



Saskatchewan
Mustard
Development
Commission

Annual General Meeting

January 13, 2010
Saskatoon Inn, Saskatoon

2010 Board & Staff

BAINÉ FRITZLER

Chair

Box 2
Govan, SK S0G 1Z0
Tel: 306.484.4612
Fax: 306.484.4612
fritzagltd@aski.ca

PATRICK ACKERMAN

Vice Chair

Box 101
Chamberlain SK S0G 0R0
Tel: 306.638.3177
Fax: 306.638.6219
patrick.ackerman@yahoo.com

DAVID PEDERSON

Treasurer

Box 69
Hawarden, SK S0H 1Y0
Tel: 306.855.4716
Fax: 306.855.4716
davidp@yourlink.ca

RENE DEMOISSAC

Box 1748
Biggar SK S0K 0M0
Tel: 306.948.2774
Fax: 306.948.2769
demoissacfarms@xplornet.com

TOM BURWELL

142 Mount Allison Crescent
Saskatoon SK S7H 4A5
Tel: 306.373.3938
Fax: 306.249.2431
tomburwell@shaw.ca

ERROLL SIMINGTON

Box 1
Kincaid SK S0H 2J0
Tel: 306.477.0383 (Saskatoon)
Tel: 306.264.3213 (Kincaid)
Fax: 306.477.8931 (Saskatoon)
e.simington@shaw.ca

KEVIN HURSH

Executive Director

Hursh Consulting & Communications
Tel: 306.933.0138
kevin@hursh.ca

SMDC OFFICE

General Manager

Adele Buettner
AgriBiz Communications Corp.
502 - 45th Street West
Saskatoon, SK S7L 6H2
Tel: 306.975.6629
Fax: 306.244.4497
info@saskmustard.com
www.saskmustard.com

Office Hours

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



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.

www.saskmustard.com



Agenda

SMDC Annual General Meeting

Saskatoon Inn, Saskatoon, SK, January 13, 2010

- | | |
|------------|---|
| 8:30 a.m. | Registration |
| 9:00 a.m. | Chairman's Address
Baine Fritzler |
| 9:15 a.m. | Mustard 21 Update
Pete Desai, Mustard 21 Project Manager |
| 9:45 a.m. | Wanted: Good Weed Control for Mustard
Eric Johnson, AAFC Scott |
| 10:15 a.m. | Coffee Break |
| 10:45 a.m. | SMDC Annual Meeting |
| Noon | LUNCH |
| 12:45 p.m. | Mustard is a Must
Adele Buettner, General Manager, SMDC |
| 1:00 p.m. | The Story of French's Mustard
Lindsay Mathisen,
Reckitt Benckiser New Jersey |
| 1:30 p.m. | The European Market for Canadian Mustard Seed
Christian Eberle, GRANOSA Ag, Switzerland |
| 2:00 p.m. | Mustard Market Outlook
Steve Foster, Viterra |



State of the Industry

BAINE FRITZLER, Chair

Mustard continues to be *the* special crop of the special crops industry. Though small in acreage and yield, it continues to generate good return for its growers and promises to have a place in next year's cropping plans.

The real obstacle for the industry's future will be keeping up to other crops in terms of yield and weed control. Yield may be less critical to a grower if price makes the gross return high enough. Weed control is a different matter and it has become a top priority for the direction of the Commission's research.

There are three avenues to explore regarding future weed control options. One is to look for existing chemistries that can be used on today's cultivars. This means hit and miss trials followed by obtaining licensing under a minor use registration. Most major companies have little time or money to spend on a crop with only relatively few seeded acres. This means that funding will have to be found to conduct this kind of work.

A second option is to develop a totally new product for use on existing mustards. This can be an expensive endeavor and again, interest is limited for small acreage special crops.

The third option would be to transfer the existing HT technology used on other crops to mustard. When asked when a RR or Liberty Link variety may be coming down the pipeline, the answer that it is not under development is usually a disappointment. The recent GMO controversy with flax and mustard is an example of what could happen in some of our most lucrative markets if we simply play follow the leader. Considering these patented technologies would come at a cost and be under the control of the developing company, this option loses its appeal quite quickly.

On the yield side, our objectives for plant breeding are going to target yield increases. For the brown and oriental varieties we are at least 3 to 5 years away from a first hybrid variety. For our largest acreage yellow mustard the hybrid process may take even longer. There is not enough difference left in our population of yellow varieties to generate hybrid vigour when crossed. It will be back to square one in developing a hybrid yellow mustard. All of this work will require all industry players pitch in to meet the budgets of hybrid breeding.

On the marketing side, we have just had a glimpse of the power that a few people can wield in a market place. The actions taken by Greenpeace in bringing safe and legal fact under public scrutiny should be a wake up call that just because a market is historically ours, it may not remain that way. Our mustard is just as safe and as high quality as it has ever been. We need to keep that fact in the forefront of our marketing efforts.



Agenda

SMDC Annual Business Meeting

Saskatoon Inn, Saskatoon, SK, January 13, 2010

Call to Order and Opening Remarks

Approval of Agenda

Approval of Minutes

Financial Review

D. Pederson

Approval of Budget

Annual Report 08/09 and Proposed Activities 09/10

State of the Industry - Baine Fritzler, Chair

Research - Tom Burwell

Resolutions

New Business

Adjourn Meeting



Motions to be Presented

SMDC Annual Business Meeting

Saskatoon Inn, Saskatoon, SK, January 13, 2010

That the Agenda be approved as presented.

That the Minutes of the January 14, 2009 meeting be approved as presented.

That the SMDC audited financial statements for the year ending July 31, 2009 be approved as presented.

That the SMDC Budget for 2010/2011 be approved as presented.

That the SMDC appoint Twigg & Company as auditor for the year ending July 31, 2010.

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

That the Research report be approved as presented.

2009 Minutes

SMDC Annual Business Meeting

Saskatoon Inn, Saskatoon, SK, January 14, 2009

1. Chair Fritzler called the meeting to order at 10:40 a.m.

2. Approval of Agenda

Motion #1

That the Agenda be approved as presented. *Schaefer/Meinert/Carried*

3. Approval of Minutes

Motion #2

That the Minutes of the January 9, 2008 meeting be approved as presented. *Pederson/Ackerman/Carried*

4. Financial Review - D. Pederson

Presentation of the 2007/2008 Audited Statements and the 2009/2010 Budget.

Motion #3

That the Saskatchewan Mustard Development Commission audited Financial Statements for the year ending July 31, 2008 be approved as presented. *Pederson/Simington/Carried*

Motion #4

That the 2009/2010 Budget be approved as presented.
Pederson/Meinert/Carried

Motion #5

That the Saskatchewan Mustard Development Commission appoint Twigg & Company as auditor for the year ending July 31, 2009.
Simington/Schaefer/Carried

5. Annual Report

Research Report - (detailed report in the Annual Report) - Burwell

Motion #6

To accept the Research Report as presented. *Burwell/Piche/Carried*

Market Facilitation (detailed report in the Annual Report) - Ackerman

Motion #7

To accept the Market Facilitation report as presented.
Ackerman/Meinert/Carried

2009 Minutes

SMDC Annual Business Meeting

Saskatoon Inn, Saskatoon, SK, January 14, 2009

Communications (detailed report in the Annual Report) - Simington

Motion #8

To accept the Communications report as presented.

Simington/Ackerman/Carried

State of the Industry (detailed in the Annual Report) - Fritzler

Fritzler stated that the office move was complete and introduced the new staff.

He announced the second and last call for Resolutions and asked that if anyone had any Resolutions to give them to the Simington and Burwell, the Resolutions Committee. (First call for Resolutions was made in the morning during the Chairman's Address.)

Fritzler then reviewed the State of the Industry report.

Motion #9

To accept the State of the Industry report as presented.

Burwell/Piche/Carried

6. Resolutions

There were no Resolutions received from the floor.

Fritzler shared that the Resolution approved at last year's meeting was completed successfully and proactively.

7. New Business

There was no new business.

8. Adjourn Meeting

Motion #10

To adjourn the meeting.

Ackerman

Chair

TWIGG & COMPANY
CHARTERED ACCOUNTANTS

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

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

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

TELEPHONE (306) 244-0808

FACSIMILIE (306) 244-0004

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

AUDITORS' REPORT AND FINANCIAL STATEMENTS

for the year ended July 31, 2009

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 generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors (the "Board") is composed entirely of Directors who are neither management nor employees of the Organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors.

Twigg & Company, an independent firm of Chartered Accountants, is appointed by the Board to audit the financial statements and report directly to the members, their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

November 20, 2009



Kevin Hursh
Executive Director



Adele Buettner
General Manager

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

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

650 REGENCY CENTER
333 - 25th STREET EAST
SASKATOON S7K 0L4
TELEPHONE (306) 244-0808
FACSIMILIE (306) 244-0004

AUDITORS' REPORT

To the Board of Directors of Saskatchewan Mustard Development Commission

We have audited the statement of financial position of **Saskatchewan Mustard Development Commission** as at July 31, 2009 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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.

The commission collects a check-off fee from Saskatchewan producers through buyers of mustard. It was not practical for us to verify whether all buyers of mustard produced in Saskatchewan have collected and remitted the required check-off fee to the commission. Accordingly, our verification of check-off fee revenue was limited to the amounts recorded in the accounts of the commission. As such, we were unable to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets, liabilities, net assets and cash flows of the commission.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves with respect to the completeness of check-off fee revenue as described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the commission as at July 31, 2009 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, 2008 and for the year then ended were audited by other auditors who expressed an opinion on those statements in their report dated October 28, 2008.

**Saskatoon, Saskatchewan
November 30, 2009**

**"TWIGG & COMPANY"
CHARTERED ACCOUNTANTS**

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION**STATEMENT OF FINANCIAL POSITION****as at July 31, 2009****ASSETS**

	<u>2009</u>	<u>2008</u>
CURRENT:		
Cash	\$ 622,747	\$ 288,557
Guaranteed investment certificate	100,784	
Accounts receivable	69,138	153,710
Interest receivable		3,372
Prepaid expenses	<u>861</u>	<u>790</u>
	793,530	446,429
INVESTMENTS (Note 5)	<u>226,499</u>	<u>205,806</u>
	<u>\$1,020,029</u>	<u>\$ 652,235</u>

LIABILITIES

CURRENT:		
Accounts payable	\$ 41,977	\$ 177,334
DEFERRED REVENUE	<u>186,973</u>	<u> </u>
	<u>228,950</u>	<u>177,334</u>

NET ASSETS

INTERNALLY RESTRICTED (Note 6)	256,140	170,289
UNRESTRICTED	<u>534,939</u>	<u>304,612</u>
	<u>791,079</u>	<u>474,901</u>
	<u>\$1,020,029</u>	<u>\$ 652,235</u>

COMMITMENTS (Note 7)

APPROVED BY THE BOARD:

"Baine Fritzler"

Director

"David Pederson"

Director

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION**STATEMENT OF OPERATIONS**
for the year ended July 31, 2009

	<u>2009</u> <u>Budget</u>	<u>2009</u> <u>Actual</u>	<u>2008</u> <u>Actual</u>
REVENUE:			
Producer check-off fees (Note 9)			
Fees	\$ 405,000	\$ 452,227	\$405,493
Refunds	(29,000)	(22,972)	(23,846)
Net	376,000	429,255	381,647
Sponsorships	1,000	1,200	1,500
Unrealized gain (loss) on investments		10,445	1,574
Interest and other income	10,000	148,858	13,153
Agriculture and Agri-Food Canada (Note 10)	669,593	487,593	758,000
Saskatchewan Department of Agriculture and Food			75,000
CAFI/ADF Project Income	29,250	51,977	8,047
Industrial Partner Contributions	<u> </u>	<u>18,217</u>	<u> </u>
	<u>1,085,843</u>	<u>1,147,545</u>	<u>1,238,921</u>
EXPENSES:			
Mustard 21 project (Note 10)	669,593	555,033	835,050
Administration contract (Note 12)	72,000	71,007	49,474
Research and development projects	72,100	23,875	38,300
Board of directors	23,000	17,049	25,779
Communications	90,000	107,719	24,163
General and administration	20,400	48,226	16,362
Annual meeting	5,000	8,240	4,264
Market facilitation	17,000	218	660
Election	<u>500</u>	<u> </u>	<u>282</u>
	<u>969,593</u>	<u>831,367</u>	<u>994,334</u>
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR	<u>\$ 116,250</u>	<u>\$ 316,178</u>	<u>\$ 244,587</u>

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION**STATEMENT OF CHANGES IN NET ASSETS**
for the year ended July 31, 2009

	<u>Internally restricted</u>	<u>Unrestricted</u>	<u>2009 Total</u>	<u>2008 Total</u>
BALANCE – BEGINNING OF YEAR	170,289	304,612	474,901	230,314
Excess of revenue over Expenses for the year		316,178	316,178	244,587
Transfer (Note 6)	<u>85,851</u>	<u>(85,851)</u>	<u> </u>	<u> </u>
BALANCE – END OF YEAR	<u>\$ 256,140</u>	<u>\$ 534,939</u>	<u>\$791,079</u>	<u>\$474,901</u>

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION**STATEMENT OF CASH FLOWS**
for the year ended July 31, 2009

	<u>2009</u>	<u>2008</u>
OPERATING ACTIVITIES:		
Excess of revenue over expenses	\$ <u>316,178</u>	\$ <u>244,587</u>
Changes in non-cash working capital		
Balances related to operation:		
Accounts receivable	84,572	(98,307)
Interest receivable	3,372	(3,372)
Prepaid expenses	(71)	(134)
Accounts payable	(135,357)	133,322
Deferred restricted contributions	<u>186,973</u>	<u>(60,000)</u>
	<u>139,489</u>	<u>(28,491)</u>
Total from operating activities	<u>455,667</u>	<u>216,096</u>
INVESTING ACTIVITIES:		
Purchase of investments	(<u>20,693</u>)	(<u>153,548</u>)
Total from investing activities	(<u>20,693</u>)	(<u>153,548</u>)
INCREASE IN CASH AND EQUIVALENTS FOR THE YEAR	434,974	62,548
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>288,557</u>	<u>226,009</u>
CASH AND EQUIVALENTS, END OF YEAR	\$ <u><u>723,531</u></u>	\$ <u><u>288,557</u></u>
CASH AND EQUIVALENTS CONSISTS OF:		
Cash	622,747	288,557
Guaranteed investment certificate	<u>100,784</u>	_____
	\$ <u><u>723,531</u></u>	\$ <u><u>288,557</u></u>
SUPPLEMENTAL CASH FLOW DISCLOSURE:		
Interest paid	435	206
Income taxes paid	<u>NIL</u>	<u>NIL</u>

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

as at July 31, 2009

1. AUTHORITY:

The Saskatchewan Mustard Development Commission ("SMDC") 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 SMDC is to assist in growing the mustard industry through research, communications and market development programs. The activities of SMDC are funded primarily by a check-off fee charged on mustard sales from mustard production in Saskatchewan.

2. SIGNIFICANT ACCOUNTING POLICIES:

a) Revenue:

Producer check-off fees are recognized when mustard is sold. Refunds are recognized based on management's best estimate of expected refunds.

The deferral method of accounting is used for any externally restricted contributions.

b) Research and development projects:

Expenses are recognized when projects are approved and the recipient has met eligibility criteria. Funds advanced to recipients prior to eligibility criteria being met are recorded as advances. SMDC 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 Saskatchewan Canola Development Commission ("SCDC"), a related party, to SMDC for administering the check-off fee program. The fee includes a charge for time spent by SCDC staff and a share of SCDC's overhead costs. The expense is recognized as the service is received.

d) Financial Instruments:

The Commission has classified its financial instruments as follows:

Cash and investments are classified as held-for-trading and accordingly carried at their fair values.

Accounts receivable are classified as loans and receivables, and accordingly carried at their amortized costs.

Accounts payable and accrued liabilities and long-term debt were classified as other financial liabilities and are currently at their amortized cost.

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

as at July 31, 2009

3. ADOPTION OF NEW ACCOUNTING STANDARDS:

Financial statement presentation by not-for-profit organizations

In September 2008, amendments were made to CICA Handbook Section 4400 Financial Statement Presentation by Not-for-profit Organizations. Amendments to the section included removal of the requirement to treat net assets invested in capital assets as a separate component of net assets, and, instead, permitting such an amount to be presented as a category of internally restricted net assets. In addition, the requirement to recognize and present revenues and expenses on a gross basis when a not-for-profit organization is acting as a principal in the transaction was clarified. Finally, guidance was included to reflect that Section 1540 Cash Flow Statements and Section 1751 Interim Financial Statements are applicable to not-for-profit organizations.

Disclosure of allocated expenses by not-for-profit organizations

In September 2008, the Canadian Institute of Chartered Accountants issued new recommendations for disclosures regarding allocated expenses by non-for-profit organizations. CICA Handbook Section 4470 Disclosure of Allocated Expenses by Not-for-profit Organizations requires disclosure by not-for-profit organizations that allocate fundraising and general support expenses to other functions of the policies adopted for the allocation of such expenses among functions, the nature of the allocated expenses, and the basis on which allocations are made. The section also requires disclosure of the amounts allocated from each of its fundraising and general support functions and the amounts and functions to which they have been allocated.

The adoption of this new standard did not have a material impact on the Commission's financial statements.

Capital Disclosures

Effective August 1, 2008, the Commission adopted the Canadian Institute of Chartered Accountants' new recommendations for disclosures about capital. Section 1535 Capital Disclosures establishes standards for disclosing what an entity regards as capital and an entity's objectives, policies and processes for managing its capital. The section also prescribes disclosure regarding whether an entity has complied with any externally imposed capital requirements, and if not, the consequences of such non-compliance.

The adoption of this new standard did not have a material impact on the Commission's financial statements.

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

as at July 31, 2009

4. FINANCIAL INSTRUMENTS:

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

Credit Risk

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

Fair value of financial instruments

SMDC's financial instruments include cash, accounts receivable, investments, and accounts payable. The fair value of accounts receivable and accounts payable approximates their carrying value due to the short-term maturity.

5. INVESTMENTS:

	<u>2009</u>			<u>2008</u>	
	Years to Maturity	Market value \$	Yield to Maturity %	Market value \$	Yield to maturity %
Provincial		NIL		55,038	4.45
Corporate	1-3	<u>226,499</u>	3.93 – 5.04	<u>150,768</u>	3.93-5.04
		<u>226,499</u>		<u>205,806</u>	

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

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION**NOTES TO FINANCIAL STATEMENTS****as at July 31, 2009****6. INTERNALLY RESTRICTED NET ASSETS:**

SMDC 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 SMDC. The Board approved a transfer to the restricted net assets during the year. Management requires the Board of Directors' approval to use the money from these restricted assets.

	<u>2009</u>	<u>2008</u>
Balance – Beginning of year	170,289	93,960
Transfer from unrestricted to internally restricted	<u>85,851</u>	<u>76,329</u>
Balance – End of year	<u>256,140</u>	<u>170,289</u>

7. COMMITMENTS:

SMDC is committed to funding research and development projects over several years to benefit the mustard industry. At July 31, 2009, these commitments totalled \$2,500 extending over the next two years (2008 – 17,500).

8. BUDGET:

The Board approved the 2009 fiscal year budget at the annual meeting on January 13, 2009.

9. PRODUCER CHECK-OFF FEES:

Under the Regulations, each buyer of mustard is required to remit to SMDC 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 or from February 1 to July 31 by submitting a refund application by February 28 or August 31, respectively.

10. MUSTARD 21 PROJECT:

The Mustard 21 project was undertaken to assess the potential for evaluation of broad key areas, or pillars, to identify priorities within the following:

- a) manufacturing industrial ingredients and oleochemical products,
- b) human health and food products, and;
- c) production, agronomy and breeding.

The project was funded by Agriculture and Agri-Food Canada in the amount of \$487,593.

SASKATCHEWAN MUSTARD DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS

as at July 31, 2009

11. RELATED PARTIES:

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to SMDC by virtue of common control or significant influence by the Government of Saskatchewan (collectively referred to as "related parties"). Also, SMDC is related to non-Crown enterprises that the Government jointly controls or significantly influences.

12. ADMINISTRATION CONTRACT:

During the year, SCDC charged SMDC \$12,377 (2008 - \$49,474) for administering the check-off fee program and the business activities of SMDC of which \$714 (2008 - \$31,420) is included in accounts payable.

During the year, the Commission entered into a contract with Hursh Consulting & Communications Inc. and AgriBiz Communications Corp. for management services. This contract began on September 1, 2008 and will continue for twelve months with the option to renew by any or all parties. During the year SMDC was charged \$58,630 for management services of which \$5,460 is included in Accounts payable.

13. CAPITAL MANAGEMENT:

The Commission has no formal capital management policy.

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

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

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

TELEPHONE (306) 244-0808
FACSIMILE (306) 244-0004

AUDITORS' REPORT

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

We have made an examination to determine whether the Saskatchewan Mustard Development Commission 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, 2009.

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

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, the Saskatchewan Mustard Development Commission has complied, in all material respects, with the provisions of the aforementioned legislative and related authorities during the year ended July 31, 2009.

**Saskatoon, Saskatchewan
November 30, 2009**

**"TWIGG & COMPANY"
CHARTERED ACCOUNTANTS**

J.S. TWIGG B.Comm., C.A.
L.D. SAFINUK B. Comm., C.A.

650 REGENCY CENTER
333 - 25th STREET EAST
SASKATOON S7K 0L4
TELEPHONE (306) 244-0808
FACSIMILIE (306) 244-0004

AUDITORS' REPORT

To the Board of Directors of Saskatchewan Mustard Development Commission

We have audited the Saskatchewan Mustard Development Commission's control as of July 31, 2009 to express an opinion as to the effectiveness of its control related to the following objectives.

- (1) To safeguard agency resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- (2) To prepare reliable financial statements.
- (3) To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding agency resources, revenue raising, spending, borrowing and investing.

We used the control framework developed by The Canadian Institute of Chartered Accountants ("CICA") to make our judgments about the effectiveness of the Saskatchewan Mustard Development Commission's control. We did not audit certain aspects of control concerning the effectiveness, economy and efficiency of certain management decision-making processes.

The CICA defines controls as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

The Saskatchewan Mustard Development Commission'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.

(continued on next page)

J.S. TWIGG B.Comm., C.A.
L.D. SAFINUK B. Comm., C.A.

650 REGENCY CENTER
333 - 25th STREET EAST
SASKATOON S7K 0L4
TELEPHONE (306) 244-0808
FACSIMILIE (306) 244-0004

AUDITORS' REPORT

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

(continued from previous page)

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

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, the Saskatchewan Mustard Development Commission's control was effective, in all material respects, to meet the objectives stated above as of July 31, 2009 based on the CICA criteria of control framework.

Saskatoon, Saskatchewan
November 30, 2009

"TWIGG & COMPANY"
CHARTERED ACCOUNTANTS

Draft Budget 2010/2011

Revenue:

CHECK OFF INCOME	360,000.00
REFUNDS	(27,000.00)
INVESTMENT/INTEREST INCOME	8,000.00
AAFC PSRMP INCOME	-
CAFI / ADF PROJECT INCOME	30,000.00
MISCELLANEOUS INCOME	1,100.00
VARIETY DEVELOPMENT INCOME	
SPONSORSHIP INCOME	1,000.00
	<u>373,100.00</u>

Expenses:

Agronomic Research

AGRONOMIC 02/05 01 RIPLEY	
AGRONOMIC 02/06 01 ELLIOTT	
AGRONOMIC 02/06 02 JOHNSON	
AGRONOMIC (HERBICIDE SCREENING)	45,000.00
	<u>45,000.00</u>

Breeding

BREEDING 02/05 01 RIMMER	
BREEDING	
	<u>-</u>

New Uses

NEW USE 02/05 02 WANASUNDARA	
USEAGE 11/05 01 REANEY	2,500.00
OTHER RESEARCH PROJECTS (Mustard 21 Canada Inc.)	90,000.00
	<u>92,500.00</u>

Market Development

NEW INITIATIVES MARKET FACILITATION	25,000.00
PROJECT COORDINATION FEES	
PROJECT COORDINATION FEES SMDC	
PROJECT COORDINATION EXPENSES	
RESEARCH	
MUSTARD 21 - AAFC	
MUSTARD 21 - ACAAFS	
COMMUNICATION COSTS SCDC	
TRAVEL ACCOMMODATION MEALS	
CONSULTANT FEES	
CONSULTANT EXPENSES	2,500.00
MEETING COSTS	
	<u>27,500.00</u>

Draft Budget 2010/2011 Continued

Communications

ANNUAL MEETING	10,000.00
BROCHURES ETC.	10,000.00
FIELD DAYS	1,500.00
NEWSLETTER	12,000.00
SPONSORSHIPS	1,000.00
WEBSITE	3,000.00
NEW INITIATIVES CSCA CAFI	60,000.00
NEW INITIATIVES COMMUNICATIONS	-
CONSULTANT FEES	500.00
CONSULTANT EXPENSES	500.00
	<u>98,500.00</u>

Director Per Diem and Expenses

DIRECTOR PER DIEM	15,000.00
DIRECTOR EXPENSES	10,000.00
	<u>25,000.00</u>

Administration

MEMBERSHIPS/SUBSCRIPTIONS	1,500.00
LEGAL FEES	1,500.00
AUDIT AND ACCOUNTING FEES	5,000.00
INSURANCE	1,200.00
BANK SERVICE CHARGES	300.00
BOARD MEETING EXPENSE	1,500.00
ELECTION	15,000.00
MISCELLANEOUS	500.00
OFFICE EXPENSE	5,000.00
SERVICE CONTRACT (Management)	65,500.00
SERVICE CONTRACT (Financial)	9,000.00
SERVICE CONTRACT (Levy Central)	9,600.00
SOFTWARE SUPPORT CONTRACT	-
STAFF TRAVEL	4,000.00
	<u>119,600.00</u>

Total Expenses 408,100.00

Net earnings (loss) for period (35,000.00)

Payee List

Personal Services (Threshold \$2,500)

Honorariums

Burwell, T.	\$1,575
Fritzler, B.	\$3,875
Pederson, D.	\$1,708
Simington, E.	\$4,540
Ackerman, P.	\$2,073
deMoissac, R.	\$675

Reimbursement for Expenses

Burwell, T.	\$2,572
Fritzler, B.	\$3,327
Pederson, D.	\$708
Simington, E.	\$2,550
Ackerman, P.	\$2,281
deMoissac, R.	\$563

\$26,445

Research and Development (Threshold \$5,000)

Receiver General of Canada	\$5,000
Agriculture and Agri-Food Canada	\$5,000
University of Saskatchewan	\$2,500

Mustard 21 Research

Desai & Desai	\$123,107
University of Saskatchewan	\$25,825
Paul Schorn	\$46,300
Mustard Products and Technologies	\$131,917
Canadian Bioenergy	\$46,125
Ashley O'Sullivan	\$19,475
Sakai Spice	\$76,660
Mustard Capital Inc.	\$49,948
PWP Holdings	\$7,175
AgriBiz Communications Corp	\$9,411
Tom Burwell	\$23,064
Misc. expenses under \$5000	\$5,886

\$577,392

Extension (Threshold \$5,000)

Saskatoon Fastprint	\$28,238
AgriBiz Communications Corp	\$30,902
Jacqueline Germin	\$8,196
Black Box Images	\$8,527
Canada Post	\$5,512
Misc. payments under \$20,000	\$1,842

\$103,217

Supplier Payments (Threshold \$20,000)

Saskatchewan Canola Development Commission	\$12,377
Hursh Consulting & Communications	\$58,630
AgriBiz Communications Corp	\$19,111
Misc. payments under \$20,000	\$34,194

\$124,312

Other Payments (Threshold \$20,000)

Refunds	\$22,972
Misc. payments under \$20,000	0

\$22,972

\$854,338



Management Report 2010

KEVIN HURSH, Hursh Communications & Consulting, Executive Director

ADELE BUETTNER, AgriBiz Communications Corp., General Manager

The Saskatchewan Mustard Development Commission (SMDC) saw considerable activity in 2009 emanating from communications projects developed through the provisions of sizable matching grants from the Canadian Agriculture and Food International Program (approximately \$32,000.00) and the Saskatchewan Ministry of Agriculture through the Agriculture Development Fund Agri-Value Program (\$20,000.00.) Our communications reach included three events in the U.S.A. SMDC representatives attended the international events to gain familiarity with the global marketplace for this specialty food, and build a broader marketing and communications network.

Three brochures were produced for three distinct audiences. Used together, the brochures form an important part of the SMDC brand identity. The first brochure appeals to chefs, food writers and consumers; and highlights mustard's unique flavour qualities, cooking properties (such as thickening agent), exciting and trendy food and drink pairings and value as a culinary staple.

The second brochure is a companion print promotional tool intended for all audiences to build awareness of the types of mustard grown, and provide assurances of the reliable quantity and guaranteed quality; and the environmental stewardship of Saskatchewan growers.

The third brochure is the primary print promotional tool for dieticians, featuring information on micronutrients and focusing on pairing with healthy meats, fats, carbohydrates, and vegetables.

SMDC, within the parameters of the two grant allocations, created a unique recipe book entitled Inspired by Mustard. This collection of original recipes and attendant text focuses on the superior quality and flavour of Saskatchewan mustard, and introduces pairings with other Saskatchewan/Canadian products.

Used together, or individually, these promotional tools enable SMDC to re-educate consumers about this spice crop, ultimately building greater awareness of and loyalty to Saskatchewan producers.



Management Report 2010

CONTINUED

SMDC participated, as guest observers at three notable international food events in 2009. The primary reason for participating was to learn about the specialty foods consumer (consumer demographics, how trends develop, and emerging trends); the "language" of the specialty food industry, and what it takes to be noticed at an international level (development of brand identity including packaging, labeling, booth construction, presentation, product sampling, staffing). Participation in these events established new contacts and identified channels that may be used for future marketing and communications efforts.

At home, SMDC was represented province-wide, working with partners at other events including the Great Canadian Mustard Festival in Regina, and Saskatchewan indemand in Saskatoon. Our involvement helped generate public awareness - through the media and on site - of mustard as an important and popular spice crop.

Semi-Arid Prairie Agriculture Research Centre in Swift Current was the setting for the annual SMDC Field Day held on July 15. Producers, industry and government from across the province visited a variety of field trials. Dr. Bifang Cheng, AAFC gave a presentation on mustard breeding objectives while Market outlooks were provided by CGF Brokerage and Consulting and Olds Products.

The events and activities of 2009 have provided a better understanding of the potential for developing "mustard as a food ingredient." To get a better handle on the location and size of this potential market, a \$30,000.00 matching grant was awarded by the Canadian Agriculture and Food International program to develop a Global Marketing Strategy as well as a Global Communications Strategy. Once direction has been provided to focus our marketing efforts, the Global Communications Strategy will enhance our brand identity and help to establish partnerships to make Saskatchewan mustard **the** seed more international buyers import. Both plans, which outline three to five year strategies for SMDC, are currently under development to be completed by spring 2010.



Research Projects 2009/2010

TOM BURWELL

Several Research projects undertaken by Agriculture and Agri-Food Canada (AAFC) and the U of S have been supported by SMDC in conjunction with other commodity groups.

Lubricant base oil from oilseed research continued through the past year. Dr. Martin Reaney U of S continued to direct evaluations of the respective components of mustard, canola, and other oils for suitability in lubricant applications. It is anticipated this work will continue another 3 years.

Dr. Rick Holm U of S and Dr. Eric Johnson AAFC jointly conducted a weed control research trial this past summer and we expect it will be continued into the next 2 years. Preliminary reports of this project may be available by spring of 2010.

The check off revenue has accumulated somewhat more positively in the past couple of years and will enable undertaking a longer term research plan. SMDC has a significant commitment to Mustard 21 Canada Inc.(detailed elsewhere in this annual report) which will play an increasingly large part of the research activity in the future.

As the demand for vegetable oil products continues to grow, mustard and it's by products are being utilized in several different areas. Each new development results in several new questions requiring attention and research funds. It is expected the research budget will continue to grow as well.



Mustard 21 Canada Inc. 2009/2010

TOM BURWELL, Chair

PETE DESAI, President

Mustard 21 Canada Inc. (M21), a non-profit incorporated organization, is an initiative of the Saskatchewan Mustard Development Commission (SMDC) and the Canadian Mustard Association (CMA).

M21 succeeded in securing funding, \$488,000.00, for 2007 to 2009 under the Agriculture and Agri-Food Canada (AAFC) Agriculture Policy Framework Brokerage program to develop a strategic plan for Canadian mustard. During 2007 to 2008 two key strategic opportunities were identified, in addition to the traditional condiment market. The use of mustard meal as a biopesticide in high value niche markets such as golf course turf, and the use of mustard oil as a feedstock for industrial products such as biodiesel additive show considerable potential.

The Agriculture Council of Saskatchewan (ACS), through Advancing Canadian Agriculture and Agri-Food Saskatchewan (ACAAPS), supported M21 in 2008 -2009 with \$183,000.00 in the development of high value products from mustard oil for the biodiesel additive and biolubricant niche markets. This support allowed M21 to pursue mustard oil advantages for these two markets. The research work is conducted at the University of Saskatchewan by Dr. Martin Reaney on biolubricant and Dr. Ajay Dalai on biodiesel additive. The researchers are looking at the advantages of mustard oil composition; specifically erucic acid, which may give better chemical properties to the commercial end products.

M21 also collaborated with industry partners to facilitate development of proprietary products for clients. M21 is most appreciative of the ACS support to develop end use high value products, as this will lead to new options for the use of mustard oil; thereby creating a new value added domestic industry in the prairies.

SMDC and CMA challenged M21 in 2009 to develop a long-term action plan to implement the strategic plan developed in 2008. M21 prepared a proposal seeking funds from the AAFC Growing Forward program, and await a response.

SMDC and CMA, through M21, support the Growing Forward initiative to implement a long-term program that addresses critical aspects of mustard production and new options for total mustard utilization in our unified quest to enhance the competitiveness and diversity of the mustard industry in Canada.