

Saskatchewan

Canola

Development

Commission

212-111 Research Dr.

Saskatoon, SK

Canada S7N 3R2

306.975.0262

306.975.0136 Fax

info@saskcanola.com

Saskatchewan Canola Development Commission

VISION:

Shaping canola's future for producer profitability

MISSION:

To enhance canola producers competitiveness and profitability through a producer led and controlled fund which supports research, market development, and extension activities

STATE OF THE INDUSTRY

Jim Caughlin, Chair

Saskatchewan growers planted 5.9 million acres of canola in 2006, with an average yield of 27.6 bushels per acre, producing 3.696 million tonnes. Quality, for a change, was fair to good. This is an ever-creasing crop that generates a greater share of farm cash receipts. This trend can grow further if we can keep the profitability of canola competitive relative to other cash crop options.

We are an organization of growers who have made the decision to tax ourselves. With the funds, we can constantly have influence on the evolution of our crop. The Commission invests in Market Development, Research and Communications programs. Research, by tradition focused on production, will move closer to topics of new uses, value added and pursuit of vehicles to take back influence and control of new technologies. Market development efforts have shifted to a more nationally based delivery system with better national and international promotions for oil, meal and seed.

Our federal and provincial governments are getting to know us better. A regular presence in the office of related ministers is key to their education about canola. It has become clear that industries without a voice become the sacrificial lamb at the policy table.

The canola industry faces issues of international trade disparities and barriers. These are great barriers to canola demand and cost us a tremendous amount of value every year. The opportunity to create new demand domestically is here for us. The biofuels mandates in North America will have a huge impact on demand. Environmental and food safety issues raise concerns over pesticide use. These concerns are real. We must remain responsible users of pesticides and

technologies. Failure on these issues and we destroy our reputation as clean, quality producers of agricultural products.

If we are absent or silent, we cannot complain about our position. Board members speak for you about everything that happens around canola. Change is constant and does not happen in a void. If canola isn't at the table of change, others will decide on your behalf. The voices of producers are so important when decisions influencing our future are made.

I am near the end of my time on this board. The time has been interesting and enlightening. The value of the voice, which we provide, is hugely important for the future success of this crop. I hope you as an interested grower will consider running for this board.

Thank you for attending the annual meeting. Your opinion is important to your directors and the canola industry. ☺

DIRECTORS

Jim Caughlin, Chair
Tisdale SK

Kelvin Meadows, Vice-Chair
Moose Jaw SK

Fred Meister, Treasurer
Radisson SK

Wayne Bacon
Kinistino SK

John Serhienko
Blaine Lake SK

Tim Wiens
Herschel SK



RESEARCH

SCDC invested \$707,797 in research projects for the 2006-2007 fiscal year and funded a number of new projects:

- ⊗ Evaluating canola cultivars for food and bio-diesel oil production on saline lands
- ⊗ Development of a new industrial oil seed crop for hydroxyl fatty acid production
- ⊗ Reducing seedling blight to improve stand establishment in hybrid canola
- ⊗ Identifying agronomic practices that conserve and enhance natural enemies of insect pests
- ⊗ Resistance of individual *Brassica carinata* genes in canola different blackleg pathotypes
- ⊗ Development of reduced-risk strategies through coordinated monitoring, forecasting and risk warning systems for insect pests
- ⊗ A large-scale study of blackleg races in western Canada
- ⊗ Engineering plants with improved phosphorus usage efficiency
- ⊗ Production of expoxidized canola oil
- ⊗ Biodiesel and lithium grease production technology
- ⊗ Feasibility for establishing a producer group commercialization vehicle
- ⊗ Minimizing harvest losses and improving seed quality using Spodnam
- ⊗ Agronomy of *Camelina sativa*
- ⊗ Improving the value of canola meal for swine, poultry and fish
- ⊗ Influence of feeding increasing amounts of pressed canola cake on grow-finish pig performance
- ⊗ Efficacy of canola oil in the management of high cholesterol and type 2 diabetes

Research projects were conducted by Agriculture and Agri-Food Canada (AAFC), University of Saskatchewan, University of Alberta, University of British Columbia, University of Toronto, Alberta Research Council, Prairie Swine Centre, National Research

Council – Plant Biotechnology Institute and the Agri-ARM sites in Saskatchewan.

SCDC appreciates the matching, investment-initiative funding provided by AAFC. AAFC matched the SCDC's commitments and provided research scientists and facilities to conduct research projects. The Canadian International Grains Institute, Canola Council of Canada, Saskatchewan Agriculture and Food, Alberta Canola Producers Commission, Manitoba Canola Growers Association, City of Saskatoon, Canadian Canola Growers Association, Saskatchewan Pulse Growers, Western Grains Research Foundation, Saskatchewan Canola Growers Association and Milligan BioTech Inc. also provided funding and/or in-kind support for a number of canola research projects.

The SCDC Board of Directors met with AAFC researchers to review research priorities and prioritize new projects for funding. The Canola Council of Canada, Alberta Canola Producers Commission, and Manitoba Canola Growers also met with the SCDC to identify production research priorities and to coordinate research funding in Western Canada.

A list of SCDC-funded past and current research projects is available from the SCDC office. Most project summaries and reports are posted on the SCDC website at www.saskcanola.com. ⊗

COMMUNICATIONS REPORT

The 2007 AGM of SCDC was held during a blizzard that paralyzed most of the province. Some hardy souls attended and heard interesting presentations. Topics included an agronomic summary of the 2006 crop year, commercialization of intellectual properties by producers, the North American Canola Oil Promotion Program, and the implications and potential impacts from the expiry of

patents of herbicide tolerant canola varieties.

SCDC contributed to the publication of the Canola Digest magazine. The magazine, published jointly with other provincial producer groups and the Canola Council of Canada, was published quarterly and provided current information to about 51,000 producers across Canada. Each issue had a theme that was woven throughout the various articles. This year's topics were *The Road Ahead for Canola*, *2006 Prairie Canola Variety Trials*, *Made with Canola Oil*, and *Mapping Out The Road Ahead – Going great 2015*.

SCDC produced two series of radio clips, aired during seeding and harvest. The intent was that producers hear one or two and learn about some current issues. More information was shared through the weekly contributions to "Canola Connection" on CJWW's Wednesday noon "Lets Talk Ag" show and articles in the Western Producer.

SCDC also sponsored and participated in many local events: Super Canola Days jointly with SCGA, the Crop Production Show and the Saskatchewan Soil Conservation Association conference.

SCDC also provided assistance to other agriculture organizations for their important work: Agriculture in the Classroom, Conservation Learning Center, the 4H Provincial Public Speaking competition, Ag West Bio, and the Outstanding Young Farmers Program.

SCDC contributed to the Canola Advantage program administered by the Canola Council of Canada (CCC). This program funds agronomists based in each prairie province, with three in Saskatchewan. They continue to be an excellent resource for producers to contact with questions about agronomics, diseases, insects, and other topics dealing with canola production. The agronomists and

other industry specialists collaborated on a weekly email titled "Canola Watch". It highlighted timely agronomic issues that producers are experiencing in the field. Hot topics, such as insect outbreaks, were identified. Information was distributed to producers and agribusinesses via email, highlighting the problem and offering solutions. To receive emails from the Canola Watch or to contact a CCC agronomist, visit www.canola-council.org or contact the SCDC office.

SCDC continued to host the website, www.saskcanola.com, which provided the most comprehensive information for growing canola in Saskatchewan, a variety of canola news topics, and information about the SCDC organization. ☼

MARKET DEVELOPMENT

SCDC partnered with the Canola Council of Canada and grower groups in Alberta, Manitoba, and northern United States to implement market development activities in Canada and the United States – collectively called the North American Canola Oil Promotion (NACOP) Program. This collaboration with the Canola Council and the other groups allowed access to federal funding programs and greatly enhanced the NACOP Program work.

The major accomplishment by the NACOP program in 2006 was attaining the Qualified Health Claim for canola oil in the United States. The American market is very important and growing. Many jurisdictions in North America have created trans fat free zones. This has pushed the food industry to explore the use of healthier vegetable oils. Many companies such as Taco Bell, Kentucky Fried Chicken, and McDonalds, to mention few, have chosen canola oil.

CanolaInfo, an instrument of the NACOP program, led this effort, focusing on four sectors of the food industry: health professionals, chefs and culinary professionals, food services, and food media. The approach to "educate the educator" has been very effective. These well-placed people of influence then took the message that using canola oil is a healthy choice to the American consumers.

The website at www.CanolaInfo.org continues to be an excellent resource. There is a considerable body of information on health and nutrition, and many tasty recipes to try.

SCDC participated in two significant public events this past year. The Royal Winter Fair in Toronto, one of Canada's largest agriculture shows in the heart of Canada's largest urban area, provided canola growers with an excellent opportunity to convey the message that canola oil is the healthiest oil of choice. The booth highlighted the fact that farmers are good stewards of the environment. SCDC also assisted the Alberta Canola Growers Association with their exhibit at the Calgary Stampede. The messaging about canola oil fit in very well as the entire event was classified as trans fat free.

SCDC continued to be active in the promotion of biodiesel. SCDC worked jointly with other Canadian grower groups to influence persons in the provincial and federal governments. These efforts have successfully created a business environment for the establishment of a new industry for Canada.

A federal mandate of a 2% inclusion rate has been established for 2012. Federal and provincial programs have been announced to assist in business planning and operation of these facilities. The next phase of this industry is business plan development and implementation to build the biodiesel plants as well as the distribution and sales network required to fill consumer vehicles. ☼

MANAGEMENT REPORT

The Commission's management is responsible for establishing and maintaining a system of internal control, complying with authorities, maintaining financial records, and preparing financial statements. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

The Commission's Board oversees management in the performance of its financial reporting duties.

PricewaterhouseCoopers examined the Commission's system of internal control, compliance with authorities and financial statements. A copy of their opinions on the internal control, compliance with authorities, and the financial statements are enclosed. ☼



Laurie Hayes, Executive Director

Saskatoon, Saskatchewan
November 30, 2007

Auditors' Report

To the Board of Directors of Saskatchewan Canola Development Commission

We have audited the statement of financial position of **Saskatchewan Canola Development Commission** as at July 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The commission collects a check-off fee from Saskatchewan producers through buyers of canola. It was not practical for us to verify whether all buyers of canola produced in Saskatchewan have collected and remitted the required check-off fee to the commission. Accordingly, our verification of check-off fee revenue was limited to the amounts recorded in the accounts of the commission. As such, we were unable to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets, liabilities, net assets and cash flows of the commission.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves with respect to the completeness of check-off fee revenue as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the commission as at July 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

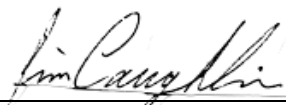
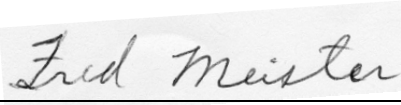
Chartered Accountants

November 1, 2007
Saskatoon, Saskatchewan

Saskatchewan Canola Development Commission
Statement of Financial Position
As at July 31, 2007

	2007 \$	2006 \$
Assets		
Current assets		
Cash	-	182,822
Accounts receivable (note 12)	513,196	494,446
Accrued interest receivable	6,983	8,842
Prepaid expenses	2,830	11,122
	523,009	697,232
Investments , at cost (note 4)	2,771,422	2,686,821
Capital assets (note 5)	15,214	19,361
	3,309,645	3,403,414
Liabilities		
Current liabilities		
Bank indebtedness	91,568	-
Accounts payable (note 12)	195,365	443,462
	286,933	443,462
Net Assets		
Invested in capital assets	15,214	19,361
Internally restricted (note 6)	1,400,000	1,400,000
Unrestricted	1,607,498	1,540,591
	3,022,712	2,959,952
	3,309,645	3,403,414
Commitments (note 7)		

Approved by the Board of Directors:


, Director

, Director

(see accompanying notes to the financial statements)

Saskatchewan Canola Development Commission
Statement of Changes in Net Assets
For the year ended July 31, 2007

	<u>2007</u>			<u>2006</u>	
	Invested in capital assets \$	Internally restricted \$	Unrestricted \$	Total \$	Total \$
Balance – Beginning of year	19,361	1,400,000	1,540,591	2,959,952	2,129,419
Excess of revenue over expenses for the year	(8,784)	-	71,544	62,760	830,533
Purchase of capital assets	7,637	-	(7,637)	-	-
Proceeds from disposal of capital assets	(3,000)	-	3,000	-	-
Balance – End of year	<u>15,214</u>	<u>1,400,000</u>	<u>1,607,498</u>	<u>3,022,712</u>	<u>2,959,952</u>

Saskatchewan Canola Development Commission
Statement of Operations
For the Year Ended July 31, 2007

	<i>Budget 2007 \$ (note 8)</i>	<i>Actual 2007 \$</i>	<i>Actual 2006 \$</i>
Revenue			
Producer check-off fees (note 9)			
Fees	2,300,000	2,840,965	3,050,920
Refunds	(120,000)	(200,376)	(199,873)
Net	2,180,000	2,640,589	2,851,047
Interest and other income	70,000	121,720	90,986
Levy Central income	60,000	90,569	73,495
Bio Bus income (note 10)	-	65,893	73,816
Saskatchewan Pulse Crop Development Board transfer	-	7,000	-
Gain on disposal of assets	-	3,000	17,212
	<u>2,310,000</u>	<u>2,928,771</u>	<u>3,106,556</u>
Expenses			
Market development (note 13)	640,000	1,134,103	567,897
Research and development projects (notes 11 and 12)	660,000	707,797	637,313
Communications (note 13)	460,000	478,214	391,444
Salaries and benefits	300,000	223,330	313,906
Board of directors	82,500	129,352	113,259
General and administration (note 12)	72,500	91,860	90,265
Rent (note 12)	43,000	42,618	40,506
Scholarships (note 12)	40,000	23,600	39,200
Management travel	20,000	16,528	22,002
Amortization	12,000	11,784	9,915
Annual meeting	10,000	6,146	8,141
Election	40,000	679	39,728
Loss on disposal of investments	-	-	2,447
	<u>2,380,000</u>	<u>2,866,011</u>	<u>2,276,023</u>
Excess (deficiency) of revenue over expenses for the year	<u>(70,000)</u>	<u>62,760</u>	<u>830,533</u>

SASKATCHEWAN CANOLA DEVELOPMENT COMMISSION
Statement of Cash Flows
For the Year Ended July 31, 2007

	2007	2006
	\$	\$
Cash provided by (used in)		
Operating activities		
Receipts from producers	2,832,964	2,865,258
Receipts from Levy Central	73,892	72,458
Receipts from organizations supporting Bio Bus projects (note 10)	65,893	108,216
Receipts of interest and other revenue	135,623	102,885
Payments of research and development projects, grants and scholarships	(1,835,239)	(824,014)
Payments to board members	(133,165)	(106,174)
Payments to producers	(200,260)	(149,213)
Payments to suppliers and employees	(1,125,744)	(981,128)
	(186,036)	1,088,288
Investing activities		
Purchase of capital assets	(7,637)	-
Proceeds from disposal of capital assets	3,000	17,212
Purchase of investments	(391,174)	(1,407,569)
Proceeds from disposal of investments	307,457	409,262
	(88,354)	(981,095)
Increase (decrease) in cash	(274,390)	107,193
Cash – Beginning of year	182,822	75,629
Cash (bank indebtedness) – End of year	(91,568)	182,822

SASKATCHEWAN CANOLA DEVELOPMENT COMMISSION

Notes to the Financial Statements

July 31, 2007

1 Authority

The Saskatchewan Canola Development Commission (“SCDC”) was established on February 6, 1991, pursuant to The Saskatchewan Canola Development Plan Regulations (“Regulations”), under the authority of The Agri-Food Act, 2004. The purpose of SCDC is to enhance canola producers’ competitiveness and profitability through canola research, market development and communication activities. The activities of SCDC are funded primarily by a check-off fee charged on canola sales from canola production in Saskatchewan.

2 Significant accounting policies

a) Revenue

Check-off fees and refunds

Producer check-off fees are recognized when canola is sold. Refunds are recognized based on management’s best estimate of expected refunds.

Restricted contributions

The deferred method of accounting is used for any externally restricted contributions.

Levy central income

Levy central income is the fee charged by SCDC to the Saskatchewan Mustard Development Commission, the Saskatchewan Flax Development Commission, the Canaryseed Development Commission of Saskatchewan, Saskatchewan Oat Development Commission, and Saskatchewan Winter Cereals Development Commission (related parties) for administering their check-off fee programs. Income is recognized as work is performed.

Transfers

Transfers are reimbursements of eligible costs incurred by SCDC for a research project. Transfers are recognized as revenue when the transfer is authorized and any eligibility criteria are met.

b) Basis of accounting for co-sponsored program interests

SCDC uses the equity method of accounting for its interest in the Canola Digest co-sponsored program, where SCDC is obligated to fund its share of a deficit in any one year or where SCDC has a right to a credit for its share of net earnings of the program in any one year.

SASKATCHEWAN CANOLA DEVELOPMENT COMMISSION

Notes to the Financial Statements

July 31, 2007

c) Capital assets

Capital assets are carried at cost less accumulated amortization. Amortization of capital assets is calculated on the straight-line basis in amounts sufficient to amortize the cost of capital assets over their estimated useful lives as follows:

Equipment and furniture	3 – 5 years
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d) Grants, and research and development projects

Expenses are recognized when grants and/or projects are approved and the recipient has met eligibility criteria. Funds advanced to recipients prior to eligibility criteria being met are recorded as advances.

3 Financial instruments

SCDC's financial instruments include accounts receivable, accrued interest receivable, investments, bank indebtedness and accounts payable. The accounts receivables, accrued interest receivable and accounts payable have a fair value that approximates their carrying value due to the immediate or short-term maturity of these financial instruments. Estimated fair market value of investments is disclosed in note 4 below.

SCDC is exposed to credit risk from potential non-payment of accounts receivable. Most of the accounts receivable were collected shortly after year-end.

4 Investments

		<u>2007</u>			<u>2006</u>		
	<u>Years to maturity</u>	<u>Cost</u> \$	<u>Market value</u> \$	<u>Yield to maturity</u> %	<u>Cost</u> \$	<u>Market value</u> \$	<u>Yield to maturity</u> %
Federal	1 – 5	485,915	484,839	3.55 – 5.03	471,856	473,661	3.67 – 5.03
Provincial	1 – 5	1,702,261	1,672,388	3.31 – 4.50	1,436,339	1,423,495	3.31 – 5.21
Corporate	1 – 5	583,246	574,430	3.10 – 4.35	778,626	765,385	2.57 – 4.35
		<u>2,771,422</u>	<u>2,731,657</u>		<u>2,686,821</u>	<u>2,662,541</u>	

The market value of the bonds and strip bond instruments is determined by reference to closing year-end sale prices from recognized security dealers.

SASKATCHEWAN CANOLA DEVELOPMENT COMMISSION
Notes to the Financial Statements
July 31, 2007

5 Capital assets

			<u>2007</u>	<u>2006</u>
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Equipment and furniture	97,361	82,147	15,214	19,361

6 Internally restricted net assets

SCDC has internally restricted net assets for completion of certain projects and for check-off fee refunds to producers in the event of disestablishment of SCDC. Approval by the Board of Directors is required before any funds can be accessed.

	<u>2007</u> \$	<u>2006</u> \$
Completion of projects		
Balance – Beginning of year	700,000	700,000
Transfer from unrestricted to restricted during the year	-	-
Balance – End of year	<u>700,000</u>	<u>700,000</u>
Refunds of check-off fees		
Balance – Beginning of year	700,000	700,000
Transfer from unrestricted to restricted during the year	-	-
Balance – End of year	<u>700,000</u>	<u>700,000</u>
Internally restricted net assets	<u>1,400,000</u>	<u>1,400,000</u>

7 Commitments

SCDC is committed to funding research and development projects over several years to benefit the canola industry. At July 31, 2007, these commitments totalled \$1,964,637 extending over the next four years (2006 – \$1,166,680).

SCDC is committed to funding an additional \$302,500 to the North American Canola Oil Promotion Program as per the agreement beginning January 1, 2007 and expiring December 31, 2011.

8 Budget

SCDC's members approved the 2007 fiscal year budget at the annual meeting on January 11, 2006.

9 Producer check-off fees

Under the Regulations, each buyer of canola is required to remit to SCDC a check-off fee deducted from any payments made to producers. Pursuant to board order #16/04, effective August 1, 2004, the check-off fee was set at \$0.75 per tonne. Producers can request a refund for check-off fees paid from August 1 to January 31 or from February 1 to July 31 by submitting a refund application by February 28 or August 31, respectively.

10 Bio Bus income

SCDC supports research projects related to the use of bio-diesel in vehicles including the bus transit industry. SCDC received support for bio-diesel research projects from the following organizations:

	2007	2006
	\$	\$
Manitoba Canola Growers Association	5,000	-
Alberta Canola Producers Commission	30,893	-
Canadian Canola Growers Association	10,000	-
Saskatchewan Department of Agriculture and Food	20,000	-
Western Economic Diversification	-	73,816
	<u>65,893</u>	<u>73,816</u>

11 Research and development projects

	<u>2007</u>		<u>2006</u>
	<i>Budget</i>	Actual	Actual
	\$	\$	\$
Agronomic research	385,150	321,140	378,098
Germplasm development	97,750	121,075	87,850
Usage research	177,100	265,582	171,365
	<u>660,000</u>	<u>707,797</u>	<u>637,313</u>

SASKATCHEWAN CANOLA DEVELOPMENT COMMISSION

Notes to the Financial Statements

July 31, 2007

12 Related parties

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to SCDC by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as “related parties”). Also, SCDC is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are settled on normal trade terms. The following table summarizes the significant related party transactions for the year:

	2007	2006
	\$	\$
Accounts receivable – Levy Central income	38,988	25,041
Accounts payable – U of S scholarship	-	15,600
Revenues – Levy Central income	90,569	73,495
Expenses		
Research and development projects	122,140	86,735
General and administration, and rent	58,073	54,687
Scholarships	23,600	39,200

13 Co-sponsored programs

a) Canola Digest

SCDC has equal representation with Alberta Canola Producers Commission, Manitoba Canola Growers Association and the Canola Council of Canada to publish the Canola Digest Newsletter (“newsletter”). Revenues and expenses are distributed based on each organization’s proportionate qualified grower circulation. SCDC’s qualified grower circulation is on average for the year 54.5% (2006 – 56.1%).

Upon establishment of the newsletter program, the co-sponsors did not contribute any money or other assets to the program. Direct Publications Ltd. is used to produce, print and distribute the newsletter. The current newsletter agreement between the co-sponsors expires June 15, 2009.

SCDC’s interest in the program assets, liabilities, net assets (deficit), revenues, expenses, net loss and cash flows are shown below. The net loss is recorded as part of communications expense.

	2007	2006
	\$	\$
Current assets	-	-
Current liabilities	14,459	23,396
Net assets (deficit)	(14,459)	(23,396)
Revenues	207,747	182,015
Expenses	222,206	205,411
Net loss	(14,459)	(23,396)
Cash provided (used) by operating activities	(23,396)	1,030
Cash provided by financing activities	-	-

SASKATCHEWAN CANOLA DEVELOPMENT COMMISSION

Notes to the Financial Statements

July 31, 2007

b) North American Canola Oil Promotion Program ("NACOPP")

Effective January 1, 2007, SCDC entered into a new North American Canola Oil Promotion Program ("NACOPP") agreement with Alberta Canola Producers Commission, Manitoba Canola Growers Association, Northern Canola Grower Association, and Canola Council of Canada to promote canola oil and its uses. This agreement expires December 31, 2011.

The new NACOPP agreement carries on from the prior agreement which expired December 31, 2006. SCDC's funding obligation according to the new NACOPP agreement beginning January 1, 2007 is limited to a fixed amount as provided in the agreement. The funding provided by SCDC to this program in the current year was \$773,750 which is included as part of market development expense.

Auditors' Report

To the Board of Directors of Saskatchewan Canola Development Commission

We have audited the **Saskatchewan Canola Development Commission's ("SCDC")** control as of July 31, 2007 to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard agency resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial statements.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding agency resources, revenue raising, spending, borrowing and investing.

We used the control framework developed by The Canadian Institute of Chartered Accountants ("CICA") to make our judgements about the effectiveness of the SCDC's control. We did not audit certain aspects of control concerning the effectiveness, economy and efficiency of certain management decision-making processes.

The CICA defines controls as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

The SCDC's management is responsible for effective control related to the objectives described above. Our responsibility is to express an opinion on the effectiveness of control based on our audit.

We conducted our audit in accordance with standards for assurance engagements established by the CICA. Those standards require that we plan and perform an audit to obtain reasonable assurance as to effectiveness of the SCDC's control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control, including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In our opinion, based on the limitations noted above, SCDC's control was effective, in all material respects to meet the objectives stated above as of July 31, 2007 based on the CICA criteria of control framework.

November 1, 2007
Saskatoon, Saskatchewan

PricewaterhouseCoopers LLP

Chartered Accountants

Auditors' Report

To the Board of Directors of Saskatchewan Canola Development Commission

We have made an examination to determine whether the **Saskatchewan Canola Development Commission** complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding agency resources, spending, revenue raising, borrowing and investing activities during the year ended July 31, 2007:

- The Agri-Food Act, 2004
- The Saskatchewan Canola Development Plan Regulations
- Commission Orders #8/02 to #12/02, #15/04 and #16/04

Our examination was made in accordance with the Canadian generally accepted auditing standards and, accordingly, included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, the Saskatchewan Canola Development Commission has complied, in all material respects, with the provisions of the aforementioned legislative and related authorities during the year ended July 31, 2007.

PricewaterhouseCoopers LLP

Chartered Accountants

November 1, 2007
Saskatoon, Saskatchewan

MAJOR VARIANCES BETWEEN PLANNED FINANCIAL RESULTS AND ACTUAL

Higher than anticipated yields increased producer check-off fees and a proportionate increase in refunds was also realized. An expanded client base increased Levy Central income. The investment of and interest earned on a higher than anticipated surplus increased income. Funding for specific research projects was received from funding partners. Miscellaneous income reflects the sale of farm equipment.

Increased activity in the promotion of biodiesel and canola oil in the North American markets significantly increased Market Development spending. As a result, consultant time was significantly greater than anticipated.

Increased director per diems and expenses reflected increased director activity on more and unexpected issues.

Staffing changes reduced salaries and benefits. Election budget was underspent as there was no election in 2006-2007. Management travel was less than anticipated as the majority of the activities did not necessitate extensive travel.

Increased administration and general costs reflect increased program activity and costs related to serving an expanded client base. The new involvement in advocacy activities was not accounted for in the budget.