment payments	**293,024**	**22.23**	330,590	23.72
Interim payment	**99,460**	**7.55**	116,065	8.33
Final payment	**138,342**	**10.50**	56,385	4.05
Rebate on producer cars	**72**	**0.01**	102	0.01
Earnings Distributed to Pool Participants	**2,867,892**	**217.62**	2,659,974	190.82
Non-Pool Producer Payment Option Programs				
Receipts (tonnes)	**152 151**		21 138	
Pool returns paid to payment programs	**32,070**	**210.78**	4,163	196.95
Total Distribution	**$ 2,899,962**	**$ 217.54**	$ 2,664,137	$ 190.83

For the period August 1, 2001 to completion of operations on July 31, 2002 (with prior year comparative for period ended August 31, 2001).

Durum pool

Crop year (000's)	2001-02 Total	2001-02 Per Tonne	2000-01 Total	2000-01 Per Tonne
STATEMENT OF POOL OPERATIONS				
Receipts (tonnes)	**3 246 369**		3 665 343	
Revenue (Note 17)	**$ 904,810**	**$ 278.71**	$ 969,891	$ 264.61
Operating Costs				
Direct costs				
Country elevator carrying charges				
Financing	**1,768**	**0.55**	5,611	1.53
Storage	**5,663**	**1.74**	10,832	2.96
Terminal storage	**8,544**	**2.63**	7,270	1.98
Net Demurrage (Despatch)	**(1,328)**	**(0.41)**	(605)	(0.17)
Additional freight				
To terminals	**4,271**	**1.32**	4,056	1.11
Movement to eastern export position	**39,816**	**12.26**	55,570	15.16
Freight rate changes	**339**	**0.10**	381	0.10
Drying	**1**	**0.00**	13	0.00
CWB hopper cars	**248**	**0.08**	605	0.17
Total direct costs	**59,322**	**18.27**	83,733	22.84
Administrative expenses (Note 18)	**8,705**	**2.68**	11,962	3.26
Grain industry organizations	**274**	**0.08**	282	0.08
Net interest earnings	**(11,978)**	**(3.68)**	(8,124)	(2.21)
Total Operating Costs	**56,323**	**17.35**	87,853	23.97
Earnings for Distribution	**$ 848,487**	**$ 261.36**	$ 882,038	$ 240.64
STATEMENT OF DISTRIBUTION				
Pool Account				
Receipts (tonnes)	**3 246 369**		3 665 343	
Initial payments on delivery	**$ 621,925**	**$ 191.58**	$ 609,383	$ 166.26
Adjustment payments	**83,431**	**25.70**	133,753	36.49
Interim payment	**108,702**	**33.48**	100,481	27.41
Final payment	**34,399**	**10.59**	38,376	10.47
Rebate on producer cars	**30**	**0.01**	45	0.01
Total Distribution	**$ 848,487**	**$ 261.36**	$ 882,038	$ 240.64

For the period August 1, 2001 to completion of operations on July 31, 2002 (with prior year comparative for period ended August 31, 2001).

Barley pool

Crop year (000's)	2001-02 Total	2001-02 Per Tonne	2000-01 Total	2000-01 Per Tonne
STATEMENT OF POOL OPERATIONS				
Receipts (tonnes)	**54 373**		454 073	
Revenue (Note 17)	**$ 9,505**	**$ 174.82**	$ 63,175	$ 139.13
Operating Costs				
Direct costs				
Country elevator carrying charges				
Financing	**3**	**0.06**	276	0.60
Storage	**141**	**2.59**	1,466	3.23
Terminal storage	**264**	**4.86**	213	0.47
Net Demurrage (Despatch)	**20**	**0.38**	1,762	3.88
Additional freight				
To terminals	**(29)**	**(0.54)**	16	0.04
Freight rate changes	**(16)**	**(0.29)**	(84)	(0.19)
Drying	**1**	**0.01**	27	0.06
CWB hopper cars	**4**	**0.08**	75	0.17
Total direct costs	**388**	**7.15**	3,751	8.26
Administrative expenses (Note 18)	**146**	**2.69**	1,511	3.32
Grain industry organizations	**5**	**0.08**	35	0.08
Net interest earnings	**(7,913)**	**(145.54)**	(6,409)	(14.11)
Total Operating Costs	**(7,374)**	**(135.62)**	(1,112)	(2.45)
Earnings for Distribution	**$ 16,879**	**$ 310.44**	$ 64,287	$ 141.58
STATEMENT OF DISTRIBUTION				
Pool Account				
Receipts (tonnes)	**54 373**		454 073	
Initial payments on delivery	**$ 7,057**	**$ 129.79**	$ 46,153	$ 101.64
Adjustment payments	**366**	**6.74**	12,736	28.05
Interim payment	**1,631**	**30.00**	3,190	7.03
Final payment	**708**	**13.02**	2,203	4.85
Rebate on producer cars	**2**	**0.04**	5	0.01
Earnings distributed to producers	**9,764**	**179.59**	64,287	141.58
Transferred to Contingency fund				
Undistributed earnings	**7,115**	**130.85**	–	–
Total Distribution	**$ 16,879**	**$ 310.44**	$ 64,287	$ 141.58

For the period August 1, 2001 to completion of operations on July 31, 2002 (with prior year comparative for period ended August 31, 2001).

Designated barley pool

Crop year (000's)	2001-02 Total	2001-02 Per Tonne	2000-01 Total	2000-01 Per Tonne
STATEMENT OF POOL OPERATIONS				
Receipts (tonnes)	**2 205 058**		2 273 488	
Revenue (Note 17)	**$ 469,416**	**$ 212.88**	$ 458,672	$ 201.75
Operating Costs				
Direct costs				
Country elevator carrying charges				
Financing	**1,720**	**0.78**	2,126	0.93
Storage	**6,184**	**2.80**	4,097	1.80
Terminal storage	**(510)**	**(0.23)**	(190)	(0.08)
Net Demurrage (Despatch)	**(26)**	**(0.01)**	(113)	(0.05)
Additional Freight - Freight rate changes	**362**	**0.16**	85	0.04
CWB hopper cars	**168**	**0.08**	375	0.17
Total direct costs	**7,898**	**3.58**	6,380	2.81
Administrative expenses (Note 18)	**5,887**	**2.67**	7,417	3.26
Grain industry organizations	**287**	**0.13**	260	0.11
Net interest earnings	**(2,039)**	**(0.92)**	(2,346)	(1.03)
Total Operating Costs	**12,033**	**5.46**	11,711	5.15
Earnings for Distribution	**$ 457,383**	**$ 207.42**	$ 446,961	$ 196.60
STATEMENT OF DISTRIBUTION				
Pool Account				
Receipts (tonnes)	**2 205 058**		2 273 488	
Initial payments on delivery	**$ 400,366**	**$ 181.57**	$ 363,394	$ 159.84
Adjustment payments	**24,549**	**11.13**	43,368	19.08
Interim payment	**–**	**–**	14,213	6.25
Final payment	**19,510**	**8.85**	10,412	4.58
Producer contract storage payments	**12,955**	**5.87**	15,574	6.85
Rebate on producer cars	**3**	**–**	–	–
Total Distribution	**$ 457,383**	**$ 207.42**	$ 446,961	$ 196.60

For the period August 1, 2001 to completion of operations on August 31, 2002 (with prior year comparative for period ended September 30, 2001).

Statement of payment option program operations

For the year ended July 31 (000's)		2002		2001
WHEAT PROGRAMS				
Fixed Price Contract/Basis Price Contract				
Receipts (tonnes)		**152 151**		21 138
Revenue				
Pool returns paid to the program	**$**	**32,070**	$	4,163
Net hedging activity		**1,704**		213
Liquidated damages		**649**		36
Total Revenue		**34,423**		4,412
Expense				
Contracted amounts paid to producers		**29,673**		4,027
Net interest		**77**		42
Bad debt expense		**427**		–
Administrative expense		**323**		216
Total Expense		**30,500**		4,285
Net Surplus on Program Operations	**$**	**3,923**	$	127
Early Payment Option				
Receipts (tonnes)		**11 308**		
Revenue				
Program discount	**$**	**21**	$	–
Net hedging activity		**6**		–
Liquidated damages		**1**		–
Total Revenue		**28**		–
Expense				
Net interest		**4**		–
Total Expense		**4**		–
Net Surplus on Program Operations	**$**	**24**	$	–
TOTAL WHEAT PROGRAMS (Note 14)	**$**	**3,947**	$	127
BARLEY PROGRAM				
Early Payment Option				
Receipts (tonnes)		**2 501**		191 253
Revenue				
Program discount	**$**	**18**	$	398
Liquidated damages		**3**		12
Net interest		**5**		–
Total Revenue		**26**		410
Expense				
Net hedging activity		**11**		136
Net interest		**–**		56
Total Expense		**11**		192
Net Surplus on Program Operations (Note 14)	**$**	**15**	$	218

Statement of cash flow

FOR THE YEAR ENDED JULY 31 (000's)	2002	2001
Increases (Decreases) of cash during the year		
Cash Flow from Operating Activities		
Received from sale of grain	**$ 4,298,919**	$ 4,227,675
Pool operating costs	**(76,208)**	(170,251)
Producer payment option programs operations	**1,565**	209
Add non-cash items		
Depreciation on CWB hopper cars	**2,574**	2,836
Depreciation on other capital assets	**7,392**	7,776
Cash flow from operating activities before changes in working capital	**4,234,242**	4,068,245
Changes in non-cash working capital		
Accounts receivable, excluding credit sales	**(7,920)**	(180,062)
Inventory of grain	**90,160**	186,423
Deferred and prepaid expenses	**(11,677)**	(13,251)
Accounts payable and accrued expenses	**(10,015)**	5,913
Liability to agents	**(44,204)**	(264,292)
Liability to producers for outstanding cheques	**2,569**	(190,473)
Provision for producer payment expenses	**(1,082)**	(1,191)
Special account	**919**	(56)
	4,252,992	3,611,256
Cash Flow from Financing Activities		
Increase (Decrease) in borrowings	**(308,614)**	380,767
	(308,614)	380,767
Cash Flow from Investing and Other Activities		
Accounts receivable - credit programs	**213,905**	27,638
Purchase of capital assets	**(7,019)**	(2,840)
Proceeds from sale of capital assets	**552**	315
	207,438	25,113
Cash Distributions		
Prior year undistributed earnings	**(341,476)**	(301,325)
Current year distributions prior to July 31	**(3,780,667)**	(3,711,784)
Non-pool producer payment option payments	**(29,673)**	(4,027)
	(4,151,816)	(4,017,136)
Net Increase in Cash and Cash Equivalents	**–**	–
Net Cash Position at Beginning of Year	**–**	–
Net Cash Position at End of Year	**$ –**	$ –

Statement of administrative expenses

FOR THE YEAR ENDED JULY 31 (000's)	2002	2001
CWB Costs		
Board of Directors	**$ 1,117**	$ 1,185
Computer contractors	**1,933**	3,136
Computer maintenance and services	**3,529**	6,340
Communications	**1,713**	1,056
CWB publications	**824**	775
Farmer permits, contracts & payments	**725**	815
Facilities	**1,738**	1,530
Office services	**2,598**	2,678
Human resources	**35,447**	35,472
Training	**595**	655
Recruitment	**361**	300
Other	**679**	754
Professional fees and outside services	**2,205**	2,571
Taxes	**411**	343
Travel	**1,629**	1,543
	55,504	59,153
Depreciation	**7,392**	7,776
Recovery of administrative expenses	**(1,949)**	(2,640)
	60,947	64,289
Special Expenses		
Trade actions	**276**	1,091
Director elections	**30**	583
Reorganization costs	**-**	(75)
	306	1,599
Total Administrative Expenses (Note 18)	**$ 61,253**	$ 65,888

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 Corporation 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

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following is a summary of the Corporation's significant accounting policies.

RESULTS OF OPERATIONS

The financial statements at July 31 include the final operating results for all pool accounts and programs for the crop year ended July 31, where marketing operations have been completed thereafter. In determining the financial results for such pools and programs, 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 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, 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,* and the *Spring Credit Advance Program.*

With respect to receivables from credit programs, non-credit sales and advance payment programs, as a result of these guarantees and arrangements, no provision is made with respect to the possibility of debtors defaulting on their obligations. Other receivable accounts are monitored and allowance for losses are provided for where collection is deemed unlikely.

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. 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 foreign exchange contract agreements and are converted into Canadian or United States dollars at the rates provided therein. The Corporation hedges its United States dollar assets and liabilities on a portfolio basis primarily by matching United States dollar assets with United States dollar liabilities.

Sales contracts denominated in foreign currencies are hedged by foreign exchange forward contracts. Forward exchange contracts are translated into Canadian dollars at the rates provided therein. 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.

EMPLOYEE FUTURE BENEFITS

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

Pension Plan – Employees participate in the Public Service Superannuation Act pension plan, which is a multiemployer defined benefit 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 obligation of the Corporation.

Other Post-Employment Benefits - The Corporation accrues its obligations under employee benefit plans and the related costs, net of plan assets over the periods in which the employees render services in return for the benefits. The Corporation has adopted the following policies:

- The cost of post-employment benefits earned by employees is actuarially determined using the projected benefit cost method prorated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs. Post-employment benefits include health care, life insurance, long service allowance, unused sick leave accumulated prior to 1988, and unused vacation accumulated prior to 1996.
- The transitional obligation as at July 31, 2000 was $13,685,546 and is being amortized on a straight-line basis over the Average Remaining Service Period (ARSP) which is 15 years.
- Actuarial gains and losses over 10% of the greater of the accrued benefit obligation and the fair value of the plan assets are amortized over the ARSP.

3. ACCOUNTS RECEIVABLE FROM CREDIT SALES PROGRAMS

(000's)	*Credit Grain Sales Program*	*Agri-food Credit Facility*	**2002 Total**	2001 Total
Due from Foreign Customers				
Current	**$ 136,104**	**$ 60,241**	**$ 196,345**	$ 313,330
Overdue	**884,086**	**–**	**884,086**	828,140
Subject to Paris Club rescheduling	**–**	**–**	**–**	12,558
Rescheduled	**5,854,174**	**–**	**5,854,174**	5,971,401
	6,874,364	**60,241**	**6,934,605**	7,125,429
Due from Government of Canada	**30,843**	**–**	**30,843**	53,924
	$ 6,905,207	**$ 60,241**	**$ 6,965,448**	$ 7,179,353
Credit Risk				
Guaranteed by Government of Canada	**$ 6,905,207**	**$ 59,036**	**$ 6,964,243**	$ 7,177,654
Assumed by CWB	**–**	**1,205**	**1,205**	1,699
	$ 6,905,207	**$ 60,241**	**$ 6,965,448**	$ 7,179,353

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 $6,874,364,143 principal and accrued interest due from foreign customers at July 31, 2002, $5,279,682,444 represents the Canadian equivalent of $3,335,449,140 repayable in United States funds. Of the $7,040,468,948 principal and accrued interest due from customers at July 31, 2001, $5,340,072,635 represents the Canadian equivalent of $3,484,549,844 repayable in United States funds.

Overdue accounts receivable at July 31, 2002 represent amounts due from Iraq 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. 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 twenty-five years.

In addition to debt rescheduling by means of extending repayment terms, the Government of Canada has agreed to reduce the debt owed to the Corporation by Ethiopia, 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 $30,843,094 was due from the Government of Canada as at July 31, 2002 under these debt reduction agreements. Of this amount, $14,396,068 represents the Canadian equivalent of $9,094,742 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 include sales to customers in Indonesia, Mexico, and Peru. The July 31, 2002 balance of $60,241,181 principal and accrued interest due under the Agri-food Credit Facility

(ACF) represents the Canadian equivalent of $38,057,477 repayable in United States funds. The July 31, 2001 balance of $84,960,338 principal and accrued interest represents the Canadian equivalent of $55,439,046 repayable in United States funds.

There have been no ACF defaults to date and there are no outstanding ACF balances that are overdue. 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, 2002 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)	**2002**	2001
Amounts due:		
Within 1 year	**$ 604,612**	$ 667,208
From 1 - 2 years	**448,988**	338,840
From 2 - 3 years	**536,784**	440,136
From 3 - 4 years	**609,792**	526,091
From 4 - 5 years	**634,378**	597,622
Over 5 years	**3,246,808**	3,781,316
Overdue	**884,086**	828,140
	$ 6,965,448	$ 7,179,353

4. ACCOUNTS RECEIVABLE FROM ADVANCE PAYMENT PROGRAMS

(000's)	*Agricultural Marketing Programs Act*	*Prairie Grain Advance Payments Act*	*Spring Credit Advance Program*	***2002 Total***	*2001 Total*
Due from Producers					
Principal balances outstanding	**$ 71,023**	**$ –**	**$ 321,819**	**$ 392,842**	$ 444,617
Due from (to) Government of Canada					
Recovery of interest costs on producers' interest free portion of advances	**1,645**	**(1)**	**2,233**	**3,877**	5,080
Amounts collected from producers and grain companies subsequent to reimbursement by Government of Canada	**(949)**	**(38)**	**–**	**(987)**	(1,504)
Interest on defaulted accounts collected from producers on behalf of Government of Canada	**(788)**	**(4)**	**(19)**	**(811)**	(1,145)
	(92)	**(43)**	**2,214**	**2,079**	2,431
	$ 70,931	**$ (43)**	**$ 324,033**	**$ 394,921**	$ 447,048

The Corporation administers the cash advance programs for wheat, durum and barley producers in Western Canada on behalf of the Government of Canada. The Government guarantees the repayment of advances made to producers, 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 producers 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 producers with spring seeding costs. The program, which in the first year enabled producers to receive up to $20,000, now enables producers to receive up to $50,000 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 under the *Agricultural Marketing Programs Act*.

Cash advances issued during the year by the Corporation under these programs totalled $841,879,830, including $509,612,677 issued under the *Agricultural Marketing Programs Act* and $332,267,153 issued under *the Spring Credit Advance Program*.

5. INVENTORY OF GRAIN

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

(000's)	**2002**	2001
Wheat	**$ 531,831**	$ 507,421
Durum	**282,946**	421,549
Barley	**4,680**	2,690
Designated Barley	**86,186**	64,144
	$ 905,643	$ 995,804

6. DEFERRED AND PREPAID EXPENSES

(000's)	**2002**	2001
Prepaid cost of moving inventory to eastern export position	**$ 13,914**	$ 14,733
Purchase and lease-renewal options on leased hopper cars	**4,526**	4,860
Deposits on commodity margin accounts	**2,948**	3,516
Net results of commodity hedging activities applicable to subsequent pool accounts	**9,690**	(2,997)
Other	**1,808**	1,097
	$ 32,886	$ 21,209

7. CAPITAL ASSETS

	2002			2001		
(000's)	*Cost*	*Accum Deprec.*	*Net Book Value*	*Cost*	*Accum. Deprec.*	*Net Book Value*
Computer systems development	**$ 48,934**	**$ 19,450**	**$ 29,484**	$ 45,537	$ 14,380	$ 31,157
Hopper cars	**83,900**	**62,925**	**20,975**	84,715	60,712	24,003
Computer equipment	**14,557**	**10,664**	**3,893**	14,253	11,743	2,510
Furniture & equipment	**4,610**	**3,287**	**1,323**	4,815	3,278	1,537
Land, building and improvements	**7,982**	**7,273**	**709**	7,648	7,054	594
Automobiles	**563**	**196**	**367**	556	138	418
Leasehold improvements	**159**	**148**	**11**	195	153	42
	$ 160,705	**$ 103,943**	**$ 56,762**	$ 157,719	$ 97,458	$ 60,261

Two thousand hopper cars were purchased by the Corporation in 1979-80 having an original cost of $90,555,620. Of these cars, 147 cars have been wrecked and dismantled, leaving 1,853 still in the fleet. The Corporation is reimbursed for destroyed cars under an operating agreement with the Canadian National Railway.

8. BORROWINGS

The Corporation issues debt in world capital markets. 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.*

Short-term borrowings consist of commercial paper issued by the Corporation in the Canadian, United States and Euro markets and bank loans with maturities less than one year. Foreign exchange risk is mitigated through the use of derivatives. The Corporation uses currency swaps and forward contracts in the same notional amounts and with the same terms as the underlying borrowings to exchange the currency exposure to either the Canadian dollar or the United States dollar.

Long-term borrowings are notes issued in the Euro Medium Term Note market with an original term to maturity between one and fifteen years. The majority of long-term notes are structured securities where interest and/or principal are linked to fluctuations in currency rates and other market references. The Corporation may also call certain notes prior to maturity. The Corporation uses currency or interest rate swap contracts to mitigate currency risk and manage interest rate risk associated with long-term borrowings by ultimately creating a floating rate obligation similar to the Corporation's short-term borrowings. These contracts also ensure that the CWB will receive proceeds from the swap to offset substantially all the foreign exchange fluctuations on the principal and interest payments of the note.

(000's)	*Effective Interest Rate (%)*	**2002**	2001
Short-term borrowings	1.68 – 3.08	**$ 6,005,296**	$ 7,691,161
Long-term borrowings	1.52 – 2.11	**1,517,028**	229,315
Accrued interest	–	**28,333**	56,283
Total borrowings	1.52 – 3.08	**7,550,657**	7,976,759
Less temporary investments	1.50 – 2.75	**(214,295)**	(331,783)
Net borrowings	1.52 – 3.08	**$ 7,336,362**	$ 7,644,976

Of the net borrowings at July 31, 2002, $5,364,721,459 represents the Canadian equivalent of $3,389,172,695 that will be repayable in United States funds. Of the net borrowings at July 31, 2001, $5,634,260,258 represents the Canadian equivalent of $3,676,515,666 repayable in United States funds.

These borrowings mature as follows:

(000's)	2002	2001
Amounts due:		
within 1 year	**$ 6,067,682**	$ 7,762,320
from 1 – 3 years	**–**	–
from 3 - 4 years	**23,999**	–
from 4 - 5 years	**514,442**	37,537
over 5 years	**944,534**	176,902
	$ 7,550,657	$ 7,976,759

After giving effect to interest rate swaps, all borrowings have contractual interest rate repricing dates under 365 days and, as a result, carrying values of these borrowings approximate their fair values.

9. ACCOUNTS PAYABLE & ACCRUED EXPENSES

(000's)	2002	2001
Accounts payable and accrued liabilities	**$ 49,353**	$ 39,012
Expenses incurred subsequent to July 31 for marketing activities on behalf of the current year pool accounts	**59,802**	74,175
Deferred sales revenue	**19,718**	25,700
	$ 128,873	$ 138,887

10. LIABILITY TO AGENTS

(000's)	2002	2001
Grain purchased from producers	**$ 465,734**	$ 526,666
Deferred cash tickets	**84,281**	67,553
	$ 550,015	$ 594,219

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 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 Corporation 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 – UNDISTRIBUTED EARNINGS

Of the undistributed earnings to producers totalling $402,859,044 at July 31, 2002 (2001 - $341,476,449), $209,792,684 (2001 - $233,948,582) was distributed to producers in an interim payment on October 18, 2002. The balance of $193,066,360 (2001 - $107,527,867) will be distributed to producers through final payments and producer car rebates.

12. PROVISION FOR PRODUCER PAYMENT EXPENSES

The amount of $3,687,300 (2001 - $4,768,940) 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.

13. 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.

The activity in the Special Account is comprised of:

(000's)	2002	2001
Beginning of year	**$ 3,281**	$ 3,337
Transfer from payment accounts	**2,105**	2,037
Expenditures	**(1,185)**	(2,080)
Payments to producers against old payment accounts	**(2)**	(13)
End of year	**$ 4,199**	$ 3,281
Ending balance comprised of:		
Unexpended authorizations	**1,102**	1,927
Not designated for expenditure	**3,097**	1,354
	$ 4,199	$ 3,281

During the year ended July 31, 2002, the balance from payment accounts for 1994 Wheat, 1994 Durum and 1994 Designated Barley were transferred to the Special Account under Order-in-Council P.C. 2002-537.

The program expenditures during the 2001–02 crop year are detailed as follows:

(000's)	*Unexpended, beginning of year*	*Authorized*	*Expended*	*Expired*	*Unexpended, end of year*
Market development program	$ 134	$ –	$ (21)	$ –	$ 113
Scholarship program	40	360	(251)	–	149
Canadian International Grains Institute					
Capital expenditures	143	–	(78)	–	65
Test Baking Facility	423	–	(123)	–	300
Agribusiness Chair – University of Manitoba	300	–	(75)	–	225
Automated Quality Testing	750	–	(500)	–	250
Canadian Malting Barley Technical Centre	137	–	(137)	–	–
	$ 1,927	$ 360	$ (1,185)	$ –	$ 1,102

14. CONTINGENCY FUND

The *Canadian Wheat Board Act* provides for the establishment of a contingency fund. The contingency fund can be populated through a variety of mechanisms such as the results of operations of the producer payment options or other sources of revenue received in the course of operations. The components of the contingency fund are described below:

PRODUCER PAYMENT OPTION PROGRAMS

The Corporation has implemented payment alternatives to producers. The Fixed Price Contract/Basis Price Contract (FPC/BPC) provides producers with the opportunity to lock in a fixed price or basis for all or a portion of their grain prior to the beginning of the crop year. Full payment for the grain is received immediately after delivery and the producer is not eligible for other payments from the pool account. The Early Payment Option (EPO) provides the producer with a greater portion of their expected final pool price at time of delivery, while still eligible for other payments from the pool account.

The surplus or deficit arising from the operation of these programs is transferred to a contingency fund so that net operating results will not impact the pool accounts.

OTHER

As approved by the Board of Directors and as provided for under the Act, interest earnings of $7,114,908 from the 2001-02 barley pool have been transferred to the contingency fund.

The contingency fund balance at July 31, 2002 is detailed as follows:

(000's)	**Producer Payment Option Programs Wheat**	**Producer Payment Option Programs Barley**	**Other**	**2002 Total**	2001 Total
Opening surplus, beginning of year	**$ 127**	**$ 218**	**$ –**	**$ 345**	$ –
Transferred from Pool accounts	**–**	**–**	**7,115**	**7,115**	–
Surplus from Producer Payment Option programs	**3,947**	**15**	**–**	**3,962**	345
Closing surplus, end of year	**$ 4,074**	**$ 233**	**$ 7,115**	**$ 11,422**	$ 345

15. LEASE COMMITMENTS

The Corporation administers leases for grain hopper cars for the Government of Canada with lease terms of 25 years expiring in 2006. Of the 1,750 cars leased under the original agreements, 76 have been wrecked and dismantled leaving 1,674 cars in this fleet. All lease costs to the end of the original lease periods are recoverable from the government and not charged to the pool accounts. Total payments associated with these leases for the year ended July 31, 2002 were $17,388,769 (2001 – $17,686,168).

In 1995, the Corporation purchased an option to extend the lease agreement on 250 hopper cars for a five-year term at a bargain lease rate. Effective October 1, 2000, the Corporation exercised this right on the 244 remaining cars. The cost of the option is being amortized over the term of the five–year extension. The lease payments under this lease extension option are not recoverable from the Government of Canada and will be paid directly by the pool accounts. Effective April 2001, the Corporation sublet the remaining 242 cars to a third party for a term expiring October 2005.

Between 1991 and 1995, the Corporation purchased options to acquire 1,550 of the Government of Canada cars at the end of the lease terms in 2006. Of these cars, 68 cars have been wrecked and dismantled, leaving 1,482 cars, which may be purchased at a total cost of $17,504,129 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 six years, expiring between August 2002 and October 2007. 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, 2002 were $1,142,627 (2001 – $1,128,252).

Lease costs on premises and office equipment are charged to administrative expenses. Commitments under operating leases are as follows:

(000's)	Hopper Cars (US$)	Premises & Office Equipment (Cdn $)
2003	$ 456	$ 842
2004	456	417
2005	456	212
2006	76	135
2007	–	133
After 2007	–	27

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 designed to reduce exposure resulting from currency and interest rate fluctuations. These transactions include interest rate swap contracts and cross-currency interest rate swap contracts.

The Corporation also enters into foreign exchange forward and currency swap agreements with financial institutions to hedge currency exposure arising primarily from grain sales.

As at July 31, the total notional amount of these off balance sheet financial instruments, all having maturity or rate reset dates within one year, is as follows:

	2002			2001		
(000's)	Notional Amounts	Net Fair Value	Credit Risk	Notional Amounts	Net Fair Value	Credit Risk
Interest rate contracts						
Single-currency interest rate swaps	**$ 838,620**	**$ 886**	**$ 2,713**	$ 253,016	$ (1,610)	$ 112
Cross-currency interest rate swaps	**820,552**	**34,944**	**36,089**	206,328	(1,945)	10,342
	1,659,172	**35,830**	**38,802**	459,344	(3,555)	10,454
Foreign exchange contracts						
Forwards	**644,437**	**(8,952)**	**709**	721,443	855	2,259
Currency swaps	**182,949**	**10,902**	**10,902**	1,256,408	3,839	6,827
	827,386	**1,950**	**11,611**	1,977,851	4,694	9,086
	$ 2,486,558	**$ 37,780**	**$ 50,413**	$ 2,437,195	$ 1,139	$ 19,540

As of the statement date, interest rate swap contracts with notional amounts outstanding of $176,197,348 and all foreign exchange contracts mature within one year. The interest rate swap contracts with maturities between one and five years and beyond five years had notional amounts outstanding of $538,441,072 and $944,533,842 respectively. The interest rate swap contracts rates ranged between 1.52% and 2.80%.

The fair value of interest rate and foreign exchange contracts refers to the estimated 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. These estimates of fair value are 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 counterparty on its obligations to the Corporation. The Corporation is only exposed to credit risk on contracts with a positive fair value. The credit risk exposure is managed 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 credit risk from potential counterparty default. The largest notional amount contracted with any institution as at July 31, 2002 was $1,391,130,666 (2001 – $425,210,046) and the largest credit risk with any institution as at July 31, 2002 was $24,759,486 (2001 – $773,394).

17. REVENUE

(000's, except tonnes)	2001–02 Tonnes	2001–02 Amount	2000–01 Tonnes	2000–01 Amount
Wheat				
Disposition of grain				
Shipped prior to July 31	**12 678 813**	**$ 2,666,235**	13 579 509	$ 2,640,882
Shipped subsequent to July 31	**–**	**–**	1 234 027	234,529
Weight losses in transit and drying	**652**	**–**	777	–
Total disposition of grain	**12 679 465**	**2,666,235**	14 814 313	2,875,411
Add grain sold to subsequent pool account	**2 136 847**	**531,831**	1 430 773	272,892
Gross sales	**14 816 312**	**3,198,066**	16 245 086	3,148,303
Less sales used to value prior pool account	**(1 430 773)**	**(272,892)**	(2 241 631)	(405,634)
	13 385 539	**2,925,174**	14 003 455	2,742,669
Deduct cost of grain purchased from other than producers	**(54 887)**	**(9,986)**	(42 816)	(6,733)
Revenue	**13 330 652**	**$ 2,915,188**	13 960 639	$ 2,735,936
Durum				
Disposition of grain				
Shipped prior to July 31	**3 574 823**	**$ 973,141**	3 391 948	$ 844,489
Shipped subsequent to July 31	**–**	**–**	272 771	71,816
Weight losses in transit and drying	**775**	**–**	1 186	–
Total disposition of grain	**3 575 598**	**973,141**	3 665 905	916,305
Add grain sold to subsequent pool account	**1 038 583**	**282,946**	1 350 461	349,733
Gross sales	**4 614 181**	**1,256,087**	5 016 366	1,266,038
Less sales used to value prior pool account	**(1 350 461)**	**(349,733)**	(1 332 145)	(293,152)
	3 263 720	**906,354**	3 684 221	972,886
Deduct cost of grain purchased from other than producers	**(17 351)**	**(1,544)**	(18 878)	(2,995)
Revenue	**3 246 369**	**$ 904,810**	3 665 343	$ 969,891
Barley				
Disposition of grain				
Shipped prior to July 31	**37 787**	**$ 6,078**	608 157	$ 83,680
Shipped subsequent to July 31	**–**	**–**	6,623	1,004
Weight losses in transit and drying	**–**	**–**	168	–
Total disposition of grain	**37 787**	**6,078**	614 948	84,684
Add grain sold to subsequent pool account	**23 944**	**4,680**	10 728	1,686
Gross sales	**61 731**	**10,758**	625 676	86,370
Less sales used to value prior pool account	**(10 728)**	**(1,686)**	(167 357)	(22,800)
	51 003	**9,072**	458 319	63,570
Deduct cost of grain purchased from other than producers	**3 370**	**433**	(4 246)	(395)
Revenue	**54 373**	**$ 9,505**	454 073	$ 63,175
Designated Barley				
Disposition of grain				
Shipped prior to July 31	**1 881 849**	**$ 401,373**	2 195 671	$ 439,843
Shipped subsequent to July 31	**144 343**	**28,943**	224 869	45,843
Weight losses in transit and drying	**–**	**–**	–	–
Total disposition of grain	**2 026 192**	**430,316**	2 420 540	485,686
Add grain sold to subsequent pool account	**272 291**	**57,243**	93 390	18,301
Gross sales	**2 298 483**	**487,559**	2 513 930	503,987
Less sales used to value prior pool account	**(93 390)**	**(18,301)**	(236 896)	(44,853)
	2 205 093	**469,258**	2 277 034	459,134
Deduct cost of grain purchased from other than producers	**(35)**	**158**	(3,546)	(462)
Revenue	**2 205 058**	**$ 469,416**	2 273 488	$ 458,672

18. ADMINISTRATIVE EXPENSES

(000's)	**2002**	2001
Administrative expenses for fiscal year ended July 31	**$ 61,253**	$ 65,888
Current fiscal year's expense related to administration of the prior year's pool accounts	**(22,256)**	(21,219)
Subsequent fiscal year's expense related to administration of the current year's pool accounts (estimated)	**11,993**	22,256
Provision for expenses related to administration of the producer payment accounts	**(286)**	(317)
Prior fiscal year's expense related to administration of the current year's payment option programs	**148**	191
Current fiscal year's expense related to administration of the payment option programs	**(323)**	(216)
Current fiscal year's expenses related to administration of the subsequent year's payment option programs	**(83)**	(148)
Allocated to current pool accounts	**$ 50,446**	$ 66,435
Allocated as follows:		
Wheat	**$ 35,708**	$ 45,545
Durum	**8,705**	11,962
Barley	**146**	1,511
Designated Barley	**5,887**	7,417
	$ 50,446	$ 66,435

The administrative expenses reported in the Statement of Administrative Expenses are the expenses incurred during the fiscal year ended July 31. Administrative expenses, except for that portion of such expenses attributable to distributing final payments to producers and incremental costs related to payment option programs, are allocated to each pool account on the basis of relative tonnage.

The expenses allocated to the current pool accounts include an allocation of the estimated expenses associated with marketing the current crop beyond July 31. The administration expenses charged to the producer payment option programs include amounts deferred from the prior fiscal year that related to the administration of the current year's programs.

19. EMPLOYEE FUTURE BENEFITS

Employee future benefits relate to the defined benefit plan and the other post-employment benefits.

PENSION PLAN

The Corporation expensed $ 3,719,364 (2001 - $3,353,298) as its contribution to the pension plan.

OTHER POST-EMPLOYMENT BENEFITS

The following tables present information related to post-employment benefit plans provided by the Corporation, including amounts recorded on the Balance Sheet and the components of the cost of net benefits for the period.

The accrued benefit obligation, and resulting plan deficit, at July 31, 2002, as calculated, is $17,891,411. The accrued benefit liability included on the Corporation's Balance Sheet is:

(000's)	**2002**	2001
Accrued benefit obligation, beginning of year	**$ 4,255**	$ 3,952
Current service cost	**591**	582
Interest cost	**1,098**	1,140
Benefits paid	**(825)**	(2,331)
Amortization of transitional obligation	**912**	912
Accrued benefit obligation, end of year	**$ 6,031**	$ 4,255

The Corporation's expense with respect to other post-employment benefits is:

(000's)	**2002**	2001
Current service cost	**$ 591**	$ 582
Interest cost	**1,098**	1,140
Amortization of transitional obligation	**912**	912
Total post-employment benefit expense included in the Statement of Administrative Expenses	**$ 2,601**	$ 2,634

The weighted-average assumptions at the measurement date used in the calculation of the Corporation's benefit obligation are shown in the following table:

(000's)	**2002**	2001
Discount rate	**6.5%**	6.8%
Rate of compensation increase	**4.0%**	4.0%

For measurement purposes, benefits provided are assumed to increase at a rate of 9% for 2002 grading down by 1% per year to an ultimate level of 3% per annum in 2008.

20. CONTINGENT LIABILITY

On September 13, 2002, the North Dakota Wheat Commission filed anti-dumping and countervailing duty petitions with respect to Canadian hard spring wheat and durum. At this time, it is not possible to assess the financial impact of the challenge. The Corporation believes that the action has no merit and will vigorously defend it.

21. COMPARATIVE FIGURES

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

HEAD OFFICE
WINNIPEG, MANITOBA

423 Main Street
P.O. Box 816, Stn. Main
Winnipeg, Manitoba
Canada R3C 2P5
Phone (204) 983-0239
Fax (204) 983-3841
Telex 07-57801
Web site: www.cwb.ca

SASKATOON, SASKATCHEWAN

310-15 Innovation Blvd.
Saskatoon, Saskatchewan
Canada S7N 2X8
Phone (306) 975-6999
Fax (306) 975-6966

AIRDRIE, ALBERTA

121 Main Street S.
Airdrie, Alberta
Canada T4B 2B6
Phone (403) 912-4180
Fax (403) 912-4181

VANCOUVER, BRITISH COLUMBIA

650 Marine Building
355 Burrard Street
Vancouver, British Columbia
Canada V6C 2G8
Phone (604) 666-2992
Fax (604) 666-0293
Telex 04-508862

BEIJING, CHINA

Suite 708, Tower B
Beijing COFCO Plaza
8 Jianguomen Nei Street
Beijing, China 100005
Phone 011-86-10-6526-3908
Fax 011-86-10-6526-3907

TOKYO, JAPAN

3rd Floor, Toranomon No. 11 Mori Bldg.
6-4, Toranomon 2-chome
Minato-ku
Tokyo 105-0001, Japan
Phone 011-81-3-3519-2288
Fax 011-81-3-3519-2287

CWB

Prairie strong, worldwide