

Annual Report 2002 - 2003



Table of Contents

Vision and Mission	1
Chairman's Report	2
General Manager's Report	4
Program Updates	6
Strategic Focus 1: Pig Production	6
Research	6
Pork Industry Symposium 2002	9
Saskatchewan Pork Expo 2003	9
Canadian Pork Council	10
Strategic Focus 2: Production Units	12
Public Policy	12
Canadian Quality Assurance® Program	12
National Standards for Environmental Management Systems	13
Short Term Hog Loan Program	13
The Canadian Agricultural Income Stabilization (CAIS) Program	14
CARDS Funded Projects	14
Industry Development	15
Sponsorships and Memberships	15
Strategic Focus 3: Industry Development and Community Relations	16
Communications	
Product Promotion	
Industry Statistics	22
Financial Accountability	23
Audited Financial Statements	26
Board of Directors	42
Committees	43
Representation on External Committees	44
Contact Us	45

Annual Report for the Budget Year August 1, 2002 to July 31, 2003 Published November 2003

Vision

 \mathcal{T}_{o} ensure a sustainable pork industry within a diverse provincial agricultural economy.

Mission

 $S_{\rm ask}$ Pork is dedicated to working on behalf of producers through communications, policy and research programs.



Chairman's Report

On behalf of the Board of Directors it is my privilege to present this year's annual report. Please take the time to read the report to learn more about the programs and initiatives undertaken by Sask Pork on your behalf over the course of the year. We are interested in our producers' feedback on programs and services.

The fiscal year, August 2002 to July 2003, has been another economically challenging one for our industry. Producers were faced with low quality-

high cost feed grains, an unprecedented increase in the value of Canadian currency relative to the US dollar, a weak packing industry caused by a soft international demand for pork, and increasing utility and insurance costs. As a result, we saw the importation of US corn for use in feed rations; packers reducing daily hog kills; changing settlement grids and increasing basis levels. In addition producer have been trying to adjust to the currency rise which reduced revenues by 20 to 30 dollars per hog.

The pork industry also felt the impact of May 20, 2003

announcement of a single case of BSE discovered in one northern Alberta cow. While this situation has certainly increased the awareness and need for a reliable traceability program in the event of a foreign animal disease outbreak, it also demonstrated the interdependence of all agricultural sectors and service industries on one another and the risks associated with international trade disruptions. From an organizational perspective, Sask Pork continued to lobby for improvements to programs and policy at the provincial and national levels. Meetings were held with provincial ministers, government officials, and industry alliances during the year in an effort to communicate pork producers' needs and to address policy issues of importance to the hog industry.

Some of the policy initiatives were the new federal CAIS safety net program, the Short Term Hog Loan

Program announced by Saskatchewan Agriculture and Food and Rural Revitalization in November 2002 and input on Occupational Health and Safety Guidelines being developed for the pork industry.

Other significant areas in which we participated were: assessing the impact on the Canadian pork industry relative to US Country of Origin Labeling; Home Land Security legislation, Canadian Agriculture Income Stabilization (CAIS) Program and the new Agricultural Policy Framework; traceability, animal welfare and specifically the use of rendered meat and bone meal in animal feeds.

The enhancement of scientific knowledge in the areas of production and environmental management continue to be a very important part of Sask Pork's focus. In March, members of the western Canadian provinces held a national research meeting to review national priorities for research and identify areas for future collaboration.



Leon Lueke, Chairman

2

Sask Pork continues to administer the Canadian Quality Assurance CQA® program in the province. Currently there are 745 registered Saskatchewan producers enrolled in the program of which 417 are fully validated. This represents 86% of all hogs marketed from Saskatchewan farms.

On the national front, five Saskatchewan producers participated in a pilot study to evaluate proposed CSA Standards for Environmental Management Systems. This pilot study was undertaken to ensure the standards developed were acceptable for hog producers. Sask Pork was also represented on the CPC National Animal Working Group to review animal welfare standards.

We have also been active in promoting our industry and providing information to the public in an effort to foster a better understanding and acceptance of our industry. While this is an ongoing process and much more work is needed in this area, directors and staff have participated in municipal and community meetings in the province to assist our producers with industry development. At these meetings we provided current information on modern production practices, environmental management initiatives on the part of the pork industry and research results on products funded by the pork industry.

I have completed my final term as Chairman and will not be running for re-election in 2003-2004. I would like to take this opportunity to express my thanks to the staff and Board of Directors for their wisdom, confidence and dedication to the pork industry. I also want to thank our producers for As producers, we have all their support. experienced the growing pains of an ever-changing industry and many have faced incredible challenges over the years. I have always been impressed by the determination and resilience exhibited by our province's producers and wish you all prosperity and success into the future. It was an honor to have served as your Chairman for the past six years.

Leon Lucke

Chairman,

Leon Lueke



General Manager's Report

As I write my first Sask Pork annual report to producers, I cannot help but pause to reflect on what my perception of the organization was from "outside the box" as a commercial producer to"inside the box" being part of the staff.

From my former life in commercial production, it

was my belief that individual producers faced a multitude of external pressures over which they had neither the ability, influence nor resources to effectively address on their own. I was firmly convinced that only a strong, well organized and focused organization representing all producers could effectively deal with and have a positive influence over issues on behalf of the industry.

Now after a year's experience, I am still convinced a strong organization is necessary to effect meaningful improvements, however I am

also beginning to understand it takes more time than I originally thought to effect those changes.

Events of the past year illustrate my point. In conversations with producers, processors and other industry players, there is general recognition that this past year has been remarkable in terms of the number of issues, which present significant implications for the industry.

Who would have thought one case of mad cow disease (BSE) in a northern Alberta community, could have crippled the beef industry, virtually eliminating the marketplace and causing such far reaching and significant ripple effects for all agricultural sectors? Like it or not, we are all dependent on one another and on the international marketplace.



meaningful Neil Ketilson, General Manager

When you add the proposed US Country of Origin Labeling legislation, the US Homeland security measures being taken, pressure on existing and proposed new hog developments by the anti hog, anti meat groups with backing from the large US and Canadian environmental and social lobby organizations, one begins to understand the

> challenges. Let's also not forget the new federal government policy referred to as the Agricultural Policy Framework which includes а new comprehensive farm safety net program and what that may mean to producers. Given all these issues and the importance to our industry, there is little doubt in my mind about the need for a collective voice.

> So what have we been doing this year to provide a strong voice for the producers? We have focused on four key areas: strengthening the organization.

developing and advocating policy initiatives, developing alliances with other organizations and further developing the communications program for producers and the public.

From an organizational perspective, it is our belief that only through producers sharing their knowledge, experience and ideas for the industry, can the organization truly be most effective. To encourage more producers to participate in the organization, Sask Pork hosted a strategic planning session in an effort to open to the scrutiny of all, the need, requirements and direction for the organization. Additionally, more emphasis has been placed on the vital role committee's play in developing policy and position statements on various issues facing the hog industry. The Public Policy, Producer Operations and Research



Committee have met more frequently. Our efforts have begun to be recognized as Saskatchewan Agriculture, Food and Rural Revitalization's Pork Advisory Board was incorporated into the Policy Committee.

Internally, we have spent a good deal of effort on reorganizing and refocusing staff responsibilities to meet the expectations of the Board of Directors and producers. From a budgetary perspective, we have shifted resources as you will note in the financial statements, in an effort to spend your money as wisely and cost effectively as possible.

From a policy perspective, many of the issues producers face are international, national, and provincial in scope. Sask Pork's Public Policy Committee has developed a number of policy recommendations, that have been presented to provincial policy makers and the Canadian Pork Council (CPC). Alliances and affiliations such as those with CPC, Canada Pork International (CPI) and the other provincial pork organizations are essential in building and obtaining the political support to effect change for hog producers at the provincial and national levels.

As each of you know, the hog industry has been beleaguered with anti hog development rhetoric by groups opposed to our industry. In attempting to provide a balance of information to the general public, we have written numerous opinion articles, prepared factsheets and devoted a great deal of the budget to research. Much more work is needed in this area as it seems one cannot ever provide enough information.

During the year, Sask Pork has had a significant change in staff. Betty Anne Stevenson, Catriona Shinkewski and Joan Steckhan moved on to new careers. On behalf of the organization I would like to thank these people for their contribution and wish them well in their future endeavors.

In closing I would like to extend my thanks and appreciation to the Board of Directors, committee members and especially the staff for their support, teamwork and dedication to hog producers in Saskatchewan. We have made great strides in the past year, however there is much more to be done. We look forward to serving our producers in the coming year.

General Manager,

Neil Ketilson



Program Updates Strategic Focus 1: Pig Production

Research

In 2002 the 5-year, \$1 million Agri-Food Innovation Fund, granted to Sask Pork in 1998, concluded. This grant enabled the Saskatchewan pork industry to fund valuable research that significantly advanced our knowledge in the areas of environmental impacts of the hog industry, swine disease, animal care and health and safety of individuals working in the swine industry. Through the check-off, and the remainder of the funds of the Industry Sustainability Fund, the following new projects were approved by the Research Committee in December 2002 and April 2003:

Significance and Pathogenesis of AIDA-A E.coli Infection in Pigs (#2002-09)

Dorothy M. Middleton, Associate Professor and Dr. Elemir Simko, Associate Professor Department of Veterinary Pathology, Western College of Veterinary Medicine, University of Saskatchewan Funding Approved: \$15,000

Renovation to Increase Swine Disease Research at VIDO (#2002-10)

Philip Willson and Dr. Don Wilson Vaccine and Infectious Disease Organization, University of Saskatchewan Funding Approved: \$15,000

Flax Seed and Fractions as an Antibiotic Replacement in Swine Diets: Impact on Intestinal Microbial Profile and Health (#2002-11)

Andrew Van Kessel, Ph.D., Associate Professor Dept. of Animal and Poultry Science, University Saskatchewan Funding Approved: \$20,000

A Novel Method for Reduction of Environmental Hazards from Swine Slurry Gases (#2002-12) Dennis Hodgkinson, P.Eng. DGH Engineering Ltd. St. Andrews, Manitoba Funding Approved: \$6,000 The Impact of First Breeding Weight Irrespective of Age on Long-term Reproductive Performance of Sows (#2003-04)

Dr. George Foxcroft University of Alberta, Swine Reproductive Physiology

3-10C Agriculture & Forestry Building University of Alberta, Edmonton, Alberta Funding Approved: \$39,980



Harold Gonyou and Thusith Samarakone of the Prairie Swine Centre Inc.

Research Program Priorities (2003 - 2004)

Research priorities are reviewed annually by the Research Committee to ensure projects funded are in line with current industry issues. The following priorities were established during the strategic planning session in June 2003:

- 1. Animal and Human Health
- 2. Environmental
- 3. Production
- 4. Animal Welfare
- 5. Pork Quality

The Research Committee recommends funding for projects that specifically target production and operational viability and will lower production costs.



Research Projects Funded from Pork Industry Check-Off

PROJECT NAME	Researcher(s)	2003 FUNDING	PROJECT TOTAL
Prairie Swine Centre Inc. Base Funding	Various	\$407,491	5-year production based contract commencing in 2001
Influence of Hog Manure Application on Water Quality and Soil Productivity	Charles Maule U of Saskatchewan	\$10,000	\$50,000
Swine Slurry Gases	Dennis Hodgkinson DGH Engineering	\$3,000	\$6,000
Canadian Research Network on Bacterial Pathogens of Swine	Mario Jacques U of Montreal	\$4,000	\$19,798
Effects of Age at First Estrus	Dr. E. Beltranena Prairie Swine Centre Inc.	\$28,026	\$46,500
VIDO Core Funding	Stuart Bond VIDO	\$12,000	\$36,000
Geochemistry & Hydrogeology	Terry Fonstad U of Saskatchewan	\$7,000	\$35,000
Total		\$471,517	Production Based



CARDS FUNDED PROJECTS

Project Name	Project Coordinator	CARDS Approved	2003 CARDS CONTRIBUTION	2003 Sask Pork Contribution
Pork Industry Traceability Study CARDS Project # S300 Total Project Application \$70,000	Ervin Lowe	\$35,000	\$18,276	\$18,276
Staff Training Videos for Pig Skills CARDS Project # S315 Total Project Application \$99,500	DNL Farms Ltd.	\$49,750	\$10,393	\$10,393*
Total		\$169,500	\$28,669	\$28,669

* \$6,215 received from Swine Pharmaceutical Suppliers and \$4,178 received from Sask Pork through the Partnership Agreement.



Research Projects Funded from Pork Industry Sustainability Fund

Project Name	Researcher(s)	2003 FUNDING	PROJECT TOTAL
Environmental & Occupational Health Chair	Dr. James Dosman U of S, Ag Medicine	\$12,000	\$24,000**
Research Chair in Environmental Engineering for the Pork Industry	Joy Agnew (Research Coordinator) U of Saskatchewan	\$80,000	\$320,000
Flax Seed and Fractions as an Antibiotic Replacement in Swine Diet	Andrew Van Kessel U of Saskatchewan	\$20,000	\$20,000
Greenhouse Gas Emissions	Claude Lague U of Saskatchewan	\$1,135	\$36,900
Long Term Effects of Repeated Swine Manure Applications	J. Schoenau U of Saskatchewan	\$30,000	\$60,000
VIDO Swine Technical Group	Stuart Bond VIDO	\$3,000	\$9,000
Split Weaning Protocols for Sow Fertility	Dr. George Foxcroft U of Alberta	\$18,000	\$36,000
Renovation to Increase Swine Disease Research at VIDO	Philip Willson and Don Wilson VIDO	\$15,000	\$15,000
Cyropreservation of Boar & Bull Semen	Andre T. Palasz U of Saskatchewan	\$10,000	\$30,000
H_2S Exposure of Workers in Swine Buildings	Stephane Lemay Prairie Swine Centre	\$15,000	\$39,203
Environmental Issues Resource Centre (Renewal)	Lee Whittington Prairie Swine Centre	\$8,000	\$24,000
Significance and Pathogenesis of AIDA-A E. coli	Dorthy Middleton and Elemir Simko U of Saskatchewan	\$15,000	\$15,000
Total		\$227,135*	\$629,103

* Total does not include \$185.00 related to Research Committee expenses.

Project Total is \$60,000 which is being funded as follows: Check-off: \$36,000; Sustainability Fund:
\$24,000





Dr. John Patience who was instrumental in establishing Pork Symposium, was named Honorary Chair for recognition of his contributions. He was presented with a gift by Sask Pork General Manager, Neil Ketilson, and Ken Schmidt, Livestock Development Branch Manager, Saskatchewan Agriculture, Food and Rural Revitalization.

Pork Industry Symposium 2002

Challenging the Future November 12-14

2002 marked the 25th Anniversary of Symposium. The conference attracted over 600 registrants over the 3 days.

Industry guest speakers included: Ken Clark, Overwaitea Food Group, Langley, B.C.; John Gadd, Hog Consultant, Dorset, UK; Dr. Michel Morriset, AGECO Agrifood Consultants, Quebec City, QB; Martin T. Rice, Canadian Pork Council, Ottawa; Dr. Gord Surgeoner, Ontario Agri-Food Technologies; Guelph, ON and Dr. Mike Tokach, Kansas State University, Manhattan, KS. Our luncheon speaker on the last day was Laurie Skreslet of Calgary Alberta who, on October 5, 1982, became the first Canadian to summit Mount Everest, the world's highest mountain.

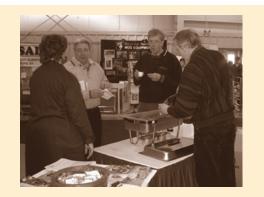
Symposium attracted 27 corporate and individual sponsors with a total of 21 speakers. The banquet was held in conjunction with the Prairie Swine Centre's Pork Industry Interpretive Centre Silent Auction which raised funds for the Viewing Gallery.

Saskatchewan Pork Expo 2003 February 24-25

2003 marked the 25th Anniversary of Pork Expo. There were 92 exhibitors in this year's show which attracted a total of 900 visitors over the two days. The Exhibitor's Reception, held on the first day of Expo, featured international fare and was generously sponsored by Mitchell's Gourmet Foods and Cudworth Pork Investors Group.

Plans commenced immediately following this years show to conduct an exhibitor survey. The Partnership wanted to find out if the show was providing good producer/industry contacts for exhibitors. It was generally felt that traffic was less than expected and perhaps some change in the show was warranted.

It was decided that the Dairy Association and Saskatchewan Poultry producers would be approached to consider combining the 3 groups into one annual show for 2004 and beyond. We are continuing with discussions and should have a decision by September 2003.



Neil Ketilson serves up pork samples at Pork Expo. (Pictured - Judy Ulrich, John Beckton & Mike Deutscher)



Canadian Pork Council

National Pork Roundtable

Over the past year, the CPC and representatives of the several provinces participated in the Pork Value Chain Roundtable established by Agriculture and Agri-Food Canada as a mechanism for the industry marketing chain to coordinate efforts towards realizing the international and domestic market potential identified in the Agricultural Policy Framework (APF).

The first meeting, held in Montreal earlier this year, identified the need for a coordinated pork strategy. Subsequent meetings in Toronto and Winnipeg addressed the review and prioritization of pork export markets around the world, competitive advantages and disadvantages of the Canadian industry, and began a process to develop a list of industry attributes that are necessary to promote.

This roundtable also provided a valuable forum for the review of current issues including: the impact of the BSE incident on the pork sector; use of meat and bone meal in swine diets; Canadian live slaughter hog exports; and diminished slaughter capacity in Canadian hog processing plants.

Animal Welfare Working Group

Sask Pork is represented on this national committee by Florian Possberg. Other working group members include Edouard Asnong (Quebec), Ron Douglas (Ontario), Stephen Moffett (New Brunswick), Harold Gonyou (PSCI), Tina Widowski (U of Guelph), Renee Bergeron (U of Laval), Paul Hodgeman (Alberta Pork), Penny Lawlis (Ont Ag Dept) and Martin Rice/Catherine Scovil (CPC).

The purpose of the committee is to develop an animal welfare program for the Canadian hog industry and to:

- a) ensure responsible care of hogs produced for food
- b) assure the general public
- c) work with industry partners and other concerned parties
- d) Pro-actively set industry standards.

The world's hog industry has been significantly affected by animal welfare issues. Dry sow stalls, bare floors, slats, lighting, castration, tail docking and farrowing crates are practices that have come under scrutiny in a number of countries. North American meat production practices have been a 'hot button' pushed by radical anti-meat groups wishing to shut down animal farming.

The Committee's goal is to defend practices necessary to good animal care. Practices that cannot be defended need to be addressed. This includes weeding out those producers who do not provide acceptable care.

CPC has continued to develop a manageable, onfarm animal care standard for Canadian hog producers, and draft 2 of the On-farm Welfare Standard was presented to the Canadian Pork Council Board of Directors for their review this year.

Incorporating animal welfare into the CQA® program appears to be the most auditable and cost effective approach. Implementation is targeted for January 1, 2004.

BSE and the Pork industry

Since the announcement of the BSE incident, the Canadian Pork Council has participated in activities and measures to mitigate further impact on the Canadian pork industry.

As a result, the Canadian Food Inspection Agency (CFIA) remains committed to the use of porcine meat and bone meal as a safe ingredient for animal feed. While the pork industry uses very little of the meat and bone meal in rations, the principle of determining regulations based on sound science was very important to be upheld.

Annual General Meeting

Representatives of all 10 provincial hog organizations met for two days in July to discuss national issues including: food safety, animal care, the environment, business risk management, animal health and traceability, and international trade. Other areas addressed were communications, nutrition and industry liaison activities. Leon Lueke and Walter Yates attended on behalf of Sask Pork.

Safety Nets

Business risk management has been a hot topic over the course of the year. The CPC has continued to monitor the meetings of federal, provincial, and territorial agriculture ministers relative to farm support programs.

Country of Origin Labeling

The 2002 U.S. Farm Bill currently requires that as of September 24, 2004 all fresh and frozen muscle cuts of beef, veal, lamb, pork, fish, fresh and frozen fruits and vegetables and peanuts need to be labeled at retail as to their country of origin. The Canadian hog industry action group on COOL meets regularly via conference call to develop means to having COOL revoked or modified to become voluntary rather than mandatory.

Traceability

In July, the CPC Board of Directors approved the 3year CPC Traceability Strategy and Business Plan to develop a national traceability system. Activities will include data transfer and collection requirements; development of a national swine slaughter database: geo-referencing and allocating ID numbers; developing live animal tracking guidelines and ID systems; consultations with stakeholders; communicating information on the national system to Canadian pork producers, processors and truckers; development and implementation of a traceability regulation and required finally adjustments to the program.

Pilot studies expected to be carried out over the next year, will be conducted to test the cost and efficiency of individual and lot identification systems.

Greenhouse Gas Initiative

In April of 2002, Minister Vanclief of Agriculture and Agri-Food Canada announced a \$21-million national Greenhouse Gas Mitigation Program for Canadian Agriculture. The program encourages producers to adopt best management practices that reduce GHG emissions and have economic benefits for producers.

For example, producers can lower crop production costs and reduce GHG emissions by improving the

efficiency of fertilizer use. A GHG Mitigation Advisory Committee established under the program recommends the best management practices. In addition, the program measures and verifies the effectiveness of these practices to reduce GHG emissions.

The following two applications were approved under the Canadian Pork Council: Greenhouse Gas Mitigation Program for Canadian Agriculture:

Demonstration of the Benefits of Swine Manure Injection on Annual Crops

Applicants: Prairie Agricultural and Machinery Institute, Gordon Hultgreen, M.Sc, P.Ag., Sask Pork, Neil Ketilson, General Manager

Objective: To demonstrate the best management practices (BMP) for injecting liquid swine manure for annual crop production. In addition to the BMP, the demonstration will also show the negative agronomic effects of one application of swine manure. It is the intention of the project to maximize the exposure of the demonstration to hog producers, farmers, agricultural professionals and the general public.

In the spring of 2003, PAMI, with the assistance of the University of Saskatchewan, applied manure to 8 Agri-Arm sites and one PAMI site at Humboldt.

The liquid manure was pre and post-emergent coulter injected at a number of application rates using the PAMI liquid manure injection truck into annual cropland at seven locations and into brome/alfalfa pasture at Scott.

At each sites, the plots were signed and PAMI and Sask Pork conducted tours throughout the summer.

An Integrated Approach to Demonstrate Reduced Greenhouse Gas Emissions from Intensive Swine Operations

Applicant: Prairie Swine Centre Inc. Lee Whittington, B.Sc., M.B.A., Manager – Information Services

Objective: The earthen manure storage facility (EMS) at the Prairie Swine Centre Elstow site will be covered with negatively pressurized cover system provided by Encon Technologies Ltd. in the summer of 2003. Monthly measurements of GHG and odour emissions will be taken to provide producers with results on the efficiency of emission abatement.

Strategic Focus 2: Production Units

Public Policy

Over the year the Board of Directors, industry stakeholders and management had the opportunity to meet on a number of occasions with the provincial Deputy Minister and Minister of Agriculture to convey the pork industry's concerns on the following issues:

- Occupational Health and Safety (OH&S) Standards
- Farm Support Review Programs (new NISA)
- Extension to the Province's Short Term Hog Loan Program
- Cash flow and negative profitability for producers in light of uncharacteristically low prices and high feed grain prices resulting from the drought conditions.
- New grants or loan programs should treat all producers equally and be universally applied.
- Impact of the BSE crisis on the pork industry
- Rendering
- Deadstock removal
- Market implications and trade barriers
- Slaughter capacity and hook space
- Feedback on the Canadian Agriculture Income Stabilization (CAIS) Program
- The Agricultural Policy Framework and Impact on the livestock industry
- To reinforced the competitive advantages of hog production in the province
- Government support for industry expansion

In order to enhance policy development, Sask Pork struck two new committees of the Board in 2002: *Producer Operations* and *Public Policy*. Issues and concerns identified at these meetings were taken to the provincial government.

Sask Pork continues to work closely with the staff within the Livestock Development Branch of Saskatchewan Agriculture, Food and Rural Revitalization on regulatory issues surrounding intensive livestock production. Occupational Health and Safety, Labour Standards and Workers Compensation remain critical areas of interest for Sask Pork. The last year has seen the hog sector come under the Labour Standards. New occupational health and safety guidelines are being proposed by Saskatchewan Labour. Members of the pork industry provided input to the proposed guidelines in March of 2003 and again this summer and we will continue to monitor developments to ensure fair and manageable application of the guidelines.

Canadian Quality Assurance[®] Program

Saskatchewan producers are committed to the health and safety of their animals and the food they produce. The Canadian Quality Assurance® program developed through the Canadian Pork Council and delivered in Saskatchewan by Sask Pork is an important tool in ensuring that the products that come from our farms are safe and wholesome. The CQA® program is HACCP based and it combines good production practices with careful record keeping that is verified by trained third party validators. This program is the important first step in supplying high quality products to the tables of our customers.

At July 31, 2003, 745 Saskatchewan producers were registered in the CQA® program. Of these producers, 417 were currently validated and marketed 86% of the hogs sold from Saskatchewan farms. We are pleased with the uptake of this voluntary program given the trend of packers moving towards purchasing only hogs raised under the CQA® program.

Sask Pork participates on the national CQA[®] advisory committee and technical working group to ensure that the program is effective and workable for our producers.



Over the past year, the Canadian Pork Council (CPC) through the CQA[®] Working Group, continued to work with the Canadian Food Inspection Agency (CFIA) to achieve technical recognition of the CQA[®] program. Recognition by the CFIA would significantly benefit domestic and export markets. The results of this process are expected in 2004.

National Standards for Environmental Management Systems

In September 2002, the CSA drafted national standards for environmental management systems for hog operations. The standards were developed by the CSA Technical Committee and its Pilot Study Task Force. Saskatchewan producers were represented on the national environmental management systems committee by Dr. Claude Lague (Sask Pork Chair in Environmental Engineering, U of S) and Marten Wright (Quadra Group).

The CSA believes that the Canadian pork industry will benefit by implementing the voluntary standards as it will allow producers to set environmental targets and objectives, develop environmental plans in the areas of manure management, odor and dust control and mortalities management. It will also provide producers with the means to benchmark their particular production unit and assess their performance against set objectives thereby resulting in improved efficiencies.

In the fall of 2002, the Canadian Pork Council was invited to submit the names of potential swine production units that would participate in a 6month pilot study to test the standards and provide feedback to the CSA. The draft standards, CSA Z771 (EMS for Hog Operations: Requirements) and CSA Z772 (EMS for Hog Operations: Guidance) were offered for public and industry review.

The Saskatchewan production units selected to participate in the pilot study were: Big Sky Farms (Humboldt), Marval Acres (Hepburn), Fairway Farms (Naicam), Quadra Group (Rosthern) and Dixon Farms (Humboldt). Their feedback was provided to the CSA Technical Committee in April 2003. Results from the study were incorporated into the draft standards with the revisions completed in June. At that time the standards were subjected to a third party audit to test the operational feasibility and identify areas that might be difficult for individuals to interpret.

The CSA Technical Committee is scheduled to meet in September 2003 at which time the standards will go to CSA editing and production for final edits.

Short Term Hog Loan Program

Following consultations with the industry, the Province of Saskatchewan established the 2002-2003 Short Term Hog Loan Program to assist hog producers through a period of low hog prices and high priced feed supply (due to drought).

The program, designed similarly to the 1998 Short Term Hog Loan Program, provides loans to producers based on the difference between weekly cash prices and a base rate of \$145 per 100 Kg (108 index), with a maximum loan of \$50 per slaughter hog and \$10 per weanling. Producer loans are paid back when prices exceed \$150 per 100 index 100 kgs or over 3 years on remaining amounts after April 2004.

The program was in place from September 3, 2002 to April 30, 2003. As of July 31, 2003 a total of \$14.6 million was loaned to 107 of the province's hog producers.



The Saskatchewan Short-Term Hog Loan Program introduced in November 2002.



The Canadian Agricultural Income Stabilization (CAIS) Program

The Federal and Provincial governments have been negotiating changes to the current NISA and CFIP programs for the past couple of years. Under what is referred to as the Agricultural Policy Framework, a farm safety net program (CAIS) has been developed. Modeled as a combination of NISA and CFIP programs, the new CAIS program will provide producers with shared income stabilization on individual producer gross margins. The new CAIS program removes the eligibility restriction for ownership and significantly increases the maximum payment to \$975,000. While the Federal government continues to move towards implementation, they did not have the sufficient provincial government support at the time of writing, to have the program become law.

Sask Pork has indicated its support for the adoption of the new program. A comparative spreadsheet was developed by Sask Pork for use by producers to allow them to assess how they fair under the new program (CAIS) compared to CFIP and the old NISA.

CARDS Funded Projects

Pork Industry Traceability Study

CARDS Project S300 - Approved February, 2003

The events of this past May with the devastation of the cattle industry as a result of a single BSE case in Alberta, has certainly underlined for all livestock sectors the importance of disease preparedness and reliable trace back systems.

In February, Sask Pork received funding approval from the Canadian Adaptation and Research Development Saskatchewan (CARDS) to carry out a feasibility study on traceability in the pork industry. This particular project was developed as a result of the Canadian Pork Council's initiative to develop a national traceability program for the pork industry. The project was set up to identify all available options for a workable system within Saskatchewan. This would include identifying all hog locations, movement and related data currently available in the province but not housed in a single location. Of importance was the ability to identify gaps in the current data and recommend a traceability system functional for Saskatchewan and consistent with a national program.

Project activities completed at July 31, 2003:

- Orientation and review of national and international traceability objectives;
- Review of materials and applications from vendors and other industry organizations (what kind of material);
- Participation on the Canadian Pork Council Traceability Working Committee;
- Development of an addendum for national pilot studies to include the tracking of group ID's as a scenario;
- Extensive re-design of Sask Pork's database has been completed;
- Plans are underway to have 300 Saskatchewan pork producers participate in a survey developed by the Canadian Food Inspection Agency (CFIA) relative to hog movement and species co-mingling.

Sask Pork has succeeded in obtaining provincial and national recognition for its ability to cooperate and contribute to the development of a complete, national program. The degree of expertise in traceability solutions and tool development have allowed the organization to become a key player in the traceability areas. At July 31, 2003 Sask Pork was acting as provincial contact for the CFIA study "Spread of Disease with Trade and Movement of Animals" and is a member of the Canadian Pork Council National Hog Identification and Traceability System Working Committee.

Sask Pork is dedicated to working with the Canadian Pork Council to develop a national system that is simple and inexpensive but meets the requirements of industry, government and trading partners.

Staff Training for Pig Skills

DNL Farms Ltd. CARDS Project S315 - Approved June 19, 2003

The Saskatchewan pork industry has seen exceptional growth over the past number of years. In 1997, production was below 1 million hogs per year. In 2003 production is expected to exceed 2 million hogs. This growth has resulted in an increase in the number of integrated production units that employ between 6 and 40 staff per unit. Staff training is crucial to assure consumers that the pork products they consume are quality products produced in a safe and humane manner.

The growth in our industry, and the resultant staff training requirements, presents challenges in finding skilled labor. Many production units conduct in-house training requiring access to video training and distance education.

The objective of this 2-year project is to produce 45, 5-minute staff training videos in both CD Rom and VHS formats to supplement on-farming training and provide the pork industry with video footage to develop individual training packages. Through consultation with producers it was determined that this type of education material would enhance current training programs.

The program was developed to complement Pig Production Training Ltd. (PPT) who have an exhaustive set of training manuals that are widely used in the swine industry. Sask Pork was instrumental in having PPT accepted as part of the Job Start/Future Skills program. While some American universities have undertaken similar projects, none are related to the specific skills addressed in this particular project. Year 1 of the project will entail gathering footage on 22 topics and editing the materials. It is planned that 22 videos will be completed for introduction to swine veterinarians at the Western Swine Practitioner's Conference in September 2003.

Industry Development

Sask Pork developed a series of fact sheets and hand-outs, with the assistance of Saskatchewan Agriculture, Food and Rural Revitalization, for distribution at the following community, environmental and rural municipality meetings. Sask Pork participated in the following meetings:

- Churchbridge, McNutt and Swift Current -March 2003;
- Provincial Council of Agriculture Development and Diversification ADD Boards for Saskatchewan Inc. (PCAB) Environmental -February 2003;
- Yellowhead REDA, Langenburg April 2003;
- Concerned Citizens Committee, Foam Lake February 2003;
- Watson and Swan Lake April 2003
- Community Meeting, Colonsay June 2003.

Sponsorships and Memberships

- Farm Animal Council of Saskatchewan;
- Members of the Prairie Feed Resource Centre;
- Sponsorship of Youth Can! Conference organized by the Saskatoon and District Chamber of Commerce in October;
- Sponsorship of Prairie Swine Centre Inc.'s Focus on the Future Conference in March.



Strategic Focus 3: Industry Development and Community Relations

Communications

In April 2003 Sask Pork undertook a review of its industry communications program to assess shortfalls in the program and develop a more focused plan that would be phased in over the next two years. The revised plan will focus in large part on developing a public education program.

The fact sheets addressing industry issues, that were developed in cooperation with Saskatchewan Agriculture and Food and Rural Revitalization, include in-depth, science based data on odour, manure management, water quality, economics and community benefits of hog operations. They will form the basis for ongoing brochure development.

Sask Pork will also continue to sponsor the Farmscape program as this provides an excellent vehicle for informing the public of innovations and successes in the pork industry.

Industry Video Development

Work began over the summer to develop a Saskatchewan pork industry video and corresponding print materials. An abbreviated version of the video will be created for use at the Pork Industry Interpretive Centre. A coordinator was engaged to shoot footage for the video and we have applied for complementary funding to assist with the development costs. It is expected that the video will be completed in November or December 2003.

Website

This year extensive upgrades were made to Sask Pork's website <u>www.saskpork.com</u> to facilitate easier navigation through the site and to allow us to upload significantly more information from inhouse.



Sask Pork launched the revised website in May 2003. By July the site was attracting more than

4,300 visitors per month, with the recipes section pulling in 33% of the hits!

In April, Sask Pork began producing a weekly email report for distribution to the Board of Directors, Sask Pork's committees, members of the research community and industry stakeholders. The report has been well received and is available to members upon request.



Forum is produced monthly and mailed to producers and industry stakeholders. It is also available at www.saskpork.com The *Forum* newsletter was expanded to monthly distribution and is currently produced in house. This has resulted in a significant cost saving for the organization.



The George Morris Centre has been engaged to produce a quarterly Canadian Market Outlook and Commentary that is distributed as an insert to the newsletter.

In the spring of 2003, Sask Pork published a 4page industry report and analysis on COOL Facts, U.S. Country of Origin Labeling.

All Sask Pork publications are available on the website.

Pork Industry Interpretive Centre and Viewing Gallery

As part of the in-kind contribution to the Pork Industry Interpretive Centre, Sask Pork provided resource materials and promotional items for distribution at the Viewing Gallery and provided staff to assist with special events and tours including the "Family Day" celebration on Saturday, June 21 and Ag in the Classroom tour on July 7.

On April 24, following the Focus on the Future



"Pig in a Blanket" and "What's the Pig Idea" welcome visitors to the Pork Industry Interpretive Centre. Sask Pork donated the pair to the Viewing Gallery. The larger than life pigs were purchased by Sask Pork at the 2002 Pigs in the City Hog Wild Auction.

Conference, the industry had the opportunity to view the Interpretive Centre and Viewing Gallery. Approximately 75 pork producers, service industry, government representatives and neighbours from the Elstow area were the first to glimpse the new facility. Designed as an 'open door' to the pork industry, the facility provides the public with a 'birds eye' view of life on the farm in a typical hog operation. The Grand Opening is slated for fall 2003.

Canadian Western Agribition

November 2002

Sask Pork participated in the 2002 Agri-Ed Showcase. Kits containing age appropriate industry resources was provided to teachers. The booth boasts a large table top model of a modern pork production unit and two live piglets.

The Agri-Ed display provides us the opportunity to promote the pork industry and the Pork Industry Interpretive Centre to more than 300 Saskatchewan teachers over the week and more than 8,000 K-8 students over the week long exhibition.

As part of our participation, Sask Pork also sponsored the following events:

- International Reception
- Cut Above Event
- Little Gobblers Cooking Club
- Saskatchewan Agriculture and Food's "Taste of Saskatchewan"



- Saskatchewan Meat Processors Association (SMPA) "Cured Meat Competition"
- Product demonstrations at Prairie Cuisine
- SIAST Retail Meat Cutting Education Cooler which featured two sides of pork supplied by Big Sky Farms and Mitchell's Gourmet Foods.

The Agri-Ed display is in need of a major update to more accurately portray modern hog production. Sask Pork has applied for complimentary funding to assist with development of new backdrop graphics and to incorporate interactive elements into the booth. It is hoped that we will receive funding in August to allow us to accomplish the re-design in time for the Agri-Ed Showcase in November.

Articles Published

The Pig Business is BIG Business Saskatchewan Business Magazine –Top 100 Companies Issue July 2003

Reprint of The Heart of the Matter – The Facts on Intensive Pork Operations Manure Manager Magazine June 2003

Article on *Biodigester Demonstration Project Undertaken at Cudworth Pork Farms* Western Hog Journal June 2003

The Heart of the Matter article on Saskatchewan pork industry Western Producer April 2003

Pork Industry Traceability Study - Protecting Saskatchewan Producers SCCD Newsletter March 2003

Pork Expo 2003 – Celebrating 25 years Western Producer March 2003

One page article on *Public Communications and On-Farm Policy Development* Focus on the Future Conference Proceedings March 2003 Pork Month Feature Full page article (product promotion and Pork Industry Interpretive Centre and Sask Pork Viewing Gallery) Saskatoon Star Phoenix February 2003

Letter to the Editor in response to a September 26, 2002 article entitled *Factory Hog Producers Can Learn from Europe* Saskatoon Star Phoenix October 2002

Media Interviews

Swine industry officials say that until hog prices rebound producers will not be able to repay loans CKCK - TV Joan Steckhan May 16, 2003

Call in program on Opposition to hog industry development John Gormley Live Neil Ketilson May 12, 2003

New contract at hog plant cheers producers The Western Producer Neil Ketilson May 1, 2003

Mitchell's strike set for next week Regina Leader Post Neil Ketilson April 24, 2003

Possible strike at Mitchell's Gourmet Foods Aginfonet.com Neil Ketilson April 16, 2003

Producers concerns over potential for plant to close as a result of strike. Mitchell's Gourmet Foods Neil Ketilson

CKSW Radio program on *Canadian Farm Income Program* Chairman Leon Lueke participated in call-in program September 2002



Farmscape Programs

Unjustified Fear of Rendered Meat and Bone Meal in Swine Feeds Create Concern for Hog Producers Neil Ketilson July 21, 2003

Sask Pork Prepares to Launch National Traceability Ervin Lowe February 25, 2003

Sask Pork Endorses Proposed CQA Animal Welfare Catriona Shinkewski February 11, 2003

Saskatchewan Hog Producers Urged to Apply for Loans Quickly Neil Ketilson December 12, 2002 Sask Pork Slashes Producer Levy on Market Hogs Neil Ketilson November 19, 2002

Saskatchewan's Short Term Hog Loans Expected to Reach Farmers Next Month Neil Ketilson November 08, 2002

CQA Officials Target Increased Weanling Producer Participation Catriona Shinkewski October 28, 2002

Sask Pork Expects Increased CQA Validations as Fall Work Concludes Catriona Shinkewski October 22, 2002

Sask Pork's New General Manager Sets Priorities Neil Ketilson September 24, 2002

Revised Saskatchewan Labor Standards Act Impacts Pork Producers Joan Steckhan September 12, 2002

Sask Pork Wraps Up Canadian Quality Assurance Audit Catriona Shinkewski September 06, 2002

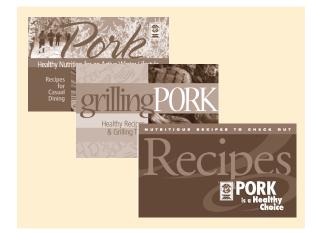
Newsletters & Media Releases

July/August 2002 Forum October 2002 Forum November 2002 Forum December 2002 Forum January 2003 Forum March 2003 Forum April 2003 Forum Market Outlook - May 2003 May 2003 Forum June 2003 Forum Industry Update - COOL Facts - July 2003 July 2003 Forum September 9, 2002 – News Release - New General Manager for Sask Pork April 16, 2003 - News Release - Producers Anxious over Possible Strike at Mitchell's Gourmet Foods January 10, 2003 – News Release - Saskatchewan Pork Check-Off Reduced to 75 cents

Product Promotion

Retail Program

Three recipe booklets were produced this year; Grilling Pork-Healthy Recipes & Grilling Tips; Health Check Recipe Card and Healthy Nutrition for an Active Winter Lifestyle. Recipes were installed by News Marketing Canada in 88 grocery retail outlets in October, January and May to tie in with seasonal promotions.



The fall retail newsletter was mailed to all retail grocery outlets in our database along with the latest recipe booklet and information on all point of sale materials available.

Recipe cards are developed in partnership with the other provincial organizations, notably Manitoba Pork Council

We continued to provide funding to retailers to conduct in-store demonstrations of pork products. Retail material requests are filled regularly.



Sask Pork continues to participate in the Heart and Stroke Foundation Health Check^{™™} program.

Trade Shows

Federated Co-Op "Marketing Expo 2003" June 2003

Sask Pork and Alberta Pork were invited to participate as exhibitors in the exciting *Magic of Retailing* show that formed part of the Cooperative Retailing System's 75th Anniversary. More than 3,000 retail, TGP and corporate representatives visited the trade show which provided tremendous opportunity to network with retail meat representatives from Alberta, Saskatchewan and Manitoba.

Premiere Food & Wine Festival September 2002

This was Sask Pork's fourth year participating in this 3 day show that features the best of new Canadian wines, spirits and specialty foods. Professional chefs create gourmet delights that showcase pork's versatility. 5,000 tickets are sold for the event each year.

Taste of Saskatchewan Regina April 2003

Sask Pork partnered on a booth with Danbry's Contemporary Cuisine in Regina to provide pork samples and consumer information. This show is similar to the annual Premier festival held in Saskatoon.

Child Hunger and Education Program (CHEP) Nutrition Positive Project

Sask Pork has been a major sponsor of this program since 2000. Local schools participate in the program by incorporating positive nutrition choices. This includes replacing soda pop and candy with healthy snacks. Each school must make a presentation on it's successes in May of each year at the wind-up celebration.

Our sponsorship provides pork nutrition materials to nutrition counselors and \$35.00 in pork products for schools to conduct cooking classes with the children to teach them to prepare easy, nutritious snacks from all food groups.

Other Sponsorships

- Friendship Inn Easter Dinner Sask Pork and Mitchell's Gourmet Foods donated hams for supper.
- Estevan Art Gallery & Museum donated resource materials for an interactive agriculture display at the during Art Education Month in May
- Saskatchewan Institute of Agrologists Saskatoon Branch Golf Tournament - donation of raffle items in June.
- Win the Bin" Sponsorship, donation of pork product and raffle prizes for the annual "event in Swift Current in July.
- Saskatchewan Meat Processors Association -\$500 sponsorship towards purchase of Awards for SMPA Annual Meeting in February



Volunteers from CKSW AM 570 in Swift Current sport Pick Pork aprons, while they serve up delicious pork-on-a-bun for attendees at Win the Bin 2003.



Larry Erber of the Saskatchewan Meat Processors Association presents the 2002-2003 Sask Pork Bursary to Carman Domes. The bursary is awarded to the top student in the SIAST Retail Meat Cutting Program.

- SIAST Retail Meat Cutting Program Sask Pork Award - \$250 presented to a retail meat cutting student who demonstrates excellence in producing innovative pork cuts and presentation and merchandizing skills.
- Donation of pork products and fundraising items for a number of community dinners, festivals and sporting events throughout the province.



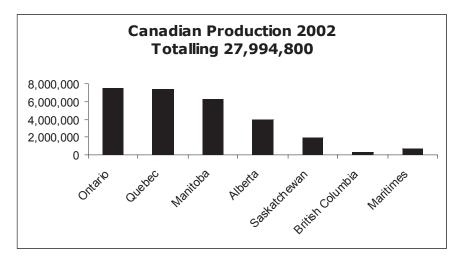
Sask Pork has a two-page "Recipe Blueprints" feature in each issue of Renovations -Saskatchewan Home Improvements & Design.

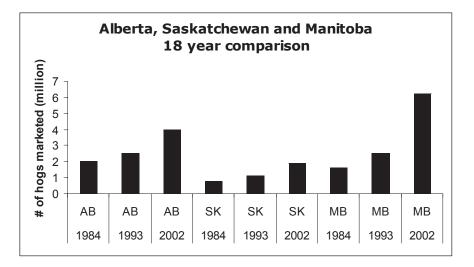
Product Advertising

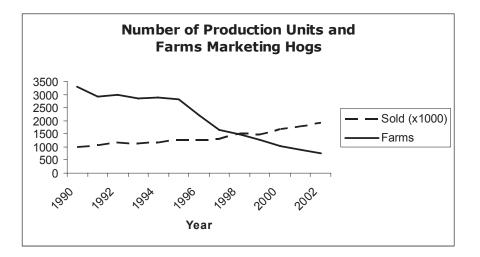
- Saskatchewan Renovations Magazine The Recipe Blueprints section is a regular feature of the magazine and Sask Pork has booked this space from 2002 through to January 2004. The publication is distributed free at all Safeway stores, 7-11, Revelstoke, Canadian Tire, Co-Op Home Centres and Peavey Mart.
- January 2003 Health Check National In-store Promotion Program. The Health Check recipe card was reprinted and installed in the stores to complement in the Health Check in-store program.
- February is Pork Month. Full pages ads were taken out in the Star Phoenix and Leader post featuring consumer information and an extensive write-up on the Pork Industry Interpretive Centre.
- Sask Pork continues to benefit from the "Super Trim" label program exclusively managed by Alberta Pork. The labels are displayed on fresh pork packaging in Super Stores and provide nutrition information as well as directing consumers to the www.trypork.com that provides lines to the three provincial pork organizations.
- Saskatchewan Meat Processors Association Forum Magazine – September 2002.
- St. Gregor Community News Regular bimonthly recipe feature.
- Recipes reprinted in Saskatchewan Council for Community Development monthly newsletter.



Industry Statistics









Financial Accountability

It is the fiduciary responsibility of management to ensure proper and responsible administration of Sask Pork's finances and to report the annual financial results to producers. In keeping with this responsibility, the following pages contain Sask Pork's audited financial statements for the year ended July 31, 2003 and are discussed below. We are pleased to report we have again received a clean opinion from our external auditors, Deloitte & Touche LLP. The statements presented reflect actual numbers for 2002-2003 as well as our budgeted numbers for the same year with the prior year comparative.

Statement of Financial Position

Sask Pork continues to maintain a strong financial position, providing stability for the organization. Cash and investments are managed to provide the best returns for producers while ensuring reasonable liquidity, access to cash to meet obligations and security of funds. Other reported assets and liabilities are in line with prior years and continue to exemplify smooth and responsible financial management.

Board policy stipulates the organization will maintain unrestricted retained earnings to a value of one million dollars to be used by the Board should special circumstances arise. Currently, this fund has met its threshold at \$1,195,321 up from \$988,979 last year. As the Board is confident necessary funds exist to maintain corporate operations and intends to continue to use producers' funds responsibly, there is no intention for this fund to continue to grow. Board policy also provides for the internal restriction of net assets relative to any surpluses from the Symposium/Expo programming operated with our partner, the Livestock Development Branch of Saskatchewan Agriculture, Food and Rural Revitalization. The funds accumulated over the preceding five years will be spent to the benefit of the producers by this partnership in the future.

Statement of Operations

The Statement of Operations includes both actual and budgeted revenue and expenses for the year in addition to the comparative with 2001-2002. The inclusion of the budget numbers is intended to communicate to producers how well the organization managed to plan activities and then executed that plan during the year.

Revenue

Reflective of the fact that Sask Pork is a producer organization, the majority of annual revenue is generated by the hog check-off. While there is a need for the organization the generate revenue to carry out requested and required services for producers, management has made great strides in being responsive to producer input and fiscal responsibility. In January 2003, the check-off was reduced from 90 cents to 75 cents, the lowest in the country. While actual hog sales exceed estimates, resulting in actual income being greater than budgeted income, the organization collected \$26,721 less from producers than the prior year.

Conference fees are specifically related to revenues collected through Pork Industry Symposium and Pork Expo programming. Both programmes continue to enjoy producer and supplier support, providing revenue for the partnership to provide services.

Government grants received by Sask Pork fund two specific programmes. The majority of funding is from the Agri-Food Innovation Fund (AFIF), providing research dollars to the scientific community and is aimed at improving operations in line with our research priorities. All funds provided through this sustainability fund have been allocated and will be paid out in the forthcoming year. Additional dollars were provided by AFIF to assist in financing first time Canadian Quality Assurance® validations. This programme expired in March 2003. The Canadian Adaptation and Rural Development Fund provides funding in a variety of areas. Funding received in 2003 is attributed to an ongoing traceability and slaughter database development project. Funds provided in 2001-2002 was for a one-time research project.

The end result for the year, was a decline in overall revenue collected while still meeting all financial obligations and providing services to producers at a reduced cost.

Expenses

Sask Pork invests its budget in three primary areas – research funding, producer services and operations and governance – the latter two facilitating the execution of the first two. Approximately one third of the budget is applied to each area. Over the last two years, expenses have generally remained consistent, noting specific decreases in operating costs. Research funding and other programming comprised 72% of expenses (compared to 69% the prior year) and operating and governance costs amounted to 28% (compared to 31% the prior year).

Research funding is a mainstay of Sask Pork's activity and continues to be an area of significant commitment. Details of funded projects are found in the body of the annual report. Progress reports and research results may be obtained by contacting the Sask Pork office.

Sask Pork carries out a wide variety of other programming. While there was a decrease in direct expense, indirect staff expenses in terms of time increased. Of significance in the year of reporting was increased attention on policy related work. By way of examples, within the National Services portfolio, while direct validation declined, there was increased staff time placed in addressing issues such as changes to the Occupational Health and Safety Regulations, Transport regulations and medicated feed regulations. Policy work around the development of a national traceability system commenced. Also during the year, there was significant attention placed on safety net changes and addressing increased attacks on the hog industry.

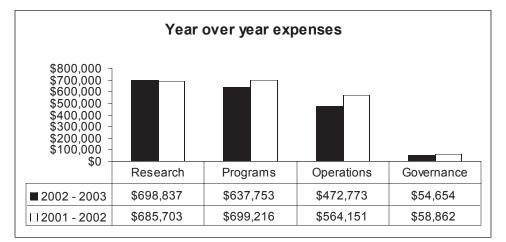
There was also an increase in resource allocation in the promotion of the industry both locally and internationally. Locally, the Promotions programme increase of approximately \$16,000 has netted increased product awareness. Internationally, the Canadian Pork Council introduced a new Japanese marketing project along with a levy to fund it. While this caused an unforeseen increase in expense in Industry Association fees, it is anticipated new market access will pay off in the future.

Operating costs saw a 3% decrease over last year. With some structural and organizational changes, management feels there has been an opportunity to reduce costs while providing more specific and hands on service.

Governance costs also saw a moderate decline in real terms. This is as result of increased organizational stability with the Board being able to direct more attention to policy and industry issues.

Payee List

The Agri-Food Council requires organizations like Sask Pork to identify in their annual report specific payments made over the course of the year. An example is the disclosure of payments to the Canadian Pork Council for their services that cost \$177,748 (see Industry Association on the Statement of Operations). Sask Pork did not make any payments over \$50,000 other than research payments as disclosed on pages 7 and 8.





Directors' and Committee Members' Remuneration and Disbursements

Sask Pork 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 to directors for their service.

DIRECTORS	Per Diem	Expenses	TOTAL
Cliff Ehr	Ø	Ø	Ø
Neil Ketilson (Aug-Sep)	Ø	\$823	\$823
Joe Kleinsasser	\$800	\$641	\$1,441
Leon Lueke	\$11,950*	\$2,805	\$14,755
Jerry Pfeil	\$4,735**	\$838	\$5,573
Judy Ulrich	\$2,900	\$1,940	\$4,840
Walter Yates	\$6,160*	\$5,720	\$11,880
Total	\$26,545	\$12,767	\$39,312

* Included in the per diem was a monthly honorarium of \$600 paid to the Chairman.

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

In addition to director payments, Sask Pork compensates committee members for attendance and expenses incurred to attend meetings. Committee members were paid a total of \$14,189 in per diem and expenses. Other payments, totaling \$1,153 were made to facilitate meetings and communications with Directors and Committee members.



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AUDITORS' REPORT

TO THE MEMBERS OF THE LEGISLATIVE ASSEMBLY OF SASKATCHEWAN

We have audited the statement of financial position of Sask Pork as at July 31, 2003 and the statement of operations, of changes in net assets and of cash flows for the year then ended. These financial statements are the responsibility of Sask Pork'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 Sask Pork as at July 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

eloitte i Touche LLP

Chartered Accountants

September 26, 2003





SASK PORK STATEMENT OF OPERATIONS year ended July 31, 2003

	Budget (Unaudited) (Note 12)		-			July 31, 2002
	X	,				
REVENUE	¢	1 554 000	•	1 (17 004	¢	1 (1 4 5 2 5
Hog check-off	\$	1,554,000	\$	1,617,804	\$	1,644,525
Government grants (Note 9)		329,158		240,376		291,830
Conference fees		214,000		164,718		162,605
Interest		32,182		26,379		18,128
Other	_	2,185		20,255		13,961
	-	2,131,525		2,069,532		2,131,049
EXPENSES						
Research, including Prairie Swine Centre		812,752		698,837		685,703
Salaries and benefits		387,066		363,834		398,885
Industry association		160,749		177,748		142,709
Conferences		183,750		161,368		141,763
Operations / office		103,440		101,745		135,182
Communications		165,860		87,588		138,054
Industry development		34,200		69,199		10,752
Promotions		60,770		58,622		42,537
Directors and delegates / committees		71,500		54,654		58,862
Public policy development		38,625		34,714		147,001
Organizational development		19,080		18,978		19,436
Travel - Schedule 1		31,070		17,681		32,345
Amortization		11,275		12,615		10,903
National services		28,450		11,855		24,619
Bad debts (recoveries)		-, -, -		(5,421)		(4,900)
Special projects		_				24,081
1 1 J	_	2,108,587		1,864,017		2,007,932
EXCESS OF REVENUE OVER EXPENSES	\$ _	22,938	\$	205,515	\$	123,117

See accompanying notes to the financial statements



		July 31, 2003	July 31, 2002
CURRENT ASSETS			
Cash Short-term investments Accounts receivable Prepaid expenses CAPITAL ASSETS (Note 3)	\$	271,608 \$ 1,082,406 205,032 67,342 1,626,388 11,203 1,637,591 \$	48,111 1,068,353 249,385 67,285 1,433,134 12,360 1,445,494
CURRENT LIABILITIES	Ψ		1,113,17
Accounts payable and accrued liabilities Deferred revenue (Note 5)	\$	232,438 \$ 158,559 390,997	267,656 136,759 404,415
NET ASSETS			
Internally restricted net assets (Note 6) Unrestricted net assets	\$	51,273 1,195,321 1,246,594 1,637,591 \$	52,100 988,979 1,041,079 1,445,494
See accompanying notes to the financial statements			

SASK PORK **STATEMENT OF FINANCIAL POSITION** as at July 31, 2003

APPROVED ON BEHALF OF THE BOARD

deon huele Director Ang. P.f. Director



	July 31, 2003	July 31, 2002
UNRESTRICTED NET ASSETS		
Balance, beginning of year as previously reported	\$ 988,979	\$ 919,509
Prior year adjustment	-	(32,805)
Balance, beginning of year as restated	988,979	886,704
Excess of revenue over expenses	205,515	123,117
Transfer from (to) internally restricted net assets (Note 6)	827	(20,842)
Balance, end of year	1,195,321	988,979
INTERNALLY RESTRICTED NET ASSETS		
Balance, beginning of year	52,100	31,258
Transfer from (to) unrestricted net assets (Note 6)	(827)	20,842
Balance, end of year	51,273	52,100
NET ASSETS, END OF YEAR	\$ 1,246,594	\$ 1,041,079

SASK PORK STATEMENT OF CHANGES IN NET ASSETS year ended July 31, 2003

See accompanying notes to the financial statements



SASK PORK						
STATEMENT OF CASH FLOWS						
year ended July 31, 2003						

	July 31, 2003			July 31, 2002
CASH FLOWS FROM (USED IN) OPERATING				
ACTIVITIES				
Excess of revenues over expenses	\$	205,515	\$	123,117
Adjustment for				
Amortization		12,615	_	10,903
		218,130		134,020
Changes in non-cash operating working capital items				
Accounts receivable		44,353		145,476
Receivable re Pork Industry Sustainability Project		-		223,629
Prepaid expenses		(57)		(29,033)
Accounts payable and accrued liabilities		(35,218)		38,044
Deferred revenue		21,800	_	75,723
	_	249,008	_	587,859
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES				
Disposal of capital assets		108		-
Purchase of capital assets		(11,566)		(8,948)
		(11,458)		(8,948)
NET INCREASE IN CASH		237,550		578,911
CASH POSITION, BEGINNING OF YEAR	_	1,116,464	_	537,553
CASH POSITION, END OF YEAR	\$	1,354,014	\$_	1,116,464
CASH DOSITION COMPRISED OF				
CASH POSITION COMPRISED OF	¢	271 (00	¢	10 111
Cash Short torm investments	\$	271,608	\$	48,111
Short-term investments	e –	1,082,406	<u>م</u>	1,068,353
	ð =	1,354,014	\$_	1,116,464

See accompanying notes to the financial statements



1. **DESCRIPTION OF BUSINESS**

Sask Pork 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, appointed by the Government of the Province of Saskatchewan.

The Pork Industry Development Plan Regulations allows Sask Pork to set and collect nonrefundable check-offs from any person engaged in the marketing of hogs in Saskatchewan. As of January 1, 2003 the hog check-off was reduced to \$0.75 per hog.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash is comprised of cash on hand and demand deposits.

Short-term investments are units of 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 known amount of cash and which are subject to an insignificant risk of changes in value.



2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Sask Pork capitalizes all assets with value 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	5 years

Grant Revenue and Research Expenses

Grant revenue is recognized when approved and eligibility criteria, if any, have been met.

Research expenses are recognized when projects are approved and the recipient has met eligibility criteria.

3. CAPITAL ASSETS

				Net Book Value			
			Accumulated	July 31,		July 31,	
	_	Cost	<u>Amortization</u>	2003	_	2002	
Computer equipment	\$	50,888	\$ 40,329	\$ 10,559	\$	8,641	
Furniture and equipment	_	17,029	16,385	644	_	3,719	
	\$	67,917	\$ 56,714	\$ 11,203	\$	12,360	



4. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown Corporations, departments, agencies, boards and commissions related to Sask Pork by virtue of common control by the Government of the Province of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of the Province of Saskatchewan (collectively referred to as "related parties"). Routine operating transactions with related parties are settled on normal trade terms or as agreed between the parties. These transactions and amounts outstanding at period end are as follows:

	_	July 31, 2003	_	July 31, 2002
Accounts payable	\$	23,931	\$	55,736
Deferred revenue		122,015		127,759
Government grants		211,707		244,080
Operating expenses		226,347		255,005

The following funds have been committed to related parties:

	 July 31, 2003	_	July 31, 2002
Saskatchewan Pork Industry Sustainability Program	\$ 85,333	\$	236,468
Other committed funds	64,167		132,167

5. **DEFERRED REVENUE**

Deferred revenue represents unspent resources received in the current period that are related to the subsequent period. Funds received for projects are recognized as revenue when the related expenditures are incurred.

5.	July 31, 2003	July 31, 2002
Deferred revenue, beginning of year Amounts received during the year Less amounts recognized as revenue	\$ 136,759 380,427	\$ 61,036 448,974
during the year Deferred revenue, end of year	(358,627) \$ 158,559	(373,251) \$ <u>136,759</u>

DEFERRED REVENUE (continued)

The deferred revenue at year-end relates to the following projects:

Partnership Funding	\$ 36,543
Pork Industry Sustainability Program	 122,016
	\$ 158,559

6. INTERNALLY RESTRICTED NET ASSETS

Sask Pork made an internal restriction of the net assets earned by the Partnership program, commencing in 1998. Surpluses generated from the joint programming of Sask Pork and the Livestock Development Branch of Saskatchewan Agriculture, Food and Rural Revitalization have been segregated for use to finance future projects.

7. RESEARCH COMMITMENTS

Saskatchewan Pork Industry Sustainability Program

The Province of Saskatchewan's Agri-Food Innovation Fund (AFIF), a related party, under the Saskatchewan Pork Industry Sustainability Program Agreement, has provided funding for research and development projects. As of July 31, 2003, Sask Pork was committed to provide the following funding to other parties to carry out research and development projects:

2004

\$<u>122,356</u>

Prairie Swine Centre Inc.

On June 22, 2000, 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 market hog sold by a Saskatchewan hog producer in the previous year:

January 1, 2003 – December 31, 2003	\$ 0.22 per pig
January 1, 2004 – December 31, 2004	\$ 0.21 per pig
January 1, 2005 – December 31, 2005	\$ 0.20 per pig



SASK PORK NOTES TO THE FINANCIAL STATEMENTS year ended July 31, 2003

7. **RESEARCH COMMITMENTS** (continued)

Other Committed Funding

The Board of Directors has also committed to provide research funding as follows:

2004	\$ 60,157
2005	38,990
2006	19,000
2007	12,000
	\$ 130,147

8. LEASE COMMITMENTS

Certain office equipment is leased from various suppliers. Future payments required under these leases are as follows:

2004	\$ 5,962
2005	5,962
2006	5,716
2007	1,506

9. GOVERNMENT GRANTS

	July 31 2003	,	July 31, 2002
Agri-Food Innovation Fund Canadian Adaptation and Rural	\$ 211,70)7 \$	244,080
Development Saskatchewan	28,60 \$		47,750 291,830

10. FINANCIAL INSTRUMENTS

Financial instruments included in current assets and current liabilities are all short term in nature and as such, their carrying value approximates fair market value.



SASK PORK NOTES TO THE FINANCIAL STATEMENTS year ended July 31, 2003

11. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

12. BUDGET

The budget for 2002/2003 was approved by the board on November 12, 2002.



Schedule 1

SASK PORK TRAVEL EXPENSES year ended July 31, 2003

	(U	Budget July 31, (Unaudited) 2003 (Note 12)		July 31, 2002		
National services Industry association Organizational development	\$	9,445 10,500 5,000	\$	8,346 4,083 2,649	\$	8,818 16,077 1,603
Industry development Communications	\$	3,725 2,400 31,070	\$_	2,573 <u>30</u> <u>17,681</u>	\$	4,905 942 32,345



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September 26, 2003

Mr. Fred Wendel, CMA, CA Provincial Auditor 1500 Chateau Tower 1920 Broad Street Regina SK S4P 3V7

Dear Mr. Wendel:

We have audited Sask Pork's control as of July 31, 2003 to express an opinion as to the effectiveness of its control related to the following objectives:

- To safeguard public 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 to achieve its goals, and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial reports.
- 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 reliably.

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 the 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





Mr. Fred Wendel, CMA, CA September 26, 2003 Page 2

key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

In our opinion, Sask Pork's control was effective, in all significant respects, related to the objectives stated above as of July 31, 2003 based on the CICA criteria of control framework.

Control can provide only reasonable not absolute assurance of achieving objectives reliably for two reasons. First, there are inherent limitations in control including judgment in decision-making, human error, collusion to circumvent control activities and management overriding control. Second, cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or the degree of compliance with control activities may deteriorate.

Yours truly,

eloitte : Touche LLP

Chartered Accountants

RMHarwood/gh document in 2451 opinion on internal control





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Deloitte & Touche

September 26, 2003

Mr. Fred Wendel, CMA, CA Provincial Auditor 1500 Chateau Tower 1920 Broad Street Regina SK S4P 3V7

Dear Mr. Wendel:

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 of assets, spending, revenue raising, borrowing and investing activities during the year ended July 31, 2003:

Agri Food Act

The Pork Industry Development Plan Regulations

Our examination was 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 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, 2003.

Yours truly,

Seloitte i Touche LLP

Chartered Accountants

RMHarwood/gh document in 2453 opinion on compliance with legislated authorities





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September 26, 2003

Mr. Fred Wendel, CMA, CA Provincial Auditor 1500 Chateau Tower 1920 Broad Street Regina SK S4P 3V7

Dear Mr. Wendel:

We have examined the financial statements of Sask Pork for the year ended July 31, 2003 and have issued our report thereon dated September 26, 2003. We have examined the system of internal control as at July 31, 2003 and have issued our report to you dated September 26, 2003. We have also made an examination to determine whether Sask Pork complied with specified legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended July 31, 2003 and have issued our report to you dated September 26, 2003.

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 cases in which:

- 1. any officer or employee of Sask Pork has wilfully 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 wilfully 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; nor
- 3. an expenditure was made which was not properly vouchered or certified.

Yours truly,

Seloitte ; Touche LLP

Chartered Accountants

RMHarwood/gh document in 2452 opinion on other specific matters





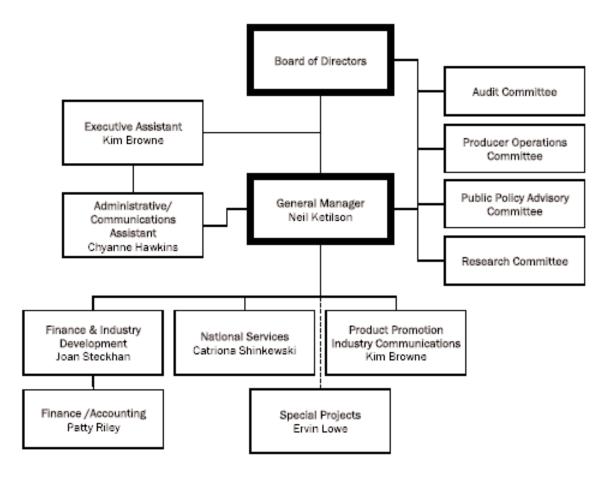


Board of Directors



Left to RIght: Chairman, Leon Lueke, Dixon Producers Ltd.; Walter Yates, Yates Hog Farms; Ex-Officio, Joe Kleinsasser, Rosetown Colony; Judy Ulrich, Ulrich Pork Farms Ltd.; Ross Johnson, Community Pork Ventures

Missing: First Vice-Chair, Jerry Pfeil, Pfeil Farms Ltd.; Second Vice-Chair, Cliff Ehr, Big Sky Farms Inc.



Committees

Executive Committee

Leon Lueke, Dixon Producers Ltd. Jerry Pfeil, Pfeil Farms Ltd. Cliff Ehr, Big Sky Farms Inc.

Audit Committee

Judy Ulrich, Ulrich Pork Farms Ltd. Walter Yates, Yates Hog Farms Ross Johnson, Quadra Group

Public Policy Advisory Committee

Roger Begrand, River Bend Hogs Leary Claypool, Claypool Farms Beth Henderson, Notukeu Pork Ltd. Earl Kirzinger, Kirzinger Farms Don Kolla, Cudworth Pork Investors Group Jerry Pfeil, Pfeil Farms Ltd. Casey Smit, Big Sky Farms Inc. Judy Ulrich, Ulrich Pork Farms Ltd. Peter Voldeng, Fairway Farms Ltd. Richard Wright, Community Pork Ventures Walter Yates, Yates Hog Farms

Research Committee

Brenda Beaulac, H&M Fast Farms Eric Von Doellen, Del-Air Systems Dave Kaminski, Moose Jaw Swine Health Services Tara Jaboeuf, Saskatchewan Agriculture, Food and Rural Revitalization Lee Whittington, Prairie Swine Centre Inc. Jerry Wollman, Riverbend Farms Marten Wright, Community Pork Ventures Judy Ulrich, Ulrich Pork Farms Ltd.

Producer Operations Committee

Walter Yates (Chair), Yates Hog Farms Brenda Beaulac, H&M Fast Farms Roger Begrand, River Bend Hogs Leary Claypool, Claypool Farms Richard Johnson, Big Sky Farms Inc. Peter Voldeng, Fairway Farms Ltd. Joe Kleinsasser, Rosetown Colony Ernie Patrick, Big Sky Farms Inc. Peter Unger, KLD Farms Eric Von Doellen, Del-Air Systems Adrian Hubbard, PIC



Representation on External Committees

Canadian Pork Council and National Affiliations

Ad Hoc CPC Safety Nets Working Group Jerry Pfeil

Animal Welfare Consultative Group Florian Possberg

Board of Directors Leon Lueke, Neil Ketilson

Canada Pork Council Leon Lueke / Walter Yates

Canada Pork International Florian Possberg

Canadian Research Network on the Pathogens of Swine

Leon Lueke

Canadian Animal Health Consultative Committee Leon Lueke

CQA® Technical Working Group Leon Lueke

CQA® Advisory Group Catriona Shinkewski

Evaluation Committee for the Livestock Environmental Initiative Leon Lueke

Livestock Environmental Initiative Project Approval Committee Leon Lueke

Technical Committee on National Environmental Standards Marten Wright, Neil Ketilson

Industry and Provincial Government

Agricultural Development Fund Steering Committee on Livestock (ADF) Marten Wright, Harvey Wagner

AgriVision Corporation Neil Ketilson

Canadian Federation of Agriculture (CFA) Leon Lueke

Farm Animal Council of Saskatchewan (FACS) Dave Walter

Occupational Health and Safety Committee Leon Lueke

Prairie Feed Resource Centre Neil Ketilson

Provincial Farm Support Review Committee Jerry Pfeil



Contact Us

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Chyanne Hawkins

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Special Projects - Traceability

Ervin Lowe Special Projects Phone:(306) 343-3509 E-mail: elowe@saskpork.com





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