

The background of the entire page is a close-up photograph of yellow mustard flowers. The flowers are in various stages of bloom, with some showing four distinct petals and others as buds. The stems are dark and thin. The overall color palette is dominated by the bright yellow of the flowers and the soft, out-of-focus background.

Saskatchewan Mustard Development Commission

2011 - 2012 Annual Report

January 9, 2013
Saskatoon Inn, Saskatoon



Mandate

The Saskatchewan Mustard Development Commission (SMDC) was established in 2003 to represent the province's mustard growers.

THE SMDC VISION

Investing in the future for mustard grower profitability.

THE SMDC MISSION

Growing the mustard industry for the benefit of growers through research, communication, and market development programs.

www.saskmustard.com

2011 - 2012 Board and Staff

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SMDC Staff and Office

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Follow us on Twitter (@SKmustard) and Facebook

Office Hours:

Monday to Friday
8:30 a.m. to 4:00 p.m.

Agenda

Saskatchewan Mustard Development Commission Annual General Meeting

Wednesday January 9, 2013

Ballroom C, Saskatoon Inn ~ Saskatoon, Saskatchewan

8:30 a.m.	Registration
9:00 a.m.	Chairman's Address Patrick Ackerman
9:10 a.m.	Progress on New Mustard Varieties Dr. Bifang Cheng, AAFC Mustard Breeder
9:45 a.m.	Mustard 21 Research Update Pete Desai, Mustard 21 Canada Inc.
10:20 a.m.	Coffee
10:45 a.m.	Carinata Production in 2013 Steve Fabijanski, Agrisoma
11:20 a.m.	Condiment Mustard: What happens after it leaves the farm Walter Dyck, Olds Products
12:00 noon	Lunch
12:45 p.m.	Greetings from Saskatchewan's Minister of Agriculture Honourable Lyle Stewart
12:50 p.m.	SMDC Annual Business Meeting
1:15 p.m.*	The European Market Situation Michael Kemperdick, Schluter & Maack GmbH Hamburg, Germany
2:00 p.m.*	North American Mustard Market Outlook Speaker TBA

*May be earlier, if the annual meeting does not require the allotted time.

Agenda

SMDC Annual Business Meeting

January 9, 2013

12:50 p.m.

Call to Order and Opening Remarks

Approval of Agenda

Approval of Minutes


Financial Review, D. Pederson
Approval of Budget

Annual Report 11/12 and Proposed Activities 12/13
State of the Industry, Patrick Ackerman, PAg, Chair

Resolutions

New Business

Adjourn Meeting



Motions to be Presented

SMDC Annual Business Meeting

January 9, 2013 ~ Saskatoon Inn
Saskatoon, Saskatchewan

That the Agenda be approved as presented.

That the Minutes of the January 11, 2012 meeting be approved as presented.

To appoint an Audit Chair.

That the SMDC audited financial statements for the year ending July 31, 2012 be approved as presented.

That the SMDC Budget for 2013/2014 be approved as presented.

That SMDC appoint Twigg & Company as auditor for the year ending July 31, 2013.

That the State of the Industry report be approved as presented.

To adjourn the SMDC January 9, 2013 Annual Business Meeting.

2012 Minutes

SMDC Annual Business Meeting

January 11, 2012 ~ Saskatoon Inn
Saskatoon, Saskatchewan

1. Meeting called to order at 11:30 a.m.

2. **Approval of Agenda:**

Motion #1

That the agenda of the January 11, 2012 Annual Business Meeting be approved as presented.

Pederson / deMoissac / Carried

3. **Minutes of the January 12, 2011 Annual General Meeting**

Motion #2

That the minutes of the January 12, 2011 Annual Business Meeting be approved as circulated.

deMoissac / Zerr / Carried

4. **Financial Report**

Treasurer Pederson reviewed the financial statements in detail and provided an overview of the budget for 2012/2013.

Question was asked as to how Mustard 21 allocates funds – 55% to condiment mustard and 45% to specialty mustard.

Motion #3

That David Pederson be appointed as Audit Chair.

deMoissac / Fritzler / Carried

Motion #4

That the SMDC audited financial statements for the year ending July 31, 2011 be approved as presented.

Pederson / deMoissac / Carried

Motion #5

That the SMDC Budget for 2012/2013 be approved as presented.

Pederson / Burwell / Carried

Motion #6

That SMDC appoint Twigg and Company as auditor for the year ending July 31, 2012.

deMoissac / Ackerman / Carried

2012 Minutes

SMDC Annual Business Meeting

January 12, 2011 ~ Saskatoon Inn
Saskatoon, Saskatchewan

5. **Annual Report:**

State of the Industry: Ackerman provided an overview of a number of the events SMDC was involved with in 2011, and noted in the coming years we will see synthetic hybrid mustard compete in the world, and the Commission will focus on research and new uses for mustard.

Motion #7

To approve State of the Industry Report as presented.
Burwell / deMoissac / Carried

6. **Resolutions:**

No resolutions were presented.

Motion #7

To adjourn the SMDC January 11, 2012 Annual Business Meeting.
Fritzler

TWIGG & COMPANY
CHARTERED ACCOUNTANTS

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SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

AUDITORS' REPORT AND FINANCIAL STATEMENTS

for the year ended July 31, 2012



Member of the Institute of Chartered Accountants of Canada

Management's Responsibility

To Saskatchewan Mustard Producers:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors (the "Board") is composed entirely of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

Twigg & Company, an independent firm of Chartered Accountants, is appointed by the Board to audit the financial statements and report directly to the members, their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

January 9, 2013



Management



Management

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Independent Auditors' Report

To the Board of Directors of Saskatchewan Mustard Development Commission

Report on the Financial Statements

We have audited the accompanying financial statements of Saskatchewan Mustard Development Commission, which comprise the statement of financial position as at July 31, 2012, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(continued on page 2)

J.S. TWIGG B. Comm., C.A.
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Independent Auditors' Report (continued)

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(continued from page 1)

Basis for Qualified Opinion

The commission collects a check-off fee from Saskatchewan producers through buyers of mustard seed. It was not practical for us to verify whether all buyers of mustard seed produced in Saskatchewan have collected and remitted the required check-off fee to the commission as such the completeness the related revenue does not lend itself to satisfactory audit verification. 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.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Saskatchewan Mustard Development Commission as at July 31, 2012 and its financial performance and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Saskatoon, Saskatchewan
January 9, 2013

Twigg & Company
Chartered Accountants

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

STATEMENT OF FINANCIAL POSITION

as at July 31, 2012

ASSETS

	<u>2012</u>	<u>2011</u>
CURRENT:		
Cash	\$ 460,240	\$ 402,835
Guaranteed investment certificate	103,739	102,376
Accounts receivable	76,594	109,259
Prepaid expenses	<u>11,771</u>	<u>10,709</u>
	652,344	625,179
INTERNALLY RESTRICTED INVESTMENTS (Note 4)	<u>374,021</u>	<u>317,978</u>
	<u>\$ 1,026,365</u>	<u>\$ 943,157</u>

LIABILITIES

CURRENT:		
Accounts payable	\$ <u>16,041</u>	\$ <u>15,190</u>

NET ASSETS

INTERNALLY RESTRICTED (Note 5)	378,457	372,383
UNRESTRICTED	<u>631,867</u>	<u>555,584</u>
	<u>1,010,324</u>	<u>927,967</u>
	<u>\$ 1,026,365</u>	<u>\$ 943,157</u>

COMMITMENTS (Note 8)

APPROVED BY THE BOARD:

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION**STATEMENT OF OPERATIONS****for the year ended July 31, 2012**

	<u>2012</u>	<u>2012</u>	<u>2011</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
REVENUE:			
Producer check-off fees (<i>Note 7</i>)			
Fees	\$ 300,000	\$ 340,476	\$ 278,004
Refunds	(15,000)	(9,230)	(7,139)
Net	285,000	331,246	270,865
Sponsorships	1,000	500	1,250
Unrealized gain (loss) on investments	-	(2,558)	(3,865)
Interest and other income	4,000	12,106	9,134
Agriculture and Agri-Food Canada	-	-	33,021
CAFI/ADF Project Income	30,000	30,046	34,800
Adopt program	<u>-</u>	<u>-</u>	<u>10,000</u>
	<u>320,000</u>	<u>371,340</u>	<u>355,205</u>
EXPENSES:			
ACAAFS project	-	-	34,852
Administration contracts (<i>Note 9</i>)	77,600	79,381	77,462
Research development projects	17,500	7,307	20,243
Research contributions Mustard 21 Canada Inc. (<i>Note 8</i>)	90,000	90,000	90,000
Board of directors	18,000	13,150	9,163
Communications	87,500	69,741	72,322
General and administration	30,000	22,943	20,608
Annual meeting	8,000	6,361	8,274
Election	<u>7,000</u>	<u>100</u>	<u>100</u>
	<u>335,600</u>	<u>288,983</u>	<u>333,024</u>
EXCESS (DEFICIENCY) OF REVENUE OVER			
 EXPENSES FOR THE YEAR	<u>\$ (15,600)</u>	<u>\$ 82,357</u>	<u>\$ 22,181</u>

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSIONSTATEMENT OF CHANGES IN NET ASSETSfor the year ended July 31, 2012

	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
BALANCE – BEGINNING OF YEAR	372,383	555,584	927,967	905,786
Excess of revenue over Expenses for the year	<u>6,074</u>	<u>76,283</u>	<u>82,357</u>	<u>22,181</u>
BALANCE – END OF YEAR	<u>\$ 378,457</u>	<u>\$ 631,867</u>	<u>\$ 1,010,324</u>	<u>\$ 927,967</u>

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSIONSTATEMENT OF CASH FLOWSfor the year ended July 31, 2012

	<u>2012</u>	<u>2011</u>
OPERATING ACTIVITIES:		
Excess of revenue over expenses	\$ <u>82,357</u>	\$ <u>22,181</u>
Changes in non-cash working capital		
Balances related to operation:		
Accounts receivable	32,665	(13,332)
Prepaid expenses	(1,062)	(10,000)
Accounts payable	851	(9,600)
Deferred restricted contributions	<u>-</u>	<u>(8,000)</u>
	<u>32,454</u>	<u>(40,932)</u>
Total from operating activities	<u>114,811</u>	<u>(18,751)</u>
INVESTING ACTIVITIES:		
Purchase of investments	(<u>56,043</u>)	(<u>56,832</u>)
Total from investing activities	(<u>56,043</u>)	(<u>56,832</u>)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS FOR THE YEAR	58,768	(75,583)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>505,211</u>	<u>580,794</u>
CASH AND EQUIVALENTS, END OF YEAR	\$ <u><u>563,979</u></u>	\$ <u><u>505,211</u></u>
CASH AND EQUIVALENTS CONSISTS OF:		
Cash	460,240	402,835
Guaranteed investment certificate	<u>103,739</u>	<u>102,376</u>
	\$ <u><u>563,979</u></u>	\$ <u><u>505,211</u></u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	181	128
Income taxes paid	<u>NIL</u>	<u>NIL</u>

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

as at July 31, 2012

1. AUTHORITY:

The Saskatchewan Mustard Development Commission ("SMDC") was established on October 3, 2003, pursuant to The Saskatchewan Mustard Development Plan Regulations ("Regulations"), under the authority of The Agri-Food Act, 2004. The purpose of SMDC is to assist in growing the mustard industry through research, communications and market development programs. The activities of SMDC are funded primarily by a check-off fee charged on mustard sales from mustard production in Saskatchewan.

2. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Revenue:

Producer check-off fees are recognized upon receipt of the Buyer's report. Refunds are recognized when refund applications are received from producers and the requested refund has been agreed to check-off fee records.

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

b) Research and development projects:

Expenses are recognized when projects are approved and the recipient has met eligibility criteria. Funds advanced to recipients prior to eligibility criteria being met are recorded as advances. SMDC receives reimbursement from Agriculture and Agri-Food Canada for eligible costs incurred for certain projects.

c) Administration contract expense:

Administration contract expense is a fee charged by the Agriculture Council of Saskatchewan Inc. ("ACS"), a related party, to SMDC for administering the check-off fee program. The fee includes a charge for time spent by ACS staff and a share of ACS's overhead costs. The expense is recognized as the service is received.

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

as at July 31, 2012

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

d) Financial Instruments:

The Commission has classified its financial instruments as follows:

Cash, guaranteed investment certificates, and investments are classified as held-for-trading and accordingly carried at their fair values.

Accounts receivable are classified as loans and receivables, and accordingly carried at their amortized costs.

Accounts payable and accrued liabilities and long-term debt were classified as other financial liabilities and are currently at their amortized cost.

e) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amount of revenue and expenses during the reporting period. Actual results could differ from these estimates.

f) Income taxes:

The Commission qualifies as a tax exempt organization under section 149 of the *Income Tax Act*.

3. FINANCIAL INSTRUMENTS:

The Commission as part of its operations carries a number of financial instruments. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit Risk

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

Fair value of financial instruments

SMDC's financial instruments include cash, guaranteed investments certificates, accounts receivable, investments, and accounts payable. The fair value of accounts receivable and accounts payable approximates their carrying value due to the short-term maturity.

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION**NOTES TO FINANCIAL STATEMENTS****as at July 31, 2012****4. INTERNALLY RESTRICTED INVESTMENTS:**

		<u>2012</u>		<u>2011</u>	
	Years to Maturity	Market value \$	Yield to Maturity %	Market value \$	Yield to maturity %
Corporate	1-2	<u>374,021</u>	1.95 – 5.04	<u>317,978</u>	1.80 – 5.04
		<u>374,021</u>		<u>317,978</u>	

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

On October 23, 2009 the Board of Directors passed a motion to internally restrict the investment account. Accordingly, the net investment income earned on these investments of \$6,074 has been allocated to the internally restricted net asset balance.

5. INTERNALLY RESTRICTED NET ASSETS:

SMDC has internally restricted net assets for completion of certain projects and to refund the check-off fees to producers in the event of disestablishment of SMDC. The Board approved a transfer of \$Nil (\$54,173 – 2011) to the restricted net assets during the year. Management requires the Board of Directors' approval to use the money from these restricted assets.

6. BUDGET:

The Board approved the 2011/2012 fiscal year budget at the meeting on October 21, 2011.

7. PRODUCER CHECK-OFF FEES:

Under the Regulations, each buyer of mustard is required to remit to SMDC a check-off fee of 0.5% of the gross value of mustard marketed upon final settlement to producers. Producers can request a refund of check-off fees paid from August 1 to January 31 by submitting a refund application by February 28. Producers can request a refund of check-off paid from February 1 to July 31 by submitting a refund application by August 31.

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

as at July 31, 2012

8. RESEARCH CONTRIBUTIONS MUSTARD 21 CANADA INC.

On May 28, 2009 Mustard 21 Canada Inc., a related party, was incorporated to continue the research activities that began as the Mustard 21 Project which was administered by Saskatchewan Mustard Development Commission.

On August 19, 2009 the Board approved a motion to contribute a maximum of \$480,000 over four years to the Innovate Mustards DIAP project administered by Mustard 21 Canada Inc.

9. ADMINISTRATION CONTRACTS:

The Agriculture Council of Saskatchewan Inc. charged SMDC \$ 10,585 (2011 - \$10,304) for administering the check-off fee program and the business activities of SMDC of which \$1,708 (2011 - \$1,018) is included in accounts payable.

Hursh Consulting & Communications Inc. and AgriBiz Communications Corp. charged SMDC \$68,796 (2011 - \$67,158) for management services of which \$722 (2011 - \$211) is included in Accounts payable.

AgriBiz Communications Corp. charged SMDC \$35,213 (2011 - \$38,410) for bookkeeping and general office expenses. These costs are included in the general and administration, communications and research and development program expenses.

The contract with Hursh Consulting & Communications Inc. and AgriBiz Communications Corp. began on August 1, 2011 and will continue for twelve months with the option to renew by any or all parties.

10. CAPITAL MANAGEMENT:

The Commission has no formal capital management policy.

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AUDITORS' REPORT

**To the Board of Directors of
Saskatchewan Mustard Development Commission**

We have audited Saskatchewan Mustard Development Commission's compliance, as at July 31, 2012, 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, 2012.

- The Agri-Food Act, 2004
- The Saskatchewan Mustard Development Plan Regulations
- Commission Orders #01/03 to #06/03

Compliance with the aforementioned legislative and related authorities is the responsibility of the management of the Saskatchewan Mustard Development Commission. Our responsibility is to express an opinion on this compliance based on our audit.

We conducted our audit in accordance with the Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the Saskatchewan Mustard Development Commission complied with the provisions of the aforementioned legislative and related authorities. Such an audit includes examining on a test basis evidence supporting compliance, and where applicable, assessing the accounting principles used and significant estimates made by management.

In our opinion, as at July 31, 2012, the Saskatchewan Mustard Development Commission is in compliance, in all material respects, with the aforementioned legislative and related authorities pertaining to its financial reporting, safeguarding agency resources, spending, revenue raising, borrowing and investing activities.

Saskatoon, Saskatchewan
January 9, 2013

Twigg & Company
Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

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**To the Board of Directors of
Saskatchewan Mustard Development Commission:**

We have audited Saskatchewan Mustard Development Commission's control as of July 31, 2012 to express an opinion as to the effectiveness of its control related to the following objectives:

- (1) 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.
- (2) To prepare reliable financial statements.
- (3) To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding agency resources, revenue raising, spending, borrowing and investing.

Management's Responsibility

The Organization's management is responsible for maintaining effective control over the objectives stated above.

Auditors' Responsibility

Our responsibility is to express an opinion based on our audit as to the effectiveness of its control related to the following objectives:

- (1) 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.
- (2) To prepare reliable financial statements.
- (3) To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding agency resources, revenue raising, spending, borrowing and investing.

(continued on next page)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Saskatchewan Mustard Development Commission:

(continued from previous page)

We used the control framework developed by The Canadian Institute of Chartered Accountants ("CICA") to make our judgments about the effectiveness of Saskatchewan Mustard Development Commission'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.

We conducted our audit in accordance with the standard for audits of internal control set out in the CICA Handbook - Assurance. This standard requires that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal controls over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Opinion

In our opinion, based on the limitations noted above, the entity maintained, in all material respects, effective internal control over financial reporting as at July 31, 2012, in accordance with the CICA's criteria of control framework.

J.S. TWIGG B. Comm., C.A.
L.D. SAFINUK B. Comm., C.A.
M. LINGARD B. Comm., MPAcc., C.A.

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of
Saskatchewan Mustard Development Commission:**

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We have also audited, in accordance with Canadian generally accepted auditing standards, the financial statements of Saskatchewan Mustard Development Commission, which comprise the statement of financial position as at July 31, 2012, and the statements of operations, change in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. We have issued our report dated January 9, 2013 which is the same date as the date of the report on the effectiveness of internal controls.

Saskatoon, Saskatchewan
January 9, 2013

Twigg & Company
Chartered Accountants

Draft Budget 2013/2014

Saskatchewan Mustard Development Commission

	Draft Budget 2013-2014
Revenue:	
CHECK OFF INCOME	300,000.00
REFUNDS	(10,000.00)
INVESTMENT/INTEREST INCOME	7,000.00
AMP PROJECT INCOME	30,000.00
MISCELLANEOUS INCOME	1,000.00
SPONSORSHIP INCOME	1,000.00
	<u>329,000.00</u>
Expenses:	
Market Development	
NEW INITIATIVES MARKET FACILITATION	15,000.00
CONSULTANT EXPENSES	1,000.00
	<u>16,000.00</u>
Research	
MUSTARD 21 CANADA INC	100,000.00
	<u>100,000.00</u>
Communications	
ANNUAL MEETING	8,000.00
FIELD DAYS	2,500.00
NEWSLETTER	15,000.00
SPONSORSHIPS	1,000.00
WEBSITE	3,000.00
NEW INITIATIVES CSCA AMP	60,000.00
CONSULTANT FEES	500.00
CONSULTANT EXPENSES	500.00
	<u>90,500.00</u>
Director Per Diem and Expenses	
DIRECTOR PER DIEM	8,000.00
DIRECTOR EXPENSES	7,000.00
	<u>15,000.00</u>

Draft Budget 2013/2014 Continued

Administration

MEMBERSHIPS/SUBSCRIPTIONS	3,000.00
LEGAL FEES	2,000.00
AUDIT AND ACCOUNTING FEES	7,000.00
INSURANCE	1,100.00
BANK SERVICE CHARGES	250.00
BOARD MEETING EXPENSE	2,500.00
ELECTION	7,000.00
OFFICE EXPENSE	5,000.00
SERVICE CONTRACT (Management)	70,000.00
SERVICE CONTRACT (Financial)	8,000.00
SERVICE CONTRACT (Levy Central)	10,000.00
STAFF TRAVEL	4,000.00
	<u>119,850.00</u>

Total Expenses	<u>341,350.00</u>
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Net earnings (loss) for period	<u><u>(12,350.00)</u></u>
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Payee List

Saskatchewan Mustard Development Commission

Payee Report

August 1, 2011 - July 31, 2012

Personal Services (Threshold \$2,500)

Honorariums

Burwell, T.	450
Fritzler, B.	675
Pederson, D.	490
Simington, E.	788
Ackerman, P.	790

Reimbursement for Expenses

Burwell, T.	289
Fritzler, B.	3,781
Pederson, D.	1,694
Simington, E.	855
Ackerman, P.	3,339
	13,150

Research and Development (Threshold \$5,000)

Mustard 21 Canada Inc.	90,000
Misc. expenses under \$5000	0
	90,000

Extension (Threshold \$5,000)

Saskatoon Fastprint	12,611
AgriBiz Communications Corp	34,616
The Culinary Institute of America	17,769
Misc. payments under \$20,000	19,564
	84,561

Supplier Payments (Threshold \$20,000)

Hursh Consulting & Communications	70,225
Ag. Council for Saskatchewan	10,685
Saskatoon Inn	4,156
Misc. payments under \$20,000	16,206
	101,272

Other Payments (Threshold \$20,000)

Refunds	9,231
Misc. payments under \$20,000	
	9,231

298,213



State of the Industry

Patrick Ackerman, PAg, Chair

The mustard industry is soaring to new heights. We are powering jet planes, powering new varieties, powering higher prices and powering new markets.

The Saskatchewan Mustard Development Commission (SMDC) is empowering growers to achieve higher yields, more marketing diversity and greater demand for their product.

Some of the largest processors of mustard in the world are telling us demand is growing by 3% per year. They are expanding their presence world-wide to enable more of the world to access our mustard. SMDC is working to make sure it is Saskatchewan-grown mustard that consumers are putting on their plate. We do this by attending trade missions and market development in all parts of the world.

The breeding program at Agriculture and Agri-Food Canada in Saskatoon is widening our opportunities by breeding new higher yielding varieties with herbicide tolerance. We are going to bring these varieties to growers sooner by using Chile to do winter increases. Work done by SMDC ensures that these varieties remain the property of Saskatchewan producers and royalties are returned to sustain a breeding program for many years to come.

We will change the food industry forever! The anti-microbial benefits of mustard are another untapped opportunity. No more lysteriosis, salmonella or other bacteria scares. We will lead the way for the food industry to control their destiny and supply safe food for everyone in the world. Whether it is meat, vegetables or fresh fruit, mustard's anti-microbial power will change the way food is prepared.

Our industrial partners in M21, Agrisoma, have achieved the ultimate in diversification of our industry. The use of our industrial mustard, *Brassica carinata*, has powered the first jet flight with 100% carinata biofuel. This jet was powered by carinata grown in Saskatchewan. This will open another world of opportunities for Saskatchewan mustard growers, a new crop, with possible crushing and refining opportunities right here at home. All because of a small investment, the right partner and the right vision!

The time for mustard is now! As I said last year: buckle up because we are soaring to a new frontier.

Management Report

Kevin Hursh, Hursh Consulting & Communications, Executive Director

Adele Buettner, AgriBiz Communications Corp., General Manager

Development of relationships and research continue to serve as cornerstones of the Saskatchewan Mustard Development Commission's efforts on behalf of producers.

Some of the major end-use customers for Canadian mustard are showing a renewed interest in working directly with Saskatchewan growers. Over the past year, SMDC has been cultivating these relationships believing they will be good for producers and the industry.

When the Mustard Field Day planned July 11 at the Scott Research Farm was cancelled due to flooded plots, we organized an industry tour of the Saskatoon Research Station for those international guests already booked to travel to Saskatchewan. Many were fascinated by the new varieties under development through the breeding work of Dr. Bifang Cheng.

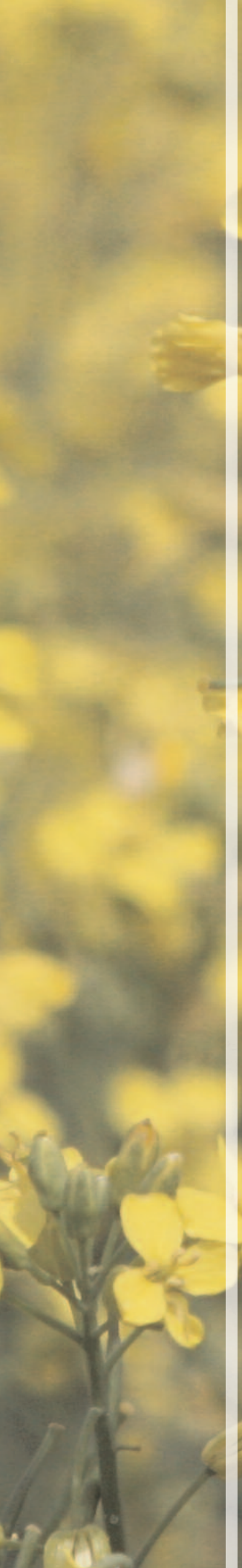
The 2012 growing season saw the launch of *Brassica carinata* (Ethiopian mustard) on a commercial scale. Saskatchewan mustard producers with their levy dollars have supported carinata research efforts being carried out through Mustard 21 Canada Inc. The development work has occurred at Agriculture and Agri-Food Canada in Saskatoon where Dr. Kevin Falk has worked on carinata for many years.

Carinata has been developed for industrial uses, and its oil profile is ideally suited for jet fuel. There's tremendous demand from the military as well as commercial airlines for what they refer to as drop-in renewable jet fuel. In 2012, there was a test flight utilizing 100 per cent carinata-derived fuel.

Agrisoma is bringing carinata to the marketplace. While the contracted acreage was relatively small in 2012, most growers were pleased with the crop. Agrisoma has plans to increase production in 2013. The company has been invited to provide an update on its development plans at the SMDC annual meeting.

Further on crops, the latest estimates from Statistics Canada report that Saskatchewan harvested only 240,000 acres of mustard in 2012. The average yield was 818 pounds per acre for a total production of 82,700 tonnes, the lowest since 2006.

As compared to 2011, the production of Yellow mustard increased, while Brown mustard production dropped significantly and Oriental mustard production dropped dramatically. The 2012 production numbers show 39,900 tonnes of Yellow, 25,200 tonnes of Brown and 17,700 tonnes of Oriental.



Statistics Canada says Alberta producers grew a total of 35,900 tonnes of mustard with the vast majority of that being yellow.

SMDC is involved in more than the agrology aspect of mustard. In 2012, several activities led to a productive year related to educating consumers and those who influence them regarding the seed's flavour, culinary versatility and nutritional profile.

Approximately 450 physicians, nurses, nutritionists, other health care professionals, educators and chefs interested in healthy menus were our target audience at March's 'Healthy Kitchens, Healthy Lives Conference (HKHL).' Participants at this conference organized by the Culinary Institute of America and Harvard Medical School inform consumers about lifestyle choices. As a result these key participants can change the way adults think about purchasing, preparing and enjoying nutritious and delicious food.

The background, interest and knowledge of the professionals attending HKHL contrast with the influential participants at September's 'Flavor Quality and American Menus.' The latter involves about 125 food industry leaders from major chains, like 7-11 and Safeway, and universities.

SMDC reached consumers more directly through a partnership with Judy Scott Welden, a Nutritionist and Professional Home Economist known as 'Judie Foodie.' During her appearances on two Ontario TV programs, she prepared recipes, while sharing nutritional information and other details about mustard.

Closer to home, approximately 1,000 people attending the Great Saskatchewan Mustard Festival in mid-September sampled delicious dishes created by top Saskatchewan chefs. While this celebration on the shores of Regina's Wascana Lake was casual in nature, mustard also made itself at home at November's Gold Medal Plate Olympic Gala fundraiser in Saskatoon. SMDC sponsored Moe Mathieu, founder of the Festival, who was awarded a bronze medal for his culinary efforts.

In addition to educating local chefs, SMDC regularly contacts those living farther afield to ensure they understand mustard's many attributes. Similar information is also shared with numerous publications directed at consumers and food lovers.

New in 2012 is SMDC's social media presence on Facebook and Twitter (@SKmustard). The latter counts consumers, chefs, foodies, restaurants, caterers, manufacturers, others involved in the food industry, and writers among its followers.

Together with the agricultural elements mentioned earlier, SMDC's efforts to increase interest in mustard for culinary creations served producers well.

Mustard 21 Canada Inc.

2012 Update

Pete Desai, President

Mustard 21 Canada Inc. (M21), currently in its fourth year of operation, is implementing the strategic long-term research and development plan for mustard. M21 is a not-for-profit research arm of the Canadian Mustard Association (CMA) and Saskatchewan Mustard Development Commission (SMDC). Funding of approximately \$200,000 per year from these two organizations has been leveraged through federal, provincial and mustard value chain industry partner contributions.

The M21 condiment mustard priority focus is yield enhancement through mining diverse germplasm. Yield enhancement will enable us to reach mustard breeding goals and with improved weed and disease resistance management, help deliver a high quality sustainable production. Agriculture and Agri-Food Canada (AAFC) Saskatoon now has a dedicated condiment mustard breeder, Dr. Bifang Cheng. Dr. Cheng has significant resources committed to address the key priorities of growers and processors. Breeding is a long-term commitment; M21 is dedicated to obtaining resources to ensure that the excellent progress made in the past four years will be continued, to deliver value to the mustard industry. The first new varieties will be introduced starting in the next two years. The breeding program will also be able to generate very specialized varieties with specific traits like milling qualities, oil, protein and glucosinolate content. Mustard's natural anti-microbial property is being researched and advanced at the University of Manitoba and AAFC in Guelph, aimed especially at packaged perishable foods.

The development of Carinata (*Brassica carinata* - Ethiopian mustard) as a dedicated industrial oilseed crop has progressed well in the 2012 season with field-size pre-commercial evaluations by Agrisoma across the growing region. The first Carinata lines adapted to the brown soil zone were developed by AAFC at Saskatoon, and will be commercially grown in 2013 for transportation fuel.

The Board of M21 consists of seven directors: three CMA directors - Steven McDonnell, Justin Maier and Bob Waldbauer; three SMDC directors - Baine Fritzler (Chair), Erroll Simington, Tom Burwell; and one independent director -Dorothy Murrell. The Board of M21 is very receptive to inquiries and ideas from all sectors of the mustard value chain.

The original target of growing the mustard industry contribution to the Canadian GDP by 10 fold remains foremost in our endeavors.

Notes



