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The Co-operative Sector in Saskatchewan

A Statistical Overview

LOUISE SIMBANDUMWE, MURRAY FULTON,
AND LOU HAMMOND KETILSON

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CENTRE FOR THE STUDY OF CO-OPERATIVES



UNIVERSITY OF
SASKATCHEWAN

**The Co-operative Sector in Saskatchewan:
A Statistical Overview**

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LOUISE SIMBANDUMWE, MURRAY FULTON,
AND LOU HAMMOND KETILSON



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Introduction

Co-operatives have played an integral part in the social and economic development of Saskatchewan. The formation of the first co-operative enterprises at the turn of the century grew out of the struggle of rural people to gain control over their local economies. They turned to co-operative activity as a means of marketing their agricultural produce and obtaining needed goods and services. These initial forms of co-operation have evolved into an extensive network of co-operatives.

Co-operatives today are engaged in a diverse range of activities and form an important sector of the Saskatchewan economy. During 1989, 1400 co-operatives were involved in the areas of: agriculture and resources, community development, recreation, child care and education, retail and wholesale sales, financial services and community service. Aggregate financial statistics for each of these areas are outlined in Table 1, with more detailed information in the remaining sections of the report. Appendix A describes the methods used in data collection and defines some of the terms used in the statistical tables.

Saskatchewan co-operatives reported close to one million active members for 1989. These enterprises generated combined revenues of 3.5 billion dollars and net savings of 86.5 million dollars. The 15,700 people employed by co-operatives account for 3.5 percent of Saskatchewan's working labour force. Wages of 360 million dollars paid out by co-operatives represent 4.0 percent of the total wages received by Saskatchewan residents. Capital investment of 150 million dollars made up 2.5 percent of all capital investment undertaken in the province.¹ Saskatchewan co-operatives held over 958 million dollars in members' equity. Total assets controlled by co-operatives amounted to 8.7 billion dollars, the largest portion of which were held by financial institutions.

Co-operative enterprises in Saskatchewan vary widely in terms of their size and scope. The two largest businesses in Saskatchewan are co-operatives, with co-operatives

making up six of Saskatchewan's top twenty firms.² At the same time co-operatives are found in the smallest communities in the province. Large co-operatives, such as the Saskatchewan Wheat Pool, Credit Union Central and Federated Co-operatives Limited, wield significant economic power in the provincial economy. Although smaller co-operatives seem insignificant in comparison, they are major players at the community level. Often one of the few remaining businesses in small centres, a co-operative provides essential employment and services to residents and has a significant impact on the survival of rural communities.

Distribution of Co-operatives in Communities

The importance of co-operatives to small rural communities becomes evident when the relationship between co-operative activity and the functions performed by the communities in which co-operatives are located is examined. Based on a study by Jack Stabler, Saskatchewan communities were grouped into six categories: Minimum Convenience; Full Convenience; Partial Shopping; Complete Shopping; Secondary Wholesale-Retail; and Primary Wholesale Retail. Communities were grouped together and assigned to a category based on population, the number of businesses, and number and types of services.³ In general terms, communities in the Minimum Convenience Category have lower populations, contain the smallest number of businesses, and offer the fewest services. These all increase at each level up the hierarchy of functional categories. The highest category is the Primary Wholesale-Retail Category and consists of Saskatchewan's two largest urban centres, Saskatoon and Regina. Table 2 shows the average number of businesses of selected types found in each of the categories. As can be seen, the names attached to these categories are descriptive of the functions they perform. More information regarding the construction and characteristics of the functional grouping of communities can be found in Appendix B.

Co-operatives are found in communities representing all six functional categories. In

terms of numbers, however, co-operatives are concentrated in those communities that provide minimal services. Figure 1 indicates that 43 percent of the co-operative retail outlets and 37 percent of the credit unions in Saskatchewan are located in the Minimum Convenience Category, with a further 33 and 27 percent of retail co-operatives and credit unions, respectively, located in full convenience centres.

Although co-operatives and credit unions are not found in all communities in the lower functional categories, co-operatives nevertheless play a significant role in providing services in communities at those levels. As shown in Table 2, at the minimum convenience level, only one community in three has a general store, while only one in four has a grocery store. Since co-operatives are located in 23 percent of the minimum convenience and 62 percent of the full convenience centres (see Table 3), it is clear that co-operatives are a major factor in providing services to this level of community.

At the higher functional levels are found the largest retail co-operatives and head offices for the large co-operatives. They contribute to those communities in terms of employment, service provision, and economic activity. Subsequent sections of the report provide more information about the distribution of various types of co-operatives throughout the province, as well as financial statistics indicating their impact on the Saskatchewan economy.

Table 2 Average Number of Businesses of Selected Types in Community Functional Categories

Business Type	Minimum Convenience	Full Convenience	Partial Shopping	Complete Shopping	Secondary Wholesale-Retail	Primary Wholesale-Retail
General Store	0.33	0.96	2.50	3.33	5.00	19.50
Grocery Store	0.25	1.20	3.70	6.67	16.50	72.50
Gas Station	0.29	1.39	3.57	6.83	19.13	99.00
Restaurant	0.16	1.16	3.56	13.00	42.25	342.50
Hotel	0.47	1.40	3.72	8.17	15.88	51.00
Auto Repair	0.13	0.62	1.98	6.17	20.38	129.00
Bank/CU	0.39	1.44	2.59	4.83	6.12	10.0
Farm Equip.	0.12	0.92	2.78	5.50	7.88	34.50
Bulk Fuel	0.18	1.28	2.41	4.33	6.88	11.50
Build. Mater.	0.14	1.36	3.65	7.17	14.25	68.50

Source: Jack Stabler, Functional Classification of Saskatchewan Communities, unpublished material, 1990.

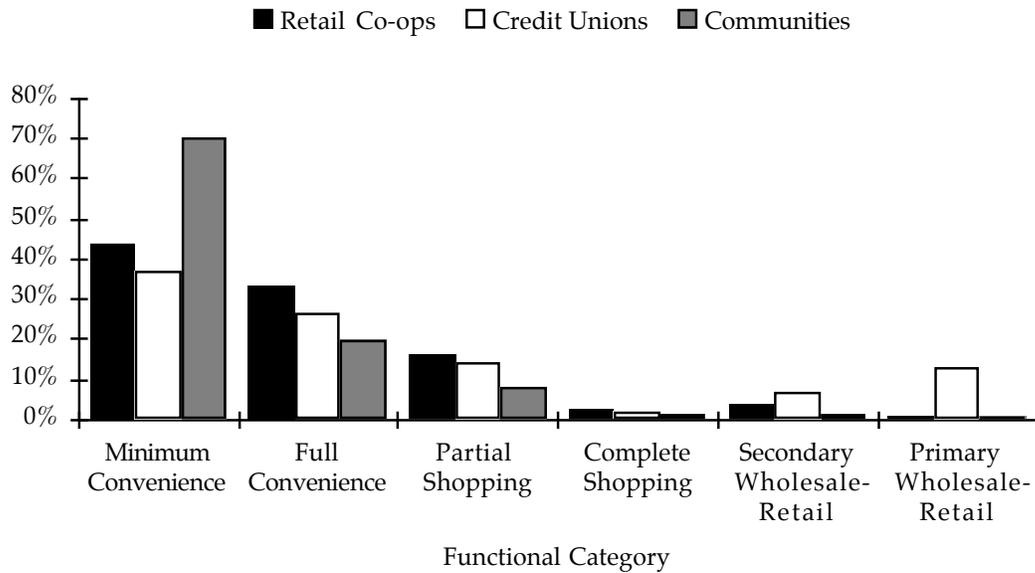


Figure 1 Percentage of Co-operatives, Credit Unions and Communities Located in Each Functional Category, 1990.

Table 3 Number of Communities with Retail Co-operatives, and Percentage of Communities with Retail Co-operatives, Saskatchewan, 1990

Functional Category	Number of Communities	Number with Co-ops	% with Co-ops
Minimum Convenience	419	97	23
Full Convenience	117	73	62
Partial Shopping	46	36	78
Complete Shopping	6	5	83
Secondary Wholesale-Retail	8	8	100
Primary Wholesale-Retail	2	2	100
Total	598	221	

Source: Jack Stabler, Functional Classification of Saskatchewan Communities, unpublished material, 1990.

Agricultural and Resource Co-operatives

Farmers today are still turning to co-operatives as a means of growing, processing and marketing their produce. In 1989, co-operative activity was evident in the areas of grain, livestock and dairy farming. Soil conservation co-operatives in southern Saskatchewan addressed environmental concerns, while fishing and wild rice co-operatives helped provide employment and market outlets in the North.

Table 4 provides data on these co-operatives. Over 70,000 producers belonged to 345 agricultural and resource co-operatives. These enterprises generated 1.8 billion dollars in revenue and provided employment for close to 4,000 individuals.

Farming

The roots of farming 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 1989, 44 co-operatives enabled 234 producers to farm on a co-operative basis by pooling land, labour, or capital resources.⁴ These co-operative enterprises, however, accounted for a tiny percentage of the estimated 60,000 farms in Saskatchewan.⁵ The combined revenue from farming co-operatives amounted to less than 0.2 percent of total provincial farm receipts. The financial performance of these enterprises was indicative of the ongoing slump in the farm economy. Close to one-half of these co-operatives recorded losses or nominal earnings.

In addition to employing 16 individuals, farming co-operatives also provided employment for their members. These enterprises paid total wages of 140,000 dollars to nonmembers while members received over 600,000 dollars in salaries and fees. In seeking additional financing, needed inputs, as well as channels for processing and marketing their produce, farming co-operatives have established links with other co-

operative enterprises. For example one farming co-operative listed equity in the following co-operatives: Manitoba Co-operative Honey producers; Saskatchewan Wheat Pool; Prince Albert Co-operative; Dairy Producers Co-operative; Federated Co-operatives; Canadian Co-op Insurance; and Saskatchewan Co-op Credit Society. Farming co-operatives reported total investments of 385,000 dollars in other co-operatives.⁶

Feeder

In 1989, over 1,000 farmers were active in 55 co-operative feeder associations. As shown in Table 5, approximately 90 percent of all feeder associations were organized as co-operatives. Co-operative feeder associations generated revenues of 11.6 million dollars, provided employment for 65 individuals and marketed a total of 53,651 cattle. The feeder association loan guarantee program, which began in 1984, assisted farmers with feeding and marketing their cattle. Over 13.5 million dollars in government loan guarantees were provided to these associations.

Table 5 Comparison of Private and Co-operative Feeder Associations, 1989

Type	Associations*	Members	Cattle Marketed	Loan Guarantees (\$'000)
Co-operatives	51	1,651	53,651	13,556
Private Firms	7	339	12,670	1,569
Total	58	1,990	66,321	15,125

*The number of feeder co-operatives is slightly different from the number in Table 4 because a different source of information was used for this comparison.

Source: Saskatchewan Agriculture and Food.

Grazing

Through grazing co-operatives, farmers are able to rent grazing land on a collective basis. Like the feeder associations, grazing associations were, for the most part, organized as co-operatives. Close to 1,400 individuals were active in 131 co-operative associations. Employment was provided for 39 individuals, mostly on a part-time or casual basis. Wages paid out totalled 194,000 dollars.

Co-operative grazing associations rented 650,000 acres and paid an estimated 600,000 dollars in lease rental fees. The estimated 37,500 adult head of cattle grazed on this land accounted for 2.8 percent of the cattle population in Saskatchewan during 1989.

Breeding

In addition to the services provided by grazing and feeder co-operatives, livestock farmers have also formed breeding co-operatives to provide artificial breeding services. With a total of five co-operatives and 135 active members, these co-operatives were not as widespread as feeder and grazing associations. Breeding co-operatives generated total revenues of 824,000 dollars and savings of 210,000 dollars.

Seed Cleaning

A total of 10 seed-cleaning co-operatives were owned by almost 1,300 active members. These co-operatives provided local employment through 15 full-time jobs and 10 part-time positions. The total wage bill of 341,000 dollars amounted to 40 percent of the revenue generated by seed-cleaning co-operatives. Although 30 percent of these enterprises recorded losses for 1989, these co-operatives appeared to be financially stable.

Farmers' Markets

Farmers' markets are an avenue for the direct marketing of a wide variety of farm produce. Forty-eight co-operative markets were dispersed throughout the province in 1989. Approximately 2,800 producers sold goods through these markets. The majority of farmers' markets operated on a break-even basis. Total revenues of 193,329 dollars consisted mostly of charges to members for co-ordination services and table rentals. While 24 individuals were hired as co-ordinators, over half of the farmers' markets relied only on volunteer labour.

Soil Conservation

In response to a growing concern about sustainable agricultural practices, a number of soil-conservation co-operatives have been established within the last five years. In 1984, an estimated 27.4 million acres of land under cultivation in Saskatchewan was at high risk of erosion or had other characteristics that hindered productivity. Economic losses due to soil degradation amounted to approximately 560 million dollars each year.⁷ Of the 15 soil-conservation co-operatives operating in the province during 1989, 11 were located in the southern grain belt. Five of the soil-conservation co-operatives reported substantial funding from the Prairie Farm Rehabilitation Administration.⁸ This funding accounted for 97 percent of their revenue. Most of these funds went towards soil-conservation projects, such as the establishment of shelter belts, conservation tillage, and continuous cropping.

Fishing

The financial statistics listed in Table 4 pertain to individual fishing co-operatives as well as to their provincial association. The twenty-one fishing co-operatives included in the data belong to the provincial association which conducts research projects and lobbies on behalf of its members.

The primary service provided by the fishing co-operatives to their individual membership was the rental of fishing equipment. All the fishing co-operatives that were active in 1989 were located in northern Saskatchewan. The majority of these co-operatives operated on a break-even basis. These enterprises provided services to approximately 800 individual members. In addition to the employment generated for their membership, fishing co-operatives provided part-time employment for 13 individuals and paid out 40,000 dollars in wages. The 1989 catch totalled between 4 and 5 million pounds of fish; in 1990, the catch totalled nearly 7 million pounds.

Saskatchewan Wheat Pool

Established in 1924 as a central marketing organization for grain producers, the

Saskatchewan Wheat Pool now ranks as the largest Saskatchewan-based corporation and Canada's largest grain handling company. In the 1989-90 crop year, the Pool reported revenues of close to 1.6 billion dollars with savings in excess of 5 million dollars. It ranked 73rd in sales among Canadian companies.⁹ The revenue of the Pool accounted for 88 percent of the revenue generated by co-operatives in the agricultural and resource sector. The company provided employment for 3,000 individuals and paid total wages in excess of 87 million dollars. The Pool is wholly owned by approximately 65,000 Saskatchewan farmers.

In handling 6.4 million tonnes of grain, the Pool handled over one-half of the grain produced in Saskatchewan during 1989. The Pool's activities, however, are not limited to grain handling. Its commercial operations include the Country Services Division, Terminal Elevator Division, Flour and Food Service Division, Livestock Division, and Western Producer Publications. In 1989, the Pool handled 34 percent of the livestock marketed in Saskatchewan. Table 6 outlines Pool activity over the previous five years.

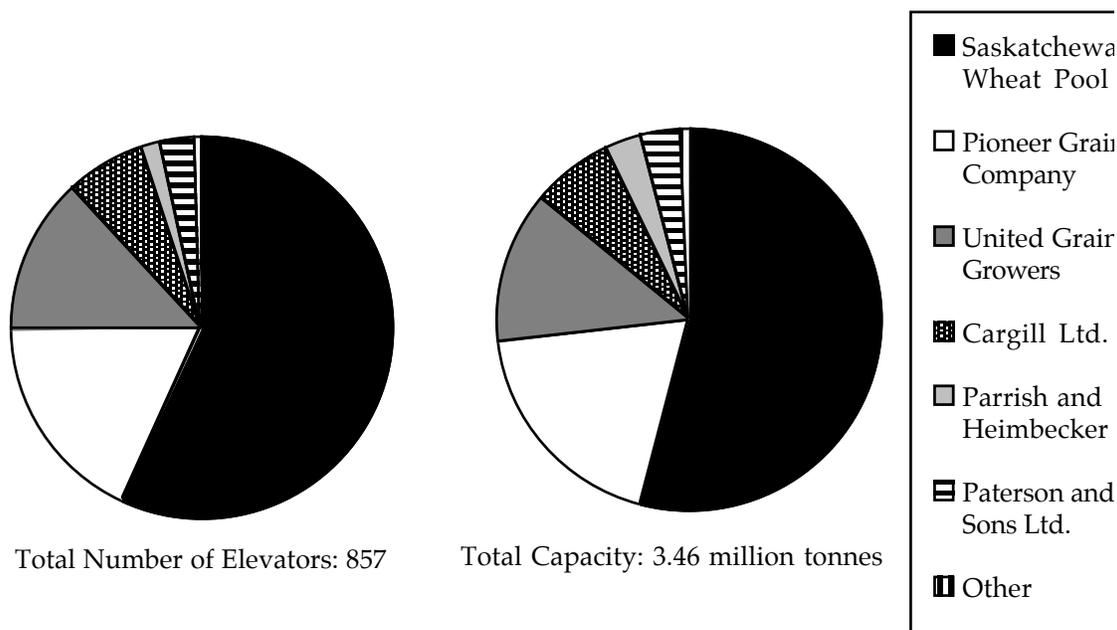
Figure 2 depicts the distribution of primary elevators and elevator capacity in Saskatchewan by company. In 1989, the Pool operated approximately 60 percent of the primary elevators in Saskatchewan. Rationalization of the elevator system has resulted in a 56.5 percent decline in the number of Pool elevators over the past decade. Due to the closure of elevators by grain-handling companies, 50 percent of all delivery points in Saskatchewan were represented by only one company.¹⁰

Other organizations in which Saskatchewan Wheat Pool maintains joint or partial ownership are AgPro Grain Inc., Canadian Pool Agencies Limited/Pool Insurance, Co-Enerco, Interprovincial Co-operatives Limited, CSP Foods Ltd./Ridley Grain Ltd., Prairie Malt Ltd., Western Co-operative Fertilizers Ltd, XCAN Grain Ltd, and Prairie Pools Inc.

Table 6 Saskatchewan Wheat Pool Handling and Sales, 1986-1990

Services	Year				
	1986	1987	1988	1989	1990
	(all units in thousands)				
Country Services grain handlings (tonnes)	9,058	10,388	10,873	6,423	9,195
Terminal Elevator grain handlings (tonnes)	7,699	8,832	8,851	5,832	7,174
Country Services farm supply sales (\$)	191,079	170,903	180,823	184,011	186,555
Flour and Food Service sales (tonnes)	69	73	70	70	71
Livestock Handlings cattle and calves (head)	341	384	439	422	460
Western Producer circulation (number)	138	132	134	135	131

Source: *Saskatchewan Wheat Pool Annual Report, 1990*



Source: Saskatchewan Wheat Pool, *Policy for Agriculture*.

Figure 2 Distribution of the Number and Capacity of Primary Elevators in Saskatchewan by Company, 1989.

Despite its size and complex organizational structure, participation in decision making by membership is encouraged and facilitated by a network of provincial committees which meet frequently at the local level and by a two-week-long annual meeting attended by over 140 delegates and directors.

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 a result of a merger between two co-operatives, Saskatchewan Co-operative Creameries Association and the Dairy Pool.¹¹ The co-operative processes and markets a wide variety of dairy products for approximately 1,600 active members. In 1989, all the milk producers in Saskatchewan belonged to Dairy Producers.¹²

Since amalgamation in 1972, Dairy Producers has handled the majority of Saskatchewan milk and cream shipments. The co-operative received the bulk (88 percent) of the province's milk and cream shipments in 1989. The remainder (12 percent) was handled by private plants.¹³ Dairy Producers owned 11 processing branches and 13 sales depots in various centres in 1989 throughout the province. Milk and milk products made up the largest proportion of sales. Other products included poultry, eggs and juice.

As the second largest co-operative in the agricultural and resource sector, Dairy Producers accounted for 10 percent of the total revenue and 50 percent of the capital investment reported in this sector. The co-operative generated almost 181 million dollars in revenue and paid out over 25 million dollars in wages and benefits to 683 employees.

Other Agricultural

The 13 co-operatives that fall into this category provide a diverse mix of products and services to their membership. Examples include alfalfa dehydration, wild-rice production, as well as livestock and sheep marketing. Close to 700 active members belonged to these

enterprises. They generated close to 4.5 million dollars in revenue and employed over 40 individuals.

Community Development Co-operatives

Falling commodity prices on the world market and Saskatchewan's dependence on agricultural exports has resulted in calls to diversify the province's economy. Two recent initiatives, Small Business Loans Associations (SBLAs) and Rural Development Corporations (RDCs), represent attempts to address this problem. Table 7 provides data on these types of co-operatives.

Small Business Loans Associations

The Saskatchewan Economic Development Corporation (SEDCO) administers the program which enables individuals or businesses to form SBLAs. These associations raise investment capital to establish new business in their community. Since the program began in May of 1989, the number of SBLAs has grown rapidly. As indicated in Table 7, there were 27 SBLAs by the end of that year.

The financial information for 1989 outlined in Table 7 is not indicative of current SBLA activity due to the young age of these associations. More recent information is provided in Table 8, which compares co-operative to private SBLA activity during the first eight months of 1990. This information, which pertains to new SBLA activity, indicates that 70 percent of new SBLAs were organized as co-operatives. Co-operative SBLAs secured 461 clients and approved loans of 2 million dollars. Spin-off benefits from SBLA activity included the creation of 194 new jobs and the maintenance of 141 jobs.

Rural Development Corporations

Rural Development Corporations are geared toward promoting social and economic development in rural areas. Their role is to assist member organizations in the

identification, promotion and implementation of development projects.¹⁴ In 1989, over 100 communities and municipalities belonged to 14 co-operative RDCs (Table 7). Approximately half of the 742,000 dollars in revenue can be attributed to government grants. RDCs employed 39 individuals and paid out 126,000 dollars in wages. These co-operatives held close to 632,000 dollars in members' equity.

By 1990, the number of co-operative RDCs had increased to 19. This accounted for 65 percent of the RDCs in the province. Table 9 provides a comparison between co-operative and private corporations. Rural Development Co-operatives encompass 128 municipalities with a rural population of 41,000 people. The data provided should be interpreted with caution as they involve projects under consideration — all the projects may not have been established. In September 1990, RDC co-operatives were pursuing 166 projects worth 58.2 million dollars. These projects led to the creation of an estimated 379 jobs.

Recreational Co-operatives

In addition to providing valuable services, community-based recreational facilities also play an essential role in fostering a sense of community spirit. This sense of community is an essential component of successful community development. Therefore, recreational co-operatives provide indirect support for the kinds of community-development projects described in the previous section.

Rural Saskatchewan residents have been establishing recreational co-operatives since the early 1920s.¹⁵ In 1989, close to 17,500 Saskatchewan residents were active in a wide variety of recreational co-operatives. Examples include golf courses, theatres, community halls, curling rinks and recreation centres. Table 10 outlines financial statistics for these co-operatives.

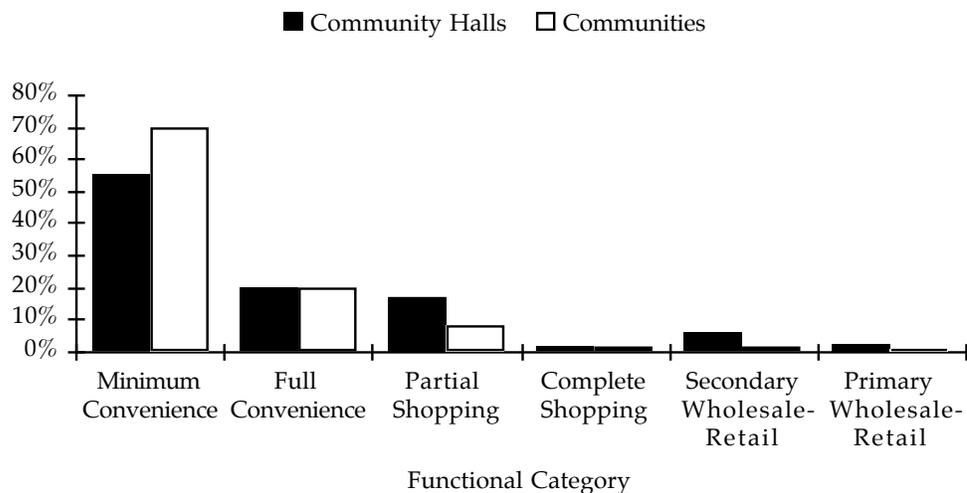
It is important to note that these figures underestimate the number of community-owned recreational facilities. Many recreational enterprises are owned and controlled on

a co-operative basis but are not registered as such. Additionally, the financial data do not reflect the value of donated materials and volunteer labour that have been invested in establishing and maintaining these facilities.

Community Halls

Over 6,000 individuals were active in 145 co-operative community halls dispersed in towns throughout Saskatchewan. They were, for the most part, located in small rural communities. Figure 3 below indicates that 55 percent of the community halls were located in minimum convenience centres. These communities have an average population of 147 people. Table 11, which shows the number of different institutions in communities by functional category, indicates that one in six minimum convenience centres in the province had a co-operative community hall.

Community hall co-operatives operated, for the most part, on a break-even basis. They took in revenues of 983,000 dollars and recorded a net loss of 700 dollars. These co-operatives employed 51 people, mostly on a part-time or casual basis. The low debt-to-asset ratio reflects the fact that 86 percent of community hall co-operatives reported no liabilities.



Source: *Annual Returns*, Saskatchewan Department of Justice.

Figure 3: Percentage of Community Halls Located in Each Functional Category, 1989

Curling and Recreational Centres

Curling and recreation facilities serve a wide variety of needs. They provide gymnasiums, meeting halls, hockey arenas, swimming pools, concession stands and many other services to over 8,000 members. In 1989, there were over 100 such facilities.

Like the community halls, most of these facilities were relatively free of debt and operated on a break-even basis. Employment was provided for 117 individuals and an estimated 500,000 dollars in wages were paid out. Capital investment for 1989 totalled 639,000 dollars. These centres reported over 10 million dollars in assets.

Television

People have also co-operated to provide themselves with cable television services. In 1989, 2,600 individuals in seven communities belonged to television co-operatives. These co-operatives generated 11.8 million dollars in revenue and owned 20 million dollars in assets. Over 1.8 million dollars was paid out in wages to 117 employees.

Other Recreation

This category consists of a diverse mix of recreational co-operatives and included activities such as dancing, flying, water sliding, and skiing. Over 500 individuals belonged to 13 co-operatives (see Table 10). Revenues in these co-operatives exceeded 500,000 dollars with close to 181,000 dollars paid out in wages. Like other recreational co-operatives, most of these enterprises operated on a break-even basis and were relatively free of debt.

Child-Care and Educational Co-operatives

The trends towards more women working outside the home has heightened the need for adequate and affordable child-care services. Co-operatives are able to 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 the members can afford.

Table 12 provides data on these co-operatives. Close to 10,000 parents were members of 120 child-care and educational co-operatives. Total revenue exceeded 8.1 million dollars with net savings of 230,000 dollars. The financial information presented does not reflect the volunteer labour invested in raising funds and assisting with day-to-day operations.

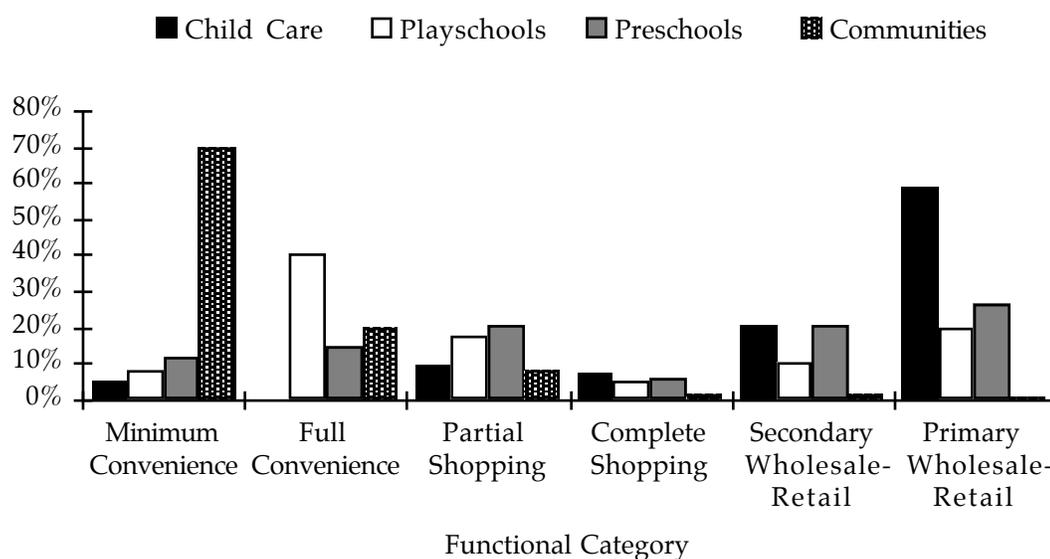
Child Care

In 1989, approximately one-half of the 94 child-care facilities in Saskatchewan were co-operatives. Table 13 provides a comparison between co-operative and profit-oriented child-care facilities. Co-operative child-care facilities generated 7.2 million dollars in revenues. A government grant of 20 dollars per month for every child-care space contributed over 500,000 dollars to revenues. The largest expense involved 5.5 million dollars in wages and benefits paid out to 367 employees.

Unlike other types of co-operatives, child-care facilities were highly concentrated in larger urban centres. Over 60 percent of the child-care co-operatives were located in the two primary wholesale-retail centres in Saskatchewan, Saskatoon and Regina (see Figure 4 for the percentage of child-care facilities in different functional categories).

Playschools and Preschools

Playschools provide recreation for children in their care, while preschools include an added educational dimension. In contrast to child-care facilities, preschools and playschools did not receive a high level of government funding. As a result, they tended to rely more heavily on donations and fundraising drives to bolster revenues. Preschools and playschools 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. The 36 preschool co-operatives generated revenues of 475,000 dollars, while the 39 playschools reported 404,000 dollars in revenue for 1989. As in the child-



Source: Annual Returns, Saskatchewan Department of Justice

Figure 4 Percentage of Child-Care, Playschool, and Preschool Co-operatives Located in Each Functional Category, 1990.

care facilities, a significant portion of this revenue went toward the payment of wages and benefits. In contrast to the child-care co-operatives, most preschools and playschools reported relatively low levels of fixed assets and no debt.

The preschool and playschool co-operatives were more evenly distributed throughout the province when compared with co-operative child-care centres. They were, however, still located primarily in larger centres. Figure 4 illustrates the distribution of preschools and playschools by functional category.

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.¹⁶ These initial forms of co-operative activity have grown into an extensive retailing system. Table 14 shows that, in 1989, approximately one-third of the province's population were members of retail co-

operatives.

As shown in Table 14, the co-operative retail and wholesale sector is dominated by Federated Co-operatives Limited (FCL) and its member retails. These co-operatives accounted for virtually all of the financial activity in this sector.

Federated Co-operatives Limited and Affiliated Retails

The 176 retail outlets dispersed throughout Saskatchewan are owned by 349,000 registered members. These retails, in co-operation with retails elsewhere in western Canada, own FCL, which acts as a wholesaler for them.

Retail co-operatives provide a wide variety of goods and services to their members. Departmental operations included groceries, coffee bars, drugs, hardware, home furnishings, dry goods, agricultural inputs, and service stations. Table 14 indicates that these retail outlets yielded revenues of 757 million dollars and generated total savings of 35 million dollars. Co-operative retail sales accounted for 13.6 percent of the retail trade in Saskatchewan.¹⁷ A cash payment of 12 million dollars was made to the members of these retails in 1989. These retail enterprises employed 5,400 individuals and paid out wages of 70 million dollars.

As discussed earlier, these affiliated retail outlets were concentrated in small rural communities. Figure 1 and Table 3 provide information on the distribution of retail co-operatives by functional category. Over three-quarters of the retail outlets were located in minimum convenience or full convenience centres. One-third of these communities had a retail co-operative. With total revenues of close to 1.5 billion dollars, Federated Co-operatives Limited ranks as Saskatchewan's second largest corporation.¹⁸ FCL provides central wholesaling, merchandising, and manufacturing services to more than 300 retail co-operatives in western Canada and northern Ontario.¹⁹ The co-operative owns subsidiaries throughout western Canada. These include feed mills, a plywood plant, a saw mill and an oil refinery. Regional offices in Saskatoon and Regina facilitate the prompt

delivery of orders and provide support to retail co-operatives dispersed throughout Saskatchewan. Orders are delivered to these co-operatives by FCL's own truck fleet, as well as by bus.

Highlights for FCL during 1989 included the construction of Canada's first heavy oil upgrader, designation as the official food supplier to the Jeux Canada Games, the completion of the first corporate petroleum bulk plant, and participation in trade missions to the Far East. In 1989, FCL provided jobs for 1,183 Saskatchewan residents and paid 44.5 million dollars in wages. FCL's assets totalled 582 million dollars. Saskatchewan member retails held equity of 153 million dollars in FCL and received a cash patronage payment of 18.5 million dollars.

FCL and affiliated retails have experienced sustained growth during the past decade despite wide fluctuations in Saskatchewan's economic fortunes. FCL's size enables the system to achieve economies of scale, while the concentration of affiliated retails in small rural centres enhances responsiveness to local needs.

Other Retail Outlets

In 1989, nine co-operatives belonged to the *Other Retail Outlet* category. These included a health-food store, several buying clubs, a cafeteria, and a French bookstore. These co-operatives generated revenues of 367,000 dollars and a total surplus of 4,425 dollars (see Table 14). Members' equity was 66,000 dollars in 1989.

Financial Co-operatives

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. These factors led to a determination to build locally based and locally responsive financial institutions.²⁰

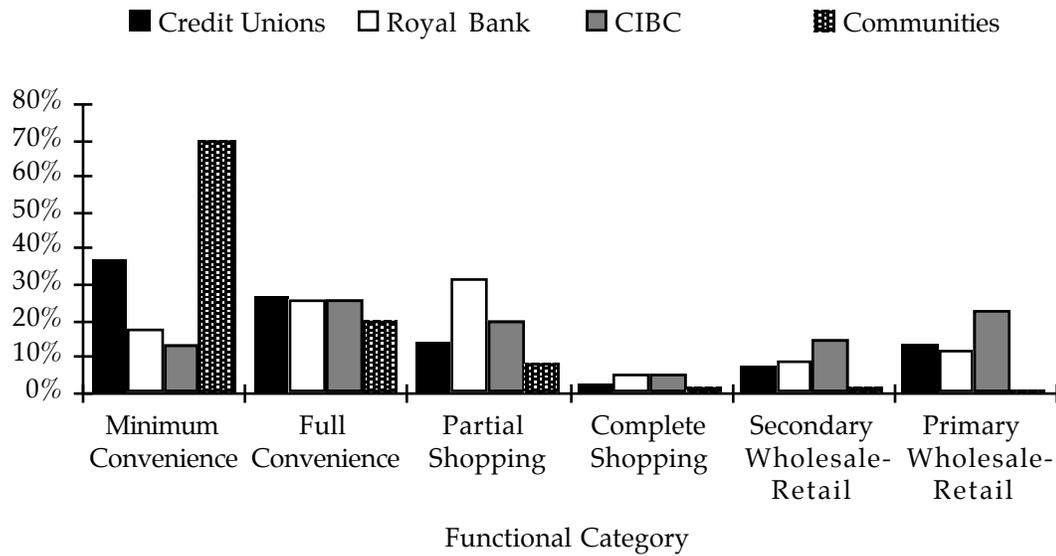
In 1989, the financial co-operative sector in Saskatchewan reported active membership of almost 584,000. Table 15 depicts financial activity in these co-operatives. Financial co-operatives held close to 6.9 billion dollars in assets, while total revenues exceeded 900 million dollars, accounting for 22 percent of the provincial GDP in finance, insurance and real estate for 1989.²¹

The Credit Union System and Credit Union Central

The first credit union was organized in Lafleche in 1937. It consisted of 12 members and \$52.50 in assets.²² By 1989, the credit union system in Saskatchewan had grown to include 351 credit union outlets, with almost 5 billion dollars in assets. These outlets own Credit Union Central (CUC), which was established to provide financial services to credit unions. With revenues of 197 million dollars for 1989, CUC ranks as Saskatchewan's 17th largest business.²³ Individual credit unions generated total revenues of 586.7 million dollars. In 1989, 21.6 percent of all deposits and 18 percent of all loans in Saskatchewan financial institutions were held at credit unions. Individual credit unions generated a total surplus of 25.5 million dollars. They provided 2,469 full-time jobs and paid out 72.5 million dollars in wages. CUC employed 300 individuals and paid out 10.5 million dollars in wages. Net surplus for CUC was 8.9 million dollars.

Like the retail outlets, credit unions were concentrated in smaller centres. Figure 5 and Table 11 show the distribution of credit unions in Saskatchewan communities. Thirty-seven percent of the credit unions were located in minimum convenience centres; approximately 29 percent of these communities had a credit union. Co-operatives provided the only financial service in 144 communities.

Figure 5 contrasts the distribution of credit unions with those of two major banks, the Royal Bank and the Canadian Imperial Bank of Commerce (CIBC). Unlike credit unions, the highest concentrations of bank outlets was not found in minimum convenience centres. The highest concentration of Royal Bank outlets, 14 percent, was found in partial



Source: Credit Union Central, Royal Bank, CIBC, and unpublished material.

Figure 5 Distribution of Credit Unions and Chartered Banks in Saskatchewan, 1990

shopping centres while the highest proportion of CIBC outlets was found in full convenience centres.

Local ownership and control combined with the establishment of a large province-wide central organization allows members to take advantage of the efficiencies provided by economies of scale while providing for responsiveness to local needs. The downturn in the farm economy has made rural communities less attractive as locations for private investment. The contrast between the distribution of credit unions and banks illustrates that firms which are locally owned and controlled may continue to provide services in communities where it is no longer profitable for a private firm to do so. Local ownership also means that the money deposited locally is more likely to remain in the community. Trends toward greater urbanization and reduced economic activity within smaller communities have heightened the need for the reinvestment of savings in the local community.

The Co-operators

Co-operators Group Limited is a national firm that is owned by over 34 co-operatives across Canada. In Saskatchewan, ownership consists of Dairy Producers Co-operative, Federated Co-operatives Ltd., 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, Co-operators Development Corporation, Co-operators Data Services, and Co-operators Investment Counselling. Over 99 percent of total 1989 revenue resulted from the operations of Co-operators General Insurance, Co-operators Life Insurance and Co-operators Data Services Limited.

In 1989 Co-operators Financial Services (CFS), made up of Co-operators Life Insurance and Co-operators General Insurance, acquired HB Group Insurance Management Limited and Counsel Life Insurance Company. This was done to enhance services to policy holders. Innovations included the introduction of LIFE PLUS, a method to prepay benefits to terminally ill patients, and a charter membership in ComCorp, a plan which provides protection to Canadian owners of life and health insurance.²⁴

Co-operators Data Services (CDSL) ranks as Canada's third-largest computer service bureau. The company provides data processing, network management, facilities management, office products, health-care information technology, and consulting services. CDSL services 73 percent of Canada's credit union market. In 1989, CDSL developed a drug claims system for Saskatchewan Health. This innovation has attracted national and international attention.²⁵ CDSL has also recently entered into an agreement with IBM to develop additional services in this area.

In 1988, the Co-operators Group owned assets worth 22 million dollars in Saskatchewan (see Table 15). Saskatchewan revenues in 1989 for The Co-operators Groups totalled an estimated 51 million dollars.²⁶ The firm invested 46.6 million dollars in Saskatchewan co-operatives and paid provincial taxes of 3.2 million dollars.

Co-operative Trust Company of Canada

Substantial growth in the co-operative sector during the 1940s generated a demand for long-term loans. This need could not be adequately met by the small localized credit unions which existed at the time. Co-operative Trust was established in 1952 to provide individuals with trust services and to extend long-term loans to co-operative organizations. In 1967, Co-operative Trust expanded beyond Saskatchewan to become a national firm.

Co-operative Trust is owned by the following Saskatchewan co-operatives: Credit Union Central; the Co-operators; Saskatchewan Wheat Pool; and Federated Co-operatives Ltd. In addition to providing financial services to these member co-operatives, Co-operative Trust also provides services to individuals who are members of these co-operatives.

As shown in Table 15 Co-operative Trust generated revenues of 29 million dollars in Saskatchewan during 1989. The company served 19,000 clients in this province. Loans made to co-operatives totalled 43 percent of the company's total loans. Employment was provided for 155 Saskatchewan residents with 4.3 million dollars in wages paid out.

Co-operative Hail Insurance

Based in Regina, Co-operative Hail Insurance provides insurance services to farmers in Saskatchewan and Manitoba. The statistics outlined in Table 15 show the co-operative's financial activities in Saskatchewan. In 1989, the co-operative had 12,740 active members in the province. It generated 12 million dollars in revenue and savings of 2.9 million dollars.

Community-Service Co-operatives

Community-service co-operatives enable members of communities throughout Saskatchewan to provide themselves with needed services. A total of 39 such co-

operatives existed in 1989, with an active membership of over 21,000. The majority of these co-operatives operated on a break-even basis with varying degrees of government assistance. As shown in Table 16, these co-operatives provided health services, fire protection, bus service, water systems, funeral services and adult education.

Health Care

Eight community-based health organizations existed in 1989. Included in the health-care co-operatives outlined in Table 16 are the community health clinics, which are located in larger centres such as Saskatoon, Regina, Wynyard and Prince Albert.²⁷ With almost 18,000 members and total revenues of 11 million dollars, health-care co-operatives account for most of the financial activity in the community-services sector.

Bus Service

Five communities relied on co-operative bus services for transportation. They received substantial government funding. Approximately 70 percent of the 181,000 dollars in revenues can be attributed to government subsidies.²⁸ The largest expense item was 72,400 dollars in wages paid to 17 employees.

Adult Education

The five adult-education co-operatives had 392 active members. Areas of involvement included development education, promotion of the arts, as well as the preservation of French culture and language. These co-operatives generated 308,000 dollars in revenue and held 259,000 dollars in assets.

Other Community-Service

The four co-operatives that belong to this category were mostly involved in charitable activity. They relied on fundraising, volunteer labour, and government grants in order to pursue their objectives. Over 300 individuals were active in these co-operatives in 1989.

Other Types of Co-operatives

Table 17 provides financial data for other types of co-operative enterprises. This sector includes co-operatives involved in housing, employment generation, and publishing, as well as building and real-estate development.

Housing

Housing co-operatives represented the largest category in this sector in terms of numbers and financial activity. Collective ownership of housing units can help increase the number of affordable units available. In 1989, there were twenty-two housing co-operatives with over 1,000 members.²⁹ Capital investments of over half a million dollars and total assets in excess of 50 million dollars were reported. High levels of debt financing, however, yielded a relatively high debt-to-asset ratio of 0.88.

Building and Real-Estate Development

This category includes co-operatives directed toward the building of nonresidential facilities as well as the purchase of land and the regulation of development in various communities. Most of the co-operatives have been established within the last decade. These co-operatives reported 1.6 million dollars in assets. Total member's equity amounted to 334,000 dollars.

Worker

One response to high levels of unemployment has been the formation of worker co-operatives, also called employment co-operatives. These co-operatives have as a primary focus providing jobs for their members. In addition, they offer greater flexibility in and control over the work place than is found in more traditional work settings. A total of 86 individuals were members in eight worker co-operatives in 1989. The majority of these

enterprises operated on a break-even basis in order to provide maximum benefit to their members. Examples include a taxi service, a janitorial company and a building co-operative.

Miscellaneous

This category includes everything from snow-plow co-operatives to a wood-working co-operative. These co-operatives had 369 members and employed 27 individuals. Revenues exceeded 1.1 million dollars with total assets of 809,000 dollars.

Francophone and Northern Co-operatives

The co-operatives listed in this section are dispersed throughout the previous sectors. They do, however, warrant further discussion as a separate body because of their role in sustaining Francophone and northern communities.

Francophone

Francophone co-operatives place a high priority on the preservation and promotion of the French language and culture. These co-operatives provide financial services, housing, literature, education and child care to Francophones in Saskatchewan. A total of 23 such co-operatives were in operation during 1990.

Examples of co-operative activity during 1990 included the provision of 38 housing units, French training for 200 children in preschools and playschools, an investment of 450,000 dollars on member education and promotion, job placement for 14 Francophones through an employment service, and the contribution of 200 person-days to community-development projects. An estimated 2.5 million dollars was rolled back into regional or local economies through Francophone co-operative activity.

Northern Saskatchewan

The isolation and chronically high levels of unemployment experienced by northern

communities have created needs which co-operative activity can help address. Retail co-operatives provided goods and services at affordable prices, while fishing co-operatives and wild-rice harvesting provided employment and market opportunities for Northerners.

In 1990, five northern retail stores had combined sales of over 5.6 million dollars and employed 40 people. Three of these retail stores were the only service in the fly-in communities in which they were located.

As previously noted, approximately 800 fishermen belonged to 22 fishing co-operatives. The 1990 catch, which totalled 6.9 million pounds of fish, was valued at 2.6 million dollars.

Three wild-rice co-operatives in northern Saskatchewan harvested two million pounds of rice valued at 1.2 million dollars. This amounted to over 80 percent of the total northern wild-rice harvest for 1990. These co-operatives had a combined membership of 271 wild-rice producers.

Concluding Remarks

This report has clearly demonstrated that co-operatives are an integral part of the social and economic fabric of Saskatchewan life. They provide a wide range of services, from child care and housing to financial services and international marketing. They are found in all types of communities, from hamlets of 50 people to the largest urban centres.

The concentration of co-operatives in small rural communities indicates that these enterprises are filling an important need for many Saskatchewan residents. As one of the few remaining businesses in many centres, co-operatives are often central to the local economy and essential to the survival of the community.

Not only do co-operatives fulfill a need for goods and services, they are a financially viable method of doing so. This report has demonstrated that the co-operative sector in Saskatchewan is financially healthy. This is true across virtually all types of co-operatives. These factors point to the potential of the co-operative approach for

developing and sustaining local communities and the local economy.

Notes

¹ Aggregate statistics for the Saskatchewan economy were obtained from: Saskatchewan Bureau of Statistics, *Economic Review 1990*, p. 4

² "Saskatchewan's Top 100 Companies," *Saskatchewan Business*, August 1991. Businesses were ranked on the basis of sales.

³ Jack Stabler, "Trade Centre Evolution in the Great Plains," in G.S. Basran and D.A. Hay (eds.), *The Political Economy of Agriculture in Western Canada* (Toronto: Garamond Press, 1988).

⁴ This category includes co-operative farms and machinery co-operatives. These co-operatives vary with respect to the resources that are shared on a co-operative basis.

⁵ This is based on 1986 census results.

⁶ The amount of co-operative investment is understated because nine of the forty-four farming and machinery co-operatives did not provide notes to their financial statements which indicated a breakdown of their investments.

⁷ See Saskatchewan Wheat Pool, *Policy for Agriculture*, 1989.

⁸ The amount of government funding is understated because not all co-operatives indicated the source of their funds on their financial statements.

⁹ "Saskatchewan's Top 100 Companies," *Saskatchewan Business*, August 1991. Businesses were ranked on the basis of sales.

¹⁰ See Saskatchewan Wheat Pool, *Policy for Agriculture*.

¹¹ Saskatchewan Co-operation and Co-operative Development, *Co-operatives in Saskatchewan*, 1980, p. 32.

¹² In 1974, all milk producers were afforded the opportunity to become a member of Dairy Producers.

¹³ Saskatchewan Milk Control Board.

¹⁴ See *Saskatchewan Rural Development Corporations: Building for the Future*, brochure, Saskatchewan Rural Development.

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- ¹⁵ *Local Development by Local People ...How Co-operatives Can Help*, brochure, Saskatchewan Co-operation and Co-operative Development, 1986.
- ¹⁶ Brett Fairbairn, *Building a Dream: The Co-operative Retailing System in Western Canada, 1928-1988* (Saskatoon: Western Producer Prairie Books, 1989), p. 7.
- ¹⁷ Saskatchewan Bureau of Statistics, *Economic Review 1990*, p. 4
- ¹⁸ See "Saskatchewan's Top 100 Companies," *Saskatchewan Business*. Revenue is for total FCL results. Revenue for Saskatchewan only is not available.
- ¹⁹ Federated Co-operatives Limited, *Annual Report 1989*, p. 3.
- ²⁰ Ian MacPherson, *A Very Special Trust Company* (Saskatoon: Co-operative Trust Company of Canada, 1978), p. 9.
- ²¹ See Saskatchewan Bureau of Statistics, *Economic Review 1990*, p. 4.
- ²² Saskatchewan Co-operation and Co-operative Development, *Co-operatives in Saskatchewan 1980*, p. 26.
- ²³ See "Saskatchewan's Top 100 Companies," *Saskatchewan Business*.
- ²⁴ Co-operators Group Ltd., *Annual Summary 1989*, p. 18.
- ²⁵ Co-operators Group Ltd., *Annual Summary 1989*, p. 24-26.
- ²⁶ Financial statistics for the Co-operators Group listed in Table 15 are based on 1988 results. The data have been adjusted for the rate of inflation where applicable.
- ²⁷ Although the Wynyard Community Clinic still exists, it was struck from the Co-operative register for failure to submit financial statements. Therefore, financial data for the Wynyard clinic is not included.
- ²⁸ Three of the five co-operatives indicated the source of their funding. The estimated 70 percent in government funding is based on the data provided by these co-operatives.
- ²⁹ This figure underestimates the number of people living in co-operative housing as many memberships are held jointly by members of a household.
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Appendix A

Data Collection and Standardization

Data Collection

Financial data on credit unions and co-operative retailers affiliated with FCL were provided by staff at CUC and FCL. Other central organizations or federations were only able to provide limited information on their membership. Information on these co-operatives was obtained by examining the financial statements filed with the Saskatchewan Department of Consumer and Commercial affairs.

Data Standardization

Fiscal Year

The year chosen for analysis was 1989, the last year for which financial statements for the *for-profit* co-operatives were filed with the Department of Justice. Where financial statements for 1989 had not yet been filed, data from the previous year were used.

Active versus Inactive Members

Registered members are the sum of active and inactive members. Inactive members were defined as individuals who no longer do business with the co-operative but were registered as members. Active members still patronize the co-operative.

Full-time versus Part-time Employees

Considerable variability existed with respect to listing of employees as full-time or part-time. Some co-operatives listed individuals who received nominal honoraria as part-time employees. For the purposes of this report, individuals receiving \$300/year or less were assumed to be volunteers and were not included as employees. The honorarium paid

out, however, was included in total wage figures.

Another difficulty was the designation of certain individuals as full-time employees, even though remuneration received by these individuals was more indicative of wages paid to part-time or casual workers. In such cases, employees who were paid less than \$5,000/year were listed as part-time employees. Individuals were also designated as part-time employees where co-operatives listed them as part-time employees although they received wages greater than \$5,000/year.

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. Therefore, the difference between assets and debt (i.e., shares plus memberships plus retained earnings) was designated as members' equity for these co-operatives.

Debt/Asset

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

Caveats

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

Locations

The community categories outlined by Stabler do not include communities with populations of less than 50 individuals or northern communities. Therefore, the charts in this report showing the distribution of co-operatives in Saskatchewan do not include co-

operatives located in these communities.

Employment and Total Wage Bill

Many co-operatives contracted to obtain various services. Examples include such items as accounting fees and janitorial services. Therefore, the total number of employees supported by co-operatives and employment dollars paid out 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 while neglecting to show a break down of expenses.

Capital Investment

The level of capital investment is understated because a number of co-operatives did not include notes to their financial statements which indicated the level of capital investment. In the case of co-operatives with substantial levels of fixed assets, an estimate was obtained by comparing assets listed for 1989 to the assets listed in the previous year.

Information Sources

There were some discrepancies between information provided by central co-operative organizations and government agencies and the information collected from the files at the Department of Justice. These discrepancies 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.

Appendix B

Functional Groupings of Communities

To examine the relationship between co-operative activity and the communities in which co-operatives are located, a categorization of communities developed by Jack Stabler was used.¹ Using this categorization, communities were placed in one of six groupings, each of which corresponds to a different level of a hierarchy based on the functions, or types of services, available in the community.

Stabler describes the groupings as: Minimum Convenience; Full Convenience; Partial Shopping; Complete Shopping; Secondary Wholesale-Retail; and Primary Wholesale-Retail. Communities below the primary and secondary wholesale-retail levels were assigned to one of four functional categories using a cluster analysis program that grouped together communities that were similar in terms of population, commercial functions (as represented by 30 Standard Industrial Classification (SIC) codes), and the number of doctors, hospitals, special health care facilities, high schools, and grain elevators.

The paper by Stabler reports the results of the cluster analysis for 1961 and 1981. The analysis was recently redone using 1990 data.² Table 18 presents the number of communities in each of the categories, as well as the average population size, for the 1990 analysis. As the relatively large standard deviation indicates, there is wide variability in the population of communities within the same category. This indicates that population is not always a valid indicator of the services and functions performed by a community. Since it is this latter aspect that is thought to be important with respect to co-operative activity, the functional groupings rather than population groupings were used in

¹ Jack Stabler, "Trade Centre Evolution in the Great Plains," in G.S. Basran and D.A. Hay (eds.), *The Political Economy of Agriculture in Western Canada* (Toronto: Garamond Press, 1988).

² The results of this analysis are not yet published.

Table 18 Functional Classification of Saskatchewan Communities, 1990

Functional Category	Number of Communities	Average Population	Standard Deviation
Minimum Convenience Centre	419	141	147
Full Convenience Centre	117	575	295
Partial Shopping Centre	46	1,759	935
Complete Shopping Centre	6	4,872	990
Secondary Wholesale-Retail	8	18,088	10,884
Primary Wholesale-Retail	2	181,440	2,889

this report.

Source: Stabler, Functional Classification of Saskatchewan Communities, unpublished material, 1990