ANNUAL REPORT

> 2017-2018





Annual General Meeting

Thursday, January 17, 2019
Prairieland Park, Hall A | 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 | spreadthemustard.com



2018 Board & Staff

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Derek Dewar

Vice-Chair

Hazlet, SK

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Ivan Costley

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Executive Director

Kevin Hursh

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Adele Buettner, General Manager

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Provincial Specialist, Oilseed Crops

Matthew Bernard

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Office Hours:

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

Follow us on Twitter (@GrowMustard)







AGM Agenda

The Saskatchewan Mustard Development Commission

ANNUAL GENERAL MEETING

Thursday, January 17, 2019

Hall A, Prairieland Park - Saskatoon, Saskatchewan

8:30 a.m.	Registration
8:50 a.m.	Chairman's Address Richard Marleau – Board Chair, Sask Mustard
9:00 a.m.	New Mustard Varieties With Improved Yields Bifang Cheng - Mustard Breeder, AAFC
9:30 a.m.	Seed Production Of Hybrid Mustard Scott Horner, Hy Tech Production Ltd.
10:00 a.m.	Pre-Launch Of Hybrid Brown Mustard 2019 Howard Love, Mustard 21 Canada Inc.
10:30 a.m.	Coffee
10:45 a.m.	Mustard Research Projects For 2019 And Beyond Pete Desai, Mustard 21 Canada Inc.
11:30 a.m.	Nitrogen Fertilizer Responses In Yellow And Hybrid Brown Mustard Amber Wall, Wheatland Conservation Area
12:00 p.m.	Lunch
12:45 p.m.	Annual General Meeting
1:15 p.m.*	Mustard Market Outlook Chuck Penner – Leftfield Commodity Research

^{*}could be later or earlier depending on length of Annual Business Meeting

ABM Agenda

The Saskatchewan Mustard Development Commission

ANNUAL BUSINESS MEETING Thursday, January 17, 2019

Hall A, 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 2017-2018 and Proposed Activities 2018-2019

State of the Industry, Richard Marleau, Chair

Resolutions

New Business

Adjourn Meeting





Motions to be Presented

The Saskatchewan Mustard Development Commission **ANNUAL BUSINESS MEETING**

Thursday, January 17, 2019

Hall A, Prairieland Park - Saskatoon, Saskatchewan

- That the Agenda be approved as presented.
- That the minutes of the January 11, 2018 meeting be approved as presented.
- To appoint an Audit Chair.
- That the SMDC audited financial statements for the year ending July 31, 2018 be approved as presented.
- That the SMDC Budget for 2019/2020 be approved as presented.
- That SMDC appoint Twigg & Company as auditor for the year ending July 31, 2019.
- That the State of the Industry report be approved as presented.
- To adjourn the January 17, 2019 Annual Business Meeting.



2018 Minutes

The Saskatchewan Mustard Development Commission

ANNUAL BUSINESS MEETING Thursday, January 11, 2018

Hall E, Prairieland Park - Saskatoon, Saskatchewan

Meeting called to order by Chair Marleau at 1:00 p.m.

1. Approval of Agenda

Motion #1

That the agenda of the January 11, 2018 Annual Business Meeting be approved as presented.

I. Costley/M. Caswell/Carried

2. Minutes of the January 12, 2017 Annual General Meeting

Motion #2

That the minutes of the January 12, 2017 Annual Business Meeting be approved as presented.

P. Gill/M. Caswell/Carried

3. Financial Review

Hursh reviewed the audited financial statements for the year ending July 31, 2017.

Motion #3

That Ivan Costley be appointed as Audit Chair.

T. Dewar/D. Haack/Carried

Motion #4

That the SMDC audited financial statements for the year ending July 31, 2017 be approved as presented.

T. Dewar/M. Caswell/Carried

4. Approval of the Budget

Hursh reviewed the 2018-2019 Budget.

Hursh mentioned the possibility of providing newletters electronically and asked for registered producers to provide feedback as to whether they would like to see this or continue with paper copy. It would be a savings of about \$1,500-\$1,700 per newsletter. Our challenge is that we currently do not have mustard producers' e-mails and it would be challenging to collect them.

Motion #5

That the SMDC Budget for 2018-2019 be approved as presented.

T. Dewar/K. Arthurs/Carried





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 Professional 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 14, 2019

Management

Management

AUDITED FINANCIAL STATEMENTS

for the year ended July 31, 2018

CHARTERED PROFESSIONAL ACCOUNTANTS

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M. LINGARD B. Comm., MPAcc., CPA, CA

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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, 2018 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)

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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. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses and cash flows from operations for year ended July 31, 2018, current assets as at July 31, 2018 and July 31, 2017, and net assets at both the beginning and end of the July 31, 2018 and July 31, 2017 years. The audit opinion on the financial statements for the year ended July 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Saskatchewan Mustard Development Commission as July 31, 2018 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.

January 14, 2019 Saskatoon, Saskatchewan

Chartered Professional Accountants

Jung & Company

STATEMENT OF FINANCIAL POSITION

as at July 31, 2018

With comparative information for 2017

ASSETS

CURRENT:	2018	2017
Cash Short-term investments (Note 3) Short-term internally restricted investments (Note 3) Accounts receivable (Note 4) Prepaid expenses Loan to Mustard 21 Canada Inc.	\$ 162,295 477,756 424,612 42,853 53,289 60,000	\$ 208,004 524,493 208,758 49,319 19,889
	1,220,805	1,010,463
LONG-TERM:		
Long-term investments (<i>Note 3</i>) Long-term internally restricted investments (<i>Note 3</i>)		103,044 209,108
		312,152
	\$ <u>1,220,805</u>	\$ <u>1,322,615</u>
<u>LIABILITIES</u>		
CURRENT: Accounts payable and accrued liabilities (<i>Note 5</i>)	\$ <u>18,958</u>	\$ <u>50,681</u>
NET ASSETS		
INTERNALLY RESTRICTED (Note 6)	424,612	417,866
UNRESTRICTED	<u>777,235</u>	854,068
	1,201,847	<u>1,271,934</u>
COMMITMENTS (Notes 9, 10)	\$ <u>1,220,805</u>	\$ <u>1,322,615</u>
APPROVED BY THE BOARD:		

STATEMENT OF OPERATIONS

for the year ended July 31, 2018

With comparative information for 2017

	2018	2018	2017
REVENUE:	Budget (unaudited)	<u>Actual</u>	<u>Actual</u>
REVENUE.	(Note 7)		
Producer check-off fees (<i>Note 8</i>)	(110167)		
Fees	\$ 400,000	\$ 361,507	\$ 421,314
Refunds	(15,000)	(<u>12,755</u>)	(<u>14,469</u>)
Returns	(13,000)	(<u>12,733</u>)	(
Net	385,000	348,752	406,845
Sponsorships	1,000	-	-
Interest income	15,000	20,915	11,736
Agriculture Marketing Program (AMP) funding	68,910	101,491	62,511
ADOPT program	-	6,720	-
Miscellaneous	1,000	4,546	1,571
Other project income	100,000	_	
	<u>570,910</u>	482,424	482,663
EXPENSES:			
Market development	407,820	225,691	242,575
Administration contracts (<i>Note 10</i>)	93,700	90,935	88,695
Research contributions Mustard 21 Canada Inc. (Note 9)	100,000	100,000	100,000
Board of directors	29,000	29,859	23,974
Communications	20,000	60,929	46,396
General and administration	39,050	35,170	33,201
Annual meeting	9,000	9,777	10,598
Election	<u>7,000</u>	150	<u>225</u>
	<u>705,570</u>	<u>552,511</u>	<u>545,664</u>
DEFICIENCY OF REVENUE OVER			
EXPENSES FOR THE YEAR	\$(<u>134,660</u>)	\$(<u>70,087</u>)	\$(<u>63,001</u>)

STATEMENT OF CHANGES IN NET ASSETS

for the year ended July 31, 2018

With comparative information for 2017

	Internally <u>Restricted</u>	Unrestricted	2018 <u>Total</u>	2017 <u>Total</u>
BALANCE – BEGINNING OF YEAR	\$ 417,866	\$ 854,068	\$ 1,271,934	\$ 1,334,935
Excess (deficiency) of revenue over expenses for the year	6,746	(76,833)	(70,087)	(63,001)
BALANCE – END OF YEAR	\$ <u>424,612</u>	\$ <u>777,235</u>	\$ <u>1,201,847</u>	\$ <u>1,271,934</u>

STATEMENT OF CASH FLOWS

for the year ended July 31, 2018

With comparative information for 2017

	2018	2017
OPERATING ACTIVITIES:		
Deficiency of revenue over expenses for the year	\$(70,087)	\$(63,001)
Changes in non-cash working capital Balances related to operation:		
Accounts receivable	6,466	(13,222)
Prepaid expenses	(33,400)	(11,677)
Loan to Mustard 21 Canada Inc.	(60,000)	-
Accounts payable	(<u>31,723</u>)	(1,099)
	(<u>118,657</u>)	(25,998)
Total from operating activities	(188,744)	(88,999)
INVESTING ACTIVITIES:		
Net disposals (purchases) of investments	<u>143,035</u>	(112,824)
Total from investing activities	143,035	(112,824)
INCREASE (DECREASE) IN CASH AND		
EQUIVALENTS FOR THE YEAR	(45,709)	(201,823)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	208,004	409,827
CASH AND EQUIVALENTS, END OF YEAR	\$ <u>162,295</u>	\$ <u>208,004</u>
CASH AND EQUIVALENTS CONSISTS OF:	1/2 205	200.004
Cash	<u>162,295</u>	208,004
	\$ <u>162,295</u>	\$ 208,004

NOTES TO FINANCIAL STATEMENTS for the year ended July 31, 2018

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.

NOTES TO FINANCIAL STATEMENTS for the year ended July 31, 2018

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 accrued liabilities. The fair value of the cash, accounts receivable, and accounts payable and accrued liabilities 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.

NOTES TO FINANCIAL STATEMENTS for the year ended July 31, 2018

3. INVESTMENTS:

		2018		20	17
	Months to	Market	Yield to	Market	Yield to
	Maturity	Value	Maturity	Value	Maturity
	-	(\$)	(%)	(\$)	(%)
Operating investments:					
Short-term guaranteed investment					
certificates	1-12	477,756	0.90 - 2.00	524,493	1.20 - 1.91
Long-term guaranteed investment					
certificates	12-24	-	-	103,044	1.40
		477,756		627,537	
Internally restricted investments:					
Short-term term deposit	9	424,612	1.60-1.75	208,758	1.75
Long-term term deposit	-	-	-	209,108	1.60
•		424,612		417,866	

4. ACCOUNTS RECEIVABLE:

The accounts receivable balance consists of the following:

	2018	2017
Levies receivable	\$ 32,498	\$ 37,673
Grants receivable	10,355	11,646
	\$ 42,853	\$ 49,319

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:

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

	2018	2017
Trade payables	\$ 8,071	\$ 36,431
Levy refunds payable	5,115	8,478
Accrued liabilities	5,772	5,772
	\$ 18,958	\$ 50,681

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.

NOTES TO FINANCIAL STATEMENTS for the year ended July 31, 2018

7. BUDGET:

The Board approved the 2017/2018 fiscal year budget at the meeting on October 3, 2017. 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 AND RELATED PARTY TRANSACTIONS WITH 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. During the current year the Commission provided a short-term loan of \$60,000 to Mustard 21 Canada Inc.

10. ADMINISTRATION CONTRACTS:

The Agriculture Council of Saskatchewan Inc. charged the Commission \$9,245 (2017 - \$9,315) for administering the check-off fee program and the business activities of the Commission of which \$815 (2017 - \$819) 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 \$9,899 for levy collection activities for the period August 1, 2017 to July 31, 2018.

Subsequent to year-end 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, 2017 and will continue for twenty four months with the option to renew by any or all parties. Annual payments due in each of the next two years are as follows:

Year ending July 31:	
2019	89,985
2020	12,705

NOTES TO FINANCIAL STATEMENTS for the year ended July 31, 2018

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 exposed to interest rate risk on its investments.

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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, 2018, 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, 2018.

- 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, 2018, 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.

January 17, 2019 Saskatoon, Saskatchewan Grantered Professional Accountants

CHARTERED PROFESSIONAL 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, 2018 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 it 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 it 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)

CHARTERED PROFESSIONAL ACCOUNTANTS

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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, 2018 based on the CPA Canada criteria of control framework.

CHARTERED PROFESSIONAL ACCOUNTANTS

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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, 2018, 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 17, 2019 which is the same date as the date of the report on the effectiveness of internal controls.

January 17, 2019 Saskatoon, Saskatchewan Jungg & Compley Chartered Professional Accountants

Draft Budget 2019/2020

Saskatchewan Mustard Development Commission

REVENUE AMP FUNDING PROJECT INCOME - OTHER CHECK OFF INCOME COOKBOOK SALES ADOPT PROJECTS INVESTMENT/INTEREST INCOME MISCELLANEOUS INCOME REFUNDS SPONSORSHIP INCOME TOTAL REVENUE EXPENSES	43,872.00 0.00 380,000.00 0.00 20,000.00 14,000.00 -13,000.00 0.00 445,872.00
ADOPT PROJECTS	20,000.00
RESEARCH PROJECTS	20,000,00
	20,000.00
Market Development	
CULINARY/MARKETING PROJECTS (INCLUDES AMP)	90,000.00
COLINART/WARKETING PROJECTS (INCLODES AWIF)	30,000.00
STRATEGIC INITIATIVE	0.00
Research	90,000.00
MUSTARD 21	200,000.00
	200,000.00
Industry Communications ANNUAL MEETING MEETINGS, SHOWS, FIELD DAYS NEWSLETTER SPONSORSHIPS WEBSITE	10,000.00 3,000.00 10,000.00 3,000.00 4,000.00 30,000.00
Director Per Diem and Expenses	
DIRECTOR EXPENSES	13,000.00
DIRECTOR PER DIEM	16,000.00
	29,000.00
Administration AUDIT AND ACCOUNTING FEES BANK SERVICE CHARGES BOARD MEETING EXPENSE ELECTION INSURANCE LEGAL FEES MEMBERSHIPS/SUBSCRIPTIONS MISCELLANEOUS EXPENSES OFFICE EXPENSE RENT SERVICE CONTRACT - BOOKKEEPING SERVICE CONTRACT - MANAGEMENT STAFF TRAVEL	7,000.00 350.00 2,500.00 7,000.00 1,250.00 2,000.00 2,500.00 5,000.00 7,500.00 10,000.00 10,000.00 1,000.00 1,000.00
Total Expenses	511,300.00
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Net earnings (loss) for period	-65,428.00

Payee List

Saskatchewan Mustard Development Commission August 1, 2016 - July 31, 2017

Personal Services (Threshold \$2,500)		
Honorariums		
Costley, I.	\$	5,300.00
Dewar, D.	\$ \$ \$ \$	4,400.00
Haack, D.	\$	3,200.00
Marleau, R.	\$	5,050.00
Reimbursement for Expenses		
Costley, I.	\$	3,445.07
Dewar, D.	\$	1,665.01
Haack, D	\$	2,691.11
Marleau, R.	\$ \$ \$ \$	2,670.91
Total Personal Services	\$	28,422.10
Research and Development (Threshold \$5,000)		
Mustard 21 Canada Inc.	\$	100,000.00
Misc. expenses under \$5000	-	
Total Research and Development	\$	100,000.00
	*	
Extension (Threshold \$5,000)		
AgriBiz Communications Corp	\$	51,129.43
BlueSkyldeas Communications Corp.	\$	14,939.30
Bob Deutscher Media	\$	9,307.03
Farm & Food Care Saskatchewan	\$	15,605.25
Germin, Jacqueline	\$	6,438.00
IACP	\$	10,519.12
IFEC	\$	17,514.17
Livestock Media Plus	\$	6,216.00
Mooseworld	\$	17,049.60
Odelay Design	\$	8,047.50
Saskatoon Fastprint	\$	11,407.64
Sask Polytechnic	\$	10,100.00
Something Nutrishus	\$	19,824.99
Sportswood Printing	\$	7,513.43
The Culinary Institute of America	\$	30,848.31
Misc. payments under \$20,000	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	68,210.13
Total Extension	\$	304,669.90
Supplier Payments (Threshold \$20,000)		
Ag. Council for Saskatchewan	\$	9,315.00
Hursh Consulting & Communications	\$	84,339.17
Misc. payments under \$20,000	ب خ	6,177.04
Total Supplier Payments	\$ \$	99,831.21
Total Supplier Fayments	~	33,031.21
Other Payments (Threshold \$20,000)		
Refunds	\$ \$	12,754.97
Loan to M21		60,000.00
2018-19 Advance M21	\$	50,000.00
Misc. payments under \$20,000		
Total Other Payments	\$	122,754.97
Total Payments	\$	655,678.18



Message from the Chair

Sask Mustard Annual Report 2018

Another year has come and gone for the mustard industry. Another cycle for growing, marketing, planning, breeding and research has been completed.

2018 was another trying year for much of the mustard growing areas in Saskatchewan. Spotty or nonexistent rainfall led to variable emergence and yields. Ag commodity markets in general seem to be well supplied with no new demand pull and this has led to prices hovering in a tight band on either side of break even with limited profits for growers.

Some things change or progress gradually and others more abruptly until finally we are in a new paradigm. I believe this to be the case for hybrid mustards starting in 2019. After many years of breeding work, farmers can expect improved yields and crop competitiveness as well as annual seed purchases for hybrid vigour.

The Saskatchewan Mustard Development Commission's main source of revenue is the checkoff which is a function of the mustard price and quantity just like farmer revenues. The lower commodity prices we've experienced in recent years are likely to continue going forward and this makes balancing the annual SMDC budget a bit more of a challenge.

Mustard 21 is the research arm for the Canadian mustard industry. Research funding for M21 is the biggest expenditure for both the Canadian Mustard Association and for SMDC and that allocation has increased dramatically.

As hybrid varieties become commercially available to growers, first in brown mustard and then in oriental and yellow, it's expected that future research efforts will increasingly be supported through seed royalties. However, it's difficult to know exactly how the future will unfold.

Despite deficit budgets in recent years, SMDC still has ample reserves. As a new paradigm emerges for mustard varieties and production practices, funding priorities will need to be closely monitored and regularly re-evaluated.

I want to thank growers, traders, processors, researchers and administrators for their efforts to keep the industry strong, both in the past and going forward.

Best of luck in 2019!

Sincerely,

Richard Marleau

Chairman of the Board

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Management Report

Kevin Hursh, Executive Director Adele Buettner, General Manager

Canadian mustard acreage rebounded in 2018, but yields improved only marginally as dry conditions continued to limit production in the main mustard growing regions of southern Saskatchewan and southern Alberta.

According to Statistics Canada estimates, the average yield in 2018 was 776 pounds an acre, only slightly higher than the 714 pounds produced in 2017. By comparison, the average mustard yield in 2016 was 1,080 pounds an acre.

The big news in the mustard industry is that we are on the cusp of hybrid production. This is a direct result of the checkoff levy on mustard sales that flows to Sask Mustard, which in turn helps to fund Mustard 21 Canada Inc.

Many thanks are owed to condiment mustard breeder Bifang Cheng and her team at Agriculture and Agri-Food Canada in Saskatoon for their tremendous advances.

As outlined in the December newsletter, 25 brown mustard growers will have an opportunity next spring to buy seed for 80 acres of the new brown hybrid, AAC Brown 18. With hybrids, new seed needs to be purchased each year. However, the yield increase should more than pay for the additional seed cost and hybrid varieties will give Canada a competitive advantage in the world market.

The 2,000 acre pre-launch of AAC Brown 18 will be followed by much greater seed availability in 2020. While brown mustard will be the first to see a hybrid variety, oriental will follow as will a type of population hybrid yellow variety.

With hybrids come new agronomic questions. Will hybrid varieties with their increased yield potential benefit from additional nitrogen? Will the hybrid vigour mean that a somewhat lower seeding rate can be adopted? Sask Mustard hopes to initiate trials to start answering these sorts of questions.

The Sask Mustard funding commitment to Mustard 21 has gone from \$100,000 to \$200,000 per year as research programs, including breeding work ramps up. This funding increase has resulted in fewer resources allocated to mustard marketing and promotion.

It's hoped that the royalty on hybrid seed sales will eventually allow Sask Mustard to again invest more of its resources in marketing and promotion, but even with reduced funding a significant amount of work is proceeding.

Marketing Activities

Sask Mustard continued to actively promote mustard across North American in 2018. This was done through promotion of the Spread the Mustard brand and by engaging with chefs and other influencers, attending culinary events & conferences and connecting through social media.



SPREAD IN August 2018, the new consumer-focused website, www.spreadthemustard.com was launched. The goal of this website and social media presence is to increase mustard's

profile in consumers' kitchens and dining choices. The website shares information in five different areas of interest: cooking with mustard, recipes, health & nutrition, food service & manufacturing and about mustard. Feedback on the website has been positive, and we look forward to expanding the content in 2019.

The Spread the Mustard electronic newsletter was also created in 2018. This quarterly newsletter features mustard recipes and videos and is distributed to members of the culinary community and shared on the website.

WORKING WITH FOOD INFLUENCERS

Sask Mustard is a member of both the Saskatoon and Regina Chef's Associations. This relationship allows us to build relationships within the Saskatchewan food community.

Sask Mustard continued to work with Judy Scott Welden (also known as 'Judy Foodie,' a Kitchener area TV personality), and in May 2018 she appeared on CTV to promote using mustard in two summer salad recipes.

■ Videos for Social Media

Our Spread the Mustard campaign shared ten previously-produced 'hands and pans' videos and created two new videos to promote mustard as a flavourful cooking ingredient. These videos are featured on the Spread the Mustard website, and shared through Facebook, Instagram, YouTube and Twitter.





MARKETING MISSIONS

■ International Association of Culinary Professionals

The International Association of Culinary Professionals is a not-for-profit organization that consists of over 3,000 magazine/newspaper editors, food media, cookbook authors, chefs, food bloggers and food innovators. In February 2018, Sask Mustard attended the IACP annual conference in New York City which brought together over 600 culinary influencers. Our marketing team shared food samples and mustard resources at IACP's culinary expo and this increased mustard's visibility and helped us connect with the "who's who" in the world of food.

■ Culinary Institute of America

The CIA's professional development events provide an opportunity to elevate and encourage usage of mustard among a leading audience of food influencers and menu decision makers.

The Flavour, Quality & American Menus symposium was held August 21 – 23, 2018. This symposium brings together menu planners, executive chefs and hospitality industry representatives from across North America to network and discuss trends in menu creation. As a supporting sponsor, Sask Mustard was acknowledged through signage, announcements and websites. Mustard was also featured in meals and receptions throughout the event. Sask Mustard hosted a table and tasting at the Networking Reception and participated in an interactive, team cooking session featuring mustard as ingredient.

■ International Foodservice Editorial Council

Sask Mustard has continued our membership with the International Foodservice Editorial Council (IFEC). This organization provides us with access to networking opportunities, a valuable directory of foodservice communicators and other members' editorial calendars and factsheets. Sask Mustard attended the 2018 IFEC conference in Raleigh, North Carolina in October and sponsored a tasting session for attendees. Sask Mustard also met one-on-one with some top editors and marketing professionals in North America about sharing content about mustard for their food-engaged readers.

FESTIVALS AND EVENTS

■ The Great Saskatchewan Mustard Festival

The Great Saskatchewan Mustard Festival was held on August 26, 2018 in Regina at the Willow on Wascana. Approximately 1,300 attendees enjoyed the festival which featured 20 Regina restaurateurs showcasing a range of tasty samples with mustard as a key ingredient. Sask Mustard hosted an information booth at the event and provided complimentary cookbooks to participants.

COOKBOOKS

■ Mustard Makeovers & More!

Sask Mustard continues to market *Mustard Makeovers & More! 100 Marvellous Recipes for Busy Families* cookbook on Amazon.ca and Amazon.com. In May 2018, we partnered with Chef John Higgins, Food Network Canada chef and instructor at the George Brown Culinary College in Toronto to distribute 1,200 cookbooks to their students. This partnership was a great way to build relationships within the culinary community.

■ Spread the Mustard Recipe Collection

The Spread the Mustard Recipe Collection cookbook was released in the spring of 2018. This new cookbook contains 27 wonderful recipes from 25 chefs and foodies from across the country. The book offers a wide range of recipes, with everything from appetizers to desserts. Bright colourful photos by food photographer Bob Deutscher accompany the recipes. This book was created to help build content for the new Spreadthemustard.com, and as a resource to use to promote mustard on marketing missions and other promotional activities.

■ From Farm to Food

Sask Mustard collaborated with CropLife Canada to include a mustard section and a mustard recipe in their national cookbook, *From Farm to Food: A Seasonal Journey,* which was released in summer 2018. Sask Mustard received several complimentary copies of the cookbook for their participation.





SPONSORSHIP

■ Ag in the Classroom

Sask Mustard happily donated mustard seed to Agriculture in the Classroom for use in their Little Green Thumbs Program. This project allows grade 3 to 6 students the opportunity to grow food in their classroom.

■ National Mustard Museum

Sask Mustard continues to support the National Mustard Museum in Middleton, Wisconsin through an annual donation to assist with maintaining our interactive display about Canadian mustard. The National Mustard Museum is the only such museum in the world and hosts approximately 35,000 guests annually.

SOCIAL MEDIA

Spread the Mustard has been active across many different social media platforms in 2018 including Facebook, Twitter, YouTube, Pinterest and Instagram. Our Pinterest account is the most popular of our social media accounts with the largest and growing reach.

Follow @SpreadtheMustard on Instagram, Facebook and Twitter and search for 'Spread the Mustard' on Pinterest and YouTube.

For grower events and production and agronomic updates, follow @ GrowMustard on Twitter.

Mustard 21 Canada 2018 Report

Pete Desai, President & CEO

Mustard 21 Canada Inc. (M21) is the research arm of the Canadian mustard industry, which includes Sask Mustard (SMDC) and the Canadian Mustard Association (CMA). At the end of this year, M21 will have completed ten years of implementing our strategic R & D action plan. I thought it would be fitting to look at how the mustard value chain investment over these years has helped to position Canadian mustard for the future.

During the decades from 1980-2010, we saw major developments in prairie crop agriculture: the huge success of canola, strong pulse growth, and minimum or zero-till became a new paradigm. It was new herbicide tolerant technology that drove canola's success to a new level. Mustard, on the other hand, as a small specialty crop, did not keep up with the technological advancements that drove competitiveness of many Canadian crops. This lag put pressure on mustard to strategically invest its smaller research investment dollars to close the gap and aim to keep up with the technological advances of the major crops.

The R & D resources required to develop and commercialize a new crop variety, for example, are not that different for a small or a large crop; the big difference is the proportional commitment of available funds. The average cost to develop and commercialize a crop variety is around one to two million dollars per year—a huge commitment for a small acre crop. Smaller crops thus are at a disadvantage when pursuing the latest technology or innovation for fast-tracking R & D commercialization. Crops like mustard must leverage their smaller investment dollar base with funders and strategic partners to establish long-term sustainable R & D programs that deliver economic benefit to the whole value chain.

Our annual mustard value chain funding of ~\$200K from SMDC levy and CMA seed royalties (2013-2018) is leveraged to resource strategic R & D priorities. M21, since 2009, has invested a total of about \$10+ million from AAFC funding programs, the Western Grains Research Foundation, Saskatchewan Agriculture, and industry partners to execute strategic R & D projects with maximum impact. We have established a solid foundation for success. M21 is now well positioned to continue to strengthen the mustard value proposition for the next decade. Our top strategic priorities were and will continue to be: higher yield, pest management and weed control and new uses of mustard to increase marketing options.

M21 works to maximize its R&D resources by leveraging our finances to secure long-term funding to sustain the development of a very





productive and robust product pipeline. Our most important goal was and is to deliver higher yield by establishing a long-term sustainable AAFC mustard breeding program focused on increased yield. The dedicated AAFC R & D team led by AAFC breeder Dr. Bifang Cheng, along with appropriate resource supports, are now very much focused on working diligently to address yield increase. Their efforts are identifying new diverse mustard germplasm, incorporating hybrid technology, and utilizing genomic tools for earlier and faster selection of lines. Staying focused on these top priorities for the past nine years has helped M21 and its collaborators to deliver newer varieties through traditional breeding (Adagio - yellow, AAC 100 Oriental).

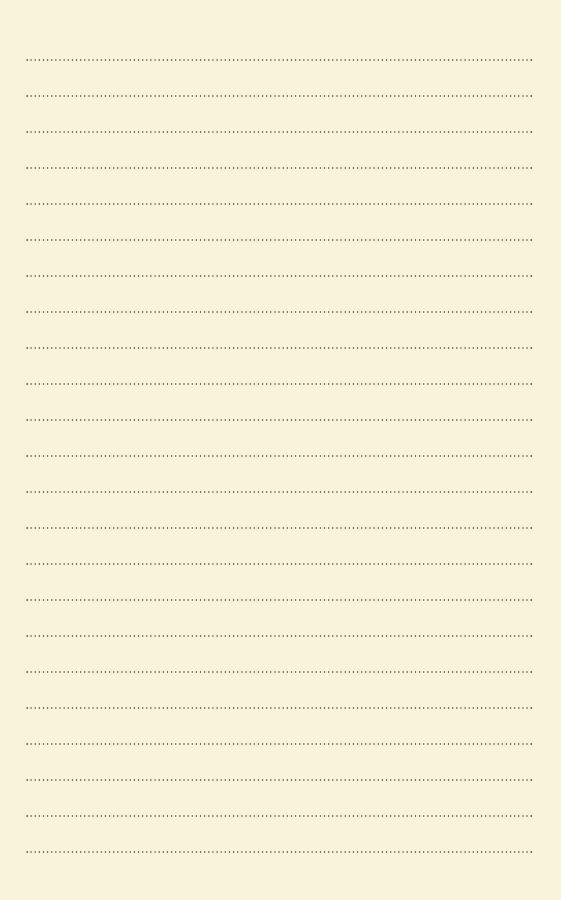
The hybrid technology developed for brown and oriental (*B. juncea*) mustard over the past GF 2 program is our start to providing double-digit percentage yield increases that mustard needs to stay competitive with domestic crops and global exports over the next decade. The first brown mustard hybrid (AAC Brown 18) is set for commercial launch in 2020 with pre-launch testing in 2019. This is the first condiment mustard hybrid we have developed and, over the next five years, you will see other exciting next-generation mustard hybrids in the marketplace. If you are interested in participating in testing these new hybrids, please keep in touch with your mustard certified seed supplier and learn about how to participate in the pre-launch 2019 program.

The pursuit of key strategic R & D priorities was only possible by staying focused and assigning our limited resources to establish a very strong AAFC long-term breeding program. This focus has started to deliver amazing results. The key to future mustard breakthroughs will now come from broader diverse germplasm using hybrid technology and staying focused on our key strategic priorities (yield, weed management, quality) to ensure that Canadian mustard maintains its global competitiveness and remains a viable business option as a rotational crop for our mustard growers.

M21 is grateful for the excellent support of Agriculture and Agri-Food Canada, the Western Grains Research Foundation, the Canadian Mustard Association, the Agriculture Development Fund of Saskatchewan Agriculture, the Saskatchewan Mustard Development Commission and Agrisoma Biosciences Inc.

If you have any suggestions, comments or want to discuss any of the above topics, please contact me at 250-248-4590 or email at desaicanada@yahoo.ca.

Notes







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