

Annual Report 2008 - 2009



Corporate Governance

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

Internal Controls

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

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Chairman's Message



There is an old Irish saying, "You can get used to anything, even hanging, if it doesn't kill you." It's definitely a good thing a person can't see what the future holds, because sometimes it would be totally overwhelming if you could see what lies ahead.

If anyone had told us in 2006, that in 2009 we would be finishing our third year of negative returns with no sign of a let-up we probably would have quit right there. As it is, we have doggedly kept moving on, even though we feel more shell-shocked every day as more and more producers reach the end of their rope and give up.

Our industry is in the throes of the biggest crisis in its history. In a year where we expected to see positive numbers, prices have plummeted even more. We have lost opportunities in the export and domestic markets due to H1N1 as countries continue to use it as an excuse to justify protectionism. As a result we have diminishing demand even as the U.S. posts record slaughter numbers.

The Americans have not kept pace with Canada in downsizing their industry. Even though the Canadian

herd has shrunk by nearly 12% and counting, the U.S. industry seems to be in no hurry to follow suit. To date they have decreased by only 3-4 % and increased productivity seems to have more than compensated for that.

In Saskatchewan we have lost almost 24% of our breeding herd, a decline that leads the nation. This is due in large part to our producer profile, with two companies comprising 60% of our production. The demise of Stomp Pork Farms was a big blow to Saskatchewan sow numbers.

Our provincial government has been quite supportive of our industry with a direct cash injection of \$20/market hog over 7 months of marketings. They are also working with the industry to try and formulate a long-term plan for sustaining the province's livestock sector.

Sask Pork staff continue to work on both the provincial and national front to help out producers wherever possible try to position our industry to take advantage if it ever turns around. It is not easy to keep a positive outlook when regularly long time producers are forced to close their barns. But they do manage to keep things on as even a keel as possible.

Sask Pork hosted the inaugural Swine Health Board Conference in July. It went off without a hitch due to a tremendous amount of work by staff who had to contend with numerous date and venue changes. It seemed the height of irony that on the opening day of a swine health conference, scheduled for quite some time, the host province announced the first case of barnworkers diagnosed with a novel influenza.

Thankfully, a measured response by the various regulatory bodies kept the fall-out to a minimum.

And so the beat goes on. We have quit saying, "It can't get any worse" because who knows what else will come out of the woodwork.

Hopefully the suite of programs announced by the federal government in August will help move the industry down the path of recovery.

It is an election year at Sask Pork and three directors, myself included, will have served their maximum of 3 two-year terms. For me, it is with mixed emotions that I move on. On the one hand it will give me more time to focus on other things that have been on the back burner for a while. On the other hand it's been a wonderful experience to serve as a director for the last seven years and as Chair of the board for the last three.

It has been a tremendous learning and growth opportunity and certainly a pleasure to work with so many great people both in the industry and the various bureaucracies. To quote Winston Churchill, "I got way more out of it than it ever got out of me".

To the staff at Sask Pork..what can I say? Thanks for everything including your patience and class over the years. When I came to the office it felt like coming home and I will certainly miss it. I was always proud to be part of an organization that coupled unparalleled efficiency with fiscal prudence.

Sacred cows certainly never intimidated us and a lot of the positive changes in the Canadian industry over the last couple of years had their origins in the Sask Pork office.

To my fellow producers, it has been a privilege to meet and represent you over the years. I would encourage your participation in the organization as much as possible. It is a lot more productive and rewarding to get involved and change things from the inside than to be critical from the outside.

We will all need to work together to rebuild this industry to the point where once more we can be proud to say, we raise pigs for a living.

Yours respectfully,

A handwritten signature in black ink that reads "Joe Kleinsasser". The signature is written in a cursive, slightly slanted style.

Joe Kleinsasser, Chairman

General Manager's Message



As I sit to write a letter to producers for this annual report, it's hard to find a way to put a positive spin on the state of the hog industry. As each of you know all too well, the losses suffered over the past three years have been financially devastating for all. For some it was too much to bear and they have exited the business.

The period since August 2007 has been unparalleled in our history in terms of compounding issues which have all been negative and costly to the industry. Quite frankly, I am in awe by all those who have been able to weather the financial storm and maintain the confidence to stay in production.

Difficult issues for the hog industry are not new. While in the past three years we have faced a significantly higher currency value, which seems to be settling at near par with the US, competition from ethanol production will mean higher feed grain prices for the foreseeable future, and greater US protectionism with the introduction of Country of Origin Labelling, and a host of others.

BUT who would have forecast or thought a few short years ago a human flu strain, H1N1A could devastate

hog prices and cripple demand for pork? Linked in terms of the name "swine flu" the net result of all these issues is too much pork and extremely low prices. It now seems obvious that North America's hog industry needs to decrease hog numbers significantly to right-size primary prices. There is a good chance the majority of that downsizing will occur in Canada. Saskatchewan has already experienced a 24% reduction of its sow herd and more can be expected if prices do not rebound very soon.

Given these formidable challenges, Sask Pork and our national organization the Canadian Pork Council (CPC) have been extremely active lobbying the provincial and federal governments for financial support as a means to offset the financial damage occurring in part as a result of government policy.

Response from governments has been mixed. The Saskatchewan Ministry of Agriculture has been very supportive providing advance payments under Agri Stability, but also a direct cash payment of \$20 per market hog and \$10 per iso wean. The federal government was not nearly as forthcoming. An intense lobby campaign, asking for a direct cash payment of \$30 per market hog, was launched across Canada by the provincial pork associations and the CPC.

One would have to have lived under a rock to not know about the significant problems faced by the industry. Unfortunately the federal government would not provide any direct cash support but has developed a program to transition producers out of production and provide loan guarantees at credit institutions. Without the significant lobby efforts by producers across the country and their producer associations, it seems quite clear the federal government would only have provided support through AgriStability.

As producers are adjusting to the new realities of the pork business, so too is your organization. Despite the difficult times and the focus on obtaining government support for the industry, we need to continue building and enhancing core business fundamentals.

To that end, Sask Pork is cooperating with the Canadian Pork Council and other provincial pork associations to more effectively and efficiently use staff and producer levies to the best advantage. As an example, Mark worked most of the year for the Canadian Pork Council as the lead staff person developing the Traceability System for Canada's pork industry. This was the first, in what may become a new trend of using the skill sets of provincial employees to lead the development or implementation of national programs. It's an excellent means to reduce costs for the entire national producer base while using and enhancing the skills and knowledge of present employees.

Other new initiatives where Sask Pork staff are involved in national programs include Kim with Pork Marketing Canada and Harvey with the Canadian Swine Science Cluster.

On a fiscal note, Sask Pork continues to remain in very good financial health despite the drop in hog numbers in the province and therefore the dollars collected to provide service.

This year is an election year for the Board of Directors and I would like to acknowledge and thank our retiring Directors who have each played a significant role and made a tremendous contribution to Sask Pork, the Canadian Pork Council and the entire industry. Joe Kleinsasser, who has served as our Chairman for the past three years, is known to be a very thoughtful, eloquent and respected

spokesperson for the hog sector; Florian Possberg, known throughout North America, tirelessly travels throughout the country as our representative on the Canadian Pork Council, Canada Pork International and most recently the as Chair of the new Canadian Swine Health Board; and Ross Johnson, long time producer and much respected member of Sask Pork and the Canadian Pork Council.

The past few years have not only been difficult for producers but also for the staff at Sask Pork. I would sincerely like to thank Kim, Patty, Mark and Harvey for their dedicated service to producers.

I would also like to acknowledge and thank Jessica Podhordeski for her contribution to Sask Pork's Agri-Education program and wish her well in her career with the Saskatchewan Ministry of Agriculture.

In closing, we are confident that the markets will turn and there will be better times. We continue to work on your behalf to enhance the industry and make Saskatchewan the best place in the world to live and work.

Respectfully submitted,



Neil Ketilson
General Manager

Governance & Administration

Board of Directors at July 31, 2009

Elections

2009 is an election year for Sask Pork. Elections are held in odd years in November. The Board of Directors consists of six registered producers who may hold office for a maximum of three consecutive, two-year terms.

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

Mission

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

Vision

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

In November, Chairman Joe Kleinsasser, First Vice Chair Ross Johnson and director Florian Possberg will have completed three consecutive terms as directors.



Joe Kleinsasser
Chairman



Ross Johnson
First Vice Chair



Brad Cramer
Second Vice Chair



John Germs



Jay McGrath



Florian Possberg

Staff

Neil Ketilson

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Kim Browne

Executive Administration
Promotion & Communications
Co-ordinator
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Mark Ferguson

Manager Industry & Policy Analysis
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mferguson@saskpork.com

Jessica Podhordeski

Agri-Education Coordinator
(to October 2008)

Patty Riley

Financial Administrator
(306) 343-3507
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Harvey Wagner

Manager Producer Services &
On-Farm Food Safety
(306) 343-3502
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Canadian Pork Council Committee Representation

Animal Care Working Group - Florian Possberg
Board of Directors - Florian Possberg
Canada Pork International Board of Directors - Florian Possberg
Canadian Agri-Science Research Cluster Steering Committee - Harvey Wagner
Canadian Animal Health Coalition - Florian Possberg
Canadian Swine Health Board - Florian Possberg, Chair
CQA® Advisory Committee - Harvey Wagner
Cull Breeding Swine Program Advisory - Mark Ferguson / Harvey Wagner
National Hog Identification & Traceability Committee - Neil Ketilson
National Coordinator for Identification & Traceability - Mark Ferguson
Safety Nets Committee - Florian Possberg
Trade Advocacy Working Group - Florian Possberg (Chair)

Industry Representation

Agriculture Council of Saskatchewan Board of Directors - Neil Ketilson
Agricultural Producers Association of Saskatchewan - Mid-Term Meeting, -
Joe Kleinsasser / Neil Ketilson / Harvey Wagner
Agriculture in the Classroom - Jessica Podhordeski / Kim Browne
Canada-European Union Economic Forum, Regina, SK - Joe Kleinsasser /
Neil Ketilson
Canadian Integrated Program for Antimicrobial Resistance Surveillance
(CIPARS) - Harvey Wagner
Certified Livestock Transport Advisory Group - Harvey Wagner
Farm Animal Council of Saskatchewan - Harvey Wagner
Farming for Tomorrow Magazine Editorial Board - Kim Browne
Feed Innovation Institute - University of Saskatchewan - Neil Ketilson
Provincial Emergency Planning Consultations - Harvey Wagner
Statistics Canada Advisory Committee on Agricultural Statistics - Mark
Ferguson
Trace R&D 2009 Conference, - Neil Ketilson / Mark Ferguson
Western Canadian Agribition Agri-Education - Kim Browne / Jessica
Podhordeski

An Industry in Transition

Saskatchewan Sector

The Canadian pork industry has faced unprecedented losses in the wake of a seemingly endless three year financial downward spiral that has spared no one.

Saskatchewan producers have sustained losses never seen before and the length of this downturn will forever change the overall landscape of the provincial agricultural sector.

Many long-time producers with solid business plans simply couldn't withstand further erosion of their businesses and profits and opted to depopulate their herds under the Cull Breeding Swine Program announced by the federal government more than a year ago. Saskatchewan's breeding herd and production was reduced by nearly 25% by the end of December 2008.

Many other producers, who chose to "stay in the game" to see if things turned around, became the unintended victims of the fall-out from the discovery of H1N1A Influenza in an Alberta swine herd earlier this spring. This set off a firestorm of national and international media coverage mired in fear mongering and misinformation that caused further injury to an already ailing North American pork industry.

Provincial Lobby Efforts

Throughout the year, Sask Pork supported Canadian Pork Council (CPC) activities to keep the federal and provincial governments aware of the worsening financial condition for producers.

Sask Pork met with provincial Ministry of Agriculture Livestock Development staff and with Minister Bob Bjornerud and his staff who were committed to

assisting the industry during this challenging period.

Politicians convened November 25, 2008 for an emergency debate on the challenges facing the livestock sector.

On February 26, 2009, the Government of Saskatchewan and Minister Bjornerud announced a much needed \$71 million in financial support for the province's livestock producers.

Even with the provincial support program for Saskatchewan producers, there remained the need to assist the CPC in its requests for federal emergency assistance.

National Lobby Efforts

In October 2008, the CPC asked Minister Ritz to provide emergency advances to the hog sector under the Advance Payments Program for a second year since producers were likely unable to repay existing emergency advances by the due date.

In January 2009, CPC President Jurgen Preugschas, and CPC Safety Net Committee Chair, Stephen Moffett again requested assistance including:

- That all producers who had been granted emergency advances be granted a stay of default until September 30, 2010.
- Also requested was extended repayment terms that would be in form of three equal payments at the end of each year.
- Producers who had not accessed emergency advances, or not accessed the full amount, would still remain eligible for regular advances.

- That there be no interest rate penalty imposed on producers for the stay and repayment period.

In May 2009, Mr. Preugschas again appealed to Minister Ritz to provide immediate cash assistance for hog producers. He stressed that the market shocks impacting the sector for the past three years went beyond anything producers could prepare for and, further the current business risk programs, including AgriStability do not work for prolonged periods of multiple shocks over multiple years.

The Canadian dollar, low hog prices and U.S. Country of Origin Labeling resulted in a drop in live hog exports to the U.S. Adding the H1N1 Influenza virus and the media referring to it as “Swine Flu” created further stress on the industry nationally and in export markets.

An ad-hoc payment of \$30 per hog marketed in 2008 was requested as well as a suitable value for iso-weans and feeder pigs.

On May 26, 2009, Messrs. Preugschas and Moffett made a presentation to the House of Commons Standing Committee on Agriculture as witnesses on the competitiveness of Canadian agriculture. Mr. Preugschas stressed that "While we remain optimistic about the long term potential for the Canadian hog sector, it is increasingly difficult to be prepared for and manage the impacts that continue to face the industry."

"The recovery of the hog sector will depend on how well the industry and the government react to this extraordinary situation." stated Mr. Preugschas "producers have been responsibly adjusting to market signals as best as they can and now governments need to act."

In June, CPC directors hosted a “Pork Barbecue” on Parliament Hill which provided an opportunity to meet one-on-one with MP’s and other dignitaries to ensure the crisis in the hog industry was kept in the public eye.

The CPC Board of Directors and Safety Net Committee developed the comprehensive Strategic Transition Plan for the hog industry that was approved and released at the end of June and forwarded to Agriculture and Agri-Food Canada (AAFC) and Minister Gerry Ritz for review.

The plan laid out the critical areas affecting the hog industry, namely, that producers are out of money; the status quo is not sustainable; and H1N1 is the last straw!

Minister Ritz responded that “AAFC was committed to delivering stable, bankable programs that work within trade agreements to make sure Canadian farmers can export their products to buyers around the world.”



*Parliament Hill Pork Barbecue - Ottawa
Pictured - Member of Parliament Brad Trost and
Sask Pork Director Florian Possberg*

Adapting to Change

Saskatchewan Slaughter Capacity

Sask Pork continues to remain involved in this initiative to ensure producers' interests are represented. While activity by outside parties continues, and the prospect of a packing plant does still exist, there are no measurable advancements on the project to report at this time.

Modified Barn Project

This research project, to develop low-cost methods for constructing finishing barns was initiated by Sask Pork and the Prairie Swine Centre with funding assistance from ACAAFS. Due to the downturn in the industry, C&C Feeders were forced to depopulate the barn. The project has been suspended indefinitely.

Saskatchewan Ministry of Environment Regulatory Review

Sask Pork participated in the review process which was intended to replace the current regulation based permitting system with a "results-based" process. This means for a project to be approved for construction, a qualified person must sign off on the construction plan. Compliance with environmental regulations would be enforced through ongoing audits as required.

The goal of this change is to improve environmental protection while encouraging innovation and flexibility. Agricultural projects will continue to be under the supervision of the Ministry of Agriculture.

MCOOL Consultation Department of Foreign Affairs & International Trade, Canada

Sask Pork was invited to a consultation with Paul Robertson, lead negotiator for the Government of Canada on mandatory Country of Origin Labeling in the United States. Mr. Robertson updated Sask Pork on Canada's approach to the MCOOL rule dispute and solicited our input on the impact of MCOOL on Saskatchewan producers.

Canadian Pork Council - Restructuring and Governance Model

The CPC announced the new board structure in January 2009. CPC activities will now be directed by an 11-member board that meets more frequently than the previous board and a comprehensive strategic work plan including areas of activity within CPC has been completed setting the stage for a more collaborative working environment for CPC.

The first annual Forum of CPC members is planned for the fall of 2009.

Trade Advocacy & International Relations

Sask Pork director Florian Possberg was named Chair of the newly formed CPC Trade Committee which monitors the north American agriculture climate specifically as it relates to trade issues or barriers that could restrict the export of live animals to the U.S.

Mandatory U.S. Country of Origin Labeling (COOL) was implemented in September 2008 with the final rule coming into effect in March 2009. While the CPC

is not currently engaged in trade advocacy activities related to COOL, International Trade Minister Stockwell Day in April indicated Canada was prepared to file a World Trade Organization complaint over the inflexibility of COOL and its impact on Canadian farmers.

Hog Identification & Traceability

Since October, Mark Ferguson, Sask Pork's Industry and Policy analyst has been seconded to the CPC to serve in a national role as the coordinator of the national traceability initiative. In mid-2008, the CPC resolved to continue phasing in enhancements to the exiting Canadian hog traceability system which is built upon the foundation of premises registration, group identification, standardized tattoo numbers, slaughter data, and on-farm records.

Interest in animal traceability systems continues to intensify both within Canada and abroad, and traceability will increasingly become a global reality for livestock sectors. Sask Pork along with the CPC has long viewed traceability to be of significant importance to the long-term stability Canadian industry. The traceability program is anticipated to pay future dividends in terms of boosting our preparedness in the case of an animal disease outbreak, and ensuring continued market access for Canadian pork products.

Over the past year there have been many accomplishments on the traceability file. Most notably, the CPC selected Agri-Traçabilité International (ATI) as its experienced partner to provide leadership on traceability solution implementation, system configuration, and system hosting and customer support services.

Allflex Inc. was chosen to be the manufacturer of Canada's nationally standardized ear tag for swine, primarily used for breeding animals. Tags will be available for producer purchase this fall. A significant amount of consideration and prerequisite work and oversight went into both decisions. Considerable effort was also spent securing an ongoing source of funding for the traceability initiative through the Federal Government's 'Growing Forward' program.

This is just one example of the leadership Sask Pork endeavors to achieve with respect to national projects. While the relationship is not always formalized like in this case, producers in Saskatchewan derive significant benefits from work completed at the CPC, and the hard work of national staff. Sask Pork strives to support our national organization whenever possible.

Producer Services

Animal Crisis Protocol

Sask Pork directors, staff, the Provincial Veterinarian and industry partners met several times throughout the year to further develop the protocol around emergency herd depopulation in light of the current financial crisis facing producers.

National Cull Breeding Swine Program

The federal cull program was announced in March and implemented on April 14, 2008. When the program wrapped up on November 30, 2008, a total of 18,120 animals had been culled from 47 participating Saskatchewan farms (this was 14% of the Saskatchewan sow herd).

A portion of the meat from the cull program was donated to Saskatchewan's Food Banks and processing costs for the meat were paid for by the Government of Saskatchewan.

Sask Pork handled logistics and co-ordination of the processing of sows with producers, provincial meat processors, and arranged for distribution of the meat.

Canadian Swine Health Conference

Sask Pork was contracted by the CPC to carry out logistics for the conference which was held July 7-8 in Saskatoon. Agriculture and Agri-Food Canada provided funding for the conference. Additional information can be found at www.swinehealth.ca

Canadian Quality Assurance (CQA®)

The CQA® program has become part of standard operating procedures on Saskatchewan farms. There were no major changes or updates to the program this

year. However, since the CQA® program has been in place since 1998, the CQA® Advisory felt that a review of the program would be in order.

To accomplish this, a survey of stakeholders was undertaken, the results of which will be made available in the fall of 2009.

Animal Care Assessment

Adoption of the Animal Care Assessment (ACA) program moved forward somewhat this year with a few more farms completing their assessment.

Transport Quality Assurance®

Demand for the training has been steady since the TQA® has become the industry standard in Saskatchewan. In 2008-09 Sask Pork delivered training to 136 transporters.

Canadian Integrated Program for Antimicrobial Resistance (CIPARS)

CIPARS is a Public Health Agency of Canada initiative to investigate antimicrobial resistance in humans, farm animals, packing plants, retail meat and clinical isolates.

The farm animal component tracks data from pork, beef and poultry on an ongoing basis. On-farm pork surveillance data has been collected from 110 hog finishing herds across Canada, including 15 herds in Saskatchewan.

The goal is to support the preservation of effective antimicrobials by providing an understanding of resistance patterns in the livestock industry and to identify management practices that minimize, or contribute to antimicrobial resistance.

Communications & Promotion

Pork Marketing Canada (PMC)

In September 2008 Sask Pork officially became a member of PMC, the national initiative established to encourage consumers to put more Canadian pork on their forks!

Consumption of Canadian pork has declined over the past quarter century and with the ongoing financial crisis in the pork industry, borders closing to Canadian pork due to the H1N1 Influenza pandemic and US Country of Origin labelling laws in effect this year, it is extremely important to focus on the domestic consumer market.

Since 2007, PMC has been building strategic alliances with Canadian packers, processors, retailers and food service, health and nutrition agencies, to help drive pork consumption. These alliances provide greater opportunities for maximizing resources and developing fresh ideas and promotional campaigns designed to reach Canada's ever-changing consumer base.

PMC's core objectives are to:

- Reposition pork as an exciting, unique and tasty food choice;
- Raise pork's profile as a preferred protein choice;
- Influence the influencers with a positive view of pork as a food choice;
- Establish PMC as a reliable, credible and preferred source of information for nutrition, health and industry issues.

Working with AdFarm, PMC launched the PORK FITS campaign directed at the 25-35 year old demographic that includes the interactive website, www.porkfits.com

that went live on May 4. The site includes 60 quick, delicious and affordable recipes that appeal to the faster-paced lifestyles of this particular age group.

Pork Fits also included a successful 8-week BZZ agent campaign. English speaking women across Canada aged 25+ were invited to be Canadian Pork agents. All 2,000 agents are on average 39 years of age. The majority are in Ontario (1,287), BC (203), Alberta (158), SK/MB (135), Atlantic Canada (169) and English-speaking QC (47).

Agents received a pork promotions kit and by word of mouth, or on-line, told consumers about the positive attributes of Canadian pork in an effort to encourage consumption.

The campaign has been successful with more than 1,500 BZZ agent reports received. Almost all agents that mention H1N1, report they are helping to share facts about the safety of pork.

The *Choose Canadian* retail label program continued throughout the year and was complemented by television and print ads. PMC also produced four new consumer recipe booklets:

- Delicious Pork Recipes for People with Diabetes
- 30 Minute Meals
- Kid-Approved Recipes
- Slow Cooker Recipes

Nutrition ads appeared in the Spring/Summer edition of the "Canadian Diabetes Care Guide" which has a circulation of nearly 46,500 educators, nurses, dietitians and doctors via the Diabetes Education Centres.

Communications & Promotion

Consumer Materials

30,000 *Festive and Family Occasion Recipes* booklets were distributed as inserts in the Regina Leader Post and Saskatoon Star Phoenix.



Retail and consumer resources orders were processed for 70 grocery stores across the province through the *Pork Shoppe* retail newsletter.

Advertising

Sask Pork purchased advertising space on Agriculture News and Food & Recipes sections on www.saskatoonhomepage.ca. The ads contained key messages about pork products, or the pork industry, and linked to seasonal recipe booklets and to www.saskpork.com and www.putporkonyourfork.com.

From July to October, we continued our *Pick Pork* advertising on bus stop benches in four highly visible locations in Saskatoon.

The December “Festive Feastings” supplement in the Saskatoon Star Phoenix included holiday pork recipes.

Farmscape Radio Program

Sask Pork continues to fund the program hosted by Bruce Cochrane. The two-minute daily program airs Monday to Friday on CKLQ Radio Brandon, CFRY Radio Portage La Prairie, CJWW Radio Saskatoon, and

CKSW Radio Swift Current.

Bruce also provides coverage at special pork industry events and conferences and writes and submits in-depth articles on the pork industry to weekly newspapers on the prairies.

Forum Newsletter

The producer newsletter was published quarterly in 2008-09. Direct producer mailouts were carried out as required to disseminate time-sensitive information on business risk, safety net programs and national and provincial lobby efforts for financial support for the industry.

Articles Published

Farming for Tomorrow Magazine - October 2008 issue - “*Manure Application to Cropland*”

SARM Rural Councillor: *Issues Facing the Saskatchewan Pork Industry*”

Weekly Email Report

This report has a current circulation of 225 recipients and includes topical information of interest to the pork sector.

Letters to the Editor

September 17-2008 - *Hog Industry Crisis and a Wish List for Politicians* - Chairman Joe Kleinsasser.

Saskatchewan Pork Industry Symposium

Symposium was a one-day event for 2008 only. “*Moving on in a New Business Era*” examined topics on reducing production costs and improving sow productivity; a testimonial on recruiting workers internationally; keys to motivating your workforce; feed

grains and global protein markets and building a sustainable processing industry.

Registration was as expected with 220 people attending the conference.

Sask Pork's speakers' costs were offset through funding from Advancing Canadian Agriculture and Agri-Food Saskatchewan (ACAAFS).

Pork Industry Symposium Advisory 2008

Tara Jaboeuf (facilitator)
Jessica Podhordeski (coordinator)
Neil Ketilson
Harvey Wagner
Joe Kleinsasser
Lee Whittington
Don Lidster
Brad Marceniuk
Lambert Houwen
Fred Betker
Denys Robidoux
Jan Podhordeski
Al McKim
Ross Johnson
Shannon Meyers

2008 Awards for Distinction

Sask Pork was pleased to honor **Harold and Margie Fast** with the Lifetime Achievement Award.

The Fast's have been major figures in the Saskatchewan pork industry for more than 26 years, having started what is now known as Fast Genetics in Spiritwood, Saskatchewan.

The company has grown into a very successful international swine genetics company and is considered to be a premier employer in the community.

Harold's veterinary background fueled his vision that animal health would become a key factor in the success of a pig genetics company.



Colleagues and staff at Fast Genetics describe Harold & Margie as visionaries and that just being exposed to their "Big Picture of the Word" is in itself the reward!

Western Canadian Livestock Expo

The pork industry participated with the dairy sector at Livestock Expo in April. The show, organized by Prairieland Exhibition, was held in the new Ag Centre and attracted about 60 exhibitors. Sask Pork sponsored the barnyard lunch of ham and scalloped potatoes for show attendees and exhibitors.

Sponsorships

- Canadian Mental Health Association- Teddy Bear Affair Fundraiser
- Canadian Western Agribition International Reception
- Canadian Meat Council Annual Meeting
- Cudworth Pork Investors Group 15th Anniversary and Benefit Fundraiser for St. Michael's Seniors Haven

Communications & Promotion

- Kinsmen Telemiracle “33” - sponsored pork for volunteers’ meals.
- Lumsden Annual Pork Cook-Off - donated prizes for the barbecue competition.
- Nutrition Positive Program - Annual corporate sponsorship.
- Saskatchewan Association of Rural Pipelines Conference
- Saskatchewan Curling Association Prairie Land Summer Curling Camps for curlers age 13-18 - Sponsored meals for participants.
- Saskatchewan Cystic Fibrosis - Spring “Breath of Life” Motorcycle Ride Fundraiser
- Saskatchewan In-Demand Chef’s Challenge sponsor. Pork loins and consumer resources were supplied for the competition.
- Saskatchewan Outstanding Young Farmers - Silver sponsor
- SIAST Kelsey Campus Retail Meat Cutting Program - Student Awards
- Taste of Spring Food & Wine Show Regina - Partnered with Butcher’s Best Meats to sample pork appetizers.
- University of Saskatchewan College of Agriculture - AgBio Discovery Camp Program
- University of Saskatchewan - Nutrition Professional and Student Enhancement Fund Bursary
- University of Saskatchewan - College of Pharmacy & Nutrition - Summer Food Fun Camp

- 100.5 The Rock - Yorkton Bacon Days - Corporate Sponsor along with Harvest Meats and Yorkton Co-op for ‘Bacon Days’.

The event included radio giveaways and a sausage and pancake fundraising breakfast for Habitat for Humanity. 150+ people turned out for the event.

Hurry Hog Decal Program

This is the third year we have offered the Hurry Hog Line decals to provincial curling clubs. 86 clubs ordered decals again indicating that they are still popular. Decals are meant as a fun visual for curlers and not to compete with sponsors’ logos.

Agri-Education Activities

The closure (May 2008) of the Prairie Swine Centre Elstow Research facility that housed the Pork Interpretive Gallery had a significant impact on Sask Pork’s Agri-Education program. Our inability to provide tours of a commercial hog operation resulted in the cancellation of our “Real Dirt on Farming’ Tours program.

In October, Jessica Podhordeski, Sask Pork’s Agri-Ed Coordinator, accepted a full-time position with the Saskatchewan Ministry of Agriculture.

Canadian Western Agribition

We did continue to promote the pork industry at with our display at the Agri-Ed Showcase. The live piglets in the display were generously donated by Hypor Inc. A Division of Hendrix Genetics.

Prairieland Ag-Experience

In August, Sask Pork staff hosted the pork display for the new initiative AgExperience, a multi-commodity permanent interactive display at the Saskatoon Exhibition that features live animals.

Prince Albert Exhibition Association Ag-Ed Showcase.

Supplied pork industry resources and hog wild ears for 500 children from 15 schools who toured the Agriculture displays in April.

Farm Animal Council Billboard Campaign 2009

Sask Pork was asked to again participate in the billboard campaign designed to create a better understanding of animal care issues. The boards featured local agriculture sectors with the tagline “On our Farms We Care” and were displayed in June. Bus boards in Regina and Saskatoon also featured the billboard ads.

Cafe Scientifique

The Canadian Institute of Health Research sponsored a series of these events across the country.

In October, Sask Pork hosted a producer information evening at Louis’ Pub on the U of S campus. Dr. James Dosman, the U of S Research Chair in Agriculture Medicine and Dr. Chandrashekhar Charavarymath of the Vaccine and Infectious Disease Organization (VIDO) presented *Factors Affecting Human Respiratory Functions in Hog Barn Workers*.

The audience represented three hog production units and researchers and graduate students from the Prairie Swine Centre Inc. The focus of the presentation was on the levels of endotoxins found in hog barn environments.

Research conducted in Saskatchewan for the last decade and shows that many people who work in hog facilities have no problem whatsoever in the barn environment, while others may be susceptible.

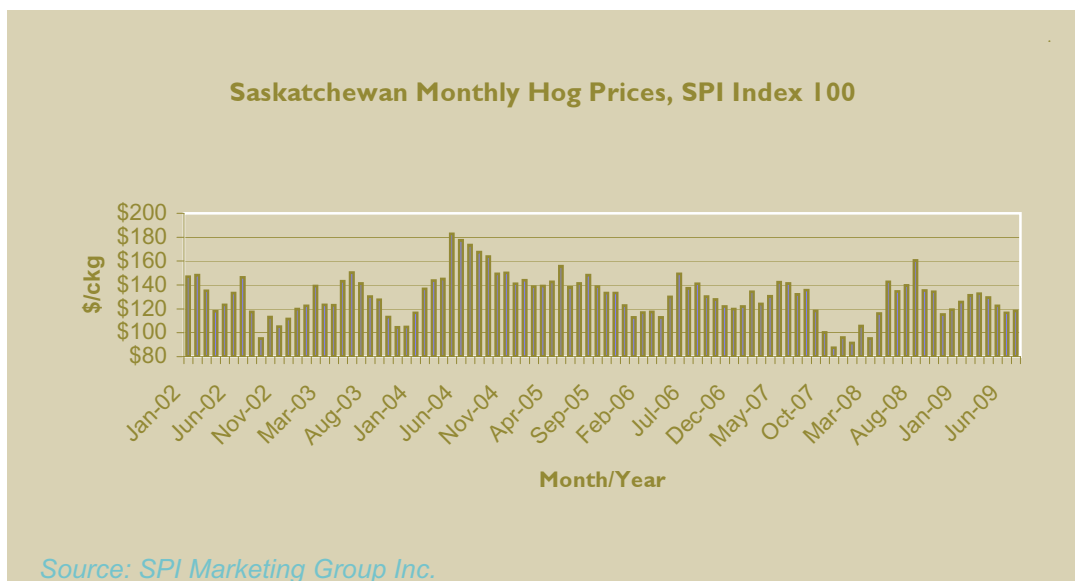
During the course of the evening it was found that much of the concern among hog barn workers lies with pregnant employees and their concerns for potential harm to the fetus.

This is an area of research that has not had a lot of attention and as such seems to cause a fear of the unknown for pregnant employees. This was of interest to the Canadian Centre for Health and Safety in Agriculture experts who believe there is a need to explore this area more closely.

Statistics & Trends

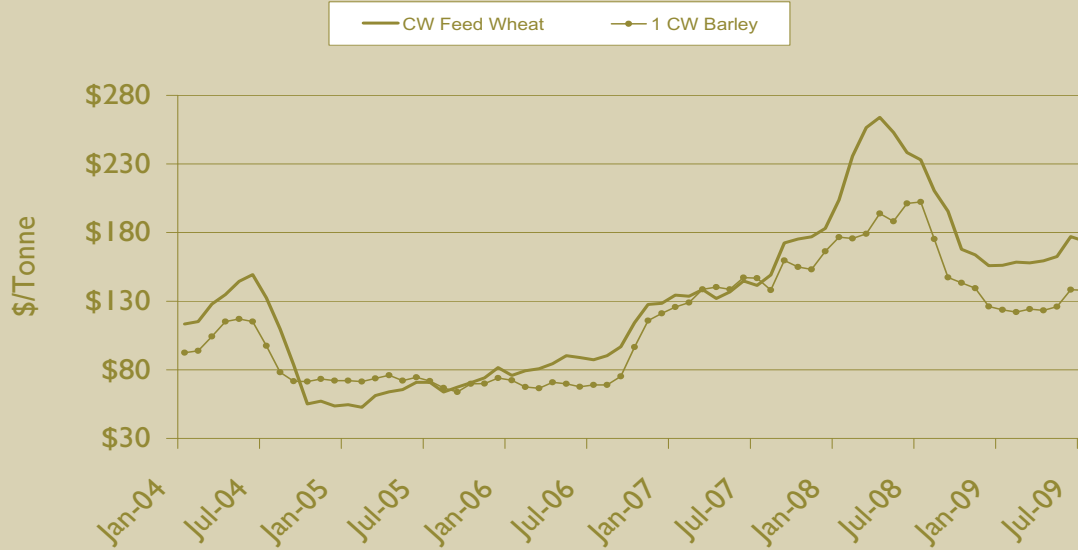
Despite an encouraging beginning, 2008/2009 will be remembered as the third consecutive discouraging year for Saskatchewan hog producers. While prices did ultimately improve over last year and feed costs did subside somewhat, many producers in Saskatchewan continued to have negative margins for the year. Sask Pork estimates that between August 2008 and July 2009, producers would have been close to covering their cash costs, but when depreciation and long-term interest are factored in, losses are estimated to be \$21/hog for the year. In addition to the cost price squeeze, producers have faced uncertainty on many fronts, and challenges related to the continued lack of domestic slaughter capacity, and the implications of the U.S. Country of Origin Labelling law.

Hog prices averaged \$128.50/kg between August 2007 and July 2008. This represents a 13% increase from the previous year. Nearly all of the increase in prices can be attributed to a decline in the value of the Canadian dollar, which weakened by 14% between 2007/2008 and 2008/2009 relative to the U.S. dollar. There was no substantial year-over year change in U.S. hog pricing, as the U.S. Western Cornbelt price averaged \$US 60.19/cwt in 2008/2009, an increase of \$1/cwt. Low margins in the slaughter sector certainly contributed to the disappointing North American hog prices as the USDA cut-out value averaged \$US 57.27/cwt for the year.



Following the 2008 harvest, feed grain prices declined sharply as excellent yields in North America eased supply concerns for most crops. Canadian wheat and barley carry-out stocks increased by 49% and 81% respectively. Despite the large increase in stocks, continued strong demand from both food and industrial markets have kept prices from reverting to the low levels seen in 2004-2006. In Saskatchewan, barley and feed wheat averaged \$135.60/tonne and \$169.91/tonne respectively between August 2008 and July 2009, providing significant relief for feed purchasers.

Saskatoon Farm Gate Feed Prices



Source: Saskatchewan Ministry of Agriculture

* Note: These prices are weekly cash spot prices that a producer would receive at a local Saskatoon elevator. Producers purchasing these feed grains would need to add handling and freight charges to the base price which could add another \$10-\$25 per tonne to the cost of these feed grains purchased.

Saskatchewan Producer Profile

Number of Hogs Produced	Number of Producers*				Number of Slaughter Weight Hogs Produced			
	2008	2007	2006	2005	2008	2007	2006	2005
<100	39	65	109	85	1306	2361	2826	2,200
100-500	25	37	43	53	6035	10019	10813	14,795
500-1000	15	20	25	26	10602	14850	18219	19,019
1000-5000	36	41	50	53	90812	102130	125938	127,422
5000-25000	51	64	62	66	508564	666536	671403	663,790
25000-50000	7	4	4	7	209658	114864	112646	198,864
>50000	2	2	3	4	669848	1028216	1134131	1,188,323
Totals	175	233	296	294	1,496,825	1,938,976	2,075,976	2,214,413

Source: Saskatchewan Pork Development Board

*Note: These numbers are based upon checkoff data, and represent the number of producers/companies that produced hogs, not the number of production units or premises. In 2008 there were 262 active premises in Saskatchewan.

Saskatchewan's producer numbers declined again in 2008 as accumulated losses from the past three years continues to weight heavily on all producers. In 2008, a total of 175 producers marketed hogs produced at 262 premises across the province. All size categories except the 25,000 to 50,000 categories declined both in terms of producers and numbers of hogs marketed.

Statistics and Trends

2008 marked a dramatic shift in production patterns as feeder pig exports became much more prominent in Saskatchewan. According to checkoff data, the total number of hogs produced for slaughter dropped by 442,151 in 2008, while feeder pig exports nearly doubled again in 2008 to reach a total of 1,069,752 animals. Total Saskatchewan marketings increased in by approximately 61,951. There are a number of factors responsible for this shift in production. Lack of domestic slaughter capacity and more competitive feed and hog pricing in the U.S. played a large role in prompting the move. However, uncertainty regarding the U.S. Country of Origin Labelling law and the ultimate reluctance of many U.S. packing plants to accept Canadian origin market hogs also contributed to the shift.

Number of Pigs Sold in Saskatchewan by Category

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

Source: Saskatchewan Pork Development Board

According to Statistics Canada, Saskatchewan's breeding herd declined by 26,600 sows over the past year and now stands at 93,000 animals. The entire Canadian herd decreased by 62,200 with every province in Canada experiencing a decline.

Sows and Bred Gilts In Canada (1,000 Head, July 1st)

Year/Month	Alberta	Sask.	Man.	West	Ontario	Quebec	East	Canada
2003	203.5	124.2	341.3	688.6	415.1	412.4	861.3	1,549.9
2004	198.0	128.8	362.0	708.3	431.7	416.5	880.7	1,589.0
2005	196.8	131.2	365.6	711.8	430.0	414.3	876.4	1,588.2
2006	188.0	130.9	368.0	705.5	417.1	399.0	846.9	1,552.4
2007	182.6	128.3	370.5	699.4	408.5	394.0	833.0	1,532.4
2008	165.0	119.6	640.0	641.5	365.0	385.0	777.2	1,418.7
2009	156.5	93.0	330.5	596.9	356.0	382.0	759.6	1,356.5

Source: Statistics Canada, Hog Statistics, July 2009

The total number of pigs marketed across Canada increased between 2008 and 2009. Eastern Canadian production increased by 726,900 animals and stands at approximately 16 million pigs, while western Canada's production declined by 459,100 animals and sits at 15.7 million pigs. Saskatchewan remains the 5th largest pork producing province in Canada.

Hogs Marketed in Canada by Province ('000 Head)

	ATL	QUE	ONT	Eastern Canada	MAN	SASK	ALTA	BC	Western Canada	Canada
2003	645.70	7,560.60	8,367.60	16,573.90	7,390.40	2,271.40	3,529.60	341.50	13,532.90	30,106.80
2004	636.90	7,678.80	8,676.30	16,992.00	8,167.90	2,417.30	3,730.90	337.70	14,653.80	31,645.80
2005	625.20	7,371.90	7,583.90	15,581.00	8,611.00	2,458.70	3,876.50	338.60	15,284.80	30,865.80
2006	600.80	7,149.10	7,442.40	15,192.30	8,816.60	2,605.00	3,920.90	328.30	15,670.80	30,863.40
2007	596.80	7,337.20	7,399.40	15,333.40	9,169.20	2,836.00	3,805.60	332.10	16,142.90	31,476.30
2008	551.90	7,806.00	7,702.40	16,060.30	8,860.30	2,913.20	3,583.70	326.60	15,683.80	31,744.10

Source: Canadian Pork Council via Statistics Canada

In 2008, 47,387 hogs were slaughtered in Saskatchewan, mainly in provincially inspected slaughter plants. Approximately one million of Saskatchewan's market hogs were transported to Manitoba for slaughter with the balance either going to Alberta or exported to the U.S. In 2008, Canadian plants increased their kill by 442,000 animals. While beneficial, this increase was undoubtedly driven the abundant supply of inexpensive hogs present in Canada as a consequence of U.S. Country of origin labelling laws. Only 68% of the pigs produced in Canada were slaughtered in Canada in 2008. Per capita domestic consumption of pork declined by 1.3 kg/person between 2007 and 2008 and now stands at 23.51 kg/person (carcass basis). This implies that Canadians consumed the equivalent of 8.3 million hogs.

Hogs Slaughtered In Canada

(Number of Hogs Slaughtered in Federally and Provincially Inspected Plants)
('000 Head)

	ATL	QUÉ	ONT	MAN	SASK	ALTA	B.C	Canada
2003	523,075	8,173,540	4,757,630	4,352,519	1,150,284	2,818,608	512,474	22,288,130
2004	507,226	8,494,115	4,664,010	4,355,342	1,149,912	3,008,995	521,714	22,701,314
2005	442,753	8,095,290	4,602,168	4,419,535	973,519	3,122,016	503,404	22,158,685
2006	420,943	7,817,107	4,513,639	4,273,330	863,712	3,241,863	488,843	21,619,437
2007	361,540	7,742,529	4,799,704	4,442,273	302,750	2,934,702	494,884	21,078,382
2008	195,656	8,122,100	5,122,047	4,806,759	47,387	2,701,366	525,014	21,520,329

Source: Agriculture and Agrifood Canada, Red Meat Market Information, Livestock Market Review, Various Years

Statistics and Trends

In response to shortages of western Canadian slaughter capacity, a U.S. feed cost advantage, high transportation costs, and slightly higher U.S. hog prices, 2008 resulted in further increases in the number of feeder pigs exported to the U.S. According to Agriculture and Agri-food Canada approximately 7 million hogs feeder pigs were exported from Canada to the United States in 2008. Western Canada exported 5.8 million of those animals. Market hog exports to the U.S. declined by 866,320 in 2008 to 2.3 million animals.

Canadian Live Hog Exports by Province (< 50kg) (‘000 Head)

	MAN	SASK	ALTA	BC	West Cda	Canada
2003	2,637,222	33,563	112,921	20,319	2,804,025	4,971,044
2004	3,294,412	91,565	180,879	22,337	3,589,193	5,626,871
2005	3,634,034	168,174	296,044	30,633	4,128,885	5,414,931
2006	4,066,357	286,072	286,309	31,661	4,670,399	6,014,268
2007	4,479,810	672,345	297,620	19,675	5,469,450	6,729,779
2008	4,383,172	1,095,464	360,170	14,855	5,853,661	7,036,388

Source: Agriculture & Agri-Food Canada

Canadian Live Hog Exports by Province (> 50kg) (‘000 Head)

	MAN	SASK	ALTA	BC	West Cda	Canada
2003	1,143,481	167,478	311,371	38,227	1,660,557	2,458,173
2004	1,250,640	131,343	356,083	18,113	1,756,179	2,876,320
2005	1,379,970	113,053	330,478	1,165	1,824,666	2,777,294
2006	1,334,662	164,253	292,312	1,072	1,792,299	2,751,189
2007	1,665,793	306,076	304,545	3,643	2,280,057	3,283,250
2008	1,114,780	73,888	251,074	2,306	1,442,048	2,308,368

Source: Agriculture & Agri-Food Canada

Financial Statements - July 31, 2009

Management's Responsibility

To Saskatchewan Pork Producers:

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

Meyers Norris Penny LLP, 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.

October 7, 2009



Management



Management

Auditors' Report

To Saskatchewan Pork Producers:

We have audited the statement of financial position of Sask Pork as at July 31, 2009 and the statements of operations, changes in net assets and cash flows, and schedule of travel expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at July 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Saskatoon, Saskatchewan
October 7, 2009

Meyers Norris Bennett LLP



Chartered Accountants

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS
800, 119 - 4th Ave. S., SASKATOON, SK S7K 5X2
PH. (306) 665-6766 FAX (306) 665-9910 www.mnp.ca

Statement of Financial Position

as at July 31, 2009

	2009	2008
Assets		
Current		
Cash	38,766	217,678
Short term investments	80,056	66,953
Accounts receivable	374,491	327,892
Prepaid expenses	19,103	64,647
	512,416	677,170
Capital assets (Note 4)	-	280
Restricted investments	1,000,000	1,000,000
	1,512,416	1,677,450
Liabilities		
Current		
Accounts payable and accrued liabilities	112,801	206,960
Deferred revenue (Note 5)	10,000	49,298
	122,801	256,258
Commitments (Notes 7, 8)		
Net Assets		
Internally Restricted (Note 6) - Partnership program	19,961	28,451
- operating reserve	1,000,000	1,000,000
Invested in capital assets	-	280
Unrestricted	369,654	392,461
	1,389,615	1,421,192
Net assets, end of year	1,512,416	1,677,450

Approved on behalf of the Board



Director



Director

The accompanying notes are an integral part of these financial statements.

Statement of Operations

for the year ended July 31, 2009

	2009 Budget (Note 13)	2009	2008
Revenue			
Check-off/export service charge	1,251,000	1,166,275	1,516,898
Government grants (Note 9)	24,000	8,060	80,880
Conference fees	98,800	50,665	79,992
Reimbursed travel and project sponsorship	24,000	107,406	48,175
Interest	42,700	14,798	41,775
Other	-	11,890	30,671
Cull Breeding Swine Program (Note 10)	-	220,707	949,948
	1,440,500	1,579,801	2,748,339
Expenses			
Research, including Prairie Swine Centre	369,619	369,647	421,237
Salaries and benefits	440,168	379,522	447,151
Industry association	308,807	222,064	293,482
Conferences	94,500	61,784	86,113
Communications	138,140	86,156	114,400
Operations/office	97,472	91,348	98,641
Promotions	57,850	24,763	39,235
Directors and committees	40,261	16,318	29,239
Policy and industry development	21,000	11,755	67,611
Travel (Schedule I)	22,000	15,600	19,991
Organizational development	22,205	11,520	35,797
Amortization	3,761	280	1,580
National services	11,700	1,348	10,767
Bad debts	-	72,317	20,483
Reimbursed expenses	24,000	35,489	40,671
Cull Breeding Swine Program	-	211,467	888,394
	1,651,483	1,611,378	2,614,792
Excess of revenue over expenses (expenses over revenue)	(210,983)	(31,577)	133,547

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Net Assets

for the year ended July 31, 2009

	<i>Invested in Capital Assets</i>	<i>Internally Restricted</i>	<i>Unrestricted</i>	<i>2009</i>	<i>2008</i>
Balance, beginning of year	280	1,028,451	392,461	1,421,192	1,287,645
Excess of revenue over expenses (expenses over revenue)	(280)	(8,490)	(22,807)	(31,577)	133,547
Net assets, end of year	-	1,019,961	369,654	1,389,615	1,421,192

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

for the year ended July 31, 2009

	2009	2008
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses (expenses over revenue)	(31,577)	133,547
Amortization	280	1,580
	(31,297)	135,127
Changes in working capital balances		
Accounts receivable	(46,599)	(113,140)
Prepaid expenses	45,544	40,539
Accounts payable and accrued liabilities	(94,159)	1,097
Deferred revenue	(39,298)	37,673
	(165,809)	101,296
Net change in cash during year	(165,809)	101,296
Cash resources, beginning of year	284,631	183,335
Cash resources, end of year	118,822	284,631
Cash and cash equivalents are comprised of:		
Cash	38,766	217,678
Short term investments	80,056	66,953
	118,822	284,631

Notes to the Financial Statements

for the year ended July 31, 2009

1. Description of business

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

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

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

2. Significant accounting policies

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

Financial instruments

Held for trading:

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

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

Loans and receivables:

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

Notes to the Financial Statements

for the year ended July 31, 2009

Loans and receivables are subsequently measured at their amortized cost. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments. Net gains and losses arising from changes in fair value are recognized in excess of revenue over expenses upon derecognition or impairment.

Other financial liabilities:

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

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

Financial asset impairment:

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

Cash and cash equivalents

Cash is comprised of cash on hand.

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

Capital assets

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

Computer equipment	3 years
Furniture and equipment	3-5 years
Leaseholds	3 years

Notes to the Financial Statements

for the year ended July 31, 2009

Revenue recognition

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

Grant revenue is recognized when approved and eligibility criteria, if any, have been met. Recognition of grants related to capital assets is deferred to periods when the related capital assets are amortized.

Revenues for conference fees are recognized when the conference has occurred.

Interest revenue is recognized when earned.

Research funding expenses

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

Use of estimates

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

Recent Accounting Pronouncements

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.

Notes to the Financial Statements

for the year ended July 31, 2009

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 not-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.

These amendments apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Organization has not yet determined the impact of the changes to the standard on its financial statements.

3. Change in accounting policies

Capital Disclosures

Effective August 1, 2008, the Organization 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 Organization's financial statements.

4. Capital assets

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Leaseholds	25,601	25,601	-	-
Computer equipment	67,152	67,152	-	280
Furniture and equipment	33,229	33,229	-	-
	125,982	125,982	-	280

Notes to the Financial Statements

for the year ended July 31, 2009

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.

	2009	2008
Deferred revenue, beginning of year	49,298	11,625
Amounts received during the year	351,948	984,013
Less recognized government grants	(8,060)	-
Less recognized Cull Breeding Swine Program	(210,929)	(888,110)
Less recognized conference fees	(47,990)	(58,230)
Amounts repaid during the year	(124,267)	-
Deferred revenue, end of year	10,000	49,298

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

Partnership program	10,000	22,680
Modified barn project	-	2,430
Cull Breeding Swine Program - Canadian Pork Council	-	21,188
Café Scientifique	-	3,100
	10,000	49,298

6. Internally restricted net assets

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

Notes to the Financial Statements

for the year ended July 31, 2009

7. Research commitments

Prairie Swine Centre Inc.

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

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

Other committed funding

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

<u>2010</u>	<u>10,000</u>
-------------	---------------

8. Lease commitments

Building and certain office equipment are leased from various suppliers. Future payments required under the lease commitments are as follows:

2010	52,331
2011	53,521
2012	53,521
2013	12,145
2014	2,902
	<hr/>
	174,420
	<hr/>

9. Government grants

	2009	2008
Advancing Canadian Agriculture and Agri-Food Saskatchewan	8,060	80,880
	<hr/>	<hr/>

In addition, government grants were received under the Cull Breeding Swine Program as described in Note 10.

Notes to the Financial Statements

for the year ended July 31, 2009

10. Cull Breeding Swine Program

	2009	2008
Saskatchewan Agriculture and Food	14,009	409,298
Canadian Pork Council	196,920	478,812
Canadian Pork Council - Administration Fees	9,778	61,838
	<hr/>	<hr/>
	220,707	949,948

In 2008 and 2009, the Canadian Pork Council along with Saskatchewan Agriculture & Food provided pork producers funding to dispose of breeding animals and decrease breeding stock in Saskatchewan through the Cull Breeding Swine Program. In 2008, the Organization entered into an agreement with the Saskatchewan Minister of Agriculture to coordinate processing of sows culled in Saskatchewan under the program.

In addition, the Organization entered into a contract in the amount of \$800,000 with the Canadian Pork Council to provide services regarding payments for transportation and slaughter of sows under the program. In 2009, \$300,000 was received (2008 - \$500,000) in addition to administration fees in the amount of \$9,778 (2008 - \$61,838). The program was completed in 2009 and per the agreement the Organization repaid any unused funds to the Canadian Pork Council. The total unused funds repaid were \$124,267.

Notes to the Financial Statements

for the year ended July 31, 2009

11. Financial instruments

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

Risk management policy

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

Credit concentration

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

Fair value of financial instruments

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

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk. The Organization is not exposed to significant interest rate risk on its investments.

Liquidity risk

Liquidity risk is that the Organization will encounter difficulty in meeting obligations associated with financial liabilities. The Organization enters into transactions to purchase goods and services on credit and lease office equipment and office space from creditors, for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Organization's future net cash flows for

Notes to the Financial Statements

for the year ended July 31, 2009

the possibility of a negative net cash flow. The Organization manages liquidity risk resulting from accounts payable and accrued liabilities by investing in liquid assets such as cash and short term investments which can be readily available to repay accounts payable and accrued liabilities.

12. Capital management

The Organization has no formal capital management policy.

13. Budget

The budget for 2008/2009 was approved by the Board of Directors on August 6, 2008.

Schedule I - Schedule of Travel Expenses

for the year ended July 31, 2009

	2009 Budget(Note 13)	2009	2008
National services	1,500	2,179	1,174
Industry association	10,500	6,010	12,875
Organizational development	-	3,305	955
Policy and industry development	6,000	3,460	4,987
Communications	2,000	66	-
Promotions	2,000	580	-
	22,000	15,600	19,991



AUDITORS' REPORT TO SASKATCHEWAN PORK PRODUCERS

We have examined the financial statements of Sask Pork for the year ended July 31, 2009 and have issued our report thereon dated October 7, 2009. We have examined the system of internal control as at July 31, 2009 and have issued our report to you dated October 7, 2009. We have also made an examination to determine whether Sask Pork complied with specified legislative and related authorities pertaining to its financial reporting, safeguarding agency resources, spending, revenue-raising, borrowing and investing activities during the year ended July 31, 2009 and have issued our report to you dated October 7, 2009.

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

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

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

Saskatoon, Canada
October 7, 2009

Chartered Accountants

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AUDITORS' REPORT TO SASKATCHEWAN PORK PRODUCERS

We have audited Sask Pork'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 objective established in its financial plan.
- 2) To prepare reliable financial statements.
- 3) To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

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

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

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

We conducted our audit in accordance with standards for assurance engagements established by The Canadian Institute of Chartered Accountants. Those standards require that we plan and perform an audit to obtain reasonable assurance as to effectiveness of Sask Pork's control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.



MEYERS NORRIS PENNY LLP

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 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 that the degree of compliance with control activities may deteriorate.

In our opinion, based on the limitations noted above, Sask Pork's control was effective, in all material respects, to meet the objectives stated above as of July 31, 2009 based on the CICA criteria of control framework.

A handwritten signature in blue ink that reads "Meyers Norris Penny LLP".

Saskatoon, Canada
October 7, 2009

Chartered Accountants

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AUDITORS' REPORT TO SASKATCHEWAN PORK PRODUCERS

We have made an examination to determine whether Sask Pork complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding agency resources, spending, revenue raising, borrowing and investing activities during the year ended July 31, 2009:

The Agri-Food Act, 2004
The Agri-Food Regulations, 2004
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, the Organization has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended July 31, 2009.

Saskatoon, Canada
October 7, 2009



Chartered Accountants

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Payee List

as at July 31, 2009

Payee List

The Agri-Food Council requires Sask Pork to disclose in their annual report significant payments made over the course of the year. Sask Pork's total payments to the Canadian Pork Council were \$187,342 (Assessment Fees) and \$124,267 (Cull Breeding Swine Program). Other payments in excess of \$35,000 made to a single organization are as follows:

CIBC Visa	\$49,566
Friesen's Meat Processing	\$70,885
Prairie Swine Centre	\$359,647

Projects Funded from Agriculture Council of Saskatchewan Inc. Advancing Canadian Agriculture and Agri-Food Saskatchewan (ACAAFS Program)

	Project Coordinator	2008-2009 ACAAFS Approved	2008-2009 ACAAFS Contribution	Sask Pork Contribution
Saskatchewan Pork Industry Symposium ACAAFS Project #S125A	Kim Browne	7,385	2,630	4,163
Total		\$7,385	\$2,630	\$4,163

Research Projects Funded from Hog Check-Off

Project	Researchers	2008 - 2009 Funding	Project Total
Prairie Swine Centre Inc.	Various	\$359,647	Production based Contract: Jan/06-Dec/10
U of S - Impact of Repeated Applications of Manure and Biogas Production By-Products on Soils and Crops	Jeff Schoenau	\$10,000	\$30,000
Total		\$369,647	

Directors' Remuneration

as at July 31, 2009

Directors' and Committee Members' Remuneration and Reimbursements

Directors and committee members are compensated for the time contributed to the organization and are reimbursed for mileage and expenses incurred while on corporate business during the course of the year.

The following chart breaks down payments made for service for the period of August 1, 2008 - July 31, 2009.

Director	Per Diem	Expenses	Total
Brad Cramer	\$200	\$78	\$278
John Germs	1,500	156	1,656
Ross Johnson	0	0	0
Joe Kleinsasser	8,250 *	3,222	11,472
Jay McGrath	0	0	0
Florian Possberg	1,000	701	1,701
Directors Total	10,950	4,157	15,107
Committee Members	0	481	481
Other Payments	0	730	730 **
Directors/Committees Total	\$10,950	\$5,368	\$16,318

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

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



Sask Pork

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