

# An Economic Impact Analysis of the Co-operative Sector in Saskatchewan: Update 1998

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The following study of the economic impact of co-operatives in Saskatchewan is based on the 1998 fiscal year. It is the third study of its kind generated by the Centre for the Study of Co-operatives. The two preceding studies reported data from the 1989,<sup>1</sup> and the 1996<sup>2</sup> fiscal years. When considered together, the data from these three studies provides insight into Saskatchewan's co-operative sector and its evolution over the past nine years. This report borrows heavily from *The Social and Economic Importance of the Co-operative Sector in Saskatchewan*,<sup>3</sup> which reported the 1996 data.

To enable cross-study comparisons, emphasis was placed on data gathering and reporting methodology consistent with the two previous studies. Any deviation from that methodology is noted accordingly. The primary sources of information for this study include the Department of Justice, various other governmental departments and agencies, and the co-operatives themselves.

Saskatchewan co-operatives can be divided into the following economic categories: agriculture and resource, community development, recreational, child-care, retail and wholesale, financial, and community service. The "other" category is included as a general group for those co-operatives that do not fit naturally into one of the previously noted categories. To ensure consistency with previous data sets, the co-operative categories from the 1996 study were reused in this study. The vast majority of the co-operatives examined in

this study were included in the 1996 study and have thus already been categorized. The data gathering for this study identified only a few co-operatives that had not been previously categorized, and these co-operatives were grouped into the appropriate categories using the 1996 classification methodology.

Co-operatives in Saskatchewan vary greatly in size, scope, and operational focus. The diverse nature of the organizations that are able to function successfully according to co-operative principles is a testament to the flexibility of this business model. Co-operatives submitting annual returns to the Department of Justice range from small town halls with less than a hundred dollars in assets to large publicly traded organizations such as the Saskatchewan Wheat Pool (SWP). It is interesting to note that while the vast majority of co-operatives are small in scale and scope, many of Saskatchewan's largest organizations are also co-operatives. The statistical dominance of large co-operatives in the aggregate financial results is dramatic. The overwhelming majority of Saskatchewan co-operatives have less than one hundred thousand dollars in assets, and yet the average co-operative asset base is almost \$7.9 million. Assets, however, should not be used as the only gauge of the value of a co-operative. Many of the smaller co-operatives make significant contributions to the general quality of life in their service areas. The magnitude of these contributions is frequently difficult, if not impossible, to quantify. For example, co-operatives will often serve as one of the few remaining businesses in a rural community, sustaining the level of local services. Furthermore, some of the larger co-operatives such as Federated Co-operatives Ltd. and Credit Union Central of Saskatchewan are primarily focussed on the provision of services to smaller member co-operatives, which in turn provide services to individual members.<sup>4</sup>

There are currently 1,306 Saskatchewan co-operatives submitting annual returns to the Department of Justice (Table 1). When branches of credit unions are included, as in the previous studies, this number rises to 1,494, representing a 4.3 percent decrease from 1996 in the number of co-operatives reporting. Since the previous study, only two out of the eight co-operative categories reported an increase in active membership. Between 1996 and 1998 the number of community service co-operatives grew by 2.1 percent, while the ranks

of the “other” co-operatives swelled by 15.7 percent. The remaining categories showed modest declines that ranged from 9.7 percent in the community development sector to 4.7 percent in the retail and wholesale sector.

**Table 1: Number of co-operatives and active membership, 1989, 1996, and 1998**

	Number of Co-ops			Active Members		
	1989	1996	1998	1989	1996	1998
Agriculture & resource	345	408	387	74,603	72,209	67,940
Community development	41	165	149	186	1,807	1,488
Recreation	266	219	204	17,459	20,805	12,269
Child care & preschools	120	133	122	9,975	8,895	8,416
Retail & wholesale	186	192	183	289,054	283,415	275,011
Financial*	358	345	154	583,559	569,849	561,119
Community service	39	47	48	21,334	30,582	32,960
Other	53	51	59	2,194	2,559	4,212
Total	1,408	1,560	1,306	998,364	990,121	963,415

\* Credit union branches were counted as separate entities in the 1989 and 1996 studies. The 1998 numbers do not include branches and therefore these numbers should not be used for comparison.

As Table 1 outlines, total active membership in co-operatives decreased by 2.7 percent. Membership increased by 64.6 percent in “other” co-operatives and by 7.8 percent in the community service sector. All other sectors experienced a net loss in active members, ranging from a 41.0 percent decrease in the recreation sector to a 1.5 percent decrease in the financial sector.

Some of the changes in membership numbers can be attributed to reporting practices. Increasingly, those co-ops that file reports with the Department of Justice are choosing to only report active memberships. This shift in membership classification may reflect a change in reporting practice, rather than a change in actual number of active members. Furthermore, in 1998, a greater number of co-operatives failed to report membership information altogether. Approximately 180 of the co-operatives that reported membership numbers for the 1996 fiscal year failed to report the same information on their annual returns for the current reporting period.

The aggregate 1998 financial data was affected by the activities of the larger Saskatchewan co-operatives such as Dairy Producers, SWP, Federated Co-operatives, and the credit union system. For instance, the amalgamation of Dairyworld and Dairy Producers changed the complexion of the dairy industry and has made it more difficult to identify the Saskatchewan financial element of the new co-operative entity, Agrifoods International.

**Table 2: Comparison of co-operatives' aggregate data, 1989, 1996, and 1998**

Descriptor	Unadjusted (x 1,000)*			Adjusted for Inflation To 1998 Dollars (x 1,000)*		
	1989	1996	1998	1989	1996	1998
Assets	\$8,745,524	\$9,193,276	\$10,005,440	\$10,851,826	\$9,438,092	\$10,005,440
Liabilities	\$7,609,845	\$7,586,328	\$8,164,721	\$9,442,627	\$7,788,351	\$8,164,721
Average debt/asset						
all co-ops	na	0.46	0.40	na	0.46	0.40
nonfinancial	0.30	0.31	0.33	0.30	0.31	0.33
Members' equity	\$958,368	\$1,394,194	\$1,574,285	\$1,189,185	\$1,431,321	\$1,574,285
Revenue	\$3,512,014	\$6,903,601	\$6,950,446	\$4,357,860	\$7,087,443	\$6,950,446
Surplus	\$86,479	\$245,613	\$208,917	\$107,307	\$252,154	\$208,917
Employees	15,668	14,428	15,046	15,668	14,428	15,046
Wage bill	\$361,428	\$423,844	\$458,684	\$448,476	\$435,131	\$458,684
Capital investment	\$100,961	\$124,268	\$372,295	\$125,277	\$127,577	\$372,295

\* Except for debt/asset and number of employees

In 1998, total assets controlled by co-operatives in Saskatchewan were \$10 billion (Table 2). Financial co-operatives continued to account for the largest portion, with \$7.53 billion in assets (the breakdown of financial data by co-operative category for 1998 will be discussed in more detail later in this report). The average debt-to-asset ratio for all co-operatives in 1998 was 0.40, down slightly from 0.46 in 1996. Once again, this number is largely influenced by the high (0.92) debt-to-asset ratio of financial co-operatives. Removing financial co-operatives from this mix drops the ratio for 1998 to 0.33, a slight increase from

1996 (0.31). Members' equity for all co-operatives was reported at \$1.57 billion in 1998. Adjusting for the Consumer Price Index (CPI),<sup>5</sup> this represented an increase in members' equity of 10 percent from 1996.

Recorded revenues for 1998 increased slightly from the previous study, with co-operatives generating \$6.95 billion, compared to \$6.90 in 1996. However, after adjusting for inflation this represents a net decrease in revenue of 1.9 percent. Net income (surplus) in 1998 dropped to \$209 million from \$246 million in 1996, representing an inflation-adjusted decline of 17.1 percent. It is important to note that a considerable portion of this decline reflects the diminished performance of Saskatchewan Wheat Pool, which saw its inflation-adjusted revenue decrease by \$74 million and net income by \$33 million.

Saskatchewan co-operatives employed 15,046 people in 1998, which represents an increase of 4.3 percent from 1996. Total wage bills (salaries and benefits) for co-operatives in 1998 were \$459 million, up from \$424 million in 1996. The capital investment of \$372 million reported in 1998 is a significant increase from the \$124 million of 1996. This change amounts to an inflation-adjusted 192 percent increase. Much of this increase is reflective of investments by Saskatchewan Wheat Pool in livestock ventures, and especially in the Project Horizon inland terminal initiative.

Key statistics for each of the co-operative categories for 1998 are displayed in Table 3. These figures will be discussed in more detail in the sections of the report that review each category individually. Tables comparing co-operative financial data from 1989, 1996, and 1998 may be found at the end of this report in the section titled "Comparative Tables."

tables 3 and 5 here

## Agricultural and Resource Co-operatives

Farmers continue to perceive co-operatives as an effective means of growing, processing, and marketing their produce. Co-operatives categorized as agricultural and resource include farming, feeder, grazing, breeding, seed cleaning, farmers' markets, fishing, Saskatchewan Wheat Pool, Saskatchewan Dairy Producers,<sup>6</sup> and other miscellaneous agricultural-based organizations (Table 5).

There were 387 active agricultural and resource co-operatives in 1998 compared to 408 in 1996, a decrease of 5.1 percent. Active membership fell from 72,209 to 67,940, a decline of 5.9 percent.

Total assets were \$1.56 billion (Table 4) compared to \$1.33 billion in 1996, an inflation-adjusted increase of 14.0 percent. Liabilities also increased, from \$828 million in 1996 to \$871 million in 1998, for an adjusted rise of 2.4 percent, while the average debt-to-asset ratio rose from 0.39 to 0.43. Members' equity jumped to \$425 million in 1998 from \$319 million in 1996, an adjusted increase of 29.9 percent.

**Table 4: Comparison of agricultural and resource co-operatives, 1989, 1996, and 1998**

Descriptor	Unadjusted (x 1,000)*			Adjusted for Inflation To 1998 Dollars (x 1,000)*		
	1989	1996	1998	1989	1996	1998
Assets	\$812,257	\$1,334,647	\$1,562,568	\$1,008,011	\$1,370,682	\$1,562,568
Liabilities	\$464,421	\$828,015	\$870,754	\$576,346	\$850,371	\$870,754
Average debt/asset	0.46	0.39	0.43	0.46	0.39	0.43
Members' equity	\$388,037	\$318,877	\$425,380	\$481,554	\$327,487	\$425,380
Revenue	\$1,802,456	\$4,302,615	\$4,280,569	\$2,236,848	\$4,418,786	\$4,280,569
Surplus	\$11,547	\$52,176	\$18,483	\$14,330	\$53,585	\$18,483
Employees	3,918	3,400	3,633	3,918	3,400	3,633
Wage bill	\$114,121	\$124,124	\$126,130	\$141,624	\$127,475	\$126,130
Capital investment	\$65,456	\$80,011	\$199,437	\$81,231	\$82,171	\$199,437

\* Except for debt/asset and number of employees

Revenues in 1998 dipped to \$4.28 billion from \$4.30 billion in 1996. This amounts to a 3.1 percent decline when adjusted for inflation. Net income (surplus) saw a corresponding drop, from \$52.2 million in 1996 to \$18.4 million in 1998, a real decrease of 65.5 percent. Total wages decreased by 1.0 percent after inflation adjustment, while the number of employees increased by 233 to a total of 3,633 in 1998. These disproportionate changes indicate a lower average salary for people employed in this sector.

Agricultural and resource co-operatives combined held nearly 15.6 percent of all co-operative assets in Saskatchewan in 1998, while generating 61.6 percent of revenues and 8.8 percent of co-operative surpluses. These co-operatives also accounted for 24.4 percent of co-operative employees, paying out 27.5 percent of all co-operative wages. The 1998 data for the different types of agricultural and resource co-operatives are provided in Table 5. The figures for each type of co-operative will now be discussed in detail.

## **Farming**

The roots of farming and machinery co-operatives in Saskatchewan can be traced to the mid-1940s, when veterans returning home after the war faced the challenge of securing employment. A government initiative facilitated the establishment of farming co-operatives for these individuals. In 1998, Saskatchewan was home to 37 farming co-operatives, with a total membership of 194. The number of co-operatives is up by 1 from 1996, while membership dropped from 224.

Assets reported in 1998 totalled \$3.0 million, while total liabilities were \$1.1 million. The financial health of these co-operatives appeared to improve, with the average debt-to-asset ratio decreasing from 0.45 to 0.33. Compared to the many farms operating in Saskatchewan in 1998, the number of farming co-operative enterprises remains quite small.

Revenues reported in 1996 were \$1.8 million, with a surplus of \$40,000. Farming and machinery co-operatives employed 38 individuals (18 full time and 20 part time) in 1998, compared to 28 in 1996 (13 full time and 15 part time). The reported wage bill decreased significantly over this period, from \$348,000 to \$108,000. Failure to report financial data on

annual returns by many of these co-operatives likely explains the contradictions between number of employees and wage bill, and further challenges the validity of this data.

## **Feeder**

The Feeder Association Loan Guarantee Program, which began in 1984, assisted farmers with feeding and marketing their cattle. Each association was required to deposit 5 percent of the funds borrowed under government loan guarantees in an assurance fund. In 1998, there were 4,648 active members in 115 feeder co-operatives, compared to 5,742 active members in 137 co-operatives in 1996. The number of members per co-operative decreased slightly, from approximately 42 per co-operative in 1996 to 40 per co-operative in 1998.

Feeder co-operatives are primarily categorized as Group 2 co-operatives by the Department of Justice. Because Group 2 co-operatives are not required to file complete financial records, many complete the minimum requirements only. As a result, feeder associations had the second lowest reporting percentage of all the subsectors surveyed. Low reporting percentages challenges the validity of cross-study comparisons for this subsector. Therefore, only the 1998 data will be discussed here and no comparative analysis is presented.

In 1998, feeder co-operatives reported total assets of \$3.6 million, liabilities of \$2.6 million, and a surplus of \$30,000. The average debt-to-asset ratio was 0.93. Feeder co-operatives employed 142 individuals in 1998 (9 full time and 133 part time).

## **Grazing**

Grazing co-operatives enable farmers to rent grazing land on a collective basis. In 1998, there were 1,419 active members in 135 fodder and grazing co-operatives, compared to 1,902 active members in 139 co-operatives in 1996. While the number of co-operatives has remained relatively stable, there has been a decrease in the number of active members—between 10 and 11 per co-operative in 1998 compared to more than 13 in 1996. Assets totalled \$3.24 million in 1998 compared to \$4.01 million in 1996, and the average debt-to-

asset ratio declined from 0.31 to 0.26, indicating an improvement in the financial health of these organizations. Combined revenues in 1998 were \$2.91 million compared to \$3.26 million in 1996, with a net surplus of \$50,000 in 1998 compared to \$32,736 in 1996.

Fodder and grazing co-operatives employed 79 individuals in 1998 (30 full time and 49 part time), compared to 62 (2 full time and 60 part time) in 1996. The wage bill increased from \$200,000 in 1996 to \$242,000 in 1998. This represents an increase in total wages of 17.4 percent after adjusting for inflation.

### **Breeding**

In addition to the services provided by grazing and feeder co-operatives, livestock farmers have also formed breeding co-operatives to supply artificial breeding services. Not as widespread as feeder and grazing associations, breeding co-operatives in 1998 had 811 active members in 16 organizations,<sup>7</sup> compared to the 1996 figures of 794 active members in 13 co-operatives.

Assets totalled \$316,000 for those co-operatives reporting in 1998, with liabilities of \$124,000, compared to the 1996 figures of \$677,000 in assets and \$501,000 in liabilities. Revenues in 1998 were \$234,000, with a net surplus of \$6,000, compared to 1996 revenues of \$229,000 and a surplus of \$14,000. Breeding co-operatives employed 17 individuals in 1998 (2 full time and 15 part time), compared to 20 (6 full time and 14 part time) in 1996. A total wage bill of only \$1,000 was reported, suggesting a failure to report full information by co-operatives in this sector.

Due to the low level of reporting from this sector, it is difficult to be conclusive about overall changes. It is noteworthy, however, that breeding co-operatives reported capital investment of \$26,000 in 1998 compared to \$0 in the 1996 study.

### **Seed Cleaning**

The number of seed-cleaning co-operatives in 1998 was unchanged from 1996, while membership increased slightly, from 2,519 to 2,591. Employment in 1998 remained relatively sta-

ble, with 21 employees (10 full time and 11 part time), compared to 22 (13 full time and 9 part time) in 1996.

Once again, incomplete reporting of financial data makes comparison meaningless and therefore only 1998 data is reported here. Total assets in 1998 were \$320,000 while liabilities were \$60,000, for a debt-to-asset ratio of 0.11. Surplus was \$36,000 and members' equity \$260,000. Revenue of \$325,000 and capital investment of \$6,000 were also reported for this period.

### **Farmers' Markets**

Dispersed throughout the province, farmers' markets provide an avenue for the direct marketing of a wide variety of farm produce. The majority of these businesses operate on a break-even basis, and revenues consist mainly of charges to members for co-ordination services and table rentals. In 1998, there were 1,324 active members in 40 farmers' market co-operatives, compared to 2,013 active members in 41 co-operatives in 1996.

Assets totalled \$274,000 in 1998 compared to \$305,225 in 1996. The average debt-to-asset ratio, already low in 1996, fell to 0.05 in 1998. Combined revenues that year were \$225,000 compared to \$244,442 in 1996, with a net loss of \$1,000 as compared to net income of \$3,338 in 1996.

Farmers' market co-operatives employed 9 individuals in 1998 (3 full time and 6 part time), compared to 24 (1 full time and 23 part time) in 1996. The total wage bill for 1998 was \$44,000.

### **Soil Conservation**

In keeping with concerns about sustainable agricultural practices, a number of soil-conservation co-operatives have been established. Several of these co-operatives received substantial funding from the Prairie Farm Rehabilitation Administration. Soil-conservation projects included the establishment of shelter-belts, conservation tillage, and continuous cropping.

The number of soil-conservation co-operatives filing with the Department of Justice continued to decline substantially between 1996 and 1998. Only 3 were active in 1998 compared to the 7 reported in 1996. The total membership likewise declined, from 201 to 39.

Assets totalled \$44,000 in 1998 compared to \$128,025 in 1996. The average debt-to-asset ratio of 0.09 in 1996 rose to 0.32 in 1998. Combined revenues in 1998 were \$11,000 compared to \$67,925 in 1996, with a net surplus of \$0 in 1998 compared to \$25,060 in 1996. Employment in 1998 remained relatively stable and minimal, with only one part-time employee.

### **Fishing**

The primary service provided by the fishing co-operatives to their individual membership is the rental of fishing equipment. The number of fishing co-operatives remained at 10, as in 1996, but the number of members fell from 529 to 374 by 1998.

Assets reported in 1998 totalled \$44,000, compared to \$48,000 in 1996, and the debt-to-asset ratio rose from 0.14 to 0.17. In 1998, revenues were reported at \$39,000, with a surplus of \$10,000; comparable figures for 1996 were \$54,000 and \$23,000. Employment declined from 4 part-time employees in 1996 to only 1 by 1998, with the majority of the businesses relying on volunteer labour.

### **Saskatchewan Wheat Pool**

Established in 1924 as a central marketing organization for grain producers, the Saskatchewan Wheat Pool (SWP) now ranks as the largest Saskatchewan-based corporation. The SWP also ranks as Canada's largest grain-handling company. This activity, however, represents only one of the many enterprises in which this large and diverse company is involved. While grain handling accounted for 44 percent of SWP operating earnings in 1998, fully 37 percent of earnings came from the farm supply segment, with an additional 19 percent derived from agri-food processing, livestock marketing, and publishing.<sup>8</sup>

Selected Pool activities from 1992 to 1998 are outlined in Table 6.

**Table 6: SWP sales and operating revenue by segment (x 1,000)**

	1998	1997	1996	1995	1994	1993	1992
Country Services grain managed (tonnes)	10,100	11,400	9,300	10,559	10,310	10,376	11,332
Terminal Elevator grain handling (tonnes)	5,700	5,800	4,700	6,641	5,919	5,743	7,560
Country Services farm supply sales(\$)	448,700	453,900	379,600	314,516	266,662	207,140	196,429
Livestock handling (head)	901	862	792	812	517	521	492
<i>Western Producer</i> circulation	90	95	99	96	97	100	107

Source: SWP *Annual Reports*

Saskatchewan Wheat Pool underwent a significant change in its ownership structure in 1996, which allowed the corporation to be listed as a publicly traded company and to issue Class B nonvoting shares for the first time. In 1998, there were 55,456 voting members in SWP, compared to an active membership of 57,000 in 1996.

Assets totalled \$1.5 billion in 1998 compared to \$1.2 billion in 1996. Adjusted for inflation, this represents a real increase of 23.1 percent in the company's assets. Liabilities have increased less substantially since 1996, rising from \$735 million to \$855 million. As a result, the debt-to-asset ratio has decreased from 0.61 to 0.56. Shareholder equity has increased as well, but only a portion of this was held by the voting shareholders (members). Shareholders' equity was calculated at \$400 million in 1998,<sup>9</sup> compared to \$282 million in 1996. Revenues in 1998 were \$4.17 billion compared to \$4.13 billion in 1996, while the net surplus during the same period was \$16 million as compared to \$48 million.

SWP provided 3,000 full-time equivalent (FTE) positions in 1998, an increase of 20 percent from 1996. The wage bill was \$120 million in 1998 compared to \$100 million in 1996. Adjusting for inflation, this represents an increase of 16.9 percent for total wages paid.

### Saskatchewan Dairy Producers

The origins of Saskatchewan Dairy Producers can be traced to the establishment of a number of creameries during the 1890s. Dairy Producers was established in 1972 as the result of

a merger between two co-operatives—Saskatchewan Co-operative Creameries Association and the Dairy Pool.<sup>10</sup> After that amalgamation, Dairy Producers handled the majority of Saskatchewan milk and cream shipments. Milk and milk products made up the largest proportion of sales; other products included poultry, eggs, and juice.

In 1996, Dairy Producers amalgamated with Dairyworld Foods, which at the time was the largest food company in western Canada.<sup>11</sup> The merger allowed Dairyworld to position itself as a major national and international competitor. Active and total membership in the co-operative have both declined since 1996, indicating that rationalization is also occurring within the production side of the industry. In 1996, total membership was 2,000, with an active membership of 512 producers. By 1998, total membership had dwindled to about 911, and active membership was down to 411 producers.

Saskatchewan assets in 1998 were calculated at \$30 million compared to \$75 million in 1996. It is unclear whether this decline is reflective of the process of amalgamation and the elimination of facilities formerly operated by Dairy Producers within the province, or merely a change in the organization's method of calculating the Saskatchewan portion. Liabilities also declined, falling from \$44 million in 1996 to \$10 million in 1998, resulting in a decrease in the debt-to-asset ratio from 0.60 to 0.33. Members' equity within Saskatchewan has also fallen. In 1998, it was reported as \$20 million, which was down substantially from the \$29 million reported in 1996. Revenues in 1998 were \$105 million compared to \$160 million in 1996, and the surplus in 1998 was also lower, at \$2 million, compared to \$3 million in 1996.

The number of employees in 1998 was 110 compared to 516 in 1996. The wage bill in 1998 was also lower, at \$5.5 million as compared to an inflation-adjusted figure of \$23.2 million in 1996. Capital investment saw a huge decline, falling from \$529,000 in 1996 to \$0 in 1998. Such dramatic decline likely reflects a change in reporting methods, and while there may have been a decline in the respective areas, it is unlikely to have been so significant.

### **Other Agricultural Co-operatives**

The 19 co-operatives included in this category represent a wide variety of enterprises, including wild-rice producers, organic growers, a greenhouse, Christmas-tree growers, pheasant and rabbit producers, as well as livestock and sheep marketers. While the number of co-operatives has increased since 1996 (13), total membership has declined from 773 to 673. Incomplete data collection makes comparisons difficult, but for those co-operatives reporting their financial information in 1998, the average debt-to-asset ratio declined from 0.29 to 0.07. At the same time, the number of employees has increased from 50 in 1996 (15 full time and 35 part time) to 215 in 1998 (146 full time and 69 part time).

## Community Development Co-operatives

The Small Business Loans Associations (SBLAs) and Rural Development Corporations (RDCs), which comprise the two types of co-operatives found within the community development sector, were first initiated in the 1980s to address Saskatchewan's dependence on agricultural exports.<sup>12</sup>

The number of community development co-operatives decreased from 165 in 1996 to 149 by 1998. During this period, assets dropped from \$4.2 million to \$3.4 million and revenue declined from \$527,000 to \$422,000, while net loss was reduced from \$35,000 to \$10,000 (Table 7). A closer examination revealed that the vast majority of the jobs in 1998 were part time (45 of 48).

**Table 7: Comparison of community development co-operatives, 1989, 1996, and 1998**

Descriptor	Unadjusted (x 1,000)*			Adjusted for Inflation To 1998 Dollars (x 1,000)*		
	1989	1996	1998	1989	1996	1998
Assets	\$1,047	\$4,258	\$3,387	\$1,299	\$4,371	\$3,387
Liabilities	\$404	\$3,180	\$2,764	\$501	\$3,265	\$2,764
Average debt/asset	0.49	0.77	0.74	0.49	0.77	0.74
Members' equity	\$642	\$1,076	\$622	\$797	\$1,105	\$622
Revenue	\$749	\$527	\$422	\$929	\$541	\$422
Surplus	\$135	-\$35	-\$10	\$168	-\$36	-\$10
Employees	39	69	48	39	69	48
Wage bill	\$126	\$158	\$83	\$156	\$162	\$83
Capital investment	\$1	\$0	\$58	\$1	\$0	\$58

\* Except for debt/asset and number of employees

The financial statistics collected for the two types of community development co-operatives for 1998 are presented in Table 8 (see page 18).

### **Small Business Loans Associations**

This program, administered by Saskatchewan Economic and Co-operative Development, enables individuals or businesses to form Small Business Loans Associations, which raise investment capital to establish new businesses in their communities. The number of SBLAs grew rapidly when the program began, but has seen recent decline. The number of active co-operative SBLAs stood at 136, down from 147 in 1996.

Assets held by SBLA co-operatives dipped from \$3.2 million in 1996 to \$3.0 million in 1998. Liabilities have also decreased, and the average debt-to-asset ratio fell slightly, from 0.81 to 0.79. SBLAs employed 44 people (3 full time and 41 part time) in 1998 compared to 59 part-time workers in 1996. The total wage bill increased slightly, from \$62,000 to \$64,000.

### **Rural Development Corporations**

The role of the Rural Development Corporations has been to assist member organizations with the identification, promotion, and implementation of development projects in rural areas.<sup>13</sup> RDCs are slowly being replaced by Regional Economic Development Authorities (REDAs).

In 1998 the number of RDCs was down to 13 from 18 in 1996. Membership had likewise fallen, from 135 to 23. Only four people were employed by RDCs in 1998 compared with 10 in 1996. Total assets declined to \$302,000 from over \$1 million just two years earlier. Liabilities also saw a significant drop, resulting in a debt-to-asset ratio of 0.23 compared to 0.42 in 1996.

tables 8, 10, and 12 here

## Recreational Co-operatives

Recreational co-operatives have been established in rural Saskatchewan since the early 1920s.<sup>14</sup> Residents of the province are presently active in a wide variety of recreational co-operatives, including community halls, curling rinks and recreation centres, television services, golf-courses, and community theatres. Community-based recreational facilities, in addition to providing valuable services, also play an essential role in fostering a sense of community spirit, which is a critical component of successful community development. Recreational co-operatives therefore provide indirect support for the kinds of community-development projects described in the previous section.

A number of community-based recreational facilities are owned and controlled on a co-operative basis, but are not registered as such; hence, figures for this category are underestimated. In addition, the financial data do not reflect the value of donated materials and volunteer labour that have been invested in establishing and maintaining these facilities.

**Table 9: Comparison of recreational co-operatives, 1989, 1996, and 1998**

Descriptor	Unadjusted (x 1,000)*			Adjusted for Inflation To 1998 Dollars (x 1,000)*		
	1989	1996	1998	1989	1996	1998
Assets	\$34,534	\$42,058	\$42,994	\$42,851	\$43,178	\$42,994
Liabilities	\$15,674	\$12,924	\$7,401	\$19,449	\$13,268	\$7,401
Average debt/asset	0.06	0.06	0.04	0.06	0.06	0.04
Members' equity	\$18,860	\$29,134	\$35,594	\$23,402	\$29,910	\$35,594
Revenue	\$16,478	\$28,229	\$30,350	\$20,447	\$28,981	\$30,350
Surplus	\$1,933	\$1,523	\$3,254	\$2,399	\$1,564	\$3,254
Employees	327	343	278	327	343	278
Wage bill	\$2,643	\$5,264	\$395	\$3,280	\$5,404	\$395
Capital investment	\$7,049	\$5,453	\$5,104	\$8,747	\$5,598	\$5,104

\* Except for debt/asset and number of employees

Recreational co-operatives experienced a 6.8 percent decline in their numbers, from 219 in 1996 to 204 in 1998. Active membership also decreased, from 20,805 in 1996 to 12,269 in 1998.

Total assets reported by this sector have remained relatively stable despite the decrease in numbers, and liabilities have declined substantially (Table 9). The average debt-to-asset ratio remains extremely low at 0.04, suggesting good financial health for those co-operatives still active. The slight increase in revenues produced a corresponding increase in surplus for 1998. Employment decreased between 1996 and 1998 and the total wage bill dropped to \$395,000 from \$5.3 million. Capital investment fell slightly, from \$5.4 million in 1996 to \$5.1 million in 1998. The 1998 financial statistics for each type of recreational co-operative are found in Table 10 (see page 18).

### **Community Halls**

Since 1996, there has been a decline in the number of community halls operating as co-operatives. Compared to 1996, when there were 109 of them, there are now only 102 registered. The total active membership over the period decreased from 6,955 to 5,342.

Total assets dropped from \$3.1 million to \$2.8 million, while liabilities dropped from \$22,000 to \$19,000 for a slightly increased debt-to-asset ratio of 0.03. Revenue also dropped, from \$862,000 in 1996 to \$795,000 in 1998, while surplus rebounded from a \$15,000 loss to a net gain of \$55,000. Capital investment also increased, from \$27,000 to \$39,000.

### **Curling and Recreational Centres**

Curling and recreational facilities serve a wide variety of needs, providing gymnasiums, meeting halls, hockey arenas, swimming pools, concession stands, and many other services. Like the community halls, the number of curling rinks and recreational centres, and their corresponding memberships, declined between 1996 and 1998. The number of co-ops fell from 95 to 88, and total membership fell from 11,466 to 4,931.

Assets were slightly lower in 1998 compared to 1996, and there was a 16 percent (infla-

tion-adjusted) decline in revenues. These organizations continue to enjoy a low debt-to-asset ratio, but members' equity decreased slightly from \$9.6 million in 1996 to \$9.3 million in 1998.

The level of employment provided by these co-operatives dropped to 13 individuals employed full time and 36 part time in 1998 (for a total of 49), compared to 12 full time and 108 part time in 1996 (for a total of 120). The total 1996 wage bill was \$673,000 compared to \$307,000 in 1998, a decrease of 56 percent after adjusting for the CPI. Capital investment increased to \$113,000 in 1998 compared to \$90,000 in 1996.

### **Television**

People are co-operating in Saskatchewan to provide themselves with cable television services. The number of television co-operatives in 1998 remained at 5, the same as in 1996. Despite their small number, however, television co-operatives are responsible for a considerable amount of economic activity. The number of employees was 134 in 1998 compared to 174 in 1996. Assets increased to \$29.9 million in 1998 from \$27.3 million in 1996, while liabilities dropped, resulting in a significantly reduced debt-to-asset ratio of 0.11 for 1998.

### **Other Recreation**

In 1998, there were 9 active co-operatives in this sector, including golf, community theatre, museums, and waterslides. The number of co-operatives categorized as "other" has declined from 10 in 1996, with a corresponding decline in total membership. In 1996, these co-operatives employed 15 people, all in part-time positions, but this increased to 20 people (3 full time and 17 part time) in 1998. Assets dropped from \$745,000 to \$570,000, while liabilities increased from \$223,000 to \$249,000, resulting in an increased debt-to-asset ratio of 0.25 in 1998 compared to 0.09 in 1996.

## Child-Care and Preschool Co-operatives

The trend towards more women working outside the home has heightened the need for adequate and affordable child-care services. Co-operatives can play an important role in this regard. While private firms may be inclined to enhance profitability by charging higher prices, member-owned child-care and educational facilities are more likely to place emphasis on providing more spaces at prices that members can afford, which suggests an opportunity for this type of co-operative to become more common. However, rather than growing, this sector declined from 133 co-operatives in 1996 to 122 in 1998, with a slight decrease in members from 8,895 to 8,416.

**Table 11: Comparison of child-care and preschool co-operatives, 1989, 1996, and 1998**

Descriptor	Unadjusted (x 1,000)*			Adjusted for Inflation To 1998 Dollars (x 1,000)*		
	1989	1996	1998	1989	1996	1998
Assets	\$3,788	\$5,243	\$6,487	\$4,700	\$5,383	\$6,487
Liabilities	\$1,282	\$1,365	\$1,341	\$1,591	\$1,401	\$1,341
Average debt/asset	0.14	0.13	0.27	0.14	0.13	0.27
Members' equity	\$2,506	\$3,881	\$5,146	\$3,110	\$3,984	\$5,146
Revenue	\$8,119	\$10,205	\$11,386	\$10,074	\$10,477	\$11,386
Surplus	\$230	\$284	\$790	\$285	\$292	\$790
Employees	473	519	455	473	519	455
Wage bill	\$6,021	\$7,075	\$7,829	\$7,471	\$7,263	\$7,829
Capital investment	\$406	\$542	\$203	\$504	\$556	\$203

\* Except for debt/asset and number of employees

Assets increased from \$5.2 million in 1996 to \$6.5 million in 1998 (Table 11). Adjusted for the CPI, this represents a real increase of 20.5 percent. Declining levels of debt and the low average debt-to-asset ratio indicated good financial health for these co-operatives. Both the total revenue and surplus for the sector exceeded figures reported in 1996. The

number of employees has decreased by 12 percent, while the inflation-adjusted wage bill has increased by nearly 8 percent, indicating better salaries for employees in this sector.

The 1998 financial statistics for both the child-care and preschool co-operatives appear in Table 12 (see page 18).

### **Child-Care Centres**

The number of child-care centres reporting to the Department of Justice decreased from 54 in 1996 to 49 in 1998. This decrease was offset by increases in total assets, members' equity, revenues, and surplus. In 1996, there were 269 full-time and 118 part-time positions compared to 257 full-time and 118 part-time in 1998. The total wage bill increased from \$6.3 million in 1996 to \$7.0 million in 1998, for an inflation-adjusted rise of 7.8 percent.

### **Preschools**

In contrast to child-care facilities, preschools do not receive a high level of government funding. As a result, they tend to rely more heavily on donations and fundraising drives to bolster revenues. Preschools recorded proportionately less financial activity than the child-care facilities. This is probably a reflection of their smaller size and a greater reliance on volunteer labour.

There were 73 active preschools in 1998 compared to 79 in 1996. Membership over this period declined from 5,837 to 5,527. Assets dropped slightly from \$682,000 in 1996 to \$667,000 in 1998, while liabilities increased from \$137,000 to \$182,000, resulting in a much larger debt-to-asset ratio of 0.29 for 1998 compared to 0.04 in 1996.

Total revenues remained relatively stable at \$1.4 million, while both surplus and capital investment declined significantly during this period. Although the total number of employees dropped from 132 people (33 full time and 99 part time) in 1996 to 80 people (36 full time and 44 part time) in 1998, the total wage bill increased by 8.1 percent (adjusted).

tables 13 and 14 here

## Retail and Wholesale Co-operatives

Consumer co-operative activity first appeared on the prairies at the turn of the century. Agricultural producers joined together to form buying clubs in order to make bulk purchases of farm supplies and basic commodities.<sup>15</sup> These initial forms of co-operative activity have grown into an extensive retailing system. Virtually all economic activity in this sector was carried out by Federated Co-operatives Limited (FCL) and the affiliated retail co-operatives. For this reason, an aggregate comparison of the sector between 1996 and 1998 will not be carried out. Comparisons will be made instead based on the three co-operative designations within the sector: FCL, Affiliated Retail, and Other Retail co-operatives. The 1996 financial statistics for FCL, Affiliated Retail, and Other Retail are displayed in Table 13 (see page 24).

### Federated Co-operatives Limited and Affiliated Retail

According to Saskatchewan Business magazine, Federated Co-operatives Limited is Saskatchewan's second-largest corporation in terms of gross sales. Divisions within FCL are representative of the types of services and products it provides to member retail co-ops. These divisions include retail operations, consumer products, agricultural products, distribution, forest products, refining, and environmental and technical services. FCL is a trans-provincial co-operative, but the figures reported in this study reflect only that portion of the enterprise deemed to be owned or operating within Saskatchewan. As well, \$198 million of FCL members' equity represents assets of the affiliated retail co-operatives within Saskatchewan.<sup>16</sup>

In 1998, FCL assets in Saskatchewan were estimated to be \$486 million, or 50 percent of the organization's total assets.<sup>17</sup> With Saskatchewan-based liabilities estimated at \$211 million, the debt-to-asset ratio in 1998 was 0.43, considerably higher than the value (0.32) calculated in 1996.

Revenues and surpluses generated from sales to Saskatchewan retail co-operatives were

\$895 million and \$74 million respectively. In 1998, FCL employed 1,207 people compared to 1,148 in 1996, a 5 percent increase. The total wage bill in 1998 was \$54 million compared to \$50 million in 1996, an increase of 5.4 percent when adjusted for the Saskatchewan CPI. Over the same period, capital investment increased from \$17 million to more than \$25 million. When adjusted for the CPI, this represents an increase of 45 percent from 1996.

The 168 retail co-operatives affiliated through FCL delivered a wide variety of goods and services throughout the province, with particular concentration in small rural communities.<sup>18</sup> Merchandise provided by the retail co-operatives included groceries, general merchandise, petroleum products, feed, and crop supplies.

Although the number of affiliated retails and active membership experienced a slight decline (0.6 percent and 2.8 percent respectively), assets held by those affiliated retails increased by 9.5 percent (unadjusted) to \$519 million in 1998. Combined with a 6.8 percent (unadjusted) decline in liabilities, this resulted in a 12 percent increase in members' equity, recorded at \$455 million in 1998 compared to \$406 million in 1996.

The affiliated retails recorded revenues just under \$1 billion in Saskatchewan in 1998. A surplus of \$61 million in 1998 represented a decrease of 25.5 percent compared to 1996 (adjusted for the CPI). The overall wage bill dropped by 1.7 percent (adjusted) to \$80.4 million in 1998.

### **Other Retail Co-operatives**

Including such diverse enterprises as a bookstore, laundromat, restaurants, and buying clubs, these 14 co-operatives held assets in excess of \$123,000 and members' equity in excess of \$93,000 for their 1,100 members. Revenues totalled \$349,000 in 1998, with a small surplus reported. Reflecting the small size of most of these miscellaneous retail co-operatives, only 8 full time and 5 part-time employees were identified, with a total wage bill of \$39,000. Capital investment was practically nonexistent. The lack of financial data for many of the co-operatives made comparisons difficult. Based on those who did report, however, the average debt-to-asset ratio was 0.20 in 1998 compared to 0.33 in 1996.

## Financial Co-operatives<sup>19</sup>

A lack of financial services on the prairies during the Depression led to the establishment of the co-operative financial sector. During the 1930s, the number of bank branches in Saskatchewan declined by 40 percent. The banks were also accused of setting high interest rates and operating conservative loan policies, factors that led to a determination to develop locally based and locally responsive financial institutions.<sup>20</sup>

The financial co-operatives reported in this study include the credit unions and Credit Union Central, The Co-operators, and Co-operative Hail Insurance. Unlike the previous studies, the Co-operative Trust Company of Canada, rather than being examined separately, has been treated as a subsidiary of Credit Union Central of Saskatchewan. The 1998 financial statistics for these co-operatives are contained in Table 14 (see page 24).

Active membership for the financial co-operatives (excluding corporate and organizational memberships) was 561,119 in 1998 compared to 569,849 in 1996, a decline of 1.6 percent. Assets in 1998 were \$7.53 billion, with liabilities accounting for \$6.96 billion. The average debt-to-asset ratio was 0.92 and members' equity totalled \$563 million.

### The Credit Union System and Credit Union Central

The first credit union in Saskatchewan was organized in Regina in 1937.<sup>21</sup> By 1989, the credit union system in Saskatchewan had grown to include 351 credit union outlets and almost \$5 billion in assets. Local ownership and control combined with the establishment of a large, province-wide, central organization allowed members to take advantage of the efficiencies provided by economies of scale while maintaining responsiveness to local needs. Firms that were locally owned and controlled could continue to provide services in communities where it was no longer profitable for a private firm to do so. Local ownership also meant that the money deposited locally was more likely to remain in the community.

Originally established around a rural population with limited mobility, the credit

unions are now undergoing a consolidation process common to many institutions within the province. Trends towards greater urbanization and reduced economic activity in the smaller towns and villages have heightened the need for the reinvestment of savings back into the community. And the globalization of financial services finds the credit unions increasingly in competition with the traditional banking system, as well as with other financial institutions.<sup>22</sup>

In 1998, 339 credit union locations representing 151 credit unions reported assets totalling \$6.5 billion compared to \$6.1 billion in 1996. Over the same period, liabilities increased from \$5.7 billion to \$6.1 billion, and the average debt-to-asset ratio declined somewhat, from 0.94 to 0.93. Members' equity grew from \$361 million to \$430 million, an increase of 16 percent after adjusting for the CPI.

In 1998, credit union revenues were \$482 million, very close to the 1996 figures, with a surplus of \$37 million, down \$3 million from 1996. The system employed 2,812 individuals, up 256 from the earlier study, and reported a wage bill of more than \$115 million as compared to \$92 million in 1996. Capital investment was calculated at \$98.3 million compared to \$11 million in 1996.

The credit unions own Credit Union Central (CUC), which serves the system by providing financial services, information technology support, and consulting services. As part of its efforts to support the credit unions, CUC has developed a number of alliances and partnerships. Insurance products for credit union members are provided through the Co-operators Group (reported below) and CUMIS Insurance Company. Financial planning and trust and estate services are provided through MemberCARE Financial Services and the Co-operative Trust Company of Canada. And a variety of products and services are offered through a number of other joint ventures, such as CU Electronic Transaction Services (CUETS) and Credit Union Payment Services (CUPS).

It is important to note when making comparisons that the figures for CUC in 1998 include Co-op Trust's activity, which had been considered separately in the previous studies. CUC assets in 1998 were \$2.4 billion as compared to \$1.6 billion in 1996, with liabilities up from \$1.5 to \$2.3 billion. The debt-to-asset ratio remained almost unchanged (0.94 in 1998

and 0.95 in 1996), while members' equity rose dramatically from \$85.5 million to \$136.6 million. Revenues also rose, from \$125.6 million in 1996 to \$185 million in 1998, with a surplus of \$4 million in the earlier year as compared to \$5.9 million in the most recent study. CUC employed approximately 434 people, up from the 360 reported in 1996, with a total wage bill of \$30.9 million, up from \$20.5 million in 1996. Capital investment was \$31.2 million in 1998, a significant increase compared to \$3.7 million in 1996.

### **The Co-operators**

Co-operators Group Limited is a national firm that is owned by 30 co-operatives across Canada. In Saskatchewan, ownership consists of Federated Co-operatives, Credit Union Central, and Saskatchewan Wheat Pool. Co-operators Group is the holding company for the following wholly owned companies: Co-operators Life Insurance, Co-operators General Insurance, COSECO Insurance Company, The Sovereign General Insurance Company, Co-operators Financial Services Limited, Co-operators Investment Counseling, Co-operators Development Corporation, Federated Agencies Limited, and HB Group Insurance Management Limited.

In 1998, it was calculated that The Co-operators Group owned assets worth \$172.6 million in Saskatchewan, with liabilities assessed at \$138.7 million. Comparative 1996 figures are \$170 million and \$145 million respectively. Revenue from Saskatchewan was \$70.5 million (investment income not included) compared to \$65 million in 1996, with a surplus of \$2.1 million compared to \$3 million in 1996. Co-operators employed 620 people, up from 500 in 1996, with the majority working for Co-operators Life Insurance, which is based in the province. The wage bill for Saskatchewan was \$38.7 million, up significantly from the \$25 million in 1996, and capital investment in both years was determined to be zero.

### **Co-operative Hail Insurance**

First organized in 1947 by a group of farmers in the Edenwold district of Saskatchewan, Co-operative Hail Insurance, based in Regina, has members and policy holders in Saskatchewan and Manitoba. Statistics reported here reflect Saskatchewan's share of this eco-

conomic activity. Saskatchewan farmers currently account for more than 77 percent of the co-operative's membership, up from 74 percent in 1996, although actual membership fell from 64,884 to 62,186. There were 12,970 policies written in Saskatchewan in 1998, down from the 14,566 in 1996, and revenues consequently fell from \$26 million to \$16 million.

Assets in 1998 were calculated at \$30.9 million, up from the \$25.6 million reported in 1996. Liabilities remained unchanged at \$4 million, and the debt-to-asset ratio fell from 0.16 to 0.13. Members' equity in 1998 was \$27 million compared to \$21.4 million in 1996. Total revenues for Saskatchewan in 1998 were \$16.3 million, down from the 1996 total of \$26.4 million, while the 1998 surplus amounted to \$5.5 million compared to \$1.4 million in the earlier study. Due to the fact that the head office is located in Regina, all staff and wage costs were assumed to rest wholly in this province. A total of 99 people (7 full time and 92 part time) were employed in 1998. Although the 7 full-time positions remained constant during the two years under study, the 92 part-time positions were added since 1996. The wage bill increased from \$337,000 in 1996 to \$475,000 in wages and benefits in 1998.

## Community Service Co-operatives

Community service co-operatives meet a variety of needs, including health care, fire protection, funeral services, water systems, and adult education, to highlight a few. There were 48 community service co-operatives in 1998, with a total membership of nearly 33,000. This represented a 2 percent growth in the number of co-operatives since 1996 and an increase of 7.8 percent in active membership.

Total assets for the community service sector in 1998 were \$6.5 million compared to \$6.1 million in 1996, an increase of 3.5 percent after adjusting for the CPI (see Table 15). Liabilities within the sector increased, from \$1.8 million in 1996 to \$2.4 million in 1998, resulting in an increase in the average debt-to-asset ratio from 0.13 to 0.17. Members' equity dropped since 1996, with the \$4.1 million reported in 1998 representing a decrease (adjusted for CPI) of 7.2 percent.

**Table 15: Comparison of community service co-operatives, 1989, 1996, and 1998**

Descriptor	Unadjusted (x 1,000)*			Adjusted for Inflation To 1998 Dollars (x 1,000)*		
	1989	1996	1998	1989	1996	1998
Assets	\$4,933	\$6,101	\$6,484	\$6,121	\$6,263	\$6,484
Liabilities	\$2,723	\$1,786	\$2,372	\$3,379	\$1,834	\$2,372
Average debt/asset	0.27	0.13	0.17	0.27	0.13	0.17
Members' equity	\$2,210	\$4,316	\$4,112	\$2,742	\$4,431	\$4,112
Revenue	\$12,125	\$14,618	\$15,587	\$15,045	\$15,007	\$15,587
Surplus	\$365	\$368	\$181	\$453	\$378	\$181
Employees	280	291	336	280	291	336
Wage bill	\$6,914	\$9,412	\$7,180	\$8,579	\$9,663	\$7,180
Capital investment	\$279	\$469	\$1,259	\$346	\$481	\$1,259

\* Except for debt/asset and number of employees

Note: The 1989 figures include the five bus co-ops, none of which were active in 1996 or 1998. Because no comparisons were possible, bus co-ops do not appear in the comparative tables; consequently, the 1989 descriptors in those tables will not add up to the figures shown here.

tables 16 and 17 here

Revenues in 1998 decreased by 3.9 percent after adjusting for inflation. After a similar adjustment, the surplus in 1998 was 52.1 percent lower than in 1996. Employment increased 15.5 percent, from 291 individuals in 1996 to 336 in 1998. However, the wage bill dropped from \$9.4 million in 1996 to \$7.2 million in 1998, representing an inflation-adjusted decline of nearly 26 percent. Increases in capital investment were substantial, rising from \$469,000 in 1996 to \$1.3 million in 1998. The 1998 financial statistics for the different community service co-operatives are presented in Table 16 (see page 32).

### **Health Care**

There were 13 health care co-operatives registered with the Department of Justice in 1998, up from the 8 reporting in the 1996 study. Total membership grew from 26,320 to 28,658 people, most of whom are accounted for by the three largest community clinics—those in Regina, Saskatoon, and Prince Albert. Assets increased by 9.3 percent (adjusted) while liabilities increased by 27.7 percent (adjusted), resulting in a slight increase in debt-to-asset ratio. The adjusted surplus reported in 1998 was 34.5 percent lower, at \$239,000. The health co-operatives accounted for at least 312 paid positions, with a wage bill of \$6.6 million in 1998 compared to \$9.2 million in 1996. After adjusting for inflation, revenue remained virtually the same as in 1996 at slightly over \$14 million.

### **Fire Protection**

The number of fire protection co-operatives dropped by one since 1996 and membership over the same period decreased from 2,626 to 2,536. Total revenues decreased by 13.5 percent (adjusted) while surplus dropped from a positive \$28,000 in 1996 to a \$32,000 loss in 1998. In addition, the number of employees decreased from 9 to 7 part time, while the wage bill rose 11.8 percent. In general, these co-operatives maintained low debt-to-asset ratios, with the majority indicating zero liabilities.

## **Funerals**

Only 2 funeral co-operatives were reported active in 1998, compared to 3 in 1996, yet membership grew from 117 to 145 during the same period. Revenue, surplus, assets, and members' equity all dropped significantly.

## **Water Systems**

The number of water supply co-operatives decreased from 18 reporting in 1996 to 17 in 1998, with active membership growing from 233 to 250. Assets held by the water system co-operatives decreased from \$919,000 in 1996 to \$681,000 in 1998, while liabilities increased from \$64,000 to \$87,000. The average debt-to-asset ratio rose from 0.09 to 0.16 between 1996 and 1998, with members' equity decreasing from \$854,000 to \$594,000.

The water system co-operatives reported revenue of \$73,000 in 1998, compared to \$78,000 in 1996, with a loss of \$10,000 in 1998 compared to a surplus of \$4,000 in 1996. The water co-operatives continued to operate with only volunteer labour. Capital investment in 1998 was reported as \$1,000, down from the \$30,000 reported in 1996.

## **Adult Education**

The 5 adult education co-operatives active in 1998 reported 286 active members, down slightly from the 1996 figures. Specific areas of interest included co-operative education and development, promotion of the arts, and preservation of culture. Assets were \$37,000, down considerably from the \$114,000 reported in 1996, with a corresponding fall in liabilities and members' equity, which dropped from \$87,000 to \$31,000. The average debt-to-asset ratio fell from 0.30 in 1996 to 0.21 in 1998. Revenues declined by 11.8 percent (adjusted) and a loss of \$19,000 was reported in 1998, compared to a loss of \$36,000 in 1996.

## **Other Community Services**

Other community services consisted of 3 co-operatives, providing services including support to those with mental disabilities and to enhancement of the quality of life for disad-

vantaged individuals. In 1998, assets and members' equity each more than doubled since the earlier study. Liabilities increased at an even higher rate—from \$24,000 in 1996 to \$90,000 in 1998—although they still remained relatively low, and the average debt-to-asset ratio was calculated as 0.12 compared to 0.09 in 1996.

Revenue, adjusted for the CPI, more than tripled in 1998 compared to 1996, but the surplus decreased from \$6,000 to \$2,000 over the same period. The total wage bill increased significantly, from \$104,000 in 1996 to \$517,000 in 1998. Capital investment also increased, from \$11,000 to \$31,000 during the same period.

## Other Types of Co-operatives

This category of co-operatives includes those involved in housing, real estate development, employment, publishing, and other unrelated activities. Since it does not represent any particular activity or industry, this report does not compare aggregate data as it was felt that its heterogeneity would be too confounding. Comparisons were limited instead to the five types of co-operatives identified. The 1998 financial data for this sector is provided in Table 17 (see page 32).

### Housing

Housing co-operatives represent the largest category in this sector in terms of numbers and financial activity. As is the case with child-care co-operatives, collective ownership of housing units can help increase the number of affordable units available. In 1998, there were 26 housing co-operatives with 1,145 active members, representing a slight increase in both the number of co-operatives and in active membership since 1996. Although assets fell by \$3.7 million, liabilities declined to an even greater extent, resulting in a decreased average debt-to-asset ratio of 0.80. There was an increase of 88.2 percent in members' equity, adjusted for inflation. Although revenues were 6.2 percent lower in 1998, the housing co-operatives realized a \$79,000 surplus, unlike in 1996, when they barely broke even.

The housing co-operatives employed 40 people (10 full time and 30 part time) in 1998, up considerably from 1996. The wage bill was \$340,000 compared to the \$300,000 reported in 1996. Capital investment was down sharply in 1998, although this may be due to the fact that most co-ops did not indicate capital investment in their annual reports for 1998.

### Real Estate Development

This category includes co-operatives that deal with the building of nonresidential facilities, as well as the purchase of land and the regulation of development in various communities.

The enterprises reporting as real estate developments were primarily cottage and resort co-operatives. The number of co-operatives increased from 8 to 10 since 1996, while active membership decreased by 46.4 percent. Assets and liabilities both increased, resulting in an increased debt-to-asset ratio of 0.23 in 1998 compared to 0.07 in 1996. Revenues decreased by 7.9 percent (adjusted) while surplus increased five-fold to \$168,000 in 1998. At the same time, members' equity increased from \$470,000 to \$715,000.

Employment in 1998 increased to 21 positions (16 full time and 5 part time) from 1996, when there were 13 positions (5 full time and 8 part time). Capital investment, reported as \$176,000 in 1996, dropped to zero in 1998.

### **Employment**

One response to high levels of unemployment has been the formation of employment co-operatives, with the primary focus of providing jobs for their members. Although financial data for most of the employment co-operatives was unavailable for 1998 due to a very low level of reporting, some general observations are possible. The number of co-operatives has declined by two—from 7 to 5—since 1996, although membership has increased by more than 10 times, to 546. The number of people employed has risen from 18 positions in 1996 to 19 in 1998.

### **Publishing**

The number of publishing co-operatives reporting in 1998 remained at 5, as in 1996, but membership decreased from 277 to 89 active members. Both assets and liabilities increased, resulting in a decreased debt-to-asset ratio of 0.41 in 1998 compared to 0.49 in 1996. Members' equity grew from \$18,000 in 1996 to \$118,000 in 1998.

Inflation-adjusted revenue was 24 percent higher in 1998, and the co-operatives collectively reported a surplus of \$39,000 compared to the \$33,000 deficit reported in 1996. Employment fell 44.4 percent, while the total wage bill dropped by 6.3 percent (adjusted). Capital investment remained at zero, as in 1996.

## **Miscellaneous**

The co-operatives listed as miscellaneous contain a varied collection of enterprises, including snowploughs, crafts, a railway, and film production companies. Of the 13 listed as active in 1998, few provided any data at all, none of which allowed for effective analysis.

## Research Approach and Procedures

Most of the information for this study was collected from the Department of Justice. Additional information on credit unions and co-operative retailers affiliated with FCL was provided by staff at CUC and FCL. CUC and FCL provided information on their activities, with the Department of Justice serving as the source for data on the not-for-profit co-operatives, as well as for most of the information regarding membership and number of employees (full and part time). A number of individual co-operatives supported this study by generously providing copies of their 1998 annual reports. Due to our inability to contact some co-operatives and the refusal of others to provide the information requested, however, it was not possible to collect all relevant details. Some categories of co-operatives, therefore, are understated in terms of their economic impact on the province.

To take advantage of the opportunity to identify changes in the co-operative sector, we have endeavoured to duplicate the methodology of the previous surveys. We have retained the subsectors identified in 1989 and 1996 and have sought to categorize new co-operatives in a manner consistent with the previous studies. Where we have elected to deviate from the earlier studies in our definition or display of data, we have sought to modify the earlier data to reflect these changes to allow for valid comparisons of the data sets.

In gathering the statistical information on the financial co-operatives, we were somewhat reliant on the institutions themselves, as publicly available annual reports reflected a national rather than a provincial perspective. While grateful for their assistance, the manner in which some of the data was collected and interpreted prior to its release to us was unknown, making it difficult to compare with any level of confidence the 1998 findings with those compiled in 1989 and 1996. As well, the relationship between CUC and the credit unions, and the subsidiary status of the Co-operative Trust Company (51 percent owned by CUC) has made it necessary to unilaterally assign various assets and liabilities, and to some degree, aspects of operations, to different entities. For this reason, comparisons between the various years is limited, although ultimately all financial data has been accounted for. Efforts were made to standardize the data in the following manner:

### **Fiscal Year**

The year chosen for analysis was 1998. In cases where financial statements for 1998 had not yet been filed, data from the previous year was used.

### **Information Sources**

There were some discrepancies between information provided by central organizations and government agencies, and the information collected from the files at the Department of Justice. These can be attributed, in part, to differences in the definitions of various terms. In such cases, information collected directly from the co-operative's financial statements at the Department of Justice was assumed to be more accurate.

### **The Effect of Inflation**

Because the data sets compare different points in time, it is important to factor in the effect of inflation between 1989, 1996, and 1998. Inflation was calculated as 24.1 percent between 1989 and 1998, and as 2.7 percent between 1996 and 1998, based on the Consumer Price Index (CPI) for Saskatchewan as reported in *Economic Review* 1996 and 1998.

### **Active versus Inactive Members**

Registered members are the sum of active and inactive members. Active members still patronize the co-operative, whereas inactive members no longer do business with the organization but are still registered as members. The Department of Justice does not presently request a distinction between active and inactive, and most co-operatives appeared to be submitting an aggregate number. It is anticipated that inactive membership is somewhat understated and active membership somewhat overstated.

### **Members' Equity versus Net Worth**

With the exception of the centrals and their affiliates, the majority of co-operatives surveyed did not make a distinction between member and nonmember earnings. In these cases, the difference between assets and debt (i.e., shares plus memberships plus retained earnings), therefore, was designated as members' equity.

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## **Debt/Asset Ratios**

In order to arrive at a representative value for each category, extreme values were eliminated in calculating the average debt-to-asset ratio. These values included a ratio of greater than 2:1 or total assets of \$0 (which yielded an undefined debt-to-asset ratio).

Due to difficulty in obtaining the necessary data, the following aggregate values are generally overstated or understated:

## **Employment and Total Wage Bill**

Many co-operatives contracted for various services, such as accounting and janitorial work. The total number of employees supported by co-operatives and wages paid out, therefore, are understated.

The level of employment is understated because a number of co-operatives showed substantial wages paid out but failed to indicate the number of employees. The amount of wages paid out is also understated because some co-operatives indicated that they had a number of employees but neglected to show a breakdown of expenses.

Another difficulty was the tendency of some co-operatives, particularly the larger ones, to count full-time equivalents (FTEs) rather than actual number of employees. In these cases, the figures provided were accepted as the minimum number of employees. The total number and number of part-time employees for the larger co-operatives are somewhat understated.

## **Capital Investment**

The level of capital investment is understated because a number of co-operatives did not include the information with their financial statements. In the case of co-operatives with substantial levels of fixed assets, an estimate was obtained by comparing assets listed for 1998 to those recorded for the previous year.

## Endnotes

1. For a complete description and analysis of the 1989 study, please refer to Murray Fulton, Lou Hammond Ketilson, and Louise Simbandumwe, *Economic Impact Analysis of the Co-operative Sector in Saskatchewan* (Saskatoon: Centre for the Study of Co-operatives, 1991).
2. For a complete description and analysis of the 1996 study, please refer to Ketilson et al., *The Social and Economic Importance of the Co-operative Sector in Saskatchewan* (Saskatoon: Centre for the Study of Co-operatives, 1998).
3. Ibid.
4. Ibid, p39.
5. Because the data sets compare different points in time, it is important to factor in the effects of inflation between 1989, 1996, and 1998. Inflation from 1989 to 1998 was calculated as 24.1 percent and from 1996 to 1998 as 2.7 percent, based on the Consumer Price Index (CPI) for Saskatchewan.
6. In 1996, Saskatchewan Dairy Producers amalgamated with Dairyworld Foods.
7. Some co-operatives were designated as both a feeder and a breeder co-operative by the Saskatchewan Department of Justice, Corporate Division, in 1998. For this study, co-operatives with this dual designation were categorized as feeder co-operatives.
8. Saskatchewan Wheat Pool, *Annual Report 1998*.
9. While producers retain the voting shares and ultimate control of the enterprise, the dispersion of equity among members and nonmembers in the form of the Class B shares initially limited identification of members' equity to the value attached to the voting shares. According to SWP, producers hold an estimated 60 percent of Class B shares. This figure was used to allow for comparative analysis with 1996 data.
10. Murray Fulton, Lou Hammond Ketilson, and Louise Simbandumwe, *Saskatchewan Co-operatives: A Record of Community Development* (Saskatoon: Centre for the Study of Co-operatives, 1992), p15.
11. Dairyworld Foods, *Annual Report 1996*.
12. *Economic Impact Analysis of the Co-operative Sector in Saskatchewan*, p39.
13. *Saskatchewan Rural Development Corporations: Building for the Future* (Regina: Saskatchewan Rural Development, 1991), p3.
14. *Local Development by Local People...How Co-operatives Can Help* (Regina: Saskatchewan Co-operation and Co-operative Development, 1986).
15. Brett Fairbairn, *Building a Dream: The Co-operative Retailing System in Western Canada, 1928-1988* (Saskatoon: Western Producer Prairie Books, 1989), p7.
16. To eliminate double counting, this amount was subtracted from FCL members' equity, although retained in FCL assets so as not to affect calculation of the debt-to-asset ratio. Finally, due to differences in methodology and gaps in the data, comparison with 1996 was not generally viewed as reliable, although individual indices have been compared where feasible.
17. FCL assets and liabilities for Saskatchewan only were unavailable. The best guess of 50 percent is based on percentage of sales (38.5), percentage of net income (45.7), and percentage of salaries (53) attributed to Saskatchewan. More weight was given to the percentage of salaries due to the location of the refinery in Saskatchewan.
18. *Economic Impact Analysis of the Co-operative Sector in Saskatchewan*, p51.
19. In gathering the statistical information on the financial co-operatives, we were somewhat reliant on the

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institutions themselves, as publicly available annual reports reflected a national rather than a provincial perspective. While grateful for their assistance, the manner in which some of the data was collected and interpreted prior to its release to us was unknown, making it difficult to compare with any level of confidence the 1998 findings with those compiled in 1996. As well, the relationship between CUC and the credit unions, and the subsidiary status of the Co-operative Trust Company (51 percent owned by CUC) has made it necessary to unilaterally assign various assets and liabilities, and to some degree, aspects of operations, to different entities. For this reason, comparisons between the two years will be limited, although ultimately all financial data has been accounted for.

20. Ian MacPherson, *A Very Special Trust Company: A History of the First Twenty-Five Years of Co-operative Trust Company of Canada* (Saskatoon: Co-operative Trust Company of Canada, 1978), p9.
21. Muriel Clements, *By Their Bootstraps: A History of the Credit Union Movement in Saskatchewan* (Toronto: Clark, Irwin and Company, 1965), p51.
22. Credit Union Central, *Annual Report 1996*.