

Annual Report 2009 - 2010



Saskatchewan
PORK DEVELOPMENT BOARD

Corporate Governance

The Saskatchewan Pork Development Board (Sask Pork) is an agency established under the Agri-Food Council and complies with the provisions of *The Agri-Food Act, 2004*, *The Agri-Food Regulations 2004*, and *The Pork Industry Development Plan Regulations* pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing and investing activities.

Internal Controls

Sask Pork adheres to internal financial controls as detailed in the *Policy and Operating Procedures Manual* approved by the Board of Directors in September 2005.

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Chairman's Letter



As I embark on my first full year as Chairman, I recently went back through archives of past hog reports and reflected on the battles we've been faced with. I feel fortunate to have the opportunity to write this report now when the outlook for pork production is so much brighter than it has been in years. It has been a long time coming!

With the futures showing great strength and expansion on hold, this is the opportunity for producers to regain some of the equity they have lost over the past 3 years.

Another positive for Saskatchewan is the purchase of the Moose Jaw packing plant by Donald's Fine Foods. This plant will only kill 5 to 6 thousand head per week, which is only a small portion of what we produce, but it is a great step towards restoring some of the lost processing capacity in the province. Our hopes are that once Donald's Fine Foods is established in Saskatchewan they can continue to grow in our province.

The focus of the past three years has been lobbying governments for relief through the long down turns. When an industry is in survival mode, a lot of things get pushed to the 'back burner'. We must also acknowledge the producers that made the tough decision to exit the industry within the past few years.

The Hog Farm Transition Program provided some aid to producers, but no program can replace the years of hard work and equity these producers put into their operations. Now that the markets appear more stable, Sask Pork will focus on looking forward to how best serve the remaining producers of Saskatchewan and the rest of the Canadian hog industry.

In addition, on behalf of Sask Pork's Board of Directors, I would like to thank the staff for the great job that they do. Their hard work does not go unnoticed. Whether they are working on traceability, promotions, policy or finding ways to balance the budget, their efforts are greatly appreciated. They are there for our producers to answer their questions or address concerns. Thank you!

Wishing everyone great success!

Yours respectfully,

A handwritten signature in dark ink, appearing to read 'Jay McGrath', written in a cursive style.

Jay McGrath, Chairman

General Manager's Letter



They say "there's nothing that will cure low prices, quicker than low prices" and the adage is certainly true. Following three years of significant losses in the industry, prices have finally turned around and risen to the point where most producers are seeing some profit. While it will take a long time to rebuild the lost equity in the business, there is evidence of a turnaround and, with that, renewed interest in production, developing slaughter capacity and initiating the tools to move the industry forward. It's welcome relief and hopefully here to stay.

Each year as we write the annual report, I have the opportunity, through my comments, to provide producers with a synopsis of the significant events or happenings Sask Pork was involved with throughout the year in order to meet the objectives of the organization. Once again the year went very quickly and there have been a number of notable changes in the industry.

Unfortunately, the past 3½ years of the financial downturn came at a high cost and many producers exited the business. Since the beginning of the financial crisis, Saskatchewan lost 114 producers and hog production has dropped 22% to approximately 2 million animals. Comparatively, Canada's hog production has decreased by 10% between 2007 and 2009. U.S. production has increased by 8%.

Assistance from the federal government via the Hog Farm Transition Program provided approximately \$7.8 million dollars to retire just over 16,000 sow units of production from Saskatchewan farms. For those producers receiving the money it came as welcome relief to assist in reducing the accumulated debt many had incurred. We unfortunately lost a lot of excellent producers, however much of agriculture has been seeing similar trends towards larger and fewer operations.

On a positive note, Saskatchewan pork producers were very pleased to learn that Donald's Fine Foods, owners of Britco Pork Inc. in British Columbia, were very interested in purchasing and opening the former Moose Jaw Packers processing facility in Moose Jaw. Through negotiations with the City of Moose Jaw and the former plant owners, the plant was acquired in May of this year and is now in the process of being refurbished with plans to open in late 2010. The plant will slaughter and process approximately 6,000 hogs per week and employ about 200 people.

One of Sask Pork's key objectives has been to obtain a federally inspected hog slaughter and processing plant once again in Saskatchewan. We have been assisting Donald's Fine Foods wherever possible to help facilitate a very positive climate for the company in Moose Jaw. We believe Donald's Fine Foods is an excellent fit within the province and trust there will be a long-term relationship between the company and producers.

Sask Pork staff continued to work very closely with the other pork producer associations and the Canadian Pork Council to provide service to all producers across Canada in the most efficient and effective means as possible. To this end, Sask Pork has had discussions with Manitoba Pork, Alberta Pork and the Canadian Pork Council to determine where there may be opportunities and greater efficiencies by working more closely together.

General Manager's Letter

Given the significant number of national and international programs and policy areas we are involved with in the CPC, it would seem a movement to greater national harmonization of financial and staff resources is prudent. This initiative will be further explored in the next year.

During the past fiscal year, staff were also very involved in the following national committees: AgriStability; new options for safety net programs; the National Promotions initiative for domestic marketing of pork; Pork Marketing Canada; research and new initiatives within the Canadian Swine Health Board.

As many will appreciate the federal/provincial farm safety net programs are of prime importance to the agricultural sector. The federal government has opened consultations to determine options and alternatives to the present suite of programming, notably AgriStability, for early 2011. Sask Pork has been participating on a CPC committee to develop proposals to be submitted to Agriculture and Agri-Food Canada on behalf of pork producers.

The Pork Marketing Canada program was established a few years ago to market Canadian pork to Canadian consumers to increase domestic pork consumption. Originally developed and implemented by Alberta Pork and Ontario Pork, the initiative has now been reorganized by the National Promotions Group and reflects a different management structure. The majority of provinces have committed 5 cents per market hog to fund this program for a period of two years.

Sask Pork was instrumental in proposing, and now administering, the Porcine Respiratory and Reproductive Syndrome (PRRS) project funded through the Canadian Swine Health Board. The project was designed to develop a protocol by which a health status indicator for a herd could be used for sales documentation and to assist in maintaining exports of live ISO weans to the United States.

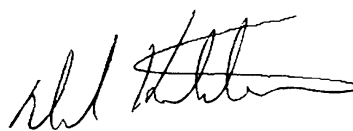
While this project is currently in the development and testing stage, it has gained considerable national and international attention for disease surveillance and verification.

Financially your organization is very stable although there have been strains on the budget due to a reduction in hog numbers and some accumulated unrecovered debts. Sask Pork's income over expenses was -\$35,951 as compared to budget of -\$59,805. The budget for 2010/11 indicates a healthy positive surplus.

In closing I would like to thank Sask Pork's new Board of Directors for their support, guidance and determination to move the organization and industry forward. I would also like to thank our staff, Kim, Patty, Harvey and Mark for their dedication and hard work. A special thank you to Florian Possberg, who represents Sask Pork on the Canadian Pork Council and Canada Pork International boards of directors as well as Chair of the Canadian Swine Health Board.

From a personal point of view it is a pleasure to work with a team that has such a sincere desire to make a difference for our producers.

Respectfully submitted,



Neil Ketilson
General Manager

Board of Directors

2009 - 2011 Board of Directors

Elections

Elections are held in odd years in November. The Board of Directors consists of six registered producers who may hold office for a maximum of three consecutive, two-year terms.

The Executive is elected annually by the Board of Directors at the first scheduled meeting of directors following the Annual General Meeting.

Mission

To provide leadership for producers and collaborate with stakeholders to ensure the Saskatchewan pork industry's continued environmental, social and economic sustainability.

Vision

To position the Saskatchewan pork industry as a preferred supplier of high quality, competitively priced pork products for the global market.



Jay McGrath
Chairman



Brad Cramer
Vice Chair



Daryl Possberg
Audit Chair



Cliff Ehr



Bevra Fee



David Tschetter

The Board of Directors held a facilitated planning session on March 18, 2010 to establish basic principles and industry and organizational goals for the next 1-3 years.

Priorities included focussing on provincial slaughter capacity; a stronger Canadian industry; domestic promotion of pork; producer contact and communications; municipal/provincial transportation regulations and provincial swine research.

Staff & Committee Representation

Staff

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Canadian Pork Council Committee Representation

Animal Care Working Group - Florian Possberg
Canada Pork International Board of Directors - Florian Possberg
Canadian Agri-Science Research Cluster Board of Directors - Harvey Wagner
Canadian Animal Health Coalition - Florian Possberg
Canadian Pork Council Board of Directors - Florian Possberg
Canadian Swine Health Board of Directors - Florian Possberg (Chair)
Canadian Swine Health Board Research Advisory - Harvey Wagner
CQA® Advisory Committee - Harvey Wagner
Hog Farm Transition Program Advisory - Neil Ketilson
International Swine Cost of Production Network (InterPig) - Mark Ferguson
National Promotions Advisory - Florian Possberg, Neil Ketilson
National Hog Identification & Traceability Committee - Neil Ketilson & Mark Ferguson
National Safety Nets Committee - Florian Possberg, Neil Ketilson
Trade Advocacy Working Group - Florian Possberg (Chair)

Industry Representation

Agriculture Council of Saskatchewan Board of Directors - Neil Ketilson (Chair)
Agriculture in the Classroom - Kim Browne
Canadian Integrated Program for Antimicrobial Resistance Surveillance (CIPARS) - Harvey Wagner
Farm Animal Council of Saskatchewan - Harvey Wagner
Feed Innovation Institute - University of Saskatchewan - Neil Ketilson
Pork Marketing Canada - Kim Browne
Provincial Emergency Planning Consultations - Harvey Wagner
Statistics Canada Advisory Committee on Agricultural Statistics - Mark Ferguson
Western Canadian Agribition Agri-Education - Kim Browne

Provincial Focus

An Industry in Recovery

The Canadian pork industry is in the process of recovering from the tumultuous downturn of the past four years. Many of Saskatchewan's producers were, for the most part, able to either ride out the storm or take advantage of a number federal and provincial programs designed to help them through the difficult period.

Sask Pork continued to work with the Saskatchewan Ministry of Agriculture to maintain the flow of information on developments in the pork industry to ensure the Province was able to address provincial and federal issues that affect the livestock sector throughout the year.

- Chairman, Jay McGrath participated in *Agriculture 2020: Challenges and Opportunities* in June in Saskatoon. He presented information on the state of the pork industry, key drivers and what the sector needs to thrive and move forward.
- Chairman Jay McGrath and director Bevra Fee, attended the annual Premier's Dinner in April in Saskatoon.
- In March, director Daryl Possberg and Neil Ketilson participated in the Regina Roundtable on Water Issues where Opposition Leader Michael Ignatieff was in attendance.
- On July 18 director Bevra Fee and Mark Ferguson also attended a Roundtable meeting with Michael Ignatieff that focused on the impact of flooding on producers. Sask Pork had the opportunity to present information on the state of the hog industry and the ineffectiveness of current safety net programs.
- In August 2009 our Chairman and General Manager attended the Agricultural Producers Association of Saskatchewan (APAS) semi-annual meeting and again in March, Chairman Jay McGrath

and Mark Ferguson attended the APAS AGM in Regina. The latter meeting provided a forum for agriculture stakeholders to debate a number of important and timely topics including the grain sector and the future of the province's livestock industry.

Slaughter Capacity

In May 2010, Donald's Fine Foods/Britco Pork. Inc. of British Columbia finalized the purchase of the Moose Jaw Packers facility. The plant, a 6000 head/week slaughter facility is expected to be up and running by the end of 2010.

Sask Pork has long supported replacing lost slaughter capacity in the province and the re-opening of this plant brings the industry closer to reaching that goal.

Prairie Swine Centre Returns to Research Benchmarking

This year Sask Pork began contributing expertise to efforts at the Prairie Swine Centre to conduct a financial analysis on recently completed research. This ongoing analysis will determine the net benefit accrued to specific research projects on a \$/pig basis utilizing the Centre's enterprise model.

Cost of Production Benchmarking

Sask Pork is currently developing an online survey and database to facilitate an annual cost of production and productivity benchmarking for Saskatchewan producers. The last time Sask Pork conducted a cost of production survey was in 2005 and much has changed in the industry since then.

This benchmarking survey will be made available to producers nationally, and detailed information will be provided to those who choose to participate in the process. It is expected this tool will be available for producers in early 2011.

National Focus

The Canadian Pork Council (CPC) continued to work with the federal government to refine business risk and safety net programs for producers. In its May 2010 report to producers, the CPC highlighted some of its activities and initiatives.

The Strategic Transition Plan for the pork industry was designed to make the following fundamental changes to the supply and demand equation by 2014.

- Improve domestic disappearance of Canadian produced pork to 730,000 tonnes, an increase of 150,000 tonnes over 2008, achieved through a combination of import replacement and increased domestic consumption;
- Increase domestic market share to 88% compared to 75% in 2008;
- Reduce Canada's dependence on U.S. markets by cutting exports of live hogs to the U.S. by 5.3 million from 2008 to a total of 4 million live hogs;
- Achieve total pork exports of 1 million tonnes of which only 20% will be to the U.S.;
- Reduce total production from 31 million in 2008 to 25.5 million pigs;
- Reduce total domestic slaughter by 0.2 million from 2008 to 21.5 million.

Strategic Transition Plan

The long term success of the Canadian hog industry will be determined by its ability to establish a sustainable level of competitiveness, improve access to domestic and international markets, strengthen the integrity of the value chain and introduce innovation throughout all aspects of the production cycle.

In July 2009, CPC retained GIRA (a European-based food strategic consulting and market research firm) to undertake an analysis of the Canadian pork value chain. GIRA conducted direct and telephone

interviews, speaking to dozens of members of the pig value chain and quickly gained an understanding of how the pork value chain interacts in Canada. Their preliminary findings were presented at the Canadian Pork Summit in the fall of 2009 identifying key issues relating to two main areas:

1. items that were mainly under the control of market forces and those that were less market driven (an oversupply of hogs in North America, the volatility and level of the Canadian dollar and general pig price as problem areas);
2. a lack of transparency in competitiveness, supply chain blockages, changing trade balance and increasing imports from the U.S.

The CPC Board of Directors is examining alternatives to present to the provinces for consideration to address the issues presented in the GIRA report.

Business Risk Management and Safety Net Programs

The Canadian hog industry continues to struggle with negative margins. While the outlook for 2010 is for breakeven levels for producers, this will not help producers manage their debt loads.

The Canadian industry has downsized considerably, but remains at the mercy of the much larger U.S. industry. The U.S. has not downsized sufficiently to bring supply in line with demand. Significant strengthening in demand, domestically and internationally, plus significant supply reductions in the North American market are required to have any meaningful impact on profitability.

The CPC was involved in the consultation process on the future of the business risk management tools of the federal *Growing Forward* program. Over the past two years, CPC secured funding for and assisted in the implementation of five different assistance

National Focus

programs: the Emergency Advance Payment Program; Cull Breeding Swine Program (CBSP) in 2008; the Hog Farm Transition Program (HFTP); Hog Industry Loan Loss Reserve Program (HILLRP); and the International Pork Marketing Fund in 2009.

In the summer of 2009, the CPC developed and implemented the **Hog Farm Transition Program (HFTP)**. As of May 2010, the HFTP had allocated \$71.7 million to 432 producers, removing 137,022 sows from the national breeding herd. It is expected the total \$75 million will be used. This reflects a significant improvement from the Cull Breeding Swine Program (CBSP) largely because producers established the amount they needed to comply with the program rather than having a set figure assigned.

This program also allowed producers to capture the value of the animals removed from the production system.

The **Hog Industry Loan Repayment Plan (HILLRP)** was not as successful with only 263 participating producers. Factors playing a role in the limited success of this program were lender reluctance, producer reluctance to take on more debt, the requirement to repay Advance Payment Program monies ahead of the September 2010 deadline. Other reasons for the low uptake on the program were insignificant interest rate relief and the overarching difficulty in developing a viable business plan to present to lenders.

The CPC is working with Canada Pork International to expand and strengthen existing markets and develop bilateral trade agreements with key trading partners. The Canadian pork industry currently exports pork to more than 110 different countries.

U. S. Country of Origin Labeling (COOL) and International Trade

The past year was very disappointing with respect to COOL. The Final Rule that was published in January

2009, which would have provided flexibility for U.S. processors to continue to purchase significant quantities of Canadian born livestock, was implemented but with warnings from the U.S. Secretary of Agriculture of even more onerous labeling requirements. This resulted in most U.S. processors ceasing to purchase Canadian-born pigs.

The CPC continues to work with the Canadian Cattlemen's Association in advocacy efforts, as well as support the Government of Canada in the WTO dispute settlement panel. A final result of that process could come by late summer of 2010.

Despite many attempts by the WTO secretariat, and promising statements from world leaders, there has been virtually no progress with the Doha round of world trade talks. However, the CPC as a member of the Canadian Agri-Food Trade Alliance (CAFTA) and in its own trade advocacy activities, continues to argue for a comprehensive multilateral trade liberalization agreement.

On Farm Food Safety

On the production front, the CPC is reviewing the Canadian Quality Assurance program to enhance its effectiveness. With the assistance of Hewat International, Inc., the Advisory Committee and provincial coordinators are reviewing the CQA program, including conducting surveys with producers, validators and processors. In 2010, the CPC will be moving forward with its initial findings of the review.

The CQA program will also be moving forward with the next steps of the CFIA On-Farm Food Safety Recognition Program. With the technical review portion of the recognition program completed in 2004, the Advisory Committee members agreed at the November 2009 meeting that it was an opportune time to proceed with the next phases of recognition.

National Focus

Organic production has been identified as an area of interest for the CQA program. There is concern this type of production was not given adequate consideration when the program's HACCP Generic Model was first detailed.

The CQA program's Technical Working Group will be assigned this item for consideration in 2010.

PigTrace Canada

The Canadian swine traceability system is designed to improve Canada's response to disease outbreaks and food safety issues. It will also provide animal health officials with information tools that improve the accuracy and response time of disease or food safety investigations and the industry's recovery time and ability to return to normal trade following a crisis. This is critical to reducing financial impacts from market disruption, loss of market share and trade barriers.

The added security of a national traceability system is also likely to give Canada's pork sector a significant competitive advantage in the global marketplace.

PigTrace Canada and PorcTracé Canada (French) are the new program brand names for the Canadian Swine Traceability System. In 2009 a new program website was designed and launched (www.pigtrace.ca and www.porctrace.ca), with an initial focus on the availability of traceability ear tags for breeding swine.

Also in 2009, the CPC selected two strategic partners to help deliver PigTrace Canada: Agri-Traçabilité International (ATI) as its national traceability services provider and Allflex Inc. as its manufacturer of the nationally-standardized, traceability ear tag for breeding swine.

Through 2010, PigTrace Canada initiative intends to:

- Establish "real-time" database connections

between the PigTrace database and provincial pork office databases;

- Consult with Canada's federal packing plants to compile slaughter movement data using "real-time" database connections with the PigTrace system;
- Begin working with interested producers to field-test various technologies and methods of reporting "farm-to-farm" movements; and,
- Approach provincial packing plants to develop solutions for getting their slaughter movement data into the PigTrace system within 48 hours or less.

Animal Welfare

The Animal Care Assessment (ACA) is being revitalized and a concerted campaign will be undertaken to bring producers into the program. The ACA has had very little uptake from producers, despite the fact animal rights activists present a clear and present danger to our hog production system.

Changes have been made to the Animal Care Assessment to enable producers to enter the program using a self-assessment and achieve full validation in the program at the time of their next full CQA validation.

The Canadian Pork Council will also begin the process of revising the *Code of Practice for the Care and Handling of Farm Animals: Pigs*. The review comes under the National Farm Animal Care Council and is expected to take 2-3 years to complete. Much of the work undertaken in developing the ACA will be used as a basis for the new Code. As part of this initiative, the CPC has asked Agriculture and Agri-Food Canada to undertake a review of the current code.

National Focus

InterPIG (International Swine Cost of Production)

In 2009/2010, Mark Ferguson was invited by the Canadian Pork Council to become the Canadian member of international swine cost of production network InterPIG. This group brings together swine production economists from 13 different countries to standardize, analyze, and compare costs and productivity measures.

As part of the process, a representative national dataset was established in June using available data sources from across the country. The results of the study will be made available to producers when they are finalized (late 2010/early 2011).

World Cancer Research Fund (WCRF)

In February 2009, the World Cancer Research Fund (WCRF) launched a policy report, Policy and Action for Cancer Prevention, the companion piece to its Second Expert Report published in October 2007 entitled 'Food, Nutrition, Physical Activity and the Prevention of Cancer: a Global Perspective'. The report concluded there is a convincing increased risk between red and processed meat consumption and colorectal cancer. Based on this conclusion, the WCRF made the following recommendations:

WCRF concluded that eating processed meat posed a "convincing increased risk" for only one type of cancer, yet recommended avoiding processed meats.

Several independent researchers have separately called into question the content and conclusions of the WCRF report. The CPC has actively been involved in communicating the points of consideration including the omissions, errors and inconsistencies of the report to policy makers.

Export Focus

Canada Pork International Market Development

CPI's goal at inception in 1991 was to reduce our dependence on pork exports to the USA. CPI shareholders are Canadian Pork Council and Canadian Meat Council.

Over 80% of Canadian pork was USA bound in 1991. Today our US exports are about 31%.

Each of the 80 countries we export pork to has its own uniqueness. In 2009, 1.075M tonnes were exported returning \$2.602B.

Top Volume Markets: - USA (329,000T)
- Japan (227,000T)
- Hong Kong (79,000T)
- South Korea (64,000T)
- Russia (59,000T)

Top Gross Markets: - Japan (\$865M)
- USA (\$834M)
- Australia (\$140M)
- South Korea (\$126M)
- Hong Kong (\$117M)

CPI assists federal negotiators with trade agreements, CFIA with sanitary standards and trade companies on export and entry issues.

CPI continues to promote Canadian pork globally with added emphasis on high value markets. Japan now has a CPI office with over 2000 in-store demonstrations promoting our pork.

Their efforts are paying off. Although our budget (\$4.5M) pales to that of the USA (USMEF annual budget \$22M), our share in the Japanese market has been increasing.

CPI's vision is to position Canada as the preferred supplier of pork worldwide and is committed to improving competitiveness and prosperity of the pork industry through export.

In 2010, Agriculture and Agri-Food Canada announced \$17 million in funding for the pork sector specifically to maintain and increase access to foreign markets, to differentiate Canadian pork and the Canadian pork industry and add value to our exports. Distinguishing our product from our international competitors is very important to long term survival.

CPI's plan for the International Pork Marketing Fund was submitted to Agriculture and Agri-Food Canada for review. and included undertaking a major product differentiation study on Canadian pork meat quality attributes.

CPI continues to hold seminars, participate in major trade shows and conduct generic pork promotion campaigns in key markets. They are also responding to the demand for improved marketing and pork merchandising tools (charts and manuals) that reflect current product information. This includes a distributors education program.

Producer Services

Canadian Quality Assurance (CQA®)

The CQA® program continue to have strong support on Saskatchewan farms. At the end of the fiscal year, there were 173 units "registered" with the CQA® program. In 2009, we only saw pigs sold from 19 farms not on the CQA® program. These farms produced 580 head in total, so of all hogs sold in Saskatchewan where the levy was paid, including export feeder pigs, 99.97% were raised under the CQA® program.

Some of the adjustments to the program suggested by the 2009 review have been put in action. Communication between the stakeholders in the CQA® is much improved. Work is ongoing to accommodate trichinella certification in conjunction with the CQA® program.

Animal Care Assessment

A review of the Animal Care Assessment (ACA) program was conducted and some revisions were made to the program. The result was that the program became more useable by producers. To date 36 units are "registered" in the ACA in Saskatchewan.

Transport Quality Assurance®

Demand for TQA® training slowed in 2009-2010, with most of the transporters taking the certification being from commercial trucking companies. The TQA® program is undergoing the normal three-year revision and will be re-launched in 2011.

Western Canada PRRS Negative Certification

Sask Pork applied to the Canadian Swine Health Board and received approval for a project entitled "Development of Protocols, Sampling and Diagnostics for a PRRS Negative Herd Certification Pilot Program in Western Canada". The certification project is intended to give "recognized" certification to PRRS-free

herds for the purpose of live animal, farm to farm sales and international trade. While Sask Pork is the lead on this project, the testing and certification will be a collaborative effort between the western provinces.

The goal of this project is three fold:

- to develop a protocol defining negative status and specifying necessary testing criteria needed to verify negative status;
- to conduct appropriate herd testing; and
- to integrate the administration of the program into current provincial hog association program administration.

The target groups for the PRRS Negative Herd Certification Pilot Program are farms that regularly sell feeder pigs, breeding stock or any class of live pigs for export. The project allows for up to one hundred farms to participate with some compensation for their participation.

The project began with the protocol development by a group of experts that included field veterinarians, researchers, government and industry representatives lead by Dr. Leigh Rosengren. The producer communication package will be developed next, with actual testing to start in 2011.

On-farm Food Safety and Health Studies

Sask Pork assisted researchers at the University of Saskatchewan and the Public Health Agency of Canada-CIPARS, in conducting studies and monitoring projects.

Canadian Swine Health Board (CSHB)

The CSHB was established by the Government of Canada to further swine health across our nation. The CSHB Board of Directors, under Chair Florian Possberg, set up three main areas of work:

Producer Services

- Biosecurity
- Long-term Disease Risk Management (LTDRM)
- Research

A biosecurity bench-marking study was completed and work begun on a new national biosecurity standard is nearly complete.

The research component funded three studies relating to PCV-2 and PRRS, and six post-doctoral fellowships at veterinary colleges in Canada to do swine health research. Additional swine health research proposals will be funded by the CSHB. The LTDRM funded several studies, including the Western Canada PRRS Negative Certification project.

Canadian Swine Research Development Cluster

The Government of Canada announced the funding for the Canadian Swine Research and Development Cluster (CSRDC) on May 14, 2010. The CSRDC will receive \$9.5 million over 3 years for swine research, excluding health initiatives.

The CSRDC Board, of which Harvey Wagner is a member, had a call for proposals in 2009 and has narrowed the list of proposals. The projects are to begin in 2010 and are most are national in scope and collaborative in nature between researchers from institutions across the country.

Communications & Promotion

National Product Promotion

The Pork Marketing Canada (PMC) program continued to fulfill program objectives for most of the past year. Changes in the priorities of the individual provincial pork organizations resulted in some difficulty in achieving the program's core objectives and activities.

In March of 2010, at the urging of a number of provinces, the Canadian Pork Council embarked on an initiative to create a national promotions organization aimed at implementing a major domestic marketing program to increase the consumption of Canadian pork.

This initiative would see PMC come under the umbrella of the CPC as a separate organization with its own board of directors that would build on the foundational work done by Pork Marketing Canada.

The core functions of this organization would be to: increase the value to Canadian hog producers of pork marketed in Canada; create alliances with industry partners; and ultimately put more money into producers' pockets.

Base level funding for the organization is estimated at \$1 million per year with a commitment to leveraging these base funds with federal and provincial governments, industry partners and potentially through a levy on imports.

Florian Possberg, Sask Pork's representative on the CPC Board of Directors, and Neil Ketilson were part of the task force to further the initiative. Meetings were held throughout the year in an effort to gather provincial input on the framework for governance structure and staffing requirements. Other members included staff members from Quebec, Manitoba, Ontario, B.C., Alberta and the CPC.

Pork Marketing Canada

Television Advertising

Saskatchewan contributed towards a Choose Canadian Pork national advertising campaign airing on TSN for 10 days during the 2010 Winter Olympics.

Sask Pork approached the CBC in May about becoming an advertiser on the CBC television Show "Best Recipes Ever". We were able to negotiate a 14-week advertising package consisting of 65 10-second closed-captioned billboards plus a 10 second commercial airing Monday through Friday from September to December. We also received 11 additional bonus commercial spots airing during the Heartland series on Friday afternoons. To watch full episodes of *Best Recipes Ever* go to www.cbc.ca/bestrecipesever.

Consumer Resources

- New recipe cards were developed this year. Manitoba Pork Council managed the recipe development, testing and printing of the cards making them available to all provinces.
 - Brown Sugar Glazed Canadian Pork Chops
 - Canadian Pork Burger with Basil Mayonnaise
 - Lemon & Herb Rubbed Canadian Pork Tenderloin
 - Canadian Pork Thai Noodle Bowl
 - Canadian Crown Roast of Pork with Grand Marnier Apricot - Stuffing
 - Canadian Glazed Ham with Cider Sauce
- The provinces partnered on printing of a new *All About Canadian Pork* guide in May.

Saskatchewan has distributed 92,000 copies through drops to all urban and rural subscribers of the Saskatoon Star Phoenix and Regina Leader Post with an additional distribution of 10,000 inserts planned for the fall.

Communications & Promotion

Retail and Foodservice Support

- Sask Pork coordinated the implementation of a formal retail program with a major grocery retailer in western Canada that entailed the distribution of all new consumer promotions materials to 175 stores in Saskatchewan, Manitoba and Alberta. The first flight of the program began in March 2010 with another four distributions planned for June, September, November 2010 and March 2011.
- Ontario Pork staff, on behalf of PMC, worked with Sysco Canada to develop an on-line education module that could be accessed by their 700 sales representatives across Canada. Sysco provides sales and support to the food service industry and were interested in information on pork categories that would enhance their reps' capabilities.
- The module included: generic pork info including nutrition facts; cuts of pork; cooking pork; advantages to using Canadian pork; and profitability of pork. Recipes and pork images targeting foodservice were also provided.

Further support was contributed in the form of sponsorship for the development of a display booth and sell sheet for the new Butcher's Block "All Canadian" pork chops Sysco distributes to foodservice operators nationally.

- PMC also supported Prime Restaurants' ribs promotions at their restaurants across Canada. Although this restaurant chain is not in Saskatchewan, the program carried the Choose Canadian PMC logo and would potentially amount to ~25,000 lbs of Maple Leaf back ribs being supplied to the restaurants.
- The Choose Canadian Pork labels continue to be made available to processors and retailers across the country. One Ontario processor launching a

new product this fall has agreed to put the Choose Canadian label on its packaging.

HY Louis and Buy Low stores also requested a supply of Choose Canadian railcards and danglers for their 83 stores in British Columbia. The project was completed in June.

- Ontario, Saskatchewan and Manitoba contributed towards sponsorship of the Cuisine Canada event taking place at the Royal Winter Fair in Toronto in November. As sponsors, the pork industry will be showcased through an exclusive pork cooking demonstration by a renowned chef and access to national media in attendance at the event.

National Consumer Website Updates

It was agreed by the national promotions group earlier this year that the *Put Pork on Your Fork* website was in need of a upgrades and updates. A complete redesign of the site is being undertaken by Manitoba Pork Council staff and it's expected the new site will be launched in early 2011.

Farmscape Radio Program

Sask Pork continues to sponsor the Farmscape radio network. The radio program, hosted by Bruce Cochrane of Wonderworks Canada Inc. provides a two-minute daily program airing Monday through Friday on CKLQ Radio Brandon, CFRY Radio Portage La Prairie, CJVR Radio and CK750 Radio Melfort, CKSW Radio Swift Current. and XM105 Radio in Whitecourt, Alberta.

Bruce also provides media coverage for Sask Pork and Manitoba Pork Council at western Canadian and national swine related forums and conferences. In addition to the daily radio program, Bruce produces the Farmscape E-newsletter which is distributed widely and includes international subscribers,

Communications & Promotion

researchers, government representatives, industry leaders and individuals who have been interviewed for the program.

Farmscape.ca and Farmscape.com offer access to programming and information as well as the MP3 Audio version of the programs.

Sask Pork Industry E-Newsletter

The weekly email report is coordinated by Harvey Wagner and continues to be distributed to 225+ subscribers each week throughout the year.

The *Forum* newsletter was distributed twice this year, in favour of the timeliness in which information can be disseminated to producers and stakeholders through email reports and faxes.

Saskatchewan Pork Industry Symposium 2009

"*Navigating the Shifting Landscape*" was the theme for this year's conference. Symposium celebrated 32 years and attracted 240 delegates over the two-day event.

The conference examined the latest trends in production and meat quality, food commodity market intelligence and maintaining momentum during difficult times.

Symposium 2009 Advisory Committee

Jim Babcock, Saskatchewan Ministry of Agriculture
Denise Beaulieu, Prairie Swine Centre Inc.
Bevra Fee, Fast Genetics
Henry Gauvreau, Warman Veterinary Services
Lambert Houwen, Hypor Inc.
Kevin Hursh, Hursh Consulting and Communications Inc. (Facilitator)

Neil Ketilson, Sask Pork
Joe Kleinsasser, Rosetown Colony
Don Kolla, Cudworth Pork Investors Group
Sylvia Mezzaros, Cudworth Pork Investors Group
Curtis Possberg, Big Sky Farms
Bernardo Predicala, Prairie Swine Centre

Conference Coordinators:

Kim Browne
Harvey Wagner

2009 Pork Industry Awards of Distinction

Sask Pork was pleased to present this year's **Distinguished Service Award to Joe Jobin of PIC Canada Ltd.**, Kipling, Saskatchewan. Glenn Kühn, Joe's Manager at PIC Canada Ltd., accepted the award on his behalf, noting that Joe has been instrumental in the success of PIC's role in providing genetics to Chile, China, Japan and Russia and further commended Joe on his steadfast commitment to the PIC family.



Pictured: Joe Jobin (Left) Glenn Kühn (Right)

Communications & Promotion

Western Canadian Livestock Expo

Sask Pork participated in the pork and dairy trade show on April 14-15, 2010. The show featured 41 exhibitors showcasing the latest in swine and dairy equipment and technology.

Agri-Education

Although our Agri-Education program has been scaled back due to the closure of the Pork Interpretive Gallery at Elstow, we continue to work with Agriculture in the Classroom, Western Canadian Agribition, Prairieland Exhibition and the U of S to carry out regional Ag-Education activities programs over the year.

We also provide Agri-Education displays and resource materials for provincial agriculture shows throughout the year including Lloydminster and Yorkton.

Prairieland Ag-Experience

Sandra Fonstad, former tour guide at the Pork Interpretive Gallery, hosted Sask Pork's live animal display in October. The interactive stations (which also include sheep, poultry and cattle) provide a fun atmosphere in which to learn about the value and impact of agriculture and food production on our daily lives.

The program is coordinated by Prairieland Park and Agriculture in the Classroom and receives positive reviews from teachers, students and industry participants. An estimated 600 Grade 4 students per day visit the displays over the two days.



Pictured: Sandra Fonstad at Sask Pork's display at Prairieland Ag-Experience 2009

Communications & Promotion

Sponsorships and Donations

Agricultural Producers Association of Saskatchewan
Farm Progress Show International Reception
Co-sponsor of pork product with Choice Family Meats Ltd.
Agricultural Producers Association of Saskatchewan
Annual General Meeting - Regina
Canada's Outstanding Young Farmers Program 2010
Canadian Barley Symposium - Saskatoon
Canadian Cancer Society Relay for Life - Melfort
Canadian Meat Council Annual Conference
Canadian Mental Health Association - Teddy Bear Affair
Canadian Society of Nutrition Management
Conference - Saskatoon
Farm Animal Council Annual Conference - Saskatoon
Federal-Provincial-Territorial Annual Conference
Stakeholder Reception
Floral Community Association Harvest Windup
Innovations in Pork Quality Conference - Montreal
Kinsmen Telemiracle Volunteers Meals
L'il Gobblers Cooking Club, Canadian Western
Agribition - Regina
Livelong and District 14th Annual Summerspiel
Lloydminster Agricultural Association Agri-Ed Tours
Lloydminster Colonial Days Country Lane Agri-
Education Display
Lumsden Annual Pork-Off Barbecue Competition
Naicam Army Cadets Fundraising Event - Naicam
National Agriculture Awareness Conference -
Saskatoon
North Saskatchewan Cystic Fibrosis Breath of Life
Motorcycle Ride
Prairie Land Youth Curling Camp - Kindersley
Prince Albert Exhibition Ag Ed Tours
Saskatchewan Association of Rural Water Pipelines
Annual Seminar - Saskatoon
Saskatchewan Hutterian Educators Annual Conference
Saskatchewan Meat Processors Conference
Saskatoon Renegades Bantam Hockey Team Fundraiser
SIASST Retail Meat Cutting Competition

U of S AgBio Discovery Summer Camp - Saskatoon
U of S Nutrition Summer Food Fun Camp - Saskatoon
U of S College of Pharmacy and Nutrition Professional
Education Day
U of S Animal Science Annual Bonspiel - Saskatoon
Vanscoy 4H Club Fun Day
Vets Without Borders - Kenya Swine Project
Village of Marcelin, Centennial Homecoming Fundraiser
Weekend to End Women's Cancers Fundraiser
Western Canadian Livestock Expo
Yorkton Exhibition Association Grain Millers Harvest
Showdown

Hurry Hog Curling Rink Decal Program

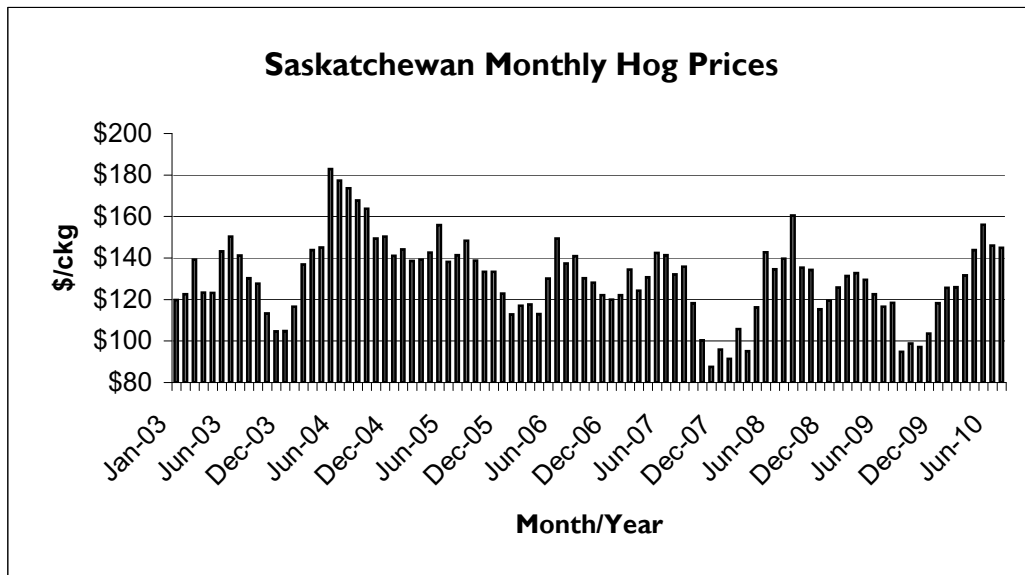
This was the fourth year for the Hurry Hog decal program.

54 Saskatchewan clubs requested decals for their community rinks in 2009.

Statistics & Trends

While 2009/2010 certainly ended on a positive note, the year can generally be considered yet another disappointing one for the industry. Prices began rallying in January 2010 and peaked at \$156/kg in May. However, the period between August 2009 and July 2010 actually resulted in the second lowest annual average price producers received for their product in the past decade. Strength in the Canadian dollar limited what price potential did exist in U.S. markets. On a positive note, an unusually late, yet excellent harvest in western Canada in the fall of 2009 helped stabilize what many observers feared could become a turbulent feed market. Over the course of the year, most producers would have been in a position to cover cash costs, but depending upon their business structure, many would have fallen short of their total cost of production by \$10-20/hog.

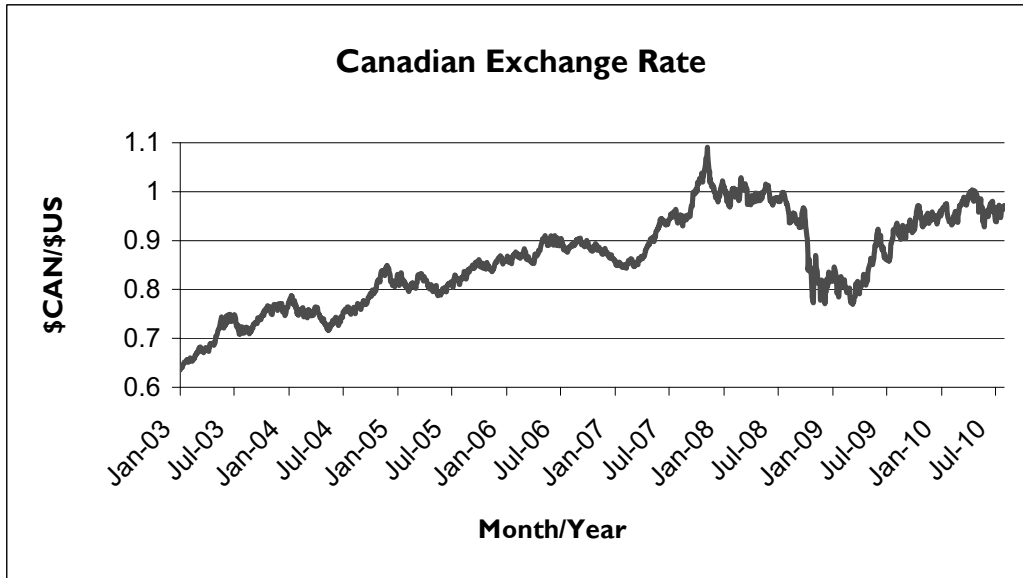
Hog prices averaged \$123.88/kg between August 2009 and July 2010. This represents a 3.6% decline from the previous year, driven primarily by the strong Canadian exchange rate. To illustrate this point, the U.S. Western Cornbelt price averaged \$US 63.01/cwt in 2009/2010, which is actually an increase of an increase of approximately \$3/cwt over the previous year. Margins in the slaughter sector improved substantially over the course of the year, as the USDA cut-out value averaged \$US 70.71/cwt. Lower availability of meat in cold storage as well as strong export markets contributed to the strong slaughter margin. Ultimately, the increase in profitability in the slaughter sector returned historically high US prices from April onwards, but this could not overcome the near historically low prices producers received from August through December 2009.



Source: SPI Marketing Group, H@ms Marketing Services

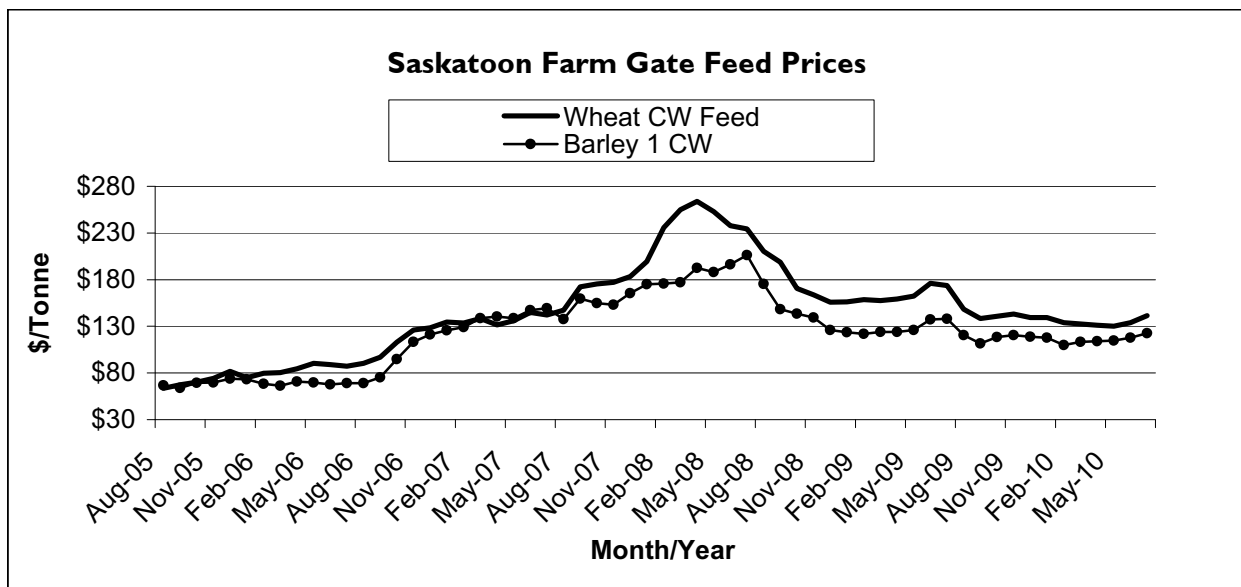
The rally in the value of the Canadian dollar relative to the U.S. dollar was a significant contributor to the low prices received in the past year. From August 1, 2009 to July 21, 2010, the exchange rate averaged 0.954, an increase of 12% over the previous year when it averaged 0.854. The change in the dollar value alone resulted in a loss of approximately \$14/kg for producers.

Statistics & Trends



Source: Bank of Canada

Feed grain prices remained relatively stable in Saskatchewan following the 2009 harvest. For the second year in a row, excellent yields in North America and more specifically in western Canada eased supply concerns and continued to ensure stable prices. Canadian wheat stocks increased by 4% while barley stocks declined by 20% between the 2009 and 2010 crop years. In Saskatchewan, barley and feed wheat averaged \$135.60/tonne and \$169.91/tonne respectively between August, 2009 and July 2010.



Source: Saskatchewan Agriculture and Food

Note: These are cash spot prices that a grain producer would receive at a Saskatoon elevator.

Statistics & Trends

Saskatchewan's producer numbers experienced another general decline again in 2009 as yet another year of disappointing returns took its toll. The Hog Farm Transition Program (HFTP) may have also contributed to producers exiting the industry as 15 producers representing approximately 16,748 sows participated in the buyout program. In 2009, a total of 119 producers marketed hogs produced at 193 active premises across the province. All size categories decreased in terms of both the number of producers and number of slaughter weight hogs marketed with the exception of two categories. The 5,000-25,000 category increased both in terms of producers and the number of hogs marketed, while the >50,000 category increased in terms of producer numbers, yet production declined from this category.

Saskatchewan Producer Profile								
Number of Hogs Produced	Number of Producers*				Number of Slaughter Weight Hogs Produced			
	2009	2008	2007	2006	2009	2008	2007	2006
<100	27	39	65	109	845	1306	2361	2826
100-500	9	25	37	43	2239	6035	10019	10813
500-1000	3	15	20	25	1605	10602	14850	18219
1000-5000	18	36	41	50	48232	90812	102130	125938
5000-25000	54	51	64	62	545789	508564	666536	671403
25000-50000	5	7	4	4	163815	209658	114864	112646
>50000	3	2	2	3	684405	669848	1028216	1134131
Totals	119	175	233	296	1,446,930	1,496,825	1,938,976	2,075,976

Source: Saskatchewan Pork Development Board

Note: These numbers are based upon checkoff data, and represent the number of producers/companies that produced hogs, not the number of production units or premises. In 2009 there were 193 active premises in Saskatchewan.

In 2009, Saskatchewan produced a total of 1,975,686 pigs, which was down by approximately 630,000 animals from 2008. The majority of this loss in production can be attributed to a significant decline in feeder pig exports, which declined by 576,000 animals (53%). Market hog production was only down by approximately 50,000 animals, and marketings of sows and breeding stock remained relatively stable. The depopulation of a handful of production units during the course of the year is the primarily reason for this decline.

Statistics & Trends

Year	Market Hogs	Sows and Breeding	Feeder Pig/ Weanling	Total Pigs Produced
2005	2,214,413	48,142	195,113	2,457,668
2006	2,015,017	60,959	289,551	2,365,527
2007	1,938,976	55,065	547,650	2,541,691
2008	1,496,825	37,065	1,069,752	2,603,642
2009	1,446,930	34,555	494,201	1,975,686

Source: Saskatchewan Pork Development Board

According to Statistics Canada, Saskatchewan's breeding herd declined by 7,500 sows over the past year and now stands at 85,500 animals. The entire Canadian herd decreased by 71,700.

Year/Month	Alberta	Sask.	Man.	West	Ontario	Quebec	East	Canada
2004	198.0	128.8	362.0	708.3	431.7	416.5	880.7	1,589.0
2005	196.8	131.2	365.6	711.8	430.0	414.3	876.4	1,588.2
2006	188.0	130.9	368.0	705.5	417.1	399.0	846.9	1,552.4
2007	182.6	128.3	370.5	699.4	408.5	394.0	833.0	1,532.4
2008	165.0	119.6	340.0	641.5	365.0	385.0	777.2	1,418.7
2009	156.5	93.0	330.5	596.9	356.0	382.0	759.6	1,356.5
2010	148.5	85.5	316.5	560.8	335.0	371.1	724.0	1,284.8

Source: Statistics Canada, Hog Statistics

Not surprisingly, the total number of pigs marketed across Canada decreased between 2008 and 2009. Eastern Canadian production decreased by 919,300 animals and stands at approximately 15 million pigs, while western Canada's production declined by nearly 1.9 million animals and sits at 12.8 million pigs. Saskatchewan remains the 5th largest pork producing province in Canada.

Statistics & Trends

Hogs Marketed in Canada by Province										
('000 Head)										
	Atl	Que	Ont	Eastern Canada	Man	Sask	Alta	B.C.	Western Canada	Canada
2004	636.9	7,678.8	8,676.3	16,992.0	8,167.9	2,417.3	3,730.9	337.7	14,653.8	31,383.3
2005	625.2	7,371.9	7,583.9	15,581.0	8,611.0	2,458.7	3,876.5	338.6	15,284.8	30,534.9
2006	600.8	7,149.1	7,442.4	15,192.3	8,816.6	2,605.0	3,920.9	328.3	15,670.8	30,566.0
2007	596.8	7,337.2	7,399.4	15,333.4	9,169.2	2,836.0	3,805.6	332.1	16,142.9	31,300.7
2008	551.9	7,806.0	7,702.4	16,060.3	8,860.3	2,913.2	3,583.7	326.6	15,683.8	31,063.5
2009	434.0	7,761.7	6,945.6	15,141.3	8,315.9	2,120.7	3,100.6	287.7	13,824.9	28,218.1

Source: Canadian Pork Council via Statistics Canada

Note: National hog marketings will not equal the sum of provincial hog marketings due to the counting of interprovincial exports

In 2009, checkoff data indicates that 46,478 hogs were slaughtered in Saskatchewan, mainly in provincially inspected plants. Approximately one million of Saskatchewan's market hogs were transported to Manitoba, while 347,232 animals were transported to Alberta for slaughter. The balance were transported to either the U.S. or British Columbia. In 2009, Canadian plants increased their kill by 119,000 animals, for a total of 21.6 million animals. Per capita domestic consumption of pork was 23.36 kg/person in 2009 (carcass basis). Consumption only decreased by 0.32 kg/person between 2008 and 2009.

Hogs Slaughtered In Canada						
(Number of Hogs Slaughtered in Federally and Provincially Inspected Plants)						
	Atl/Quebec	Ontario	Man/Sask	Alberta	B.C	Canada
2004	9,001,341	4,664,010	5,505,254	3,008,995	521,714	22,701,314
2005	8,538,043	4,602,168	5,393,054	3,122,016	503,404	22,158,685
2006	8,238,050	4,513,639	5,137,042	3,241,863	488,843	21,619,437
2007	8,104,069	4,799,704	4,745,023	2,934,702	494,884	21,078,382
2008	8,317,756	5,122,047	4,854,146	2,701,366	525,014	21,520,329
2009	8,308,626	4,949,398	4,949,398	2,599,175	500,035	21,639,122

Source: Agriculture and Agri-food Canada, Red Meat Market Information, Various Years

Live hogs exports from Canada to the U.S. were down sharply in 2009 after exports peaked for both feeder pigs in 2008 and market hogs in 2007. The impact of the reduced breeding herd was felt in the export market as fewer animals were available to be exported. According to Agriculture and Agri-food Canada, approximately 5.2 million feeder pigs were exported from Canada to the United States in 2009, down 26% from the previous year. Market hog exports to the U.S. declined by 50% in 2009 to 1.1 million animals. U.S. Country of Origin labelling rules continue to influence the marketing opportunities and economics of exporting live hogs.

Statistics & Trends

Canadian Live Hog Exports by Province (< 50kg)						
	Manitoba	Saskatchewan	Alberta	B.C.	Western Canada	Canada
2004	3,294,412	91,565	180,879	22,337	3,589,193	5,626,871
2005	3,634,034	168,174	296,044	30,633	4,128,885	5,414,931
2006	4,066,357	286,072	286,309	31,661	4,670,399	6,014,268
2007	4,479,810	672,345	297,620	19,675	5,469,450	6,729,779
2008	4,383,172	1,095,464	360,170	14,855	5,853,661	7,036,388
2009	3,478,459	477,434	365,457	9,757	4,331,107	5,221,664

Source: Agriculture & Agri-Food Canada

Canadian Live Hog Exports by Province (> 50kg)						
	Manitoba	Saskatchewan	Alberta	B.C.	Western Canada	Canada
2004	1,250,640	131,343	356,083	18,113	1,756,179	2,876,320
2005	1,379,970	113,053	330,478	1,165	1,824,666	2,777,294
2006	1,334,662	164,253	292,312	1,072	1,792,299	2,751,189
2007	1,665,793	306,076	304,545	3,643	2,280,057	3,283,250
2008	1,114,780	73,888	251,074	2,306	1,442,048	2,308,368
2009	477,757	6,453	171,026	1,595	656,831	1,142,671

Source: Agriculture & Agri-Food Canada

Financial Statements - July 31, 2010

Management's Responsibility

To Saskatchewan Pork Producers:

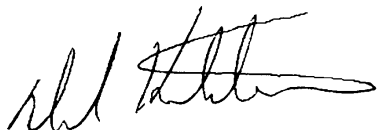
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate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

September 29, 2010



Management



Management

Auditors' Report

TWIGG & COMPANY
CHARTERED ACCOUNTANTS

To Saskatchewan Pork Producers:

We have audited the statement of financial position of Sask Pork as at July 31, 2010 and the statements of operations, changes in net assets, cash flows, and schedule of travel expenses for the year then ended. These financial statements are the responsibility of the Organization's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at July 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at July 31, 2009 and for the year then ended were audited by other auditors who expressed an opinion on those statements in their report dated October 7, 2009.

Saskatoon, Saskatchewan
September 29, 2010

"Twigg & Company"
Chartered Accountants

Statement of Financial Position

as at July 31, 2010

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT		
Cash	\$ 307,289	\$ 38,766
Short-term investments	81,916	80,056
Accounts receivable	225,408	374,491
Prepaid expenses	<u>14,297</u>	<u>19,103</u>
	628,910	512,416
CAPITAL ASSETS (Note 3)	1,602	-
RESTRICTED INVESTMENTS	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$1,630,512</u>	<u>\$ 1,512,416</u>

LIABILITIES

CURRENT		
Accounts payable and accrued liabilities	\$ 163,322	\$ 112,801
Deferred contributions and revenue (Note 4)	<u>113,526</u>	<u>10,000</u>
	<u>276,848</u>	<u>122,801</u>

NET ASSETS

INTERNALLY RESTRICTED (Note 5)		
Partnership program	11,492	19,961
Operating reserve	1,000,000	1,000,000
UNRESTRICTED	<u>342,172</u>	<u>369,654</u>
	<u>1,353,664</u>	<u>1,389,615</u>
	<u>\$ 1,630,512</u>	<u>\$ 1,512,416</u>

COMMITMENTS (Note 6, 7)

APPROVED BY THE BOARD:



Director



Director

Statement of Operations

for the year ended July 31, 2010

	2010 Budget	2010 Actual	2009 Actual
REVENUE			
Check-off and export service charge	\$ 1,237,750	\$ 1,314,149	\$ 1,166,275
Government grants (Note 8, 9)	10,000	37,266	8,060
Conference fees	72,500	52,145	50,665
Reimbursed travel and project sponsorship	24,000	28,712	107,406
Interest	6,900	1,873	14,798
Other	-	30,222	11,890
Cull Breeding Swine Program	-	-	220,707
	<u>1,351,150</u>	<u>1,464,367</u>	<u>1,579,801</u>
EXPENSES			
Research, including Prairie Swine Centre	353,344	322,857	369,647
Salaries and benefits	406,743	398,172	379,522
Industry association	208,317	218,261	222,064
Conferences	69,450	60,614	61,784
Communications	84,740	60,889	86,156
Operations and office	101,128	96,318	91,348
Promotions	57,850	46,187	24,763
Directors and committees	40,261	39,382	16,318
Policy and industry development	13,500	1,706	11,755
Travel (Schedule 1)	23,000	18,381	15,600
Organizational development	21,955	12,751	11,520
Amortization	1,667	801	280
National services	5,000	1,095	1,348
Bad debts	-	157,768	72,317
Reimbursed expenses	24,000	27,870	35,489
Cull Breeding Swine Program	-	-	211,467
PRRS project (Note 9)	-	37,266	-
	<u>1,410,955</u>	<u>1,500,318</u>	<u>1,611,378</u>
DEFICIENCY OF REVENUE OVER EXPENSES FOR THE YEAR	\$ (59,805)	\$ (35,951)	\$ (31,577)

Statement of Changes in Net Assets

for the year ended July 31, 2010

	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>2010 Total</u>	<u>2009 Total</u>
NET ASSETS, BEGINNING OF YEAR	1,019,961	369,654	1,389,615	1,421,192
Deficiency of revenue over expenses	(8,469)	(27,482)	(35,951)	(31,577)
NET ASSETS, END OF YEAR	<u>\$ 1,011,492</u>	<u>\$ 342,172</u>	<u>\$ 1,353,664</u>	<u>\$ 1,389,615</u>

Statement of Cash Flows

for the year ended July 31, 2010

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Deficiency of revenue over expenses	\$(35,951)	\$(31,577)
Amortization	<u>801</u>	<u>280</u>
	(<u>35,150</u>)	(<u>31,297</u>)
Changes in non-cash working capital		
Balances related to operation:		
Accounts receivable	149,083	(46,599)
Prepaid expenses	4,806	45,544
Accounts payable and accrued liabilities	50,521	(94,159)
Deferred contributions and revenue	<u>103,526</u>	<u>(39,298)</u>
	<u>307,936</u>	<u>(134,512)</u>
Total from operating activities	<u>272,786</u>	<u>(165,809)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(<u>2,403</u>)	<u>Nil</u>
Total from investing activities	(<u>2,403</u>)	<u>Nil</u>
INCREASE (DECREASE) IN CASH DURING THE YEAR	270,383	(165,809)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>118,822</u>	<u>284,631</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 389,205</u>	<u>\$ 118,822</u>
CASH AND EQUIVALENTS CONSISTS OF:		
Cash	307,289	38,766
Short-term investments	<u>81,916</u>	<u>80,056</u>
	<u>\$ 389,205</u>	<u>\$ 118,822</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	756	690
Income taxes paid	<u>Nil</u>	<u>Nil</u>

Notes to Financial Statements

for the year ended July 31, 2010

I. DESCRIPTION OF BUSINESS

Sask Pork, operating as Saskatchewan Pork Development Board, is a producer managed organization operating programs and research for the development of the Saskatchewan pork industry and the promotion of hogs and pork produced in Saskatchewan. Sask Pork was established by the Pork Industry Development Plan Regulations pursuant to *The Agri Food Act*. Sask Pork is subject to supervision by the Agriculture and Food Products Development and Marketing Council members of which are appointed by the Government of the Province of Saskatchewan.

The Pork Industry Development Plan Regulations allow Sask Pork to set and collect non-refundable check-offs from any person engaged in the marketing of hogs in Saskatchewan. As of January 1, 2003 the hog check-off is \$0.75 per hog. As of January 1, 2005 a check-off of \$0.20 per hog for all hogs under 100 lbs. and \$0.75 on all breeding stock exported from Canada was implemented.

Sask Pork is exempt from income taxes in accordance with Section 149 of *The Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments

Held for trading:

Any financial instrument whose fair value can be reliably measured may be designated as held for trading on initial recognition even if that instrument would not otherwise satisfy the definition of held for trading. The Organization has classified cash and investments as held for trading. These instruments are initially recognized at their fair value.

Held for trading financial instruments are subsequently measured at their fair value. Net gains and losses from changes in fair value are recognized immediately in excess (deficiency) of revenue over expenses.

Loans and receivables:

The Organization has classified accounts receivable as loans and receivables. These assets are initially recognized at their fair value.

Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments.

Notes to Financial Statements

for the year ended July 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Net gains and losses arising from changes in fair value are recognized in excess (deficiency) of revenue over expenses upon derecognition or impairment.

Other financial liabilities:

The Organization has classified accounts payable and accrued liabilities as other financial liabilities. These liabilities are initially recognized at their fair value.

Other financial liabilities are subsequently measured at amortized cost. Net gains and losses arising from changes in fair value are recognized in excess (deficiency) of revenue over expenses upon derecognition or impairments.

Financial asset impairment:

The Organization assesses impairment of all its financial assets except those classified as held for trading. Management considers whether there has been a breach in contract, such as a default or delinquency in principal payments, in determining whether objective evidence of impairment exists. Impairment is measured as the difference between the asset's carrying value and its fair value. Any impairment, which is not considered temporary, is included in the current year's excess (deficiency) of revenue over expenses.

(b) Cash and cash equivalents:

Cash is comprised of cash on hand.

Short-term investments are units of a treasury bill mutual fund which are redeemable on demand. They qualify as cash equivalents as they are short term, highly liquid investments, that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Short-term investments subject to restrictions that prevent their use for current purposes are included in restricted investments.

(c) Capital assets:

Sask Pork capitalizes all assets with a cost over \$1,500. Capital assets are stated at cost. Amortization is computed using the straight line method at rates calculated to amortize the cost over their estimated useful lives at the following rates:

Computer equipment	3 years
Furniture and equipment	3-5 years
Leasehold improvements	3 years

Notes to Financial Statements

for the year ended July 31, 2010

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Revenue recognition:

Hog check-off revenue is recognized using the accrual basis in conjunction with delivery of producer's product.

Sask Pork follows the deferral method of accounting for contributions. 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 and revenue. 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.

Recognition of grants related to capital assets is deferred to periods when the related capital assets are amortized.

Revenues for conference fees are recognized upon completion of the conference.

Interest and investment revenue is recognized when earned.

(e) Research funding expenses:

Research funding 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. Sask Pork receives reimbursement from the Canadian Swine Health Board for eligible costs incurred for the PRRS project.

(f) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in excess (deficiency) of revenues and expenses in the periods in which they become known.

Notes to Financial Statements

for the year ended July 31, 2010

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	2010 Net book value	2009 Net book value
Leasehold improvements	2,403	801	1,602	Nil
	2,403	801	1,602	Nil

4. DEFERRED CONTRIBUTIONS AND REVENUE

Sask Pork receives funding from the Canadian Swine Health Board (CSHB) to be held, administered and distributed in accordance with the related PRRS project funding agreement. Deferred contributions related to expenses of future periods represent unspent externally restricted funding for the purposes of paying research expenditures in future periods.

Sask Pork received funding related to the annual Saskatchewan Pork Industry Symposium which is to be held after fiscal year-end in November 2010. This funding is deferred and recognized as conference fees revenue on the completion of the symposium.

	2010	2009
Deferred contributions and revenue, beginning of year	\$ 10,000	\$ 49,298
<i>Contributions and revenue received during the year:</i>		
PRRS project contributions	149,792	-
Saskatchewan Pork Industry Symposium funding	30,635	57,990
Other amounts received	-	293,958
<i>Less:</i>		
Amounts recognized as PRRS project expenses	(37,266)	-
Amounts recognized as conference fees	(39,635)	(47,990)
Other amounts recognized	-	(343,256)
Deferred contributions and revenue, end of year	\$ 113,526	\$ 10,000

The deferred contributions and revenue relates to the following:

Saskatchewan Pork Industry Symposium (Partnership program)	1,000	10,000
PRRS project	112,526	-
	\$ 113,526	\$ 10,000

Notes to Financial Statements

for the year ended July 31, 2010

5. INTERNALLY RESTRICTED NET ASSETS

- (a) Sask Pork's Board of Directors made an internal restriction of the net assets earned by the Partnership program commencing in 1998. Net surpluses generated from the joint programming of Sask Pork and the Livestock Branch of Saskatchewan Agriculture have been segregated for use to finance future projects.
- (b) Sask Pork's Board of Directors have internally restricted net assets of \$1,000,000 as a reserve for future operating expenses.

6. RESEARCH COMMITMENTS

Prairie Swine Centre Inc.

On September 30, 2005, Sask Pork signed an agreement with Prairie Swine Centre Inc. (PSCI), whereby Sask Pork will provide funding for PSCI's swine research programs. Sask Pork has committed to pay to PSCI the amount set out below for each hog sold by a Saskatchewan hog producer in the previous year:

January 1, 2006 - December 31, 2010 \$0.20 per market hog, \$0.04 per feeder pig, \$0.20 per breeding stock

7. LEASE COMMITMENTS

(a) Building lease:

Sask Pork is committed under a lease agreement for its premises at #2, 502 - 45th Street West. The agreement expires on October 15th, 2012 and requires minimum annual lease payments as follows:

Year ending July 31:	
2011	\$ 47,169
2012	47,169
2013	<u>11,792</u>
	<u>106,130</u>

Notes to Financial Statements

for the year ended July 31, 2010

7. LEASE COMMITMENTS (continued)

(b) Operating lease:

Sask Pork has operating lease agreements for photocopier and office equipment requiring a monthly minimum charge plus charges for additional services. The annual minimum charges are as follows:

Year ending July 31:	
2011	\$ 6,685
2012	3,870
2013	3,870
2014	967
	<u>15,392</u>

(c) Contractual commitments:

Sask Pork is committed under an agreement with Wonderworks Canada Inc. to sponsor a series of pork oriented agricultural news coverage. The agreement expires on September 30, 2010 and the minimum annual lease payments are as follows:

Year ending July 31:	
2011	\$ 3,333

8. GOVERNMENT GRANTS

	<u>2010</u>	<u>2009</u>
Advancing Canadian Agriculture and Agri-Food Saskatchewan	Nil	8,060

In addition, government grants were received under the PRRS project as described in Note 9.

9. PRRS PROJECT

The Porcine Respiratory and Reproductive Syndrome (PRRS) project was undertaken to develop protocols, sampling and diagnostics for a PRRS negative certification pilot program in Western Canada.

The funding agreement, dated March 31, 2010, with Canadian Swine Health Board (CSHB) stipulates that funding will be paid once certain milestones are reached and the required reports have been received by the CSHB. During the current year an advance payment of \$149,792 was received. This contribution has been accounted for as described in Note 4.

Notes to Financial Statements

for the year ended July 31, 2010

10. FINANCIAL INSTRUMENTS

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

Risk management policy

The Organization, as part of operations, has established a minimization of credit risk policy as its risk management objective. In seeking to meet this objective, the Organization follows a risk management policy approved by its Board of Directors. The collection of accounts receivable is monitored by the Financial Administrator in conjunction with contacting slaughter plants to ensure collection of the hog check-off is made on a timely basis.

Credit concentration

As at July 31, 2010, four customers accounted for 47% (84% - 2009) of accounts receivable, representing the Organization's maximum credit risk exposure. The Organization believes that there is no unusual exposure associated with the collection of these receivables. The Organization manages its credit risk by performing regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

Fair value of financial instruments

The carrying amount of cash, investments, accounts receivable and accounts payable and accrued liabilities is approximated by their fair value due to their short term nature.

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 Organization is not exposed to significant interest rate risk on its investments.

Notes to Financial Statements

for the year ended July 31, 2010

10. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization enters into transactions to purchase goods and services on credit and lease office equipment and office space from creditors, for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Organization's future net cash flows for the possibility of a negative net cash flow. The Organization manages liquidity risk resulting from accounts payable and accrued liabilities by investing in liquid assets such as cash and short-term investments which can be readily available to repay accounts payable and accrued liabilities.

11. CAPITAL MANAGEMENT

The Organization has no formal capital management policy however the Board of Directors conducts an annual budgeting and strategic planning meeting. The Organization has no externally imposed capital requirements.

12. BUDGET

The budget for 2009/2010 was approved by the Board of Directors on June 11, 2009.

Schedule I - Schedule of Travel Expenses

for the year ended July 31, 2010

	Budget (Note 12)		
	<u>2010</u>	<u>2010</u>	<u>2009</u>
National services	2,500	141	2,179
Industry association	10,500	10,797	6,010
Organizational development	-	1,595	3,305
Policy and industry development	6,000	5,279	3,460
Communications	2,000	-	66
Promotions	<u>2,000</u>	<u>569</u>	<u>580</u>
	<u>23,000</u>	<u>18,381</u>	<u>15,600</u>

Auditors' Report

TWIGG & COMPANY

CHARTERED ACCOUNTANTS

To Saskatchewan Pork Producers:

We have made an examination to determine whether Sask Pork complied 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, 2010.

- The Agri-Food Act, 2004
- The Agri-Food Regulations, 2004
- The Pork Industry Development Plan Regulations

Our examination was made in accordance with the Canadian generally accepted auditing standards and, accordingly, included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, Sask Pork has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended July 31, 2010.

**Saskatoon, Saskatchewan
September 29, 2010**

**“Twigg & Company”
Chartered Accountants**

Auditors' Report

To Saskatchewan Pork Producers:

We have audited Sask Pork's control as of July 31, 2010 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 objective 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 public resources, revenue raising, spending, borrowing, and investing.

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgements about the effectiveness of Sask Pork's control. We did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control 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.

Sask Pork's management is responsible for effective control related to the objectives described above. Our responsibility is to express an opinion on the effectiveness of control based on our audit.

We conducted our audit in accordance with standards for assurance engagements established by CICA. Those standards require that we plan and perform an audit to obtain reasonable assurance as to effectiveness of Sask Pork'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.

(continued on next page)

Auditors' Report

TWIGG & COMPANY

CHARTERED ACCOUNTANTS

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.

In our opinion, based on the limitations noted above, Sask Pork's control was effective, in all material respects, to meet the objectives stated above as of July 31, 2010 based on the CICA criteria of control framework.

**Saskatoon, Saskatchewan
September 29, 2010**

**“Twigg & Company”
Chartered Accountants**

Auditors' Report

TWIGG & COMPANY

CHARTERED ACCOUNTANTS

To Saskatchewan Pork Producers:

We have examined the financial statements of Sask Pork for the year ended July 31, 2010 and have issued our report thereon dated September 29, 2010. We have examined the system of internal control as at July 31, 2010 and have issued our report to you dated September 29, 2010. We have also made an examination to determine whether Sask Pork complied with specified 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, 2010 and have issued our report to you dated September 29, 2010.

Our examinations were made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. In those instances, if any, that our study and evaluation of internal control disclosed conditions indicating that internal controls were inadequate or not complied with, substantive tests were performed to detect any case in which:

- 1) any officer or employee of Sask Pork has willfully or negligently omitted to collect or receive public money belonging to the Crown;
- 2) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person; and
- 3) an expenditure was made which was not properly vouchered or certified.

During the course of these examinations, nothing came to our attention that would indicate to us that:

- 1) any officer or employee of Sask Pork has willfully or negligently omitted to collect or receive public money belonging to the Crown;
- 2) there has been a deficiency or loss to the Crown through the fraud, default or mistake of any person; and
- 3) an expenditure was made which was not properly vouchered or certified.

**Saskatoon, Saskatchewan
September 29, 2010**

**“Twigg & Company”
Chartered Accountants**

Payee List & Research Funded from Check-Off

as at July 31, 2010

Payee List

The Agri-Food Council requires Sask Pork to disclose in their annual report significant payments made over the course of the year. Payments in excess of \$35,000 made to a single organization are as follows:

CIBC Visa	\$ 67,061
Canadian Pork Council	\$ 229,174
MITACS	\$ 45,000
Manitoba Pork Council	\$ 41,911
Prairie Swine Centre	\$ 255,128
Strath & Company	\$ 38,358

Research Projects Funded from Hog Check-Off

Project Name	Researchers	2009-2010 Funding	Project Total
Prairie Swine Centre Inc.	Various	\$ 295,076	Production based Contract: Jan/06-Dec/10
Impact of Repeated Applications of Manure and Biogas Production By-Products on Soils and Crops	Jeff Schoenau U of S	10,000	\$ 30,000
Post-weaning Wasting/Catabolic Syndrome in Saskatchewan Pigs: Enteric Calicivirus our Emerging Novel Pathogen?	John Harding	10,000	10,000
Centre de développement du porc du Québec Science Cluster 2009-2010	Various	<u>5,800</u>	5,800
Total		\$ 320,876	

Directors' Remuneration

Directors' and Committee Members' Remuneration and Reimbursements

Directors and committee members are compensated for the time contributed to the Organization and are reimbursed for mileage and expenses incurred while on corporate business during the course of the year. The following chart breaks down payments made for service for the period of August 1, 2009 – July 31, 2010:

Directors	Per Diem	Expenses	Total
Brad Cramer	\$ 2,600 **	\$ 1,764	\$ 4,364
Cliff Ehr	-	87	87
Bevra Fee	600	760	1,360
John Germs	900	1,039	1,939
Ross Johnson	-	-	-
Joe Kleinsasser	3,525 *	2,062	5,587
Jay McGrath	7,263 *	1,731	8,994
Daryl Possberg	200	241	441
Florian Possberg	1,600	2,080	3,680
Dave Tschetter	1,800	2,443	4,243
Directors Total	18,488	12,207	30,695
Committee members	-	162	162
Other payments	-	8,528	8,528 ***
Directors/Committees Total	\$ 18,488	\$ 20,897	\$ 39,385

* Included in the per diem was a monthly honorarium of \$600 paid to the Chairman.
(On Dec 11/09, Jay McGrath was elected Chairman, Brad Cramer – Vice Chair, Daryl Possberg – Audit Chair)

** Included in the per diem was a monthly honorarium of \$150 paid to the Vice-Chair.

*** Payments were made to facilitate meetings and communications with Directors and Committee members.



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