

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 yellows and greens, with a soft, slightly blurred effect in the background.

Saskatchewan Mustard Development Commission

2012 - 2013 Annual Report

January 16, 2014
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.

saskmustard.com

2012 - 2013 Board and Staff

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SMDC Staff and Office

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Office Hours:

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

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Agenda

Saskatchewan Mustard Development Commission Annual General Meeting

Thursday January 16, 2014

Ballroom C, Saskatoon Inn ~ Saskatoon, Saskatchewan

8:30 a.m.	Registration
9:00 a.m.	Greetings from Saskatchewan's Minister of Agriculture Honourable Lyle Stewart
9:10 a.m.	Chair's Report Patrick Ackerman
9:20 a.m.	The Next Five Years of Mustard Research Pete Desai, Mustard 21 Canada Inc.
10:00 a.m.	Utilizing Chile as a Winter Nursery Daryl Males, Mustard 21 and Agrisoma
10:30 a.m.	Coffee
11:00 a.m.	The Certified Seed Advantage Vern Turchyn, CPS Canada Inc.
12:00 p.m.	Lunch
12:45 p.m.	SMDC Annual Business Meeting
1:15 p.m.*	Mustard Market Outlook Kevin Dick, All Commodities Trading Ltd.
2:00 p.m.*	Resonance Carinata Production in 2014 Patrick Crampton, Agrisoma

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

Agenda

SMDC Annual Business Meeting

Thursday January 16, 2014

Ballroom C, Saskatoon Inn ~ Saskatoon, Saskatchewan

12:50 p.m.

Call to Order and Opening Remarks

Approval of Agenda

Approval of Minutes

Financial Review, K. Hursh

Approval of Budget

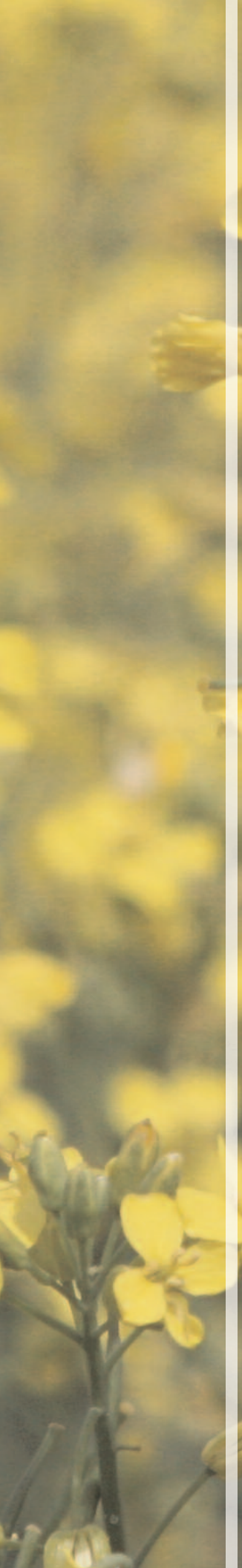
Annual Report 2012-2013 and Proposed Activities 2013-2014

State of the Industry, Patrick Ackerman, PAg, Chair

Resolutions

New Business

Adjourn Meeting



Motions to be Presented

SMDC Annual Business Meeting

Thursday January 16, 2014

Ballroom C, Saskatoon Inn ~ Saskatoon, Saskatchewan

That the Agenda be approved as presented.

That the Minutes of the January 9, 2013 meeting be approved as presented.

To appoint an Audit Chair.

That the SMDC audited financial statements for the year ending July 31, 2013 be approved as presented.

That the SMDC Budget for 2014-2015 be approved as presented.

That SMDC appoint Twigg & Company as auditor for the year ending July 31, 2014.

That the State of the Industry be approved as presented.

To adjourn the SMDC January 16, 2014 Annual Business Meeting.

2013 Minutes

SMDC Annual Business Meeting

January 9, 2013 ~ Saskatoon Inn
Saskatoon, Saskatchewan

1. Meeting called to order at 1:00 p.m.

2. **Approval of Agenda:**

Motion #1

That the agenda of the January 9, 2013 Annual Business Meeting be approved as presented.

de Moissac / Burwell / Carried

3. **Minutes of the January 11, 2012 Annual General Meeting**

Motion #2

That the minutes of the January 11, 2012 Annual Business Meeting be approved as circulated.

Simington / de Moissac / Carried

4. **Financial Report**

Hursh reviewed the financial statements in detail and provided an overview of the budget for 2013/2014.

Motion #3

That Pederson be appointed as Audit Chair.

Wellbrock / de Moissac / Carried

Motion #4

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

Newark / Simington / Carried

Motion #5

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

Fritzler / Lind / Carried

Motion #6

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

de Moissac / Dewar / Carried

5. **Annual Report:**

State of the Industry: Ackerman provided an overview of a number of events that SMDC was involved with in 2012, and noted in the coming years the Commission will continue focus on research, marketing, and new uses for mustard.

Motion #7

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

6. **Resolutions:**

Resolution #1 – Whereas Saskatchewan mustard producers have been meeting annually for 20 plus years as a grower association and a Development Commission, and the CMA has been meeting for nearly 40 years, the yield results of the condiment and industrial mustard breeding programs reported are now showing tremendous results, be it resolved this AGM of SMDC congratulate Dr. Bifang Cheng and Kevin Falk along with their colleagues at AAFC for these tremendous accomplishments.
Submitted by: Steven McDonnell, Tom Burwell

Motion #8

That SMDC congratulate Dr. Bifang Cheng and Kevin Falk along with their colleagues at AAFC for these accomplishments.
Burwell /Fritzler/ Carried

Resolution #2 – Be it resolved that due to changes in the marketing structure of Wheat and Barley in this country and subsequent levy funding for the development of new varieties of these grains and that the successful commissions that have been established over the years such as SMDC and others which have served their members well, be it resolved that this body today send a letter of support to the provincial Agriculture Minister for the establishment of a wheat commission and a barley commission.
Submitted by: Baine Fritzler, Trent Dewar

Motion #9

That a Letter of Support for the formation of a Wheat Commission and a Barley Commission be sent to the provincial Agriculture Minister.
Dewar / Fritzler/ Carried

7. **New Business** – none

Motion #7

To adjourn the SMDC January 9, 2013 Annual Business Meeting.
Simington /de Moissac

TWIGG & COMPANY
CHARTERED ACCOUNTANTS

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SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

AUDITED FINANCIAL STATEMENTS

for the year ended July 31, 2013



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 accounting standards for not-for-profit organizations. 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 16, 2014



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, 2013, July 31, 2012 and August 1, 2011 and the statements of operations, changes in net assets and cash flows for the years ended July 31, 2013 and July 31, 2012 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 accounting standards for not-for-profit organizations, 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 qualified audit opinion.

(continued on page 2)

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Independent Auditors' Report (continued)

(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 July 31, 2013, July 31, 2012 and August 1, 2011 and the results of its operations and cash flows for the years ended July 31, 2013 and July 31, 2012 in accordance with Canadian accounting standards for not-for-profit organizations.

Saskatoon, Saskatchewan
January 16, 2014

Twigg & Company
Chartered Accountants

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSIONSTATEMENT OF FINANCIAL POSITIONas at July 31, 2013ASSETS

	<u>July 31,</u> <u>2013</u>	<u>July 31,</u> <u>2012</u>	<u>August 1,</u> <u>2011</u>
CURRENT:			
Cash	\$ 550,488	\$ 460,240	\$ 402,835
Guaranteed investment certificate	105,323	103,739	102,376
Accounts receivable	68,595	76,594	109,259
Prepaid expenses	<u>30,709</u>	<u>11,771</u>	<u>10,709</u>
	755,115	652,344	625,179
INTERNALLY RESTRICTED			
INVESTMENTS (Note 5)	<u>385,961</u>	<u>374,021</u>	<u>317,978</u>
	<u>\$ 1,141,076</u>	<u>\$ 1,026,365</u>	<u>\$ 943,157</u>

LIABILITIES

CURRENT:			
Accounts payable	\$ <u>26,561</u>	\$ <u>16,041</u>	\$ <u>15,190</u>

NET ASSETS

INTERNALLY RESTRICTED (Note 6)	386,471	378,457	372,383
UNRESTRICTED	<u>728,044</u>	<u>631,867</u>	<u>555,584</u>
	<u>1,114,515</u>	<u>1,010,324</u>	<u>927,967</u>
	<u>\$ 1,141,076</u>	<u>\$ 1,026,365</u>	<u>\$ 943,157</u>

COMMITMENTS (Note 9)

APPROVED BY THE BOARD:

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSIONSTATEMENT OF OPERATIONSfor the year ended July 31, 2013

	<u>2013</u> <u>Budget</u>	<u>2013</u> <u>Actual</u>	<u>2012</u> <u>Actual</u>
REVENUE:			
Producer check-off fees (<i>Note 8</i>)			
Fees	\$ 250,000	\$ 367,152	\$ 340,476
Refunds	(12,500)	(17,924)	(9,230)
Net	237,500	349,228	331,246
Sponsorships	1,000	1,000	500
Unrealized gain (loss) on investments	-	(239)	(2,558)
Interest and other income	4,000	11,419	12,106
AMP funding	30,000	27,500	-
CAFI/ADF Project Income	-	-	30,046
Miscellaneous	1,000	1,350	-
Mustard 21 income	-	24,000	-
Other levy income	-	50,734	-
	<u>273,500</u>	<u>464,992</u>	<u>371,340</u>
EXPENSES:			
AMP program	60,000	55,930	59,430
Administration contracts (<i>Note 10</i>)	79,600	81,381	79,381
Research contributions Mustard 21 Canada Inc. (<i>Note 9</i>)	90,000	120,000	90,000
Research development projects	16,000	21,516	7,307
Research expenses – Mustard 21	-	23,625	-
Board of directors	15,000	10,547	13,150
Communications	24,500	21,066	10,311
General and administration	31,450	19,446	22,943
Annual meeting	8,500	7,290	6,361
Election	<u>7,000</u>	<u>-</u>	<u>100</u>
	<u>332,050</u>	<u>360,801</u>	<u>288,983</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	<u>\$ (58,550)</u>	<u>\$ 104,191</u>	<u>\$ 82,357</u>

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSIONSTATEMENT OF CHANGES IN NET ASSETS
for the year ended July 31, 2013

	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
BALANCE - BEGINNING OF YEAR	\$ 378,457	\$ 631,867	\$ 1,010,324	\$ 927,967
Excess (deficiency) of revenue over expenses for the year	<u>8,014</u>	<u>96,177</u>	<u>104,191</u>	<u>82,357</u>
BALANCE - END OF YEAR	<u>\$ 386,471</u>	<u>\$ 728,044</u>	<u>\$ 1,114,515</u>	<u>\$ 1,010,324</u>

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSIONSTATEMENT OF CASH FLOWSfor the year ended July 31, 2013

	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES:		
Excess of revenue over expenses	\$ <u>104,191</u>	\$ <u>82,357</u>
Changes in non-cash working capital		
Balances related to operation:		
Accounts receivable	7,999	32,665
Prepaid expenses	(18,938)	(1,062)
Accounts payable	<u>10,520</u>	<u>851</u>
	(<u>419</u>)	<u>32,454</u>
Total from operating activities	<u>103,772</u>	<u>114,811</u>
INVESTING ACTIVITIES:		
Purchase of investments	(<u>11,940</u>)	(<u>56,043</u>)
Total from investing activities	(<u>11,940</u>)	(<u>56,043</u>)
INCREASE IN CASH AND EQUIVALENTS FOR THE YEAR	91,832	58,768
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>563,979</u>	<u>505,211</u>
CASH AND EQUIVALENTS, END OF YEAR	\$ <u><u>655,811</u></u>	\$ <u><u>563,979</u></u>
CASH AND EQUIVALENTS CONSISTS OF:		
Cash	550,488	460,240
Guaranteed investment certificate	<u>105,323</u>	<u>103,739</u>
	\$ <u><u>655,811</u></u>	\$ <u><u>563,979</u></u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	138	181
Income taxes paid	<u>NIL</u>	<u>NIL</u>

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

as at July 31, 2013

1. AUTHORITY:

The Saskatchewan Mustard Development Commission ("the Commission") 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 the Commission is to assist in growing the mustard industry through research, communications and market development programs. The activities of the Commission 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 accounting standards for not-for-profit organizations in Part III of the *CICA Handbook* 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. The Commission 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 the Commission 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, 2013

2. SIGNIFICANT ACCOUNTING POLICIES (continued):

d) Financial Instruments:

The Commission initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statements of operations in the period incurred.

Financial assets subsequently measured at amortized cost include cash and accounts receivable. Financial liabilities subsequently measured at amortized cost include accounts payable and deferred contributions. The fair value of the cash, accounts receivable, and accounts payable approximates their carrying value due to their short-term nature.

e) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations in Part III of the *CICA Handbook* 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*.

g) Contributions in-kind:

Contributions in-kind are recorded at fair value for goods or services used in the normal course of operations that would otherwise have been purchased.

3. ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS:

These financial statements were prepared in accordance with Part III of the *CICA Handbook*. The Commission's first reporting period under Part III is for the year ended July 31, 2013. As a result, the date of transition to Part III is August 1, 2011. The Commission previously presented financial statements under Canadian generally accepted accounting principles ("CGAAP").

These financial statements are the first financial statements for which the Commission has applied the Canadian accounting standards for not-for-profit organizations. As a result of adoption, the financial statements for the year ended July 31, 2013 were prepared in accordance with the provisions set out in Section 1501 of Part III, *First-Time Adoption by Not-for-profit Organizations*. Section 1501 is to be applied on a retrospective basis although the section provides exemptions from this treatment in certain specific circumstances as well as permitting elections in the year of transition. Upon adoption, the Commission did not choose to apply any of the available exemptions.

The first-time adoption of this new basis of accounting had no impact on the Commission's excess (deficiency) of revenues over expenses for the year ended July 31, 2012 or on the net assets as at August 1, 2011 (the date of transition).

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSIONNOTES TO FINANCIAL STATEMENTSas at July 31, 2013**4. 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

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

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Commission is not exposed to significant interest rate risk on its investments.

5. INTERNALLY RESTRICTED INVESTMENTS:

		<u>2013</u>		<u>2012</u>	
	Years to Maturity	Market value \$	Yield to Maturity %	Market value \$	Yield to maturity %
Corporate	1-2	<u>385,961</u>	1.75 – 1.95	<u>374,021</u>	1.95 – 5.04
		<u>385,961</u>		<u>374,021</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 \$8,014 has been allocated to the internally restricted net asset balance.

6. INTERNALLY RESTRICTED NET ASSETS:

The Commission 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 the Commission. Management requires the Board of Directors' approval to use the money from these restricted assets.

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

as at July 31, 2013

7. BUDGET:

The Board approved the 2012/2013 fiscal year budget at the meeting on October 21, 2011.

8. PRODUCER CHECK-OFF FEES:

Under the Regulations, each buyer of mustard is required to remit to the Commission 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.

9. 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. During the current year an additional \$30,000 of funding was paid to Mustard 21 Canada Inc. to offset additional operating costs.

10. ADMINISTRATION CONTRACTS:

The Agriculture Council of Saskatchewan Inc. charged the Commission \$9,813 (2012 - \$10,585) for administering the check-off fee program and the business activities of the Commission of which \$1,688 (2012 - \$1,708) is included in accounts payable.

During the current year the Commission entered into a contract with Hursh Consulting & Communications Inc. and AgriBiz Communications Corp. for management services. The contract began on September 1, 2012 and will continue for twelve months with the option to renew by any or all parties.

11. 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, 2013, 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, 2013.

- 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, 2013, 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 16, 2014

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, 2013 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)

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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333 - 25th STREET EAST
SASKATOON, SK S7K 0L4
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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 over financial reporting set out in the CICA Handbook – Assurance. This standard requires that we plan and perform the audit to obtain reasonable assurance as to the effectiveness of Saskatchewan Mustard Development Commission'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.

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, Saskatchewan Mustard Development Commission's control was effective, in all material respects, to meet the objectives stated above as of July 31, 2013 based on the CICA's criteria of control framework.

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

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Saskatchewan Mustard Development Commission:

(continued from previous page)

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, 2013, 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 16, 2014 which is the same date as the date of the report on the effectiveness of internal controls.

Saskatoon, Saskatchewan
January 16, 2014

Twigg & Company
Chartered Accountants

Payee List

Saskatchewan Mustard Development Commission Payee Report August 1, 2012 - July 31, 2013

Payee Report
August 1, 2012 - July 31, 2013
Cash Basis

Personal Services (Threshold \$2,500)

Honorariums

Burwell, T.	0
Fritzler, B.	2,562
Pederson, D.	0
Simington, E.	1,462
Ackerman, P.	2,595

Reimbursement for Expenses

Burwell, T.	0
Fritzler, B.	2,365
Pederson, D.	0
Simington, E.	852
Ackerman, P.	711

10,547

Research and Development (Threshold \$5,000)

Mustard 21 Canada Inc.	143,625
Misc. expenses under \$5000	1,000

144,625

Extension (Threshold \$5,000)

Saskatoon Fastprint	29,842
AgriBiz Communications Corp	30,462
The Culinary Institute of America	15,948
Misc. payments under \$20,000	20,641

96,893

Supplier Payments (Threshold \$20,000)

Hursh Consulting & Communications	74,137
Ag. Council for Saskatchewan	9,813
Saskatoon Inn	4,984
Misc. payments under \$20,000	19,802

108,736

Other Payments (Threshold \$20,000)

Refunds	17,924
Misc. payments under \$20,000	0

17,924

378,725



State of the Industry

Patrick Ackerman, PAg, Chair

This year we celebrate the 10th Anniversary of the Saskatchewan Mustard Development Commission (SMDC). As we look back over the last decade significant progress has been made in the mustard industry for Saskatchewan producers. From new varieties, herbicide tolerance (almost reality), the Mustard Festival, and marketing programs we have truly grown and made the world more aware of the attributes of top quality Saskatchewan mustard seed.

Without the foresight of Tom Burwell, Erroll Simington, David Pederson, Brett Meinert, Les Trayhorn, Rene De Moissac and Ken Megusi and other industry people, we would not be celebrating some of the successes that have occurred. On behalf of the mustard producers of Saskatchewan, we extend appreciation for your valuable contributions.

We say goodbye and thank you to three valuable board members this year. Erroll, David and Rene are leaving the board, after serving the maximum term. They have made beneficial contributions, held various positions and diligently performed their duties during their history. We welcome three new members, Derek Dewar, Murray Horkoff and Richard Marleau, and look forward to working with them over the next few years.

Your SMDC has used government programs to conduct market development, promotion and research over the last many years. We have had an excellent return on our investment and have an admirable track record of getting results.

The objective of Agri Innovation "is to accelerate the pace of innovation and facilitate the commercialization and adoption of innovative products, technologies, processes and services." The new Growing Forward 2 (GF2) came with more challenges. Paperwork and bureaucracy were far more extensive and SMDC was forced to finance these projects well into the third quarter before any government share was received.

We have been denied an antimicrobial project because the "benefits appeared regional in scope" and there is a lack of mustard meal in the Canadian market. The benefits are regional in scope because Saskatchewan grows 80 to 90 percent of Canada's mustard. The benefit to food consumers would be worldwide. The number of food related recalls and bacterial problems could be significantly reduced by utilizing the antimicrobial properties of mustard. This project fit the definition of Agri Innovation but got lost in bureaucracy. As a mustard producer you now know some of the facts for when the next MP comes knocking on your door.

Research is proving itself. We have sent breeding material to Chile as well as herbicide tolerance trials. This is truly cutting our timelines in half without double the expense.

SMDC looks forward to reaping some of the rewards for our efforts in the very near future.

Keep Growing!

Management Report

Kevin Hursh, Hursh Consulting & Communications, Executive Director

Adele Buettner, AgriBiz Communications Corp., General Manager

The province's mustard seed industry made strides in the past year both agriculturally and with food-related marketing.

Mustard was one of Saskatchewan's most profitable cropping choices in 2013. Although results vary widely from one farm to another, the aggregate numbers show positive results.

According to the provincial crop report in mid-October, the average yield for all types of mustard was 1,300 pounds per acre. Most of the production was yellow and brown mustard, and an average price for the two was around 35 cents a pound at that time. That computes to an average gross return of \$455 an acre.

After subtracting the cash costs as reported in the 2013 Crop Planning Guide from the Saskatchewan Ministry of Agriculture, the contribution margin left to cover fixed costs and provide a return to labour and management comes to \$321 per acre.

Compare that to canola. The average yield was 38 bushels per acre and the price in mid-October was about \$10.30 a bushel. That's a gross return of \$391 an acre. The cash costs to grow canola are higher than mustard. After subtracting those, the contribution margin is \$176 an acre.

Sure, there were lots of big canola yields, but there were also lots of mustard growers who did better than 1,300 pounds. Some canola growers would have locked in higher prices. Many mustard growers would have had production contracts at higher levels than the mid-October cash price.

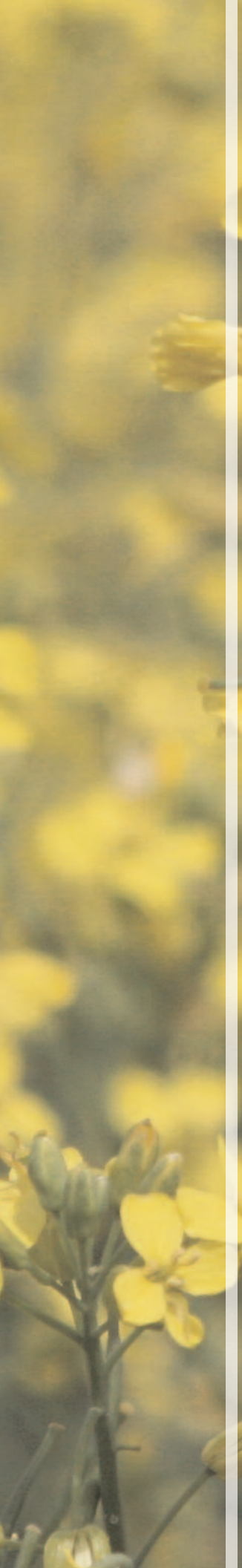
So why didn't more producers grow mustard? To be fair, the market demand for condiment mustard is limited. If we grow too much, the price will drop. However, for individual farmers, mustard is often discounted as a cropping choice due to the difficulty of weed control.

One of the major weed problems is volunteer canola. If you grow canola, it is recommended that field be disqualified for mustard production for five years. Even small amounts of canola quickly downgrade a mustard sample.

Mustard was the focus of the Scott Field Day, July 17. Scott, located not far from Wilkie and Unity in west central Saskatchewan, is noted for producing canola, not mustard. However, Scott is the location for a great deal of mustard research, some of which also has implications for canola producers.

Especially interesting was Eric Johnson's work on new herbicide options. In the not-too-distant future, it should be possible to easily eliminate canola volunteers and other brassica weeds in mustard crops.

When combined with the higher yielding varieties that are on the horizon and the ongoing efforts to widen the market for mustard, the future looks bright.



Saskatchewan Mustard Development Commission efforts to widen the market involve increasing awareness of the attributes of mustard seed among professionals and decision-makers who influence consumer buying habits.

In March, Sask Mustard shared messages about the ancient seed's flavour, versatility and nutritional value with doctors, dietitians and other health care professionals attending 'Healthy Kitchens, Healthy Lives: Caring for Our Patients and Ourselves.'

This leadership conference, organized by the Culinary Institute of America and the Harvard School of Public Health, bridges nutrition science, health care and the culinary arts. That's an ideal combination for Sask Mustard's efforts.

To understand how many people may eventually experience the impact of the lessons learned at these conferences a quick calculation suggests that if the average physician sees approximately 12 patients a day or 2880 a year, the 420 in attendance means that their direct sphere of influence is over one million people a year.

In September, Sask Mustard attended another Culinary Institute of America forum with the goal of informing key decision makers and other food industry leaders from major restaurant chains and educational institutions. This year's attendees at 'Flavor, Quality & American Menus' included the U.S. Olympic Committee, Texas Roadhouse, Wendy's, 7-Eleven, Jack-in-the-Box, Disney World, and the regional food service manager for Google. All influence consumers in a different way than participants at Healthy Kitchens, Healthy Lives.

Closer to home, Sask Mustard educated chefs-in-training by partnering with SIAST Kelsey Campus for the 'Mastering Mustard Team Culinary Competition' in May. As a result, students pursuing culinary careers discovered the flavourful potential and versatility of the ancient mustard spice. Their chosen career puts them in the right place to influence consumers.

In addition, Sask Mustard promoted mustard to consumers and others through:

- sponsorship of an interactive exhibit that shares information about high-quality Canadian mustard and Saskatchewan's leadership in mustard seed exports with visitors to the National Mustard Museum in Wisconsin
- food demonstrations by Nutritionist and Home Economist Judy Scott Welden broadcast to 50,000 TV watchers in southern Ontario
- the 'Great Saskatchewan Mustard Festival' August 25, which drew more than 1,000 people to The Willow on Wascana in Regina to sample dishes featuring mustard prepared by creative chefs, and attracted ample media to extend the reach of awareness
- the sold out 'Oilseeds Classic Invitational Golf Tournament,' a collaboration with SaskCanola and SaskFlax that raised \$20,000 for Agriculture in the Classroom in June
- sponsorship of Chef Moe Mathieu who created 'Apple Rhubarb and Mustard Compote' for November's Gold Medal Plates gala, the Saskatoon stop on road to the Canadian Culinary Championship
- swag bags, containing SMDC's 'Inspired by Mustard' cookbook for guests at the annual Mayor's Gala supporting the Saskatoon Community Foundation
- a letter to the Honourable Gerry Ritz, Minister of Agriculture and Agri-Food Canada requesting he declare National Mustard Day as is celebrated in the United States

Always looking for new ways to create greater awareness about mustard, Sask Mustard also contracted two teachers to develop educational activities to engage children.

Yes, all together it's been a productive year for Saskatchewan mustard growers.

Mustard 21 Canada Inc.

2013 Report

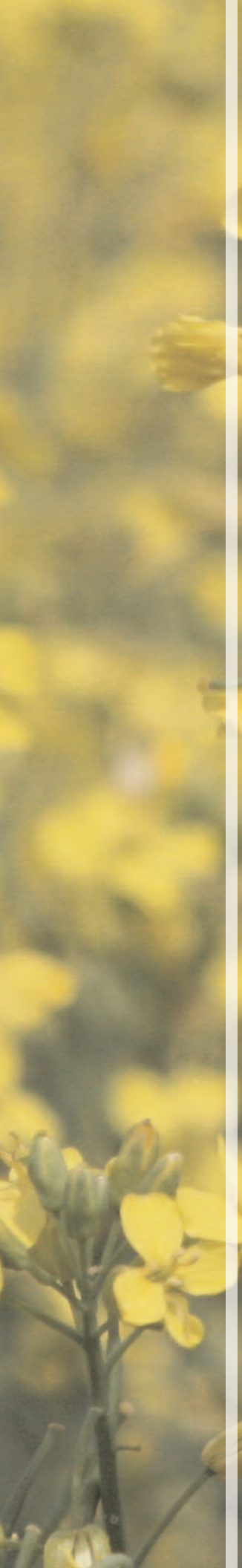
Pete Desai, President

Mustard 21 Canada Inc. (M21) successfully completed the first four years of the 'Mustard Innovation' project funded under the Agriculture and Agri-Food Canada (AAFC) Growing Forward 1 (GF1) program. The support from GF1 has been very important to focus limited resources and initiate the strategic long-term breeding and development program to create a Canadian Advantage and stay globally competitive. In May 2013 we were awarded support for five years through the Growing Forward 2 (GF2) program to work on the "Mustard Innovation – Canadian Advantage" project that will continue the excellent work embarked on during GF1.

The implementation of the 'Mustard Innovation' project during 2009-2013 established a solid foundation for completing the strategic long-term research and development priorities for mustard:

- 1. Condiment Mustards:** Yield enhancement is the single most important priority for M21. Increasing yield will enable Canadian mustard to continue to be part of the grower's crop rotation in the drier areas of the prairies. It will also deliver the Canadian Advantage through higher quality sustainable production and will help to maintain Canada's number one position as exporter of mustard in the world.

Dr. Bifang Cheng, a dedicated mustard breeder and AAFC scientist, has committed resources and critical mass to address the key priorities of growers and processors. The first new varieties of yellow mustard will be introduced within the next two years followed by synthetic varieties during GF2 (2013-2018). The brown and oriental breeding program has shown major breakthroughs to increase yield significantly over the present varieties. This increase is through using a double haploid technology that the canola industry has used to improve canola in Canada. These new condiment mustard varieties are undergoing advanced yield trials and will also be available during the GF2 timeline (2013-2018). The resources from GF1 and GF2, along with support from Saskatchewan Agriculture, Western Grains Research Foundation (WGRF), Canadian Mustard Association (CMA), Saskatchewan Mustard Development Commission (SMDC) and the M21 industrial partners, has increased the scope and size of work through two field programs, in Canada and Chile, each year.



2. Agronomy and Production: Growers need production tools to increase yield; the other focus is to address agronomy and production through work done in the mustard growing areas. Mr. Eric Johnson, AAFC scientist at Scott, is leading this effort. The field research addresses fertility, seeding rates and weed management. This work will be carried on in GF2 to further identify rotational benefits of mustards, and to obtain additional information on the water use efficiency of mustards. The information generated will be part of the Growers' Manual to provide the most current knowledge to maximize grower return. Mr. Johnson's work on weed management is very critical in not only ensuring weed control but also to help in quality of mustard supply for the global market. Through herbicide screening conducted in GF, sulfentrazone will be submitted as a minor use registration soon. In addition to this, work is underway to find new herbicide tools for managing weeds in mustard. This work is in a very early stage and you will hear more about it during GF2.

3. Carinata – dedicated industrial mustard: Carinata (*Brassica carinata*) has been developed as a dedicated industrial oilseed crop for the drier zones of the prairies. This is an interesting new development to capitalize on the uniqueness of mustard in terms of oil profile and composition for the emerging bio-products economy. The goal is to maintain the traditional condiment mustard business while at the same time creating a new market for the mustard grower.

Carinata has progressed well in the 2012 season in field-size pre-commercial evaluations by Agrisoma, M21's industrial partner, across the growing region. The first Carinata lines adapted to the brown soil zone were developed by AAFC at Saskatoon and were commercially grown in 2013 for supplying oil feedstock for transportation fuel, i.e. bio-diesel and bio-jet fuel. You will also hear more about Carinata developments during the GF2 program.

M21 is a not-for-profit research arm of the CMA and the SMDC. Funding of about \$200,000 per year from these two organizations has been leveraged through federal, provincial and mustard value chain industry partner contributions. The Board of M21 consists of seven directors: three SMDC directors - Baine Fritzler (Chair), Erroll Simington, Tom Burwell; three CMA directors - Steven McDonnell, Steve Foster, and Jeff Vipond; and one independent director - Dorothy Murrell. The Board of M21 is very receptive to and encourages new ideas and inquiries from all sectors of the mustard value chain.

Notes



