

Saskatchewan Mustard Development Commission

2013-2014
ANNUAL REPORT



Annual General Meeting
January 15, 2015
Saskatoon Inn, Saskatoon SK



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



2014 Board and Staff

Patrick Ackerman

Chair

Box 101
Chamberlain, SK S0G 0R0
T: 306-638-3177
F: 306-638-6219
patrick.ackerman@yahoo.com

Baine Fritzler

Vice-Chair

Box 2
Govan, SK S0G 1Z0
T: 306-484-4612
F: 306-484-4612
fritzagltd@aski.ca

Richard Marleau

Treasurer

103 Brookhurst Crescent
Saskatoon, SK S7V 1C5
T: 306-374-4200
F: 306-978-1718
rpm147@sasktel.net

Tom Burwell

113 – 803 Heritage Crescent
Saskatoon, SK S7H 5R4
T: 306-373-3938
F: 306-249-2431
tomburwell@shaw.ca

Derek Dewar

Box 82
Hazlet, SK S0N 1E0
T: 306-678-4917
dewar@sasktel.net

Murray Horkoff

Box 2072
Kamsack, SK S0A 1S0
T: 306-542-2259
F: 306-542-3365
mhorkoff@imagewireless.ca

SMDC Staff and Office

Kevin Hursh

Executive Director

Hursh Consulting & Communications Inc.
566 Adilman Drive
Saskatoon, SK S7K 7H5
T: 306-933-0138
F: 306-249-4869
kevin@hursh.ca

Adele Buettner

General Manager

AgriBiz Communications Corp.
Bay 6A – 3602 Taylor Street East
Saskatoon, SK S7H 5H9
T: 306-975-6629
F: 306-244-4497
info@saskmustard.com
saskmustard.com

Office Hours:

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

Follow us on Twitter (@SKmustard) and Facebook





Agenda

Saskatchewan Mustard Development Commission
Annual General Meeting

Thursday, January 15, 2015

Saskatoon Inn, Ballroom C ~ Saskatoon, Saskatchewan

8:30 a.m.	Registration
9:00 a.m.	Chairman's Address Patrick Ackerman
9:15 a.m.	Hon. Lyle Stewart, Saskatchewan Minister of Agriculture
9:30 a.m.	The Mustard Research Program Pete Desai, Mustard 21 Canada Inc.
9:40 a.m.	Towards Better Agronomy and Weed Control Eric Johnson, AAFC
10:00 a.m.	New Varieties on the Horizon Bifang Cheng, Mustard Breeder, AAFC
10:40 a.m.	Coffee
11:10 a.m.	Sask Mustard Marketing Initiatives Adele Buettner, Sask Mustard General Manager
11:50 a.m.	Debut of New Mustard Marketing Videos
12:00 p.m.	Lunch
12:45 p.m.	SMDC Annual Business Meeting
1:15 p.m.*	Mustard Market Outlook Walter Dyck, Olds Products

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

Agenda

SMDC Annual Business Meeting

Thursday, January 15, 2015

Ballroom C , Saskatoon Inn ~ Saskatoon, Saskatchewan

12:45 p.m.

Call to Order and Opening Remarks

Approval of Agenda

Approval of Minutes

Financial Review, Richard Marleau
Approval of Budget

Annual Report 2013-2014 and Proposed Activities 2014-2015
State of the Industry, Patrick Ackerman, Chair

Resolutions

New Business

Adjourn Meeting





Motions to be Presented

SMDC Annual Business Meeting

Thursday, January 15, 2015

Ballroom C , Saskatoon Inn ~ Saskatoon, Saskatchewan

That the Agenda be approved as presented.

That the Minutes of the January 16, 2014 meeting be approved as presented.

To appoint an Audit Chair.

That the SMDC audited financial statements for the year ending July 31, 2014 be approved as presented.

That the SMDC Budget for 2015/2016 be approved as presented.

That the SMDC appoint Twigg & Company as auditor for the year ending July 31, 2015.

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

To approve an increase in the per diem as follows:

- for directors from \$225 per day to \$400 per day;
- for the chair from \$250 per day to \$450 per day;
- for directors half day at \$200 per day;
- for the chair half day at \$225 per day; and
- for directors and the chair \$100 for a conference call of more than one hour.

To adjourn the January 15, 2015 Annual Business Meeting.

2014 Minutes

SMDC Annual Business Meeting

January 16, 2014

Ballroom C , Saskatoon Inn ~ Saskatoon, Saskatchewan

1. Meeting called to order by Chair Ackerman at 12:50 p.m.

2. **Approval of Agenda:**

Motion #1

That the agenda of the January 16, 2014 Annual Business Meeting be approved as presented.

Burwell / Wellbrock / Carried

3. **Minutes of the January 9, 2013 Annual General Meeting**

Motion #2

That the minutes of the January 9, 2013 Annual Business Meeting be approved as circulated.

A. Lind / D. Dewar / Carried

4. **Financial Report**

Hursh reviewed the financial statements in detail and provided an overview of the budget for 2014-2015.

Motion #3

That Tom Burwell be appointed as Audit Chair.

D. Dewar / Wellbrock / Carried

Motion #4

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

McIntosh / Schmidt / Carried

Motion #5

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

Fritzler / Byrnes / Carried

Motion #6

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

Horkoff / Prefontaine / Carried

5. **Annual Report:**

State of the Industry: Ackerman provided an overview of events that SMDC was involved with in 2013, and noted in coming years the Commission will continue to focus on research, marketing, and new uses for mustard.

Motion #7

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

6. **New Business:**

None

Motion #8

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

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 15, 2015



Management



Management

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

AUDITED FINANCIAL STATEMENTS

for the year ended July 31, 2014

TWIGG & COMPANY

CHARTERED ACCOUNTANTS

J.S. TWIGG *B.Comm., C.A.*

L.D. SAFINUK *B. Comm., C.A.*

M. LINGARD *B. Comm., MPAcc., C.A.*

650 REGENCY CENTER
333 - 25th STREET EAST
SASKATOON, SK. S7K 0L4

—
TELEPHONE (306) 244-0808

FACSIMILE (306) 244-0004

www.twiggandcompany.com

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, 2014 and the statements of operations, changes in net assets and cash flows for the years ended July 31, 2014 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)

TWIGG & COMPANY
CHARTERED ACCOUNTANTS

J.S. TWIGG *B.Comm., C.A.*

L.D. SAFINUK *B. Comm., C.A.*

M. LINGARD *B. Comm., MPAcc., C.A.*

650 REGENCY CENTER
333 - 25th STREET EAST
SASKATOON, SK. S7K 0L4

—
TELEPHONE (306) 244-0808
FACSIMILE (306) 244-0004
www.twiggandcompany.com

Independent Auditors' Report (continued)

(continued from page 1)

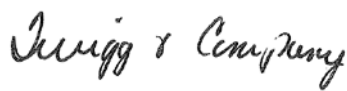
Basis for Qualified Opinion

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 of 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, 2014 and the results of its operations and cash flows for the years ended July 31, 2014 in accordance with Canadian accounting standards for not-for-profit organizations.

Saskatoon, Saskatchewan
January 15, 2015


Chartered Accountants

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

STATEMENT OF FINANCIAL POSITION

as at July 31, 2014

With comparative information for 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT:		
Cash	\$ 762,764	\$ 550,488
Guaranteed investment certificate	107,101	105,323
Accounts receivable	77,716	68,595
Prepaid expenses	<u>11,796</u>	<u>30,709</u>
	959,377	755,115
 INTERNALLY RESTRICTED		
INVESTMENTS (Note 4)	<u>288,655</u>	<u>385,961</u>
	\$ <u>1,248,032</u>	\$ <u>1,141,076</u>

LIABILITIES

CURRENT:		
Accounts payable	\$ 31,777	\$ 26,561
Deferred revenue (Note 3)	<u>8,192</u>	<u>-</u>
	39,969	26,561

NET ASSETS

INTERNALLY RESTRICTED (Note 5)	386,471	386,471
 UNRESTRICTED	<u>821,592</u>	<u>728,044</u>
	<u>1,208,063</u>	<u>1,114,515</u>
	\$ <u>1,248,032</u>	\$ <u>1,141,076</u>

COMMITMENTS (Note 8)

APPROVED BY THE BOARD:

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

STATEMENT OF OPERATIONS for the year ended July 31, 2014 *With comparative information for 2013*

	2014 <u>Budget</u> <i>(unaudited)</i>	2014 <u>Actual</u>	2013 <u>Actual</u>
REVENUE:			
Producer check-off fees (<i>Note 7</i>)			
Fees	\$ 300,000	\$ 415,636	\$ 367,152
Refunds	(10,000)	(16,480)	(17,924)
Net	290,000	399,156	349,228
Sponsorships	1,000	500	1,000
Grants	-	9,308	-
Unrealized gain (loss) on investments	-	-	(239)
Interest and other income	7,000	11,879	11,419
AMP funding	30,000	47,865	27,500
Miscellaneous	1,000	2,795	1,350
Mustard 21 income	-	-	24,000
Other levy income	<u>-</u>	<u>-</u>	<u>50,734</u>
	<u>329,000</u>	<u>471,503</u>	<u>464,992</u>
EXPENSES:			
AMP program	60,000	96,297	55,930
Administration contracts (<i>Note 9</i>)	88,000	82,823	81,381
Research contributions Mustard 21 Canada Inc. (<i>Note 8</i>)	100,000	100,000	120,000
Research development projects	16,000	27,247	21,516
Research expenses – Mustard 21	-	-	23,625
Board of directors	15,000	19,405	10,547
Communications	22,500	17,400	21,066
General and administration	24,850	26,249	19,446
Annual meeting	8,000	8,384	7,290
Election	<u>7,000</u>	<u>150</u>	<u>-</u>
	<u>341,350</u>	<u>377,955</u>	<u>360,801</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	\$ (12,350)	\$ 93,548	\$ 104,191

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

STATEMENT OF CHANGES IN NET ASSETS

for the year ended July 31, 2014

With comparative information for 2013

	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
BALANCE – BEGINNING OF YEAR	\$ 386,471	\$ 728,044	1,114,515	\$ 1,010,324
Excess (deficiency) of revenue over expenses for the year	<u>-</u>	<u>93,548</u>	<u>93,548</u>	<u>104,191</u>
BALANCE – END OF YEAR	<u>\$ 386,471</u>	<u>\$ 821,592</u>	<u>\$ 1,208,063</u>	<u>\$ 1,114,515</u>

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

STATEMENT OF CASH FLOWS
for the year ended July 31, 2014
With comparative information for 2013

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES:		
Excess of revenue over expenses	\$ <u>93,548</u>	\$ <u>104,191</u>
Changes in non-cash working capital		
Balances related to operation:		
Accounts receivable	(9,120)	7,999
Prepaid expenses	18,913	(18,938)
Deferred revenue	8,192	-
Accounts payable	<u>5,215</u>	<u>10,520</u>
	<u>23,200</u>	(419)
Total from operating activities	<u>116,748</u>	<u>103,772</u>
INVESTING ACTIVITIES:		
Purchase of investments	<u>97,306</u>	(11,940)
Total from investing activities	<u>97,306</u>	(11,940)
INCREASE IN CASH AND EQUIVALENTS FOR THE YEAR	214,054	91,832
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>655,811</u>	<u>563,979</u>
CASH AND EQUIVALENTS, END OF YEAR	\$ <u>869,865</u>	\$ <u>655,811</u>
CASH AND EQUIVALENTS CONSISTS OF:		
Cash	762,764	550,488
Guaranteed investment certificate	<u>107,101</u>	<u>105,323</u>
	\$ <u>869,865</u>	\$ <u>655,811</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	157	138
Income taxes paid	<u>NIL</u>	<u>NIL</u>

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

as at July 31, 2014

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, 2014

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. DEFERRED CONTRIBUTIONS:

The Commission receives funding from the Ministry of Agriculture to be held, administered and distributed in accordance with the related funding agreement. Deferred contributions related to expenses of future periods represent unspent externally restricted funding for the purposes of paying operating expenditures in future periods.

	2014	2013
Opening deferred contributions for expenses of future periods	\$ -	\$ -
<i>Contributions during the year:</i>		
Ministry of Agriculture	17,500	-
<i>Less:</i>		
Amounts recognized as research developments projects	(9,308)	-
Ending deferred contributions for expenses of future periods	\$ 8,192	\$ -

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

as at July 31, 2014

4. INTERNALLY RESTRICTED INVESTMENTS:

		<u>2014</u>		<u>2013</u>	
	Years to Maturity	Market value \$	Yield to Maturity %	Market value \$	Yield to maturity %
Corporate	0-1	<u>288,655</u>	1.40 – 1.90	<u>385,961</u>	1.75 – 1.95
		<u>288,655</u>		<u>385,961</u>	

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

5. 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.

6. BUDGET:

The Board approved the 2013/2014 fiscal year budget at the meeting on October 29, 2012. The budget figures included in the accompanying financial statements are unaudited.

7. 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.

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

as at July 31, 2014

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 the Commission \$7,538 (2013 - \$9,813) for administering the check-off fee program and the business activities of the Commission of which \$616 (2013 - \$1,688) 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, 2013 and will continue for twenty four months with the option to renew by any or all parties.

10. CAPITAL MANAGEMENT:

The Commission has no formal capital management policy.

11. 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.

TWIGG & COMPANY

CHARTERED ACCOUNTANTS

J.S. TWIGG *B.Comm., C.A.*

L.D. SAFINUK *B. Comm., C.A.*

M. LINGARD *B. Comm., MPAcc., C.A.*

650 REGENCY CENTER
333 - 25th STREET EAST
SASKATOON, SK. S7K 0L4

—
TELEPHONE (306) 244-0808
FACSIMILE (306) 244-0004
www.twiggandcompany.com

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, 2014, 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, 2014.

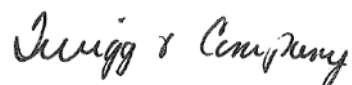
- The Agri-Food Act, 2004
- The Saskatchewan Mustard Development Plan Regulations
- Commission Orders #01/03 to #06/03

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, 2014, 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 15, 2015


Chartered Accountants

TWIGG & COMPANY

CHARTERED ACCOUNTANTS

J.S. TWIGG *B.Comm., C.A.*

L.D. SAFINUK *B. Comm., C.A.*

M. LINGARD *B. Comm., MPAcc., C.A.*

650 REGENCY CENTER
333 - 25th STREET EAST
SASKATOON, SK. S7K 0L4

—
TELEPHONE (306) 244-0808

FACSIMILE (306) 244-0004

www.twiggandcompany.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Saskatchewan Mustard Development Commission:

We have audited Saskatchewan Mustard Development Commission's control as of July 31, 2014 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.

(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.*

650 REGENCY CENTER
333 - 25th STREET EAST
SASKATOON, SK. S7K 0L4

—
TELEPHONE (306) 244-0808
FACSIMILE (306) 244-0004
www.twiggandcompany.com

INDEPENDENT AUDITORS' REPORT

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

(continued from previous page)

- (3) 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 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.

TWIGG & COMPANY
CHARTERED ACCOUNTANTS

J.S. TWIGG *B.Comm., C.A.*

L.D. SAFINUK *B. Comm., C.A.*

M. LINGARD *B. Comm., MPAcc., C.A.*

650 REGENCY CENTER
333 - 25th STREET EAST
SASKATOON, SK. S7K 0L4

—
TELEPHONE (306) 244-0808
FACSIMILE (306) 244-0004
www.twiggandcompany.com

INDEPENDENT AUDITORS' REPORT

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

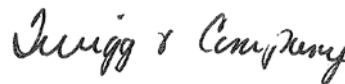
(continued from previous page)

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, 2014 based on the CICA's criteria of control framework.

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, 2014, 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 15, 2015 which is the same date as the date of the report on the effectiveness of internal controls.

Saskatoon, Saskatchewan
January 15, 2015



Chartered Accountants

Draft Budget 2015/2016

Saskatchewan Mustard Development Commission

REVENUE

AMP Funding	\$0.00
Check Off Income	\$400,000.00
Grants	\$0.00
Investment/Interest Income	\$10,000.00
Miscellaneous Income	\$1,000.00
Mustard 21 Income	\$0.00
Other Levy Income	\$0.00
Refunds	\$17,000.00
Sponsorship Income	\$1,000.00
Project Income incl. AMP	\$130,000.00
Realized Investment Gains	\$0.00

Total Revenue	\$525,000.00
----------------------	---------------------

EXPENSES

Culinary Projects (AMP/New Initiatives)	\$105,000.00
Culinary/Marketing Initiatives	\$200,000.00
	<hr/>
	\$350,000.00
Research	
Mustard 21 Canada Inc. - GF 2	\$100,000.00
	<hr/>
	\$100,000.00
Communications	
Annual Meeting	\$8,500.00
Meetings, Shows, Field Days	\$3,000.00
Newsletter	\$10,000.00
Sponsorships	\$3,000.00
Website	\$2,500.00
	<hr/>
	\$27,000.00
Director Per Diem and Expenses	
Director Expenses	\$5,000.00
Director Per Diem	\$7,000.00
	<hr/>
	\$12,000.00

Administration

Audit and Accounting Fees	\$7,000.00
Bank Service Charges	\$250.00
Board Meeting Expense	\$2,000.00
Election	\$7,000.00
Insurance	\$1,250.00
Legal Fees	\$2,000.00
Memberships/Subscriptions	\$3,000.00
Miscellaneous Expenses	\$200.00
Office Expense	\$5,000.00
Rent	\$6,000.00
Service Contract – Bookkeeping	\$7,000.00
Service Contract – Levy Central	\$10,000.00
Service Contract – Management	\$77,000.00
Staff Travel	\$4,000.00
	<hr/>
	\$131,700.00

Total Expenses \$575,700.00

Net earnings (loss) for period (\$50,700.00)

Payee List

Saskatchewan Mustard Development Commission August 1, 2013 - July 31, 2014

Personal Services (Threshold \$2,500)

Honorariums

Burwell, T.	\$1,800
Fritzler, B.	\$1,800
Dewar, B.	\$1,800
Horkoff, M.	\$900
Ackerman, P.	\$500
Marleau, R.	\$1,350

Reimbursement for Expenses

Burwell, T.	\$4,310
Fritzler, B.	\$2,297
Dewar, D.	\$2,745
Horkoff, M.	\$1,591
Ackerman, P.	\$312

19,405

Research and Development

Mustard 21 Canada Inc.	\$100,000
Misc. Expenses under \$5,000	\$0

\$100,000

Extension (Threshold \$5,000)

Saskatoon Fastprint	\$17,850
AgriBiz Communications Corp.	\$37,552
The Culinary Institute of America	\$30,630
Black Box Images	\$9,342
Downstream Pictures	54,001
Misc. payments under \$20,000	\$54,001

\$154,719

Supplier Payments (Threshold \$20,000)

Hursh Consulting & Communications	\$75,285
Agriculture Council of Saskatchewan	\$7,738
Saskatoon Inn	\$8,163
Misc. payments under \$20,000	\$12,646

\$103,832

Other Payments (Threshold \$20,000)

Refunds	\$16,480
Misc. payments under \$20,000	\$0

\$16,480

\$394,436



State of the Industry January 15, 2015

Patrick Ackerman, PAg, Chair

The mustard industry is alive and well! Over the past few years a foundation has been built to ensure the development and success of a new style breeding program and a research and development program. The breeding program is showing signs of success with our new varieties that are close to release and herbicide tolerance right behind. Industry oil carinata is about to hit the big time with hybrid varieties and large acreage.

All of these developments show the success of a good strategy and perseverance in following our vision and mandate as growers.



Management Report 2014

Kevin Hursh, Hursh Consulting & Communications, Executive Director

Adele Buettner, AgriBiz Communications Corp., General Manager

SMDC was full steam ahead on a second mustard cookbook in 2014. The cookbook focuses on families preparing healthy nutritious meals together and features new twists on old favourites, as well as some new and interesting recipes to tantalize tastebuds. The food photography has been completed and we are in the process of finalizing recipes. Next will be the formatting and design. We look forward to launching the cookbook in 2015.

'Healthy Kitchens, Healthy Lives: Caring for Our Patients and Ourselves' took place in March at CIA in St. Helena, California. Dani vanDriel represented SMDC to promote the healthy aspects of mustard and how to incorporate mustard into cooking. Dani also travelled to Boston on our behalf in June for 'Menus of Change' on a fact-finding mission to gauge the potential for SMDC's involvement in this event in the future. Both forums were presented by the Culinary Institute of America (CIA) and Harvard School of Public Health. These events, held on an annual basis, focus on educating key decision-makers from major restaurant chains and educational institutions, chefs and health care professionals including physicians and dietitians. Sask Mustard continues to build on its beneficial relationship with CIA.

On June 24, SMDC was proud to co-host, along with SaskFlax and SaskCanola, the Oilseeds Invitational Golf Classic at Dakota Dunes Links. It was a sold-out event to promote the significant contribution that oilseed crops provide to our provincial economy. Over \$20,000 in proceeds were donated to Agriculture in the Classroom.

The Great Saskatchewan Mustard Festival was held in Regina at the Willow on Wascana on August 24, 2014. Despite the rain, more than 900 people participated in this year's festival. Twenty-three vendors competed for the coveted Gold Jacket awarded to the People's Choice for best mustard dish. This year's honour went to the Industrial Park Cafe for their flavorsome pulled pork on toast.

SMDC continues its support of the National Mustard Museum in Middleton, Wisconsin through an annual donation to assist with the costs of housing our display at the museum. Consistent with last year, we contributed \$1,200 towards efforts to educate visitors about mustard.

Over the past year, SMDC has been working on two mustard videos. The videos will be shown at international tradeshow such as the CIA's 'Healthy Kitchens, Healthy Lives' and 'Flavor, Quality & American Menus', and will also be used for speaking engagements, in social media and on YouTube. The videos consist of a mustard production video to educate about





production, and a consumer-focused video to encourage viewers to creatively introduce mustard into their every day cooking. Both videos are near completion. The project is funded with matching support from the Market Development Program as part of Growing Forward 2.

Adele once again participated in Flavor, Quality & American Menus (FQAM) at the Culinary Institute of America, Greystone, at St. Helena in the Napa Valley in September. This invitation-only event provides a venue for networking, sharing of information and ideas, and advancing both agriculture and the food and beverage industries that depend on it. Chefs and executives from some of the nation's most influential foodservice operations gather in California's Napa Valley with farmers, agricultural researchers, and marketing specialists from agricultural commodity boards to brainstorm about their joint future—a future of healthier farms, higher quality food, and a diverse and secure food supply. Several attendees expressed interest in working with Sask Mustard to promote greater use of mustard.

SMDC was proud to sponsor Chef Michael Link of Western Concessions/ Brightwater at the 2014 Gold Medal Plates Canadian Olympic fundraiser on November 8 in Saskatoon. The event was held at Prairieland Park with more than 500 in attendance. Sask Mustard signage was very visible during the competition, with both a table-top sign and a vertical banner placed beside the sample table. Chef Link's featured dish was: *barbera and mustard soaked pork belly seared in rendered foie gras on caramelized fennel; shoulder slow braised in tomato, basil and roasted red pepper; and smoked hock infused white bean puree with sweet pea emulsion.*

Mustard 21 Canada Inc.

2014 Report

Pete Desai, President

Mustard 21 (M21) is now in the second year of the Agriculture Innovation Program (AIP) to create a Canadian advantage for the mustard industry, a Growing Forward 2 (GF 2) initiative through Agriculture & Agri-Food Canada (AAFC). M21 has received five years of funding under this program to implement our key strategic priorities. The three areas where the majority of our resources are invested are: i) condiment mustard breeding; ii) improved mustard agronomy and production tools and practices and iii) the development of a dedicated industrial mustard, called Carinata.

M21 scientists' main focus and number one priority is to significantly improve yield of all mustards. This is critical as other competitive crops like canola and pulses have increased their yield potential over the past decade with improved weed control and hybrids delivering higher yielding varieties. Growing mustard, therefore, is a higher business risk for the grower and a potential concern for our global condiment mustard customer who is relying on a sustainable supply of quality Canadian mustard.

To make significant yield gains, the mustard breeding program has to stay focused and use a multi-faceted approach with the best technologies available for crop improvement. This is a huge long-term commitment of appropriate but significant resources to deliver yield improvement.

Condiment mustards: Dr. Bifang Cheng, AAFC mustard breeder in Saskatoon, is dedicated and committed to improving the yield of condiment mustard by focusing her efforts on:

- i) Increasing the diversity of the parent germplasm of yellow, brown and oriental mustards. Increasing diversity is critical as it will help to select parents for breeding new varieties that will deliver faster gains and yield potential in the Canadian environment.
- ii) Utilizing doubled haploid technology, where applicable, to select crosses for stable trait phenotype.
- iii) Utilizing genomic tools like molecular markers to help select lines with traits of value very early in the breeding cycle. This will improve the efficiency of breeders for selection and shorten the breeding cycle of new improved lines for pre-development and evaluation.
- iv) Developing and utilizing improved Ogura CMS (cytoplasmic male sterility) hybrid systems in brown and oriental mustard to improve mustard yield.





Production and agronomy: Eric Johnson, AAFC scientist at Scott, has focused on the production agronomy aspects of all mustard production. He is defining production and agronomy parameters to determine the best recommendations that will maximize yield but also improve the quality of Canadian mustard production. This should help maintain Canadian production as the primary source of mustard seed supply in global trade.

- i) Two agronomic studies in multiple locations (Scott, Swift Current, Lethbridge) were successfully established in 2014. The first long-term study is investigating the performance of *Brassica carinata* relative to other oilseed crops grown under stubble and fallow cropping systems in the target area of production (Brown and Dark Brown Soil Zones). The second study investigates the interaction of seeding rate and nitrogen fertilizer rate on performance of *Brassica carinata* with low and high weed densities.
- ii) Developing herbicide(s) options for managing weeds in all mustard species is another top priority for the M21 team. A major effort is now underway to address this important priority by evaluating herbicide technologies that will help manage key weeds in mustard production:
 - Authority® (sulfentrazone) herbicide has been tested for tolerance in *Sinapis alba* (yellow mustard), *Brassica juncea* (brown and oriental mustard) and *Brassica carinata*. *Sinapis alba* appears to be more tolerant to sulfentrazone than the other species. Future studies will focus on refining rates that will minimize crop injury but provide good suppression of weeds in these competitive crops. For the past two years, applying sulfentrazone in the fall did not reduce crop injury relative to spring application; therefore, registration for fall application will not be pursued.
 - Early tank-mixes of Assure® and Muster® on *Brassica carinata* did not appear to cause significant crop injury; however, watch for more information in 2015.
 - There was unacceptable crop injury in *Brassica carinata* when pyroxasulfone, clopyralid (Lontrel®), and dicamba were applied. Tolerance to quinclorac was acceptable.
 - *Sinapis alba* exhibited acceptable tolerance to dicamba at 50 g ai/ha.
- iii) Herbicide tolerance: This is an exciting project started in 2013 to identify and develop herbicide tolerant mustard germplasm. The approach is to screen and select mustard germplasm for herbicide tolerance that the mustard breeders can use in developing future herbicide tolerant mustards.
- iv) The herbicides selected for screening are the ones able to control/ manage hard-to-kill weeds in mustard production, i.e. wild mustard and kochia. The M21 team is pursuing a two-prong approach: 1) mutated populations have been developed of all mustard species and 2) microspores mutation technology for *B. juncea* and *B. carinata*, the two species that are amenable to microspore cultures, has been developed.

- v) Initial screening of mutated seed results has been very encouraging and we now have germplasm selections that are demonstrating tolerance to fluroxypyr and to dicamba. This is a breakthrough. Tolerance has been reconfirmed in winter field trials in Florida to ensure that the tolerant plant selections continue to carry the trait into future generations. Stay tuned in 2015 to hear more about the progress made on this new herbicide tolerant mustard development.

Carinata Dedicated Industrial Mustard (*B. carinata*)

Breeding: Both Carinata breeding programs, one at AAFC (Dr. Kevin Falk in Saskatoon) and the second at Agrisoma (Dr. Rick Bennett in Saskatoon), are making huge strides in breeding new improved Carinata varieties. The focus of both these breeding programs is to generate new crosses from a diverse background germplasm that will result not only in increases in yield but also will help produce lower glucosinolate genotypes.

- i) The aim of 2014 preliminary yield trials was to identify new, higher yielding genotypes with lower glucosinolates. A combined total of over 100 new entries were evaluated this summer by AAFC (60 lines) and Agrisoma (50 lines). Advanced 2014 yield trials of promising AAFC lines were coordinated and evaluated by Agrisoma.
- ii) The first doubled haploid *B. carinata* lines (1,200 plus lines) from the Agrisoma breeding program were field evaluated in the summer of 2014 and another set of 1,500, will be evaluated in the 2014-15 Chile winter nursery.
- iii) Field trials in 2013-14 identified improved frost tolerant genotypes. This is another exciting new lead. Lines demonstrating levels of frost tolerance never previously observed were identified within both the AAFC and Agrisoma advanced germplasm. Further evaluation of these germplasm over additional geographic sites will be conducted in 2015.
- iv) Carinata commercialization: There was no commercial production in 2014 due to delayed CFIA regulatory approval of Carinata meal in April. The approval was too late for Agrisoma to launch a 2014 contract production program. Carinata 2015 contract production should now be possible both in Canada and USA to meet the demand as per Agrisoma off-take agreements.

M21 thanks Agriculture and Agri-Food Canada, Western Grain Research Foundation, Canadian Mustard Association, Saskatchewan Mustard Development Commission and Agrisoma Biosciences Inc. for their generous support to implement the M21 long-term strategic plan. M21 is committed to leveraging its limited resources from SMDC, CMA and its industrial partners to secure long-term funding to help maintain a productive and robust product pipeline.





Bay 6A - 3602 Taylor Street East, Saskatoon SK S7H 5H9
T: 306-975-6629 F: 306-244-4497
info@saskmustard.com www.saskmustard.com