



SASK MUSTARD

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

2015-2016 ANNUAL REPORT



Annual General Meeting
January 12, 2017
Prairieland Park, 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



2016 Board and Staff

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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 12, 2017

Hall E, Prairieland Park ~ Saskatoon, Saskatchewan

8:30 a.m.	Registration
9:00 a.m.	Chairman's Address Richard Marleau
9:15 a.m.	The Market for Mustard Ingredients Carol Ann Patterson, The Pathfinders Research & Management Inc.
9:45 a.m.	Agronomic News and Views Matthew Bernard, Oilseeds Specialist, Ministry of Ag
10:15 a.m.	Coffee
10:30 a.m.	A Layman's Guide to Mustard Breeding Howard Love, Mustard Breeder, M21
11:00 a.m.	Variety Breeding Update Bifang Cheng, Mustard Breeder, AAFC
11:30 a.m.	Making Mustard Matter Adele Buettner, Sask Mustard General Manager
12:00 p.m.	Lunch
12:45 p.m.	Annual General Meeting
1:30 p.m.*	Mustard Market Outlook Marlene Boersch, Mercantile Consulting Ventures Inc.

*could be earlier or later depending on length of AGM

Agenda

SMDC Annual Business Meeting

Thursday, January 12, 2017

Hall E, Prairieland Park ~ Saskatoon, Saskatchewan

12:45 p.m.

Call to Order and Opening Remarks

Approval of Agenda

Approval of Minutes

Financial Review

Kevin Hursh, Executive Director

Approval of Budget

Annual Report 2015-2016 and Proposed Activities 2016-2017

State of the Industry, Richard Marleau, Chair

Resolutions

New Business

Adjourn Meeting





Motions to be Presented

SMDC Annual Business Meeting

Thursday, January 12, 2017

Hall E, Prairieland Park ~ Saskatoon, Saskatchewan

- That the Agenda be approved as presented.
- That the minutes of the January 14, 2016 meeting be approved as presented.
- To appoint an Audit Chair.
- That the SMDC audited financial statements for the year ending July 31, 2016 be approved as presented.
- That the SMDC Budget for 2017/2018 be approved as presented.
- That the SMDC appoint Twigg & Company as auditor for the year ending July 31, 2017.
- That the State of the Industry report be approved as presented.
- To adjourn the January 12, 2017 Annual Business Meeting.

2016 Minutes

SMDC Annual Business Meeting

January 14, 2016

Ballroom C , Saskatoon Inn ~ Saskatoon, Saskatchewan

1. Meeting called to order by Chair Ackerman at 12:51 p.m.

2. **Approval of Agenda:**

Motion #1

That the agenda of the January 14, 2016 Annual Business Meeting be approved as presented.

Fischer/Simington/Carried

3. **Minutes of the January 15, 2015 Annual General Meeting**

Motion #2

That the minutes of the January 15, 2015 Annual Business Meeting be approved as presented.

Zerr/T. Dewar/Carried

4. **Financial Report**

Hursh reviewed the financial statements in detail and provided an overview of the budget for 2016-2017.

Motion #3

That Ivan Costley be appointed as Audit Chair.

Schmidt/Ruest/Carried

Motion #4

That the SMDC audited financial statements for the year ending July 31, 2015 be approved as presented.

Fischer/Costley/Carried

Motion #5

That the SMDC Budget for 2016-2017 be approved as presented.

T. Dewar/Saunders/Carried

Motion #6

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

D. Dewar / Horkoff / Carried

5. **Annual Report:**

State of the Industry: Marleau provided an overview of events that SMDC was involved with in 2015, 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.

Gill/Zerr/Carried

7. **Resolutions:**

Whereas funding for condiment variety breeding all originates in Canada if it is resolved that plant breeders and variety trial administrators be directed to conduct all northern hemisphere condiment mustard trials in Canada.

Burwell/Simington/Defeated

9. **Adjournment:**

Motion #9

To adjourn the SMDC January 14, 2016 Annual Business Meeting.

D. Dewar

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 12, 2017


Management
Management

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

AUDITED FINANCIAL STATEMENTS

for the year ended July 31, 2016

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

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

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

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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, 2016 and the statements of operations, changes in net assets and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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

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Independent Auditors' Report (continued)

(continued from page 1)

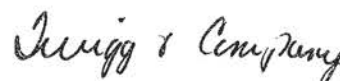
Basis for Qualified Opinion

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 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, 2016 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Saskatoon, Saskatchewan
January 12, 2017


Chartered Accountants

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

STATEMENT OF FINANCIAL POSITION

as at July 31, 2016

With comparative information for 2015

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT:		
Cash	\$ 409,827	\$ 271,534
Short-term investments (Note 3)	209,484	614,874
Short-term internally restricted investments (Note 3)	205,587	201,957
Accounts receivable (Note 4)	36,097	62,342
Prepaid expenses	<u>8,212</u>	<u>20,981</u>
	869,207	1,171,688
LONG-TERM:		
Long-term investments (Note 3)	312,424	-
Long-term internally restricted investments (Note 3)	<u>205,084</u>	<u>202,035</u>
	<u>517,508</u>	<u>202,035</u>
	<u>\$ 1,386,715</u>	<u>\$ 1,373,723</u>

LIABILITIES

CURRENT:		
Accounts payable (Note 5)	\$ <u>51,780</u>	\$ <u>87,952</u>

NET ASSETS

INTERNALLY RESTRICTED (Note 6)	410,671	403,993
UNRESTRICTED	<u>924,264</u>	<u>881,778</u>
	<u>1,334,935</u>	<u>1,285,771</u>
	<u>\$ 1,386,715</u>	<u>\$ 1,373,723</u>

COMMITMENTS (Notes 9, 10)

APPROVED BY THE BOARD:

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

STATEMENT OF OPERATIONS
for the year ended July 31, 2016
With comparative information for 2015

	<u>2016</u> <u>Budget</u> <i>(unaudited)</i> <i>(Note 7)</i>	<u>2016</u> <u>Actual</u>	<u>2015</u> <u>Actual</u>
REVENUE:			
Producer check-off fees <i>(Note 8)</i>			
Fees	\$ 400,000	\$ 446,341	\$ 434,769
Refunds	(17,000)	(10,926)	(13,902)
Net	383,000	435,415	420,867
Sponsorships	1,000	-	-
Grants	-	16,602	10,691
Interest income	10,000	16,089	16,427
AMP funding	30,000	28,016	65,787
Miscellaneous	1,000	1,307	800
Other project income	<u>100,000</u>	<u>-</u>	<u>15,668</u>
	<u>525,000</u>	<u>497,429</u>	<u>530,240</u>
EXPENSES:			
AMP program	105,000	63,012	133,042
Administration contracts <i>(Note 10)</i>	87,000	89,095	84,711
Research contributions Mustard 21 Canada Inc. <i>(Note 9)</i>	100,000	125,000	100,000
Research development projects	200,000	47,869	55,225
Board of directors	12,000	27,906	27,107
Communications	18,500	57,961	15,672
General and administration	44,700	28,944	29,100
Annual meeting	8,500	8,478	7,575
Election	<u>-</u>	<u>-</u>	<u>100</u>
	<u>575,700</u>	<u>448,265</u>	<u>452,532</u>
EXCESS (DEFICIENCY) OF REVENUE OVER			
EXPENSES FOR THE YEAR	\$ <u>(50,700)</u>	\$ <u>49,164</u>	\$ <u>77,708</u>

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

STATEMENT OF CHANGES IN NET ASSETS

for the year ended July 31, 2016

With comparative information for 2015

	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
BALANCE – BEGINNING OF YEAR	\$ 403,993	\$ 881,778	\$ 1,285,771	\$ 1,208,063
Excess of revenue over expenses for the year	<u>6,678</u>	<u>42,486</u>	<u>49,164</u>	<u>77,708</u>
BALANCE – END OF YEAR	<u>\$ 410,671</u>	<u>\$ 924,264</u>	<u>\$ 1,334,935</u>	<u>\$ 1,285,771</u>

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

STATEMENT OF CASH FLOWS

for the year ended July 31, 2016

With comparative information for 2015

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES:		
Excess of revenue over expenses	\$ 49,164	\$ 77,708
Changes in non-cash working capital		
Balances related to operation:		
Accounts receivable	26,245	15,374
Prepaid expenses	12,769	(9,185)
Deferred contributions	-	(8,192)
Accounts payable	(36,172)	56,175
	<u>2,842</u>	<u>54,172</u>
Total from operating activities	<u>52,006</u>	<u>131,880</u>
INVESTING ACTIVITIES:		
Net disposals (purchases) of investments	<u>86,287</u>	(623,110)
Total from investing activities	<u>86,287</u>	(623,110)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS FOR THE YEAR	138,293	(491,230)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>271,534</u>	<u>762,764</u>
CASH AND EQUIVALENTS, END OF YEAR	\$ <u>409,827</u>	\$ <u>271,534</u>
CASH AND EQUIVALENTS CONSISTS OF:		
Cash	<u>409,827</u>	<u>271,534</u>
	\$ <u>409,827</u>	\$ <u>271,534</u>

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

for the year ended July 31, 2016

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 *CPA Canada Handbook* and include the following significant accounting policies:

a) Revenue recognition:

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 Commission follows the deferral method of accounting for contributions, which include government funding and grants. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred or restrictions met. Unspent amounts are included in deferred contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest, dividends, and other revenue are recognized as earned.

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"), 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

for the year ended July 31, 2016

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 *CPA Canada 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.

Significant estimates include, but are not limited to, the valuation of deferred contributions, and accruals for certain revenues and expenses.

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.

h) Internally generated intangible assets:

The development costs related to internally generated intangible assets are expensed as incurred.

i) Cash and cash equivalents:

Cash and cash equivalents consist of balances with banks and short-term investments with maturities of three months or less.

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

for the year ended July 31, 2016

3. INVESTMENTS:

		2016		2015	
	Months to Maturity	Market Value (\$)	Yield to Maturity (%)	Market Value (\$)	Yield to Maturity (%)
Operating investments:					
Short-term guaranteed investment certificates	1-12	209,484	1.30 - 1.55	614,874	1.66 – 2.00
Long-term guaranteed investment certificates	12-24	312,424	1.76 – 1.91	-	-
		521,908		614,874	
Internally restricted investments:					
Short-term term deposit	10	205,587	1.75	201,957	1.55
Long-term term deposit	22	205,084	1.75	202,035	1.75
		410,671		403,992	

4. ACCOUNTS RECEIVABLE:

The accounts receivable balance consists of the following:

	2016		2015	
Levies receivable	\$	31,097	\$	35,901
Grants receivable		5,000		26,441
	\$	36,097	\$	62,342

5. ACCOUNTS PAYABLE:

The accounts payable and accrued liabilities balance consists of the following:

	2016		2015	
Trade payables	\$	40,980	\$	77,282
Levy refunds payable		5,080		4,950
Accrued liabilities		5,720		5,720
	\$	51,780	\$	87,952

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

for the year ended July 31, 2016

7. BUDGET:

The Board approved the 2015/2016 fiscal year budget at the meeting on November 5, 2014. The budget figures included in the accompanying financial statements are unaudited.

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 July 10, 2012 the Board approved a motion to contribute \$100,000 annually to the Innovate Mustards DIAP project administered by Mustard 21 Canada Inc.

10. ADMINISTRATION CONTRACTS:

The Agriculture Council of Saskatchewan Inc. charged the Commission \$10,030 (2015 - \$9,111) for administering the check-off fee program and the business activities of the Commission of which \$770 (2015 - \$770) is included in accounts payable. During the year the Commission entered into a contract with ACS for administering the check-off fee program and the business activities of the commission. The Commission agreed to pay a minimum of \$9,517 for levy collection activities for the period August 1, 2016 to July 31, 2017.

During the current year the Commission entered into a contract with Hursh Consulting & Communications Inc. and AgriBiz Communications Corp. for management services and rent. The contract began on September 1, 2015 and will continue for twenty four months with the option to renew by any or all parties. The commission agreed to pay Hursh Consulting & Communications Inc. and AgriBiz Communications Corp. monthly payments of \$6,300 plus GST in exchange for management services. The commission agreed to pay AgriBiz Communications Corp. monthly rent payments of \$500 for the first year of the contract (September 1, 2015 to August 31, 2016), and monthly rent payments of \$550 for the second year of the contract (September 1, 2016 to August 31, 2017).

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

for the year ended July 31, 2016

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

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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, 2016, 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, 2016.

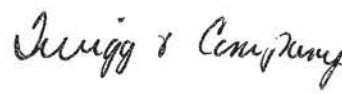
- The Agri-Food Act, 2004
- The Saskatchewan Mustard Development Plan Regulations
- Commission Orders #07/14 to #12/14

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, 2016, 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 12, 2017


Chartered Accountants

TWIGG & COMPANY

CHARTERED ACCOUNTANTS

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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, 2016 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.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Saskatchewan Mustard Development Commission:

(continued from previous page)

We used the control framework developed by The Chartered Professional Accountants of Canada ("CPA Canada") 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.

CPA Canada 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 CPA Canada 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, 2016 based on the CPA Canada criteria of control framework.

TWIGG & COMPANY
CHARTERED ACCOUNTANTS

J.S. TWIGG *B.Comm., 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, 2016, 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 12, 2017 which is the same date as the date of the report on the effectiveness of internal controls.

Saskatoon, Saskatchewan
January 12, 2017

Twigg & Company

Chartered Accountants

Draft Budget 2017/2018

Saskatchewan Mustard Development Commission

REVENUE

AMP FUNDING	68,910.00
PROJECT INCOME - OTHER	100,000.00
CHECK OFF INCOME	400,000.00
INVESTMENT/INTEREST INCOME	15,000.00
MISCELLANEOUS INCOME	1,000.00
REFUNDS	-15,000.00
SPONSORSHIP INCOME	1,000.00
TOTAL REVENUE	570,910.00

EXPENSES

Market Development

NEW INITIATIVES MARKET FACILITATION	45,000.00
AMP PROGRAM	137,820.00
CULINARY/MARKETING PROJECTS	120,000.00
STRATEGIC INITIATIVE	80,000.00
	382,820.00

Research

MUSTARD 21 CANADA INC. - GF II	100,000.00
	100,000.00

SOCIAL MEDIA DEVELOPMENT	25,000.00
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Industry Communications

ANNUAL MEETING	9,000.00
MEETINGS, SHOWS, FIELD DAYS	3,000.00
NEWSLETTER	12,000.00
SPONSORSHIPS	3,000.00
WEBSITE	2,000.00
	29,000.00

Director Per Diem and Expenses

DIRECTOR EXPENSES	13,000.00
DIRECTOR PER DIEM	16,000.00
	29,000.00

Administration

AUDIT AND ACCOUNTING FEES	7,000.00
BANK SERVICE CHARGES	250.00
BOARD MEETING EXPENSE	2,500.00
ELECTION	7,000.00
INSURANCE	1,250.00
LEGAL FEES	2,000.00
MEMBERSHIPS/SUBSCRIPTIONS	2,500.00
MISCELLANEOUS EXPENSES	200.00
OFFICE EXPENSE	5,000.00
RENT	7,500.00
SERVICE CONTRACT - BOOKKEEPING	8,850.00
SERVICE CONTRACT - LEVY CENTRAL	10,500.00
SERVICE CONTRACT - MANAGEMENT	83,200.00
STAFF TRAVEL	2,000.00
	139,750.00

Total Expenses	705,570.00
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Net earnings (loss) for period	-134,660.00
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Payee List

Saskatchewan Mustard Development Commission August 1, 2015 - July 31, 2016

Personal Services (Threshold \$2,500)

Honorariums

Costley, I.	5,100
Dewar, D.	4,600
Horkoff, M.	1,000
Marleau, R.	5,825

Reimbursement for Expenses

Costley, I.	4,054
Dewar, D.	4,578
Horkoff, M.	775
Marleau, R.	1,974

Total Personal Services **27,906**

Research and Development (Threshold \$5,000)

Mustard 21 Canada Inc.	125,000
The Pathfinders Research	19,097
Misc. expenses under \$5000	0

144,097

Extension (Threshold \$5,000)

AgriBiz Communications Corp	37,121
Farm & Food Care Saskatchewan	12,500
Mooseworld	9,404
Saskatoon Fastprint	11,544
Something Nutrishus	21,441
The Culinary Institute of America	23,623
Misc. payments under \$20,000	54,663

170,296

Supplier Payments (Threshold \$20,000)

Ag. Council for Saskatchewan	10,030
Hursh Consulting & Communications	79,065
Misc. payments under \$20,000	16,872

105,967

Other Payments (Threshold \$20,000)

Refunds	10,926
Misc. payments under \$20,000	0

10,926

459,192



Message from the Chair

Richard Marleau, Chair

As chair of the SMDC I get the privilege and honour of putting down my thoughts to fill this page. I would like to impart a few observations and tidbits regarding SMDC activities, mustard markets and the mustard industry.

This is the annual report for the 2015/2016 crop year and as such really covers market activities from the fall of 2014 into the fall of 2016. The 2015 new crop contracts were offered early in Oct/Nov 2014 which impacted seeding intentions and production levels for 2015. This in turn impacted 2016 new crop contract offerings in the fall and winter of 2015/2016 for product to be marketed in 2016/2017. Over this period we have seen spot prices for yellow mustard range between the high twenties to the high fifties (cents per pound). Such volatility may provide opportunities for traders but may also lead to demand and supply destruction. There is an old saying that *"the market is always RIGHT"* and, while it may be correct in the sense that it allows the market to clear and send signals to increase or hold back production or usage, *it doesn't mean that the market is HEALTHY*. Then again, maybe that will always be the nature of the mustard industry. Hopefully, it will *evolve into a more stable/mature* industry, but only time will tell.

There continues to be a lot of energy and effort put into mustard breeding and agronomic research. There will be new varieties available in the next few years that will provide yield and agronomic advantages to growers. When the new varieties are released, hopefully, there will be increased demand for production that will lead to a static or increased acreage. Instead of crossing our fingers at the SMDC board table, I am very pleased that we have initiated a project with Dr. Carol Ann Patterson, of The Pathfinders Research and Management Inc., to look at current and potential uses for mustard, as well as investigate any research gaps that need to be addressed.

This document will serve as a background document for future SMDC directors to gain an understanding of industry issues and concerns.

I would like to thank the board members for the time, talent and perspectives they bring to the board room and encourage growers to contact any member of the board with comments, concerns, suggestions or questions SMDC can pursue on behalf of Saskatchewan's mustard growers.

Sincerely,

Management Report

Adele Buettner and Kevin Hursh

Saskatchewan's mustard acreage and production increased in 2016 thanks in large part to the attractive contract prices available in advance of seeding. By harvest time, spot prices for all three types of mustard were considerably lower than contract prices, but net returns were still favourable compared to other cropping options.

We hope the new Mustard Production Manual has been useful to producers. It is available at the recently remodeled www.saskmustard.com. Thanks to the Saskatchewan Ministry of Agriculture for compiling this information and for keeping it up to date.

Mustard 21, a collaborative effort of the Saskatchewan Mustard Development Commission and the Canadian Mustard Association, continues to be the vehicle for investing in new mustard varieties and conducting agronomic research. Having producers, processors and end-users all working together provides a great advantage to the sector.

The mustard industry is well represented on the Special Crops Value Chain Roundtable along with crops such as canaryseed, forages, herbs and spices, sunflowers and hemp. A main activity of the roundtable has been to lobby the federal government for a more favourable research funding formula for minor acreage crops in the next agriculture policy framework.

The SMDC board of directors has invested time and resources into understanding existing markets and potential new markets for mustard and mustard ingredients. Our thanks to food scientist Dr. Carol Ann Patterson for all of her help and guidance. Investigating new food and industrial markets will help the board make appropriate investment decisions with the levy dollars collected from producers.

Marketing Mustard to the Masses

Mustard promotional activities were ramped up on many fronts over the past year and based on the SMDC Marketing Plan which focuses on strategic opportunities for advancing mustard use in the North American marketplace. Many of the undertakings in 2016 were designed to build relationships with the agriculture and culinary sectors as well as the consuming public. The activities over the last year covered the areas of traditional media, events and social media.

Additionally, the office commissioned an updated full nutrition profile of each of the three mustard seed types. This updated profile will help exporters market this spice to food companies and buyers across the world.

In a push for traditional media coverage, on December 7, 2015, local chef Darren Craddock showcased the "Best Ever Slow Cooker Ribs", "Make-Ahead Cheeseballs" and "Spicy Raisin Oatmeal Cookies" on Global TV Saskatoon's Food for Thought segment which reaches an audience





of 18,000 viewers. All the recipes are from *Mustard Makeovers & More* cookbook. Chef Craddock was again featured in a December 17, 2015 interview on the John Gormley Live program on CKOM/CJME radio which airs across Saskatchewan to 35,900 listeners. Chef Malcolm Craig also promoted several recipes on CTV Regina's Wheatland Café with CJ Katz in conjunction with his cooking demonstrations on stage in the new Food Pavilion at Canadian Western Agribition in 2015.

On a more national scale, Sask Mustard has continued to work with Judy Scott Welden, an Ontario-based nutritionist and home economist also known as 'Judy Foodie'. She reprised her role as a mustard rep on CTV Kitchener's News at Noon and showcased multiple recipes from the new cookbook over three appearances: February 17, 2016, June 23, 2016 and October 4, 2016. The noon hour special reaches an audience of 50,000 throughout southwestern Ontario. The video links were also shared on Sask Mustard's website and Twitter feeds. In addition, mustard was featured on Ms. Welden's 'Judy Foodie' program on 107.5 KOOL-FM radio.

Sask Mustard attended the Healthy Kitchens, Healthy Lives leadership conference in Napa Valley, California, from February 25-28, 2016. The HKHL conference attracts attendees from a select group of more than 500 physicians, dieticians, nurses and other healthcare professionals; hospital, insurance and other healthcare executives; healthcare foodservice directors and executive chefs; along with consumer, professional and trade media. The conference is aimed at translating decades of nutrition science into practical strategies to incorporate healthy, affordable and delicious foods into people's dietary lifestyles and helping doctors to better understand food and flavour. As an industry partner, Sask Mustard presented four of our favourite dishes from the *Mustard Makeovers & More* cookbook and cultivated ongoing relationships with several of the influential participants.



The second annual Chef's Series at Taste of Saskatchewan took place July 13-17th in Saskatoon and Sask Mustard was once again a featured sponsor. Mustard was a 'black box' ingredient in several of the Top Chef Saskatchewan competition rounds and the audience of about 1,300 members went home with a pantry full of mustard facts,

recipes and cooking tips. SMDC also distributed copies of the new *Mustard Makeovers & More* cookbook to audience members and contest winners. The French's Food Company was another sponsor of this event so mustard was doubly represented to a large number of consumers.

The Chef's Series was a partnership between Farm & Food Care Saskatchewan, SaskTel Centre and several producer groups. A Taste of Saskatchewan is attended by approximately 100,000 people annually and Sask Mustard will continue to be a part of this great event.

Flavour Quality & American Menus (FQAM) is an invitation-only event that attracts about 125 of the most influential chefs and food service industry leaders in North America. The objective of this leadership forum is to create a link between chefs working in larger venues and the people who grow the food they serve. The event is a partnership of the Culinary Institute of America and the University of California at Davis, a global leader in agriculture and food science research.

"The CIA is grateful for the support of the Saskatchewan Mustard Development Commission in working with us to promote health & wellness as well as bridge the gap between chefs and agriculture. We are delighted to create on trend, delicious menu items featuring mustard in our Healthy Kitchens, Healthy Lives and Flavor, Quality & American Menus leadership programs to showcase this product that can bring exceptional flavor to healthy menu items."

SMDC increased our level of support for this year's event to a Bronze Level sponsor with funding from the Agri-Marketing Program (AMP). With the new profile, SMDC was featured in the opening Exhibitor Exchange and Networking Reception, gave a presentation about Saskatchewan's mustard industry, and featured mustard dishes at the opening reception. Sask Mustard received additional profile on event signage, programs and the CIA website. We look forward to attending in 2017.

Sask Mustard provides logistical and financial support for the Great Saskatchewan Mustard Festival, organized by a committed group of Regina chefs. The Festival celebrated its tenth anniversary this year with a move to a larger venue and welcomed over 1,300 people to Wascana Park in Regina on August 21, 2016. Seventeen chefs from Regina and area prepared mustard-themed dishes and competed for the People's Choice Award. Sask Mustard hosted an exhibit at the festival, offering attendees the new cookbooks, recipe and mustard fact brochures. The event was well represented in local and provincial media coverage.

Farm & Food Care Saskatchewan reprised their Food Influencers Farm Tour again this year, catering to thirty eight culinary media professionals, local chefs and industry representatives. The attendees participated in a three day journey through some of Saskatoon's biggest agricultural success stories, including: Wilbar Farms, Great Western Brewing Co. and Star Eggs. Sask Mustard and The French's Food Company promoted mustard in a variety of ways over the three days. It was the bright yellow star of many dishes during the course of the tour and was featured in a highly applauded tasting at one of the lunch stops. Sask Mustard is looking forward to participating in these valuable initiatives again in 2017.





Sask Mustard was also a sponsor of the Farm & Food Care Students Program which promotes agriculture and Saskatchewan grown products to nutrition students at the University of Saskatchewan and Culinary students at the Saskatchewan Polytechnic Institute. The program included a tour of the Wiebe farm by Langham and A. Sparrow Farms purebred Charolais operation at Vanscoy. The other element of the Students Program is a number of guest lecture appearances in the program classes. Sask Mustards logo was featured on the tour program as well as some production and nutrition information. Sask Mustard also received profile during the lectures.

SMDC partnered with the Saskatchewan Ministry of Agriculture and Ag in the Classroom to present the 'Burger and Fries' Ranch project again this year. This project brings grade 3 and 4 students out of the classroom to experience farming and learn what's involved in growing some of their favorite foods. This year, menus ranged from burgers and fries to hummus and chips and pizza! This hands-on experience allows students to be involved with planting, harvesting and processing of gardens and crops, including mustard. There were seven locations across the province this year and Sask Mustard was featured at the Swift Current harvest.

In 2015, Sask Mustard was a co-presenter of the new Food Pavilion at Canadian Western Agribition (CWA). This pavilion celebrates Canadian-grown foods and producers and helps attendees learn more about where their food comes from. Once again, Sask Mustard presented Chef Malcolm Craig cooking with mustard on the demonstration stage.

The family-friendly mustard cookbook *Mustard Makeovers and More! 100 Marvellous Recipes for Busy Families* was released in August 2015 and has been on the shelves at the SaskMade Marketplace and McNally Robinson for over a year. The book was a project funded by the Agri-Marketing Program (AMP) and Growing Forward 2 and showcases the many culinary uses of all mustard's forms.



The latest phase of the cookbook marketing plan included: acquiring a SaskBooks Membership, listing it on TBM The Book Manager's PubStock database, and offering it for sale on Amazon.ca and Amazon.com.

New this fall, Sask Mustard participated in the Saskatchewan Cooks recipe book project that gathered recipes featuring Saskatchewan grown food products from thirteen prairie commodity groups and combined them in a stylish 25 page digest. Along with the delicious recipes the book highlights facts and stories relating to the local ingredients.

SMDC continues to support the National Mustard Museum in Middleton, Wisconsin through an annual donation to assist with the costs of housing our interactive display. Consistent with previous years, we contributed



\$1,200 towards efforts to educate visitors about Canadian mustard. The National Mustard Museum is the only such museum in the world and hosts approximately 35,000 guests annually.

SMDC is represented on the Saskatoon and Regina Chef's Associations and will be a part of the next Saskatoon Chefs' Gala in February 2017. We are also working with the culinary arts program at Saskatchewan Polytechnic Institute to enhance the use of mustard in their curriculum.

Currently, Sask Mustard is working with local chef Renee Kohlman on recipe development for our next mustard themed cookbook. Chef Darren Craddock is also providing logistics and location for the creation of a series of demonstration videos that showcase the many uses of mustard in the kitchen.

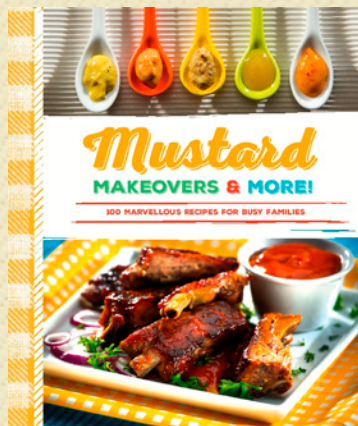
On top of our media promotions and events we improved our Social Media Strategy and amplified our online activities in 2016. The capstone of this initiative was the newly redesigned SaskMustard.com which features a consumer focused home page with recipe links, nutritional information and our blog, Mustard Musings, as well as a producer portal to agronomic and marketing information. The website is promoted through our social media presence on Twitter, Instagram and a new Pinterest account.

- Twitter – over 1,100 followers
- Instagram – 220 followers
- Pinterest – 19 Boards with 486 Pins and 28 followers

Note: as of October 19, 2016

Sask Mustard will continue to look for new opportunities to engage consumers on social media in 2017.

SMDC identified 50 opportunities to run giveaway contests with the new *Mustard Makeovers & More* cookbook. In this initiative, specific social media campaigns included the #MustardIsAMust giveaway, the Real Dirt on Farming Blog Review giveaway and the 12 Days of Mustard Giveaways in December. The 12 Days of Mustard Giveaways was a successful social media campaign leading up to Christmas that promoted mustard facts and encouraged social media engagement with a number of new followers. Our social media contractor Steph Langdon is looking for more ways to increase online engagement in 2017.



SMDC implemented a monthly communication with our members and industry contacts in 2016 that promoted upcoming events, mustard recipes from the new cookbook, and other initiatives we supported. On top of these monthly e-blasts, the office released an August Newsletter in print that were distributed to 1574 of our registered mustard producers and included agronomic and market information, board of directors election information and events.

For more information on our 2016 or 2017 initiatives, please contact the office at info@saskmustard.com





Mustard 21 Canada Inc. 2016 Report

Pete Desai, President & CEO

Mustard 21 Canada Inc. (M21) has been fortunate to receive significant funding support from the Agriculture and Agri-Food Canada (AAFC) Growing Forward programs for the past seven plus years. This, along with provincial and industry support, has enabled M21 to address key mustard research and development priorities. The strategic priority is to significantly improve yield so that mustard continues as part of the crop rotation in growers' fields. The AAFC Growing Forward 2 (GF2) support of the M21 project over the years will help to create a "Canadian Advantage" so that mustard is a viable sustainable business option in the drier regions of the prairies.

Condiment Mustards: One major focus of the mustard breeding program is to develop hybrid systems to help boost yield increases for both oriental and yellow mustard. Mustard production needs to remain competitive with other crops (canola, pulses, cereals) as a viable business option to the grower in order for Canada to be a reliable and sustainable supplier and maintain its global export market.

During GF1 and GF2, Dr. Bifang Chang, AAFC scientist, and her TEAM have had good success in creating the first mustard hybrid system by developing parent lines in Canada. The 2016 summer field work has identified promising parental lines for production of hybrids. These selected parental lines will now undergo: i) seed increase during 2016 and 2017 contraseason trials in Chile and 2017 summer trials in Canada; ii) Canadian field performance evaluation in summer 2017 to identify the best parental line combinations to create better hybrids to suit Canadian conditions. Dr. Cheng will include these line trials as part of the 2017 Mustard Field Tour to demonstrate how the new improved mustard varieties perform in Canada.

Developing mustard varieties is a very lengthy process, taking eight to ten years from research to launch of a commercial variety. Dr. Cheng is looking at ways to shorten the time line. One of the biggest challenges for fast tracking mustard varieties has been the narrow germplasm base of Canadian mustard, which impedes significant improvements. Our key strategic foci to deliver yield are: i) to broaden the diversity of germplasm in order to develop the best mustard varieties for Canadian growers, ii) to utilize new technologies and/or genomic tools like molecular markers for traits of significance (e.g. disease, oil, protein, glucosinolate, other) to improve selection of promising lines with key traits of interest very early in the breeding cycle and iii) to create mustard hybrids. These will improve efficiency and create a robust data base during pre-development and advanced yield trials to help shorten time to commercial launch by one to three years.

Carinata: The first Carinata varieties introduced came from AAFC Saskatoon breeding program. Agrisoma Biosciences Inc. (Agrisoma), M21's industrial partner, now has its own well established breeding program. It

is focused on using its diverse germplasm collection, advanced breeding techniques such as doubled haploid (DH) technology and hybrid seed production to develop the next generation of commercial Carinata varieties. The growth in demand for Carinata oil as feedstock for the emerging bio-fuel market during the past four years has been slower than planned; however, Agrisoma has been very diligent in ensuring that annual Carinata acreage is aligned with pre-committed Carinata oil demand to assure that all annual production is utilized. The market for industrial oilseed is poised to grow and there will be renewed opportunity for the growers to plant an industrial oilseed crop in the semi arid, brown soil regions of the prairies.

Herbicides and Weed Management

Ken Kirkland

Minor Use Update:

1. **Roundup Weather Max Preharvest** on yellow/white, brown and oriental. *This use is registered under the User Requested Minor Use Label Expansion (URMULE) program. The manufacturer assumes no responsibility for herbicide performance. Those who apply glyphosate to mustard do so at their own risk.*
2. **Authority 480 Herbicide (sulfentrazone).** Registration has been received through the Minor Use Program to add control of kochia at a rate of 219 ml/ha pre-plant or pre-emergence in mustards (yellow/white (*Sinapis alba*), brown/oriental (*Brassica juncea*) and Ethiopian (*Brassica carinata*). Apply in spring prior to planting or up to 3 days after planting, but before seed germination. When applications after planting are delayed greater than 3 days injury may occur. No incorporation required but requires 1/4" of rainfall to activate.

Precautions: i) Do not apply to soils classified as sand containing less than 1% organic matter. ii) Do not apply to soils with pH greater than 7.8. iii) Crop injury may occur in years with greater than normal rainfall.

This use is registered under the User Requested Minor Use Label Expansion (URMULE) program. The manufacturer assumes no responsibility for herbicide performance. Those who apply sulfentrazone to mustard do so at their own risk.

3. **Quinclorac and Dicamba.** Research continues at Agriculture and Agri-Food Canada, Research Station Scott, in 2016 to determine the tolerance of yellow mustard. The Clever formulation of quinclorac is registered in brown and oriental mustard. **Note:** Import tolerances of Maximum Residue Limits (MRL) for quinclorac residues in mustard have yet to be established by certain importing countries. Producers should check with their commodity buyer before application.





Over the past decade, all the potential herbicides available have been screened to determine if mustard exhibits acceptable levels of tolerance. The screening has not identified any new potential candidates for registration. Considering the lack of new herbicide introduction, this activity will diminish until potential new products become available.

M21 wants to take the opportunity to thank Agriculture and Agri-Food Canada (AAFC), the Western Grain Research Foundation (WGRF), the Canadian Mustard Association (CMA), the Agriculture Development Fund (ADF) of Saskatchewan Agriculture, the Saskatchewan Mustard Development Commission (SMDC) and Agrisoma Biosciences Inc. for their funding support to implement M21's strategic plan. M21's strategy is to maximize its R&D resources by leveraging grants to secure long-term funding to sustain the development of a very productive and robust product pipeline.

Notes





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