



2009 - 2010 Annual Report





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State of the Industry 2009 - 2010

Another crop year is behind us and plans for the upcoming season are starting to gel. Canola will be on most producers seeding list; the industry is estimating 18-20 million acres will be seeded in western Canada – a new record. Farmers

have adopted this crop and continue to improve their management practices to drive up yields.

I have been on the SaskCanola board for 9 years and this will be my last report to producers. When I first joined the Commission, the United States was importing 200,000 tonnes of seed, 450,000 tonnes of oil and 826,000 tonnes of meal. Recent figures show that the US now imports 600,000 tonnes of seed, over 1,000,000 tonnes of oil and over 1,000,000 tonnes of meal. Imports by Japan and Mexico are up by a total of 1.3M tonnes of seed tonnes cumulatively. During my time on the board SaskCanola has used your levy to ensure access to markets and to educate consumers about heart healthy canola oil. Your organization works with Manitoba and Alberta canola growers, the crushing and seed export industry to grow and develop global markets for our oil. Even though predictions are for record seeded acres in 2011, the industry is confident that they will find markets for the upcoming crop. That optimism is due to consumers who are looking for healthy products.

Canola is a crop that has attracted attention due to its success but success can't be guaranteed. One area in which SaskCanola is not seeing success is on the biodiesel issue. Saskatchewan does not have a

biodiesel mandate: Manitoba and BC have implemented a mandate that requires biodiesel to be added to diesel at the 2% level; Alberta has announced their mandate which will take effect in April 2011. The federal government is also lagging on the biodiesel mandate. This has led to the production of canola biodiesel in the US that is then shipped into our Canadian market, sure would be nice to have a western Canadian facility.

All things considered we have a healthy product and a healthy industry. This success is due to farmer input into industry discussions and our robust research portfolio. I am very pleased with the many successes we have had in this area since I joined the board. We are working more collaboratively with more partners in this area than ever before. Our partnership with Agriculture and Agri-Food Canada, the Manitoba and Alberta Canola Growers, and Canola Council of Canada creates a structure for joint projects that will address farmers' issues with agronomy. This stretches our research dollar and increases our impact. You can judge this for yourself at our website www.saskcanola.com, if you click on the Research tab and then the Research Reports tab the results of these investments are there for you to review. There is thought provoking research results and it may improve your production practices.

It's been a pleasure to be part of the growth of this industry and I thank you for allowing me to serve on this board for nine years. I also wish to thank the Board members, and our staff for your continued good work and I wish all canola growers continued success and a warm and dry spring.

A handwritten signature in black ink that reads "Wayne Bacon".

Wayne Bacon, Chair, SaskCanola Board
of Directors



Message from the Executive Director



Thinking back to 2009-2010 the crop came off late – November for many. It was however good quality, average to above average yield, and although we did not set production records, we were close to the record year of 08-09 in Western Canada.

When we flip forward to the spring of 2010 I recall one of the SaskCanola board members commented in March of 2010 that there was fog around his place. He had heard an ‘old wives tale’ that fog means moisture about 6 weeks later. While I think he was looking forward to rainfall, I don’t think he was thinking record rainfall in May, June and July. Even though the season started warm and dry in April and some farmers started seeding, for many Saskatchewan agriculture producers this was a difficult year. By year end (July 31, 2010) Saskatchewan had 8 million unseeded acres and a further 4 million drowned out after being seeded. This was a frustrating situation for many farmers and one we all hope will not happen again.

SaskCanola remains committed to producer profitability. In difficult times it is always a challenge to keep investing in your producer organization, however your organization continues to provide leadership and ensure producer voices are heard by government and other agencies. We clearly stated the need for changes to the Cash Advance when farmers were strapped to repay the advance due to a late harvest in 2009. Membership at the Canadian Canola Growers Association and in the Canola Council of Canada ensure that producers are at meetings where communications strategies with all levels of government are determined, future research needs are discussed, and input into policy that will affect farmer profitability and sustainability is being developed.

We continue to ensure that market development programs in Canada and abroad are funded and managed to give the greatest bang for your producer dollar while managing programs in Saskatchewan to allow our communities to share in the success of

canola. Our Rider game day continues to be a popular event and allows us to reach several thousand consumers with messages about heart healthy canola oil.

It has been a pleasure to meet some of you this year at producer events, field days and to discuss issues with those of you who phoned me this year. Your organization is only a phone call or email away – let us know what is on your mind, together we can accomplish our goals.

Catherine Folkersen, Executive Director



HRH the Duchess of Cornwall visits the Canola Booth at the 2009 Royal Winter Fair and discusses education materials with Catherine Folkersen.



Being the newest member of the SaskCanola Board I am honoured and excited to serve as the Research Committee Chair. It is a bit intimidating to jump on the train full speed but it is a lot easier with the support of our very talented research manager Pat Flaten and a knowledgeable and experienced Committee. As I am writing this in September,

waiting for some dry weather to get into harvest, there is not a whole lot that brings a smile on my face. Looking at our SaskCanola research commitments is a nice way to perk up my optimism.

In 2010 SaskCanola budgeted over \$1.3M which was committed to different areas of research such as Agronomic research, Germplasm Development, and Usage Research. SaskCanola has a long history of partnership with the different government research programs and universities, encouraging matching funding from other producer organizations. This has tremendously increased the efficiency of our funding. That is partly the reason why our total research expenditure for 2010 is under \$800,000. The other reason being that a few projects were not 100% accomplished and consequently some funds were not yet disbursed by year end.

I would encourage everyone to visit our website, www.saskcanola.com to see a complete list of the projects funded by SaskCanola. I thought I would make mention of some of the main projects that hopefully will make canola production more profitable and less worrisome in the future.

Research has been conducted to produce a quick and easy way to determine seed vigor at the producer level. With the potential amount of seed that was not seeded this past spring and more than likely will be resold next spring, this new kit will give peace of mind to a farmer as to the vigor of their seed.

On the trait development side, a significant amount of funding is being matched by Agriculture and Agri-Food Canada in development of sclerotinia and blackleg resistance as well a reduced pod shatter.

Investments have also been made in a large integrated clubroot project looking at the genetic and molecular basis of clubroot resistance. This is one disease that we are hoping to have a good handle on before it becomes a problem in our province.

SaskCanola is always looking at new and improved ways to use canola so that the marketplace can be competitive and the value of our product can be sustainable into the future. To that end, we funded a project that is now at the pilot plant stage developing a new process of fractionation of proteins for high value use.

It is important to know that not every project submitted to SaskCanola is accepted. Our committee is composed of producers with industry experts and researchers providing an advisory role. That broad spectrum of talents gives the ability to analyse the pros and cons of a particular project. What might sound good to a researcher can be quickly turned down by a producer and vice-versa. In the end, as a farmer contributing with my levy dollars, I can be sure that these resources are spent very effectively.

We are now coming close to 20 years of research funding by SaskCanola. A lot has been worked on. But where do I find pertinent information in layman's terms? Simple: go to www.saskcanola.com and you can find a summary of all the research projects undertaken in the past 20 years. We have come a long ways and there is always much to find out!

This is an exciting time for the canola industry. The federal and provincial governments have committed an unprecedented amount of money to the industry, and it probably would not have happened if they did not value the work of the producer organizations like SaskCanola in partnership with the Canola Council of Canada. This gives me reason for optimism, knowing that our industry is constantly reassessing through forward thinking to make sure our industry stays competitive.

Thank you to the Research Committee and Advisors for your diligent work in supporting canola research investment for our industry.

A handwritten signature in black ink, appearing to read 'Franck Groeneweg'.

Franck Groeneweg, Research Chair



Market Development

In February 2010, SaskCanola undertook a major Canadian and international market development initiative and brought the canola industry to the 2010 Winter Olympics in Vancouver.

Through a partnership with the provincial government,

SaskCanola took the heart-healthy message of canola oil and our agriculture industry success story to the thousands of people who attended the Games. Partnership activities included three program areas: SaskCanola Feature Day on Sunday, February 21, the Kickoff to Good Health Saskatchewan Day Breakfast on Tuesday, February 23, and a Kiosk venue in the Saskatchewan Business Pavilion, February 21, 22 and 23rd.

Some 9,000 people attended the SaskCanola Feature Day which shone the light on our provincial canola industry. Heart-health and nutrition promotion was delivered onsite by SaskCanola and included our Kickoff to Good Health brochure. As well, a special Canola Gold Cookie made with canola oil and healthy Saskatchewan ingredients was produced and distributed to pavilion guests . . . the cookies were the hit of the day!

As part of the industry's heart-healthy promotion of canola oil, SaskCanola sponsored and hosted the Kickoff to Good Health Saskatchewan Day Breakfast which set the stage for Saskatchewan Day activities at the Winter Games on February 23rd. This was a significant outreach initiative that saw Premier Brad Wall along with other dignitaries including members of the Saskatchewan Olympic teams, the Riders, as well as Olympic officials including Rick Hanson, Olympic Village Mayor, start the provincial day off with a Saskatchewan inspired menu and a recognition of the value that canola brings to our province and country.

Throughout three very busy days, SaskCanola's kiosk and display at the Pavilion's Business Centre profiled the canola industry both in Saskatchewan and in Canada and was visited by thousands of Olympic visitors and guests.

SaskCanola along with assistance from provincial canola grower associations annually promotes the industry, the nutritional and health benefits of canola oil and canola by-products to thousands of people who attend Canada's largest agricultural fair, The Royal Winter Fair held in Toronto. This major Canadian market development program through the Canola Booth, continues to provide us with the opportunity to pass on the key message that, "canola oil is the heart- healthiest oil", to an extensive and knowledgeable consumer audience as well as promote the Canadian canola industry and provide an educational information about agriculture and canola to students attending the fair. The late harvest in 2009 created havoc in staffing the booth as those directors who normally had time for this project were still harvesting. Many thanks to the staff who worked long and extra hours to once again make this a very worthwhile endeavour. An unexpected highlight and surprise was the visit to the Canola Booth by the Duchess of Cornwall when she and Prince Charles opened the 2009 fair.

Communications

SaskCanola directs its communication goals to focus on Saskatchewan's agricultural producers, consumers and government institutions. Through various communications vehicles, SaskCanola provides on going communications and information to our registered canola producers and develops strategic partnerships and programs to advance industry and consumer information.

With a key focus on our producers, we bring current information vital to the farmers through considerable radio programming with Canola Connection on Wednesdays with Neil Billinger of CJWW, Saskatoon as well as a monthly half hour canola program with Alice Macfarlane of CJVR, Melfort. Radio ads are also produced in-house and placed during the seeding and harvest seasons to provide farmers with information on better seeding techniques and managing harvest conditions.

May 12, 2010 saw the launch of our new and improved website. The website now has more features and information directed specifically to producers. This communications vehicle is regularly updated with the latest information on SaskCanola, the industry, crop production, and research.



We remain committed to publishing the Canola Digest which is a partnership with the growers in Alberta and Manitoba and the Canola Council. The focus of this publication is to inform and provide value to canola producers. The SaskCanola Report section is directed to producer interests in our province.

2009-2010 was the second year in our partnership with the Saskatchewan Roughriders to promote our industry and the health and nutrition benefits of canola oil through the Kickoff to Good Health campaign. We were pleased to be able to have our Kickoff to Good Health video played not only during the regular season at Mosaic Stadium but also at all of the 2009 CFL playoff and final games and the 2009 Grey Cup. The video is now a pre-roll feature and can be seen on the Rider's website. On July 17, 2010 we once again hosted registered producers at our SaskCanola Rider Game Day which was the Rider's official Centennial game day. The highlight of course was watching our team defeat the Edmonton Eskimos! Game Day recipes featuring canola oil with health and nutrition messages were again placed in the Green and White insert of the Leader Post for all home games.

Throughout the year, we also partnered and supported Saskatchewan organizations in advancing their activities in research and promoting agriculture. Some of these organizations include Ag in the Classroom, Conservation Learning Center, Outstanding Young Farmers, Saskatchewan 4-H, and the Saskatchewan Canola Growers Association, the Soil Conservation Association and the Jet Biodiesel car.

SaskCanola continues to support the growth and future success of the canola industry through the offering Undergraduate, Diploma and Graduate scholarships at the University of Saskatchewan. In 2009-10 the scholarship program expanded to include three additional scholarships, one for a Kinesiology and Nutrition student at the University of Regina and two scholarships at SIAST, for a Food Services student and a Nutrition student.

Tim Wiens, Market Development and Communications Chair



Wayne Bacon, Chair SaskCanola gets the SaskCanola Rider Game Day on July 17, 2010 underway with the official CFL coin toss.



Tim Wiens Chair, Market Development and Communications Committee, and SaskCanola staff greeted thousands of visitors at the Canola Kiosk during the 2010 Olympics in Vancouver.



Canola Council of Canada Report



The role of SaskCanola, your levy organization, is to ensure that our expenditure within Canola Council of Canada (CCC) meets the needs of producers. Canola Council of Canada represents our largest annual expenditure at approximately \$1M per year. Our levy is \$0.75 per tonne and one-third of this is provided to

CCC to operate programs in market development, agronomy, trade strategy, and market access. I sit on this CCC board and am pleased to report of CCC's success in several areas of concern to producers.

Producers need markets for their products and access to these markets. The work of Council is valuable to farmers when it delivers on these programs and activities. Seed exporters, canola crushers and other grower groups contribute an equal amount per tonne amount to CCC for operations of the Council. CCC is able to generate a revenue stream from industry of about \$5M per year which they use to leverage federal and provincial government funds to augment their programming and resulting in about \$8M in revenue annually. The result of these contributions is that all stakeholders, including producers, determine the future of the industry and how to succeed in a global market place. The benefits of participating in this organization are that SaskCanola has a voice within the industry to enable the producer viewpoint to be heard and acted upon.

During the past fiscal there have been trade disruptions due to issues of salmonella in canola meal and the blackleg issue which has reduced China's importation of canola seed for their crushing industry. These disruptions have been addressed by the federal government in several ways due to the presence of Canola Council of Canada who informed the government on the industry, the issues and the national importance of our industry since canola is \$14B industry in Canada.

Canola Council of Canada goals are to:

- Increase consumption, and value of canola seed, oil and meal;
- Improve market access for canola and its products;

- Improve quality of canola oil, meal and seed;
- Increase sustainable production of canola to meet demand; and
- Improve understanding of the canola industry and the CCC.

CCC activities and programs were undertaken to increase consumption of canola seed, oil and meal:

The North American oil promotion program targets consumers through media and influencers and seeks to differentiate canola oil based on its superior health characteristics. In 2009 CCC allocated \$2.41M to these activities.

Canola Health Research is undertaken in the areas of human nutrition on inflammation, insulin resistance and glycemic index. The results of this work are used to influence the health community on the importance of canola oil in the modern diet.

In China, Council seeks to reduce tariff, differentiate canola from rapeseed. In Japan, Council manages industry consultations to ensure our second largest importer understands the very dynamic Canadian canola industry. Other seed and oil markets are serviced through dialogue and providing information when requested by countries such as India, Pakistan and Korea.

The Meal Utilization program in the US is geared towards providing technical support and promotion within the livestock industry; continuing aquaculture research; and providing support in Mexico on request.

Canola Council of Canada supports biodiesel initiatives of the Canadian Renewable Fuel Association on the renewable fuel standard regulations, quality standards; sustainability research and measurements; and it maintains canolabiodiesel.org

To improve access to markets for canola and canola products the CCC:

- Communicates the value of Canadian exports to politicians and industry;
- Supports CAFTA positions at the World Trade Organization negotiations;
- Support CAFTA on bi-lateral agreements when possible, and exerts influence to focus on China, Pakistan, Korea, India and Japan in future agreements;



- Monitors regulatory, policy and administrative actions in the US to ensure access to this large marketplace;
- Develops programming to address non-tariff barriers such as Export Ready and also monitors residue limits of major trading partners; and
- Monitors regulatory changes regarding biotechnology of major trading partners and works with International Grain Trade Coalition to minimize the impact of the Biosafety Protocol.

In 2009 the issues of blackleg disease and salmonella in canola meal threatened access to China and the US respectively. CCC worked with the administrations in both jurisdictions and our federal government to mitigate these issues.

The 2015 goal is to increase average oil content to 45% and to increase meal energy by 10%. On-going research continues to try to meet both of these objectives to improve returns to producers for their canola seed.

The sustainable production of canola to meet demand is key to meeting the 2015 goals of 15M tonnes of canola grown in Canada. It all begins with an attractive price to producers that creates a market signal to grow this crop. Once this takes place, further investment in variety development, crush capacity and marketing programs will occur. It is the view of Council that profitability is more likely if producers are well informed about the technical aspects of crop management. CCC

operates a program to increase yield through improved grower communications, providing current information on management issues and supporting research and technology transfer, and improving the quality and availability of canola resources to provide information to producers and agronomists.

Canola is a very important crop for Canadian producers and the Canadian economy due to the off farm jobs in manufacturing oil, meal, protein extracts and biodiesel. The value of this industry to our economy is a good news story that all levels of government need to understand. CCC ensures consistent and accurate communication to federal government departments and agencies such as Agriculture and Agri-food Canada; Canadian Food Inspection Agency; International Trade; Health and with key politicians is ongoing. In conjunction with SaskCanola, the Alberta Producers, and the Manitoba Canola Growers provincial outreach receptions are held to ensure that members of the provincial legislative assemblies are kept up to date on the issues and the importance of this crop to agriculture producers in Canada.

SaskCanola is a core funder of the Canola Council of Canada and supports the collaboration for the success of canola in global markets.

Terry Youzwa, Vice-Chair SaskCanola
Board Appointee - Canola Council of Canada

Management Report

September 27, 2010

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.

Catherine Folkersen, Executive Director



September 27, 2010

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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, 2010 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, 2010 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



Saskatchewan Canola Development Commission

Statement of Financial Position

As at July 31, 2010

	2010 \$	2009 \$
Assets		
Current assets		
Cash	60,907	416,318
Accounts receivable (note 13)	619,340	591,229
Accrued interest receivable	15,780	22,549
Prepaid expenses	1,930	24,616
	697,957	1,054,712
Loan receivable (note 4)	82,545	41,115
Investments (notes 2 and 5)	3,702,724	2,754,502
Equipment and furniture (note 6)	41,859	84,820
	4,525,085	3,935,149
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	462,026	527,676
Net Assets		
Invested in capital assets	41,859	84,820
Internally restricted (note 7)	1,400,000	1,400,000
Unrestricted	2,621,200	1,922,653
	4,063,059	3,407,473
	4,525,085	3,935,149

Commitments (note 8)

See accompanying notes to the financial statements

Approved by the Board of Directors

Director

Director



Financial Statements July 31, 2010

Saskatchewan Canola Development Commission

Statement of Operations

For the year ended July 31, 2010

	Budget 2010 \$ (note 9)	Actual 2010 \$	Actual 2009 \$
Revenue			
Producer levy (note 10)			
Levy	3,000,000	4,284,098	3,737,712
Refunds	(225,000)	(356,718)	(267,965)
Net	2,775,000	3,927,380	3,469,747
Interest income	101,000	82,787	133,764
Realized and unrealized gains on investments	-	7,279	38,779
Other income	117,000	95,531	210,320
	2,993,000	4,112,977	3,852,610
Expenses			
Research and development (notes 11 and 13)	1,307,000	775,844	1,069,303
Canola Council of Canada core funding (note 12)	1,200,000	1,017,792	928,839
Market development	160,000	248,929	505,565
Communications (note 14)	461,000	525,171	283,194
Board of directors	107,000	117,681	117,802
Salaries and benefits	465,500	498,114	470,532
General and administration (note 13)	327,500	226,680	196,941
Amortization	30,000	31,144	33,882
Loss on disposal of equipment and furniture	-	16,036	-
	4,058,000	3,457,391	3,606,058
Excess (deficiency) of revenue over expenses	(1,065,000)	655,586	246,552

See accompanying notes to the financial statements



Saskatchewan Canola Development Commission

Statement of Changes in Net Assets

For the year ended July 31, 2010

				2010	2009
	Invested in capital assets \$	Internally restricted \$	Unrestricted \$	Total \$	Total \$
Balance – Beginning of year	84,820	1,400,000	1,922,653	3,407,473	3,160,921
Excess (deficiency) of revenue over expenses for the year	(47,780)	-	703,366	655,586	246,552
Purchase of equipment	4,819	-	(4,819)	-	-
Balance – End of year	41,859	1,400,000	2,621,200	4,063,059	3,407,473

See accompanying notes to the financial statements



Financial Statements July 31, 2010

Saskatchewan Canola Development Commission

Statement of Cash Flows

For the year ended July 31, 2010

	2010	2009
	\$	\$
Cash provided by (used in)		
Operating activities		
Receipts from producers	4,249,232	3,584,211
Receipts from Levy Central	67,083	136,732
Receipts from organizations supporting Bio Bus projects	-	40,893
Receipts of interest and other income	125,438	173,152
Payments of research and development projects, and scholarships	(1,158,154)	(1,163,616)
Payments to board of directors	(139,033)	(126,965)
Payments to producers	(151,042)	(216,488)
Payments to suppliers and employees	(2,403,606)	(2,323,965)
	589,918	103,954
Investing activities		
Purchase of capital assets	(4,819)	(29,132)
Purchase of investments	(2,976,237)	(2,082,709)
Proceeds from disposals of investments	2,035,727	1,988,626
	(945,329)	(123,215)
Decrease in cash	(355,411)	(19,261)
Cash – Beginning of year	416,318	435,579
Cash – End of year	60,907	416,318

See accompanying notes to the financial statements



Saskatchewan Canola Development Commission

Notes to Financial Statements

July 31, 2010

1 Authority

The Saskatchewan Canola Development Commission (“SaskCanola”) is a non-profit organization which was established February 6, 1991, pursuant to The Saskatchewan Canola Development Plan Regulations, under the authority of The Agri-Food Act, 2004. The mission of SaskCanola is to enhance canola producers’ competitiveness and profitability through research, market development and communication programs. The activities of SaskCanola are funded primarily by a levy on Saskatchewan-produced canola, which is collected by buyers at the time of sale.

2 Significant Accounting Policies

a) Revenue

Levy and refunds

Producer levy is 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 SaskCanola to Saskatchewan Mustard Development Commission, Saskatchewan Flax Development Commission, Canaryseed Development Commission of Saskatchewan, Saskatchewan Oat Development Commission, Saskatchewan Winter Cereals Development Commission, Manitoba Oat Growers Association, and Winter Cereals Manitoba Inc. for administering their levy programs. Income is recognized as work is performed. As of February 1, 2010, SaskCanola no longer administers the levy collection program for these organizations.

Transfers

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



Saskatchewan Canola Development Commission

Notes to Financial Statements

July 31, 2010

Under Section 3855, financial instruments must be classified as held for trading (“HFT”), held to maturity (“HTM”), available for sale (“AFS”), loans and receivables, or other financial liabilities. Changes in fair value for HFT financial instruments are recorded in the current year’s operations. Changes in fair value of AFS financial assets are recorded directly to net assets until sold or impaired at which time the realized gain or loss would be recorded in the current year’s operations. HTM, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate at the date of acquisition.

CICA 3861 Financial instruments – disclosure and presentation

This pronouncement establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed. On adoption of these standards, SaskCanola designated its financial instruments as follows:

a) Investments

All investments are designated by the Board as HFT. Investment income arising from these financial assets is recognized in operations in the year it is earned. Investments are recorded at fair value at year end.

b) Loans and receivables

Accounts receivable, accrued interest receivable, and loan receivable are designated as loans and receivables and are measured at amortized cost. Revenue arising from these items is recognized in operations in the year it arises.

c) Other financial liabilities

Accounts payable are designated as other financial liabilities and are measured at amortized cost. Expenses arising from these items are recognized in operations in the year they arise.



Saskatchewan Canola Development Commission

Notes to Financial Statements

July 31, 2010

b) Basis of accounting for co-sponsored program interests

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

c) Equipment and furniture

Equipment and furniture are carried at cost less accumulated amortization. Amortization is calculated on the straight-line basis in amounts sufficient to amortize the cost of equipment and furniture 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 meeting eligibility criteria are recorded as advances.

e) Investments and investment income

CICA 3855 Financial instruments – recognition and measurement

This pronouncement establishes standards for recognizing and measuring financial assets, financial liabilities, derivatives and non-financial derivatives. It requires that a) financial assets and liabilities be measured initially at fair value, b) financial assets be subsequently measured at either amortized cost or fair value depending on the type of instrument and any optional designations made by SaskCanola, c) financial liabilities be subsequently measured at amortized cost or at fair value depending on the optional designations made by the SaskCanola and d) derivative financial instruments are measured at fair value, even when they are part of a hedging relationship.



Saskatchewan Canola Development Commission

Notes to Financial Statements

July 31, 2010

3 Financial instruments

SaskCanola's financial instruments include accounts receivable, accrued interest receivable, loan receivable, investments, and accounts payable. The accounts receivable, 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 5 below.

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

4 Loan receivable

SaskCanola entered into a research agreement with Elevance Renewable Sciences, Inc. ("Elevance") in 2009. Total funding of \$250,000 will be provided to Elevance by December 2010. Per the agreement, 50% of that funding is to be considered a loan. The \$100,000 loan portion of the current \$200,000 funding advance is provided on an interest free basis. Repayment of the loan portion will begin May 2011 at \$6,667 per year over 15 years. The loan is measured at amortized cost consistent with CICA 3855 Financial Instruments – Recognition and Measurement using effective interest rate of 2.5%.

5 Investments

	Years to maturity	Market value \$	2010	Market value \$	2009
			Yield to maturity %		Yield to maturity %
Guaranteed investment certificates	1 - 2	750,000	2.20 - 4.30	515,000	2.65 - 4.30
Federal	3	1,145,406	2.00	-	
Provincial	1 - 3	1,239,700	2.57 - 4.34	1,101,695	3.31 - 4.34
Corporate	3 - 4	567,618	2.00 - 5.14	989,089	3.66 - 5.29
Money market funds	-	-	-	148,718	-
		<u>3,702,724</u>		<u>2,754,502</u>	



Saskatchewan Canola Development Commission

Notes to Financial Statements

July 31, 2010

Investments noted above as Federal, Provincial and Corporate are investments in bonds and strip bond instruments. The market value of the bonds, strip bond instruments and money market funds are determined by reference to closing year-end sale prices from recognized security dealers.

6 Equipment and furniture

			<u>2010</u>	<u>2009</u>
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
		\$		
Equipment and furniture	116,962	75,103	41,859	84,820

7 Internally restricted net assets

SaskCanola has internally restricted net assets to maintain operations and meet commitments in the event of crop failure, and to pay any amounts due in the event of disestablishment of SaskCanola. Approval by the Board of Directors is required before any funds can be accessed.

	<u>2010</u>	<u>2009</u>
	\$	\$
Crop failure reserve		
Balance – Beginning and end of year	700,000	700,000
Organizational closure reserve		
Balance – Beginning and end of year	700,000	700,000
Internally restricted net assets	<u>1,400,000</u>	<u>1,400,000</u>

8 Commitments

SaskCanola is committed to funding research and development projects over several years to benefit the canola industry. At July 31, 2010, these commitments totalled \$2,694,535 extending over the next four years (2009 – \$1,180,585). Other commitments include \$174,375 towards communication expenses, and \$50,000 towards administration expenses.



Saskatchewan Canola Development Commission

Notes to Financial Statements

July 31, 2010

9 Budget

The SaskCanola board of directors approved the 2010 fiscal year budget on June 23, 2009.

10 Producer levy

Under the Regulations, each buyer of canola is required to remit to SaskCanola a levy deducted from any payments made to producers. Pursuant to board order #22/09, effective March 9, 2010, the levy was set at \$0.75 per tonne. Producers can request a refund for levy paid from August 1 to July 31 by submitting a refund application by August 31.

11 Research and development projects

	2010	2009
	<i>Budget</i>	<i>Actual</i>
	\$	\$
New projects	400,000	
Agronomic research		159,500
Germplasm development		143,460
Usage research		43,800
Continuing projects		
Agronomic research	422,300	145,600
Germplasm development	130,200	73,350
Usage research	229,500	170,617
Other research	125,000	39,517
	1,307,000	775,844
		1,069,303

12 Canola Council of Canada core funding

SaskCanola participates in a voluntary industry levy program with the Canola Council of Canada ("CCC"). This levy provides CCC with its core funding and allows them to develop programs that benefit the canola industry. Under this program, SaskCanola pays CCC \$0.22 (2009 - \$0.25) per tonne of net levy collected in the prior year. SaskCanola's current year payment is based on 4,626,329 tonnes (2009 - 3,715,356).



Saskatchewan Canola Development Commission

Notes to Financial Statements

July 31, 2010

13 Related parties

Included in these financial statements are transactions with various Saskatchewan agencies, boards and commissions related to SaskCanola by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as “related parties”). Routine operating transactions with related parties are settled on normal trade terms.

The following table summarizes the significant related party transactions for the year:

	2010	2009
	\$	\$
Accounts receivable – Levy central income	-	4,458
Accounts payable – Research and development projects	-	27,681
Revenues – Levy central income	53,739	57,338
Expenses		
Research and development projects	86,300	264,506
General and administration	9,940	7,500
Scholarships	104,000	76,400

14 Co-sponsored program

SaskCanola has equal representation with the Alberta Canola Producers Commission, the Manitoba Canola Growers Association and the Canola Council of Canada to publish a magazine entitled Canola Digest. Revenues and expenses are distributed based on each organization’s proportionate qualified grower circulation. SaskCanola’s qualified grower circulation is on average for the year 51.0% (2009 – 56.5%). Upon establishment of the Canola Digest program, the co-sponsors did not contribute any funding or other assets to the program. The current agreement between the co-sponsors expires June 14, 2011.



Financial Statements July 31, 2010

Saskatchewan Canola Development Commission

Notes to Financial Statements

July 31, 2010

SaskCanola's interest in the program assets, liabilities, net assets, revenues, expenses, net income, and cash flows are shown below. The current year net loss is recorded as part of communications expense.

	2010	2009
	\$	\$
Current assets	-	1,353
Current liabilities	-	-
Net assets	-	1,353
Revenues	194,544	223,196
Expenses	233,330	222,092
Net income (loss)	(38,786)	1,104

15 Comparative figures

Certain comparative figures for 2009 have been reclassified to conform with the current year's presentation.



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September 27, 2010

Auditors' Report

To the Board of Directors of Saskatchewan Canola Development Commission

We have audited the **Saskatchewan Canola Development Commission's ("SaskCanola")** control as of July 31, 2010 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 SaskCanola'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.

SaskCanola'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.

continued on next page



To the Board of Directors of
Saskatchewan Canola Development Commission
September 27, 2010

continued from previous page

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 SaskCanola'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, SaskCanola's control was effective, in all material respects to meet the objectives stated above as of July 31, 2010 based on the CICA criteria of control frame work.

PricewaterhouseCoopers LLP

Chartered Accountants



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September 27, 2010

Auditors' Report

To the Board of Directors of Saskatchewan Canola Development Commission

We have made an examination to determine whether **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, 2010:

- The Agri-Food Act, 2004
- The Saskatchewan Canola Development Plan Regulations
- Commission Orders No. 17/09 to 22/09

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, 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, 2010.

PricewaterhouseCoopers LLP

Chartered Accountants



Variance Report

Revenues were forecast to be \$3.0M based on a climatic conditions during stand establishment which the organization thought would negatively impact yield. The cold weather at germination did not have as detrimental an impact as was predicted by the organization and therefore revenues exceeded the estimate by \$1.2M.

The research expenditures were lower than forecast for two reasons: late reporting by researchers resulted in payments not being made by year end (July 31, 2010) and fewer projects were initiated in the year due to either delays in the research and fewer proposals funded than anticipated.

Market Development and Communications exceeded expenditures due to SaskCanola's participation at the Vancouver Winter Olympics which was not anticipated during the budget planning exercise and the loss on advertising for Canola Digest which required the provincial grower groups to financially support the initiative as per the contract.

Salaries and benefits exceeded budget due to the transition of Levy Central from SaskCanola to the Agriculture Council of Saskatchewan whereby the organization was required to make severance payments to staff that were moved to the new organization.

General and Administration was lower than budgeted by \$100K because there was not a board election in 2009 and costs to transition Levy Central were lower than anticipated in this category.



Dr. Yantai Gan, Agriculture and Agri-Food Canada, (left) and SaskCanola Research Manager, Pat Flaten check out canola research in a new growing area near Swift Current.



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Finance

Brett Halstead, KariLynn Erickson (Staff)

Research and Investment

Franck Groeneweg (Chair), Brett Halstead,
Wayne Bacon

Advisors

Dr. Keith Downey, Venkata Vakulabharanam,
Pat Flaten (Staff)

Market Development and Communications

Tim Wiens (Chair), Joan Heath, Terry Youzwa,
Betty Anne Stevenson (Staff)

Staff

Catherine Folkersen, Executive Director

Betty Anne Stevenson, Market Development and Communications Manager

Pat Flaten, Research Manager

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