

Annual Report 2010 - 2011



Saskatchewan
PORK DEVELOPMENT BOARD

Annual Report for the Budget Year August 1, 2010 to July 31, 2011
Published November 2011

Corporate Governance

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

Internal Controls

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

Cover photo: Hillcrest Farming Co.
Dundurn, Saskatchewan

Table of Contents

- Chairman’s Letter 2
- General Manager’s Letter 3
- Board of Directors 5
- Staff & Committee Representation 6
- Provincial Focus 7
- National Focus 9
- Export Focus 12
- Producer Services 13
- Communications & Promotion 15
- Statistics & Trends 20
- Financial Statements & Auditors’ Report 26

Chairman's Letter



I would like to start off by thanking the Sask Pork staff for all of their work over this past year. They do a great job working on provincial initiatives and also are very well respected for all their contributions towards the national programs.

After years of declining Saskatchewan hog numbers, we have seen this trend level out. Cash prices and futures have since given producers the ability to lock in profit even with both the Canadian dollar at or near parity and the continued strength in feed grain prices. This is important for producers to see positive cash flow as the industry is still fragile from the extensive loss of equity in the farms over the past few years.

Sask Pork has been actively involved in determining what recommendations need to be put forward to the federal government for the Growing Forward 2 safety net programs. The current program is set to expire March 31st 2013. One of the key issues for the hog industry that needs to be addressed is how to deal with negative margins within the Agristability program.

The Canadian Swine Health Board has continued to roll out some great programs that will help producers implement long term strategies for disease control in our industry. Sask Pork staff are assisting in the PRRS project by developing a data base and administering the program.

With risk management such a key component to survival, Saskatchewan has done extensive work on developing a risk management program that would help producers all across Canada. Although the program is still in the development stages, we feel this is something that is necessary for the long term stability of our industry.

With hog numbers down across western Canada, we have seen the packing industry become more competitive and aggressive as they try to secure supply. Maple Leaf, Hylife, Olymel and Thunder Creek all procure hogs from Saskatchewan and this has given producers options for the future. Thunder Creek Pork in Moose Jaw has now been operating for close to one year and continues to be a positive for the industry in Saskatchewan. I would like to thank Donald's Fine Foods for resurrecting the Moose Jaw plant and for showing confidence in Saskatchewan.

To all of the producers in Saskatchewan, please don't hesitate to call the Sask Pork office with any questions you might have. The staff will be more than willing to help you with your needs.

This year is an election year for the board of directors. Three of our directors have decided not to return; Daryl Possberg, Brad Cramer and Bevra Fee. I would like to thank them for the great effort and contributions they have made during their years of service.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Jay McGrath', written over a horizontal line.

Jay McGrath, Chairman

General Manager's Letter



It seems the market has finally turned the corner and the fortunes for producers and the industry are starting to improve. Our industry needs some good times to regain some financial stability and producer confidence in the industry.

The market has shifted as we knew it eventually would. North American hog prices have been at near record levels during our 2010/ 2011 fiscal year and despite the high value of the Canadian currency, Saskatchewan producers have finally been able to post profit margins for a number of months and are at, or above, average break-even margins for the year. At our year ending July 31, hog prices were 17% higher than 2010 (averaged \$145.55) and significantly higher than the five and ten year averages of \$125.06 and \$133.13, respectively. Certainly good news and the outlook for 2011/2012 is positive as well.

As the result of poor economic times, the hog industry has changed significantly and likely permanently. There are now 99 producers in Saskatchewan, down from 119 in the previous year and down from 175 just two short years ago. While for some the transition out of the industry was softened by the federal Hog Farm Transition Program, we know that for many it was very difficult and economically devastating.

Given the large capital requirements, the size needed for economic viability, the risk and volatility of the

market place, it is most certain the hog farms of tomorrow will be larger, more diversified and intensively managed. And while the number of farm entities has decreased, it's important to remember the number of people working in the industry continues to be in the thousands. Hog production in the province peaked in 2005 at 2.4 million, decreased to 2 million in 2010, and is poised to show increases in the future.

Of all the provinces in Canada, Saskatchewan continues to have the economic and environmental advantages to be the most desirable location for increased growth. Sask Pork has an excellent policy and analysis program to monitor cost of production both provincially, nationally and internationally to keep our producers knowledgeable about their competitive ability.

Of significance for the industry, was the opening of Thunder Creek Pork in January 2011. Formerly, known as Moose Jaw Packers, the hog processing plant was reopened last January by Donald's Fine Foods who also operate a similar size hog processing plant in British Columbia. Thunder Creek Pork processes approximately 5000 hogs per week and employs over 220 people in Moose Jaw. This plant is the only significant federally inspected processing plant in Saskatchewan, and its reopening is a certain sign of the long term opportunities and confidence in the Saskatchewan hog sector.

While the industry has undergone significant change, Sask Pork has been working on your behalf to assist with the short term issues as well as preparing, planning and developing programs and policy for the long term benefits for the industry.

Over the past couple years, the Canadian Pork Council with support from Sask Pork and other provincial pork organizations have been very successful in obtaining three programs in particular which have significantly assisted financially. Sask Pork was very involved in the development of the Hog Farm Transition Program. This federal program provided \$75 million dollars to

General Manager's Letter

hog producers across Canada to retire their barns and exit the business. In Saskatchewan 15 producers received over \$7 million under the terms of the program. The HILLRP program, which enabled hog operations to obtain loans guaranteed by the Federal government, was also very useful to a number of producers in the province. The Advance Payment Program (APP) is similar to the cash advance program for the grains sector and is not used widely in Saskatchewan. However, it is important to some. For the APP, we have an agreement with Manitoba Pork to administer the program for those in Saskatchewan that use it.

Another emerging issue for the pork industry and producers across the country is addressing animal welfare, food safety, traceability and a host of issues all focused on setting standard practises and/or increasing the surveillance or influencing how we produce pork. For example, at the national level a new code of animal handling and welfare is being developed by a group of people from a number of interest groups including producers. This national code will set, perhaps in regulations, the parameters for production methods for such things as housing methods, the use of sow stalls, castration, pain, transportation and the list goes on.

For Sask Pork, the delivery of on farm programs has increased steadily. The PRRS project, which Sask Pork initiated through funding from the Canadian Swine Health board, has developed a protocol for effectively demonstrating a PRRS-free status over time. This protocol and concept has gained recognition within Canada and the United states as a very useful trade tool.

Research through the Prairie swine Center and or the newly developed national Swine Research Cluster is a significant emphasis of Sask Pork's Board of Directors. The knowledge gained through this research enables us to maintain our competitive edge in a very competitive global economy.

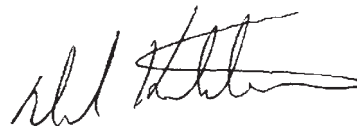
Of particular significance to the industry is CPI's role in international marketing of pork around the world. CPI has an excellent track record of international marketing and has now agreed to assume a domestic marketing role. The Canadian pork industry has lost significant market share to the United States over the past few years and a new initiative spurred by the Canadian Pork Council through CPI will begin to address the market share issue and begin to promote generic pork within Canada.

Our showcase event Symposium continues to attract delegates each year. Focusing on practical information on current production and management techniques, Symposium has enjoyed 33 consecutive years of offering "A World of Information".

Financially, Sask Pork is in a very stable position. While the organization had budgeted for a modest \$59,6476 surplus, some large national programs which had been budgeted did not move as quickly as thought and therefore the organization ended up posting a \$186,000 surplus. While significant, this surplus will make up for the two pervious years of losses.

In closing I would like to sincerely thank the Board of Directors for their wisdom, time and direction they have devoted to the pork industry. And to the staff, Kim, Patty Harvey and Mark for their dedication over the past year.

Sincerely,



Neil Ketilson, General Manager

Board of Directors

2009 - 2011 Board of Directors

Elections

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

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



Jay McGrath
Chairman



Bevra Fee
Vice Chair



Daryl Possberg
Audit Chair



Cliff Ehr



Brad Cramer



David Tschetter

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.

Director, Cliff Ehr, was appointed to the Canada Pork International Board of Directors in 2011.

Staff & Committee Representation

Staff

Neil Ketilson

General Manager
(306) 343-3504
nketilson@saskpork.com

Kim Browne

Executive Administration
Promotions & Communications
Co-ordinator
(306) 343-3506
kbrowne@saskpork.com

Mark Ferguson

Manager Industry & Policy Analysis
(306) 343-3503
mferguson@saskpork.com

Patty Riley

Financial Administrator
(306) 343-3507
priley@saskpork.com

Harvey Wagner

Manager Producer Services &
On-Farm Food Safety
(306) 343-3502
hwagner@saskpork.com

Canadian Pork Council Committee Representation

Animal Care Contact Group - Florian Possberg (Chair)
Canada Pork International Board of Directors - Cliff Ehr
Canadian Agri-Science Research and Development Cluster - Harvey Wagner
Canadian Pork Council Board of Directors - Florian Possberg
Canadian Swine Health Board - Florian Possberg (Chair)
Canadian Swine Health Board Research Advisory - Harvey Wagner
CQA® Advisory Committee - Harvey Wagner
Hog Farm Transition Program Management Committee - Neil Ketilson
Identification and Traceability System Working Committee - Neil Ketilson
Industry/Government Group on Medicated Feed Regulations - Casey Smit
International Swine Cost of Production Network (InterPig) - Mark Ferguson
National/Provincial Traceability Staff Contact Group - Neil Ketilson
National Farm Animal Care Council - Florian Possberg
Hog Identification & Traceability System Working Group - Neil Ketilson
Pig Code Development Committee - Florian Possberg (Chair)
Safety Nets Committee - Jay McGrath, Neil Ketilson
Trade Advocacy Working Group - Florian Possberg (Chair), Neil Ketilson

Industry Representation

Agriculture Council of Saskatchewan Board of Directors - Neil Ketilson (Chair)
Agriculture in the City Planning Committee - Kim Browne
Farm Animal Council of Saskatchewan - Harvey Wagner
Feeds Innovation Institute - U of S - Neil Ketilson
Pork Marketing Canada Provincial Staff Member - Kim Browne
Prairie Swine Centre Board of Directors - Harvey Wagner
Provincial Emergency Planning Consultations - Harvey Wagner
Statistics Canada Advisory Committee on Agricultural Statistics - Mark Ferguson
Western Canadian Agribition Agri-Education - Kim Browne

Provincial Focus

Moving Forward

The Saskatchewan pork sector is finally seeing some stability in prices and markets. The Canadian dollar, intent on hovering above par, will continue to impact competitiveness for the Canadian pork industry for the foreseeable future.

Sask Pork continues to work with the Saskatchewan Ministry of Agriculture on provincial and federal issues that directly affect the livestock sector. One area of particular interest is the development of effective risk management tools for producers.

A lack of available working capital and the banking industry's reluctance to finance hedging activities are just two of the barriers producer face when trying to manage risk on the farm.

Sask Pork believes the solution is a financial loan guarantee program designed to enable all producers access to a line of credit for the specific purpose of financing initial margins and potential future margin calls. A program of this type would ensure every producer has equal opportunity to take advantage of favourable prices and to lock in thereby reducing their dependence on government assistance programs.

To that end, over the past year, Sask Pork worked with the Canadian Pork Council (CPC) to develop a Hedging program proposal. The concept has been presented to other provincial pork boards to solicit input. The proposal requests the federal government to guarantee lines of credit through financial institutions for producer margin money within risk management programs and is modeled after the Canadian Agricultural Loans Act (CALA) program.

The proposal was completed and presented by the CPC and Sask Pork to Agriculture and Agri-Food Canada representatives in July 2011.

Board of Directors & Staff Activity

- Jay McGrath, Brad Cramer, Bevra Fee and David Tschetter and Neil Ketilson attended the CPC Producer Forum November 16-18, 2010.
- In January 2011 Jay McGrath and Neil Ketilson participated in the Red Tape Reduction Commission Roundtable established by Prime Minister Stephen Harper to address issues facing Canadian businesses. The goal of the discussions was to improve and streamline the regulatory system.
- Brad Cramer attended the Canadian Swine Health Forum in October 2010.
- Daryl Possberg attended the Alberta Pork AGM in December 2010.
- Bevra Fee, David Tschetter and Mark Ferguson participated in the Farm Animal Council of Saskatchewan Media Training Seminar in October 2010.
- David Tschetter participated on the 2011 Saskatchewan Pork Industry Symposium Advisory.
- Jay McGrath, Bevra Fee, David Tschetter, Neil Ketilson and Mark Ferguson attended Banff Pork Seminar in January 2011.
- Bevra Fee, David Tschetter and Neil Ketilson participated in the Agri-Food Council Governance and Industry Development Conference March 29-30. The sessions focused on governance, market development, research and trade.
- Bevra Fee and Neil Ketilson attended the annual Premier's Dinner April 2011.
- Neil Ketilson attended the Ontario Pork AGM in March 2011.
- Neil also attended the Canadian Agri-Food Policy Institute (CAPI) stakeholders session in Regina in March. The session was part of the process to

Provincial Focus

develop new ideas and policy direction for the agri-food sector.

- Harvey Wagner attended the Prairie Swine Centre Spring Producer Meeting in Saskatoon in March.
- Mark Ferguson attended the Due South Business Cross the US Boarder roundtable meeting in Saskatoon on February 2011. Sessions focused on cross border selling, trade programs and transportation.
- Mark also attended the Feed Opportunity from the BioFuels Industries (FOBI) Annual Meeting in Saskatoon in March 2011.
- Director Cliff Ehr attended the Canadian Food Inspection Agency Foot and Mouth Disease (FMD) Workshop/Table Top Exercise in March in Ottawa. The goal of the workshop was to foster discussion on how various stakeholders will interact in the first 24 hours of a FMD detection in an abattoir setting. It also identified gaps, overlaps within, and between, existing emergency plans and roles and responsibilities of stakeholders.
- Director Ehr was appointed to the Canada Pork International Board of Directors in 2011.
- Kim Browne participated in the Pork Marketing Canada Budget/Strategic Plan Review meeting in Winnipeg in March.
- Neil Ketilson attended the Provincial Water Management Strategy Consultations on June 16, 2011 in Regina. The sessions focused on key issues and priorities that must be addressed in a comprehensive water management strategy.

Saskatchewan Slaughter Capacity

In January 2011, Thunder Creek Pork began processing hogs at their Moose Jaw plant and at the end of July were processing 800 head per week.

Cost of Production Benchmarking

A cost of production benchmarking tool/survey will be available in early 2012 on the Sask Pork website to assist producers in calculating their cost of production. This will give producers a tool to effectively compare their costs with other producers.

National Focus

Business Risk Management and Safety Net Programs

The Canadian Pork Council (CPC) has remained involved in Growing Forward II consultations.

The CPC Safety Net Committee is also examining hedging proposals that would provide an additional tool to the Business Risk Management Program.

Advance Payments Program

The CPC submitted comments on the emergency advances and will continue to participate in consultations.

Hog Farm Transition Program

Welch LLP, program administrators report that as of June 2011, \$71.9 million has been allocated to 446 successful bidders. All eligible producers have been paid. In the first year of monitoring, compliance was 100%.

The Canadian Pork Council expects a final program overview in the fall of 2011.

Animal Care Assessment

The ACA program will merge with the Canadian Quality Assurance program beginning January 2012.

Pig Code of Practice

In December, the Canadian Pork Council (CPC) announced that the Code of Practice for the Care and Handling of Pigs would be updated through the National Farm Animal Care Council's (NFACC) Code of Practice development process. Work is progressing according to plan.

Controversial issues including space allowance, social management, group sow housing and pain control are being addressed by the Science Committee who will report back to the Code Development Committee.

The drafting of the new Code has been parcelled out to sub-committees. A process that will allow organizations and the public to comment on the proposed changes is under development.

National Check-Off

Sask Pork's proposal to implement a national check-off has been presented to a number of provincial pork boards and to the Canadian Pork Council Board of Directors.

The CPC has also applied for federal assistance funds for the development of a formal check-off proposal. The application was under review by Agriculture and Agri-Food Canada and the Farm Products Council in late summer.

CPC is open to working with other commodities to develop a new collection infrastructure and is also progressing on negotiations with the provincial pork boards.

Domestic Marketing Promotion

Development of a national marketing strategy will be a joint initiative of CPC and Canada Pork International (CPI). The Canadian Pork story and the differentiation strategy that CPI is currently working on should also constitute the basis of a national marketing strategy. There could be significant synergy between international and national promotions.

National Focus

Canadian Swine Health Board (CSHB)

In June, future funding for the CSHB was approved through to 2013 by the federal government. The budget included \$24 million to extend CSHB programming for a further two years. Producers face the continuing threat of foreign animal disease outbreak, and the funding extension will allow the CSHB to continue with projects that will help the industry to react quickly to an emerging animal health challenge.

Mortality Insurance for Hog Producers

Pork producers in Canada will soon have access to an all risk mortality insurance product for their livestock. This summer, the CSHB completed development of a viable insurance product for the swine industry. Started by the Ontario Livestock and Poultry Council, Manitoba Pork Council, Ontario Pork and the Fédération des producteurs de porcs du Québec, this significant milestone demonstrates production insurance can work for the swine sector.

Manitoba Pork is now spearheading the initiative to explore a delivery mechanism that would essentially be modeled after crop insurance. The long term objective is to develop a national program.

National Swine Biosecurity Training Program Launched

The CSHB launched this program in the spring. It will first be available in in Quebec, Ontario and Manitoba, delivered by the Fédération des producteurs de porcs du Québec, Ontario Pork and Manitoba Pork Council respectively, and then rolled out across the country over the summer. A National Swine Farm-Level Biosecurity Standard with training material has been developed that will be made available to the provinces for delivery by the regional biosecurity coordinators.

PigTrace Canada

The CPC's PigTrace Canada initiative continues to work towards the development of a national swine traceability system. Progress has been slowed, however, due to ongoing negotiation of related contracts and agreements. PigTrace had hoped to initiate the early adoption of voluntary movement reporting during the winter of 2010/11, but complications have temporarily stalled steps towards program implementation.

Negotiations with the CPC's chosen national database manager, Agri-Traceability Quebec (ATQ), and the Canada Food Inspection Agency (CFIA) have delayed the launch of a voluntary, phased-in approach to the implementation of PigTrace.

The agreement with the CFIA, which will eventually name the CPC as the official, national swine traceability administrator under the proposed amendment to the Health of Animals Regulation, requires many of its clauses to be applied to CPC's service contract with ATQ. The completion of the contract with ATQ, and therefore the implementation of PigTrace, is dependent on first finalizing the Administrator Agreement with the CFIA.

The CFIA has now placed a priority on completing the Administrator Agreement so that the CPC can resume its PigTrace implementation schedule with ATQ. The CPC hopes to advance negotiations quickly so that it can resume PigTrace Canada's implementation schedule before the end of 2011.

InterPIG (International Swine Cost of Production) Study

Mark Ferguson assembled the Canadian dataset and attended the InterPIG cost of production meeting in Ireland at the end of June.

According to the cost estimates, Brazilian producers had the lowest overall cost of production in 2010 in the

National Focus

Mato Grosso region at \$136/ckg, followed by Brazil's Santa Catarina region (\$147/ckg), the U.S. (Iowa State Estimated Returns), and Canada at \$149/ckg. Denmark, France, Germany Spain, and the Netherlands were the lowest cost producer in the EU, averaging approximately \$192/ckg.

Once again in the comparison, Canada received the lowest hog price of all the countries submitting data. The average Canadian price for 2010 was \$146/ckg, while the U.S. received \$167/ckg (Iowa State Estimated Returns). Brazil averaged a surprising \$184/ckg, while Denmark, Germany, and the Netherlands averaged 182/ckg, \$181/ckg, and \$176/ckg respectively.

The strong value of the Canadian dollar versus all other currencies in 2010 is one of the main reasons Canada is less competitive over last year when Canada was the lowest cost producer in the world.

Swine Industry Offers Support for Japanese Tsunami Victims

In April, the Canadian Pork Council, on behalf of Canadian pork producers, donated \$100,000 to the Canadian Red Cross to assist in Japan's disaster relief efforts.

Pictured below: Jurgen Preugschas presenting the cheque to Conrad Sauvé, Chief Executive Officer of the Canadian Red Cross.



Export Focus

Export Statistics 2010

Canadian pork and by-products are exported to more than 143 countries. Only the European Union and U.S. export more pork and pork by-products than Canada. In 2010, 109M tonnes were exported returning \$2.76B.

Top Volume Markets:

- USA (336,111T)
- Japan (225,077T)
- Russia (87,132T)
- Mexico (72,304T)
- Hong Kong (59,969T)
- South Korea (55,163T)

Top Gross Markets:

- USA (\$950M)
- Japan (\$852M)
- Russia (\$185M)
- Australia (\$118M)
- Mexico (\$104M)
- South Korea (\$99M)
- Hong Kong (\$83M)

On April 27, 2011 Canada Pork International launched the Distributors Education Program in Montreal. This is a unique and interactive program designed to provide meat marketing professionals with a comprehensive training program that focuses on Canadian pork quality, specifications, food safety, differentiation, merchandising solutions and financial yield analysis

The program will help Canadian pork marketing specialists to effectively represent Canada Pork International members, representatives, associates and end-user customers around the world.

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

In June, indications were that Canada and Mexico had had some success in their WTO challenge of U.S. Country of Origin Labelling regulations. Formal announcements are expected sometime later this year.

South Korean Free Trade Agreement

The Canadian pork industry has encouraged the Canadian government to resume Free Trade agreement negotiations with the Republic of Korea and the establishment of the Canada-Korea foundation. Korea is the third largest export market for Canadian pork. and Canada is the second largest exporter of pork to Korea

In an open letter to the Prime Minister in March, 2011, the Canadian pork industry stressed the importance of reaching an agreement soon as the Canadian pork industry is extremely export dependent and the growth opportunity losses could reach \$300 million annually in this market.

The largest hurdle in the negotiations is the reluctance of other Canadian stakeholders who do not want Canada to sign an agreement with South Korea.

The U.S. pork industry is also supporting closure of Korea-United States FTA negotiations as they are currently the #1 exporter to this market.

Producer Services

Canadian Quality Assurance (CQA®)

There are currently 162 registered units participating in the CQA® program. These units are in effect, all the commercial hog production facilities in Saskatchewan.

There were no major changes to the program aside from the decision of the Canadian Pork Council Board of Directors in December of 2010, to amalgamate the ACA® and CQA® beginning January 1, 2012.

Animal Care Assessment (ACA™)

There are 56 units currently registered in the ACA™ program, which is about 35% of the CQA® registered barns. The ACA® form is a combined manual and workbook which producers complete in order to review their operation, with a view to the care and housing of the pigs. An important part of the program is enhancing animal care on the farm through carefully considered protocols.

The previously mentioned amalgamation of the CQA® and ACA™ programs will be phased in over three years, with the farm completing the assessment form and doing either a self-assessment checklist or a full validation, depending on what part of the CQA® validation cycle they are at.

The Code of Practice for Pigs is under review by The CPC Animal Care Contact Group under the auspices of the National Farm Animal Council. The code review is to be completed by mid-2013.

Needle Free Injection Systems

Sask Pork successfully applied to the Saskatchewan Ministry of Agriculture, On Farm Food Safety Program for funding to assist producers who wish to purchase needle free injection systems (NFIS) equipment.

Sask Pork is administering the pork industry NFIS program for the Growing Forward OFFS program

directly. Producers can apply for the subsidy through Sask Pork. The maximum subsidy is \$750 per CQA® registered production unit.

On June 16, Sask Pork held a **Lunch & Learn** Seminar for producers and veterinarians. Stuart Webb of Pulse NeedleFree Systems and Mike Agar, AccuShot Inc. Needle Free Technology demonstrated their needle free vaccination systems currently available.

Canadian Swine Research & Development Cluster

The Canadian Swine Research & Development Cluster Inc (CSRDC) is in full operation. The CSRDC corporation is a cost centre of the CPC run by a Board of Directors. Harvey Wagner represents Saskatchewan on this board.

The CSRDC is funding 14 major projects with a total value of \$12 million. The swine industry is contributing approximately \$2 million of the total with the Government of Canada supplying the remaining funds. Sask Pork is participating in the CSRDC by allocating \$210,120 over three years for four projects, all of which are being conducted at the Prairie Swine Centre Inc.

One important part of the federal agri-science cluster program is to foster cooperation between various institutions and funders. The CSRDC is successful in having research projects at 15 universities (8 in Canada) and 9 research centres (8 in Canada). Funding for the CSRDC is being provided by the Government of Canada, 5 provincial producers associations and 19 private industry partners (12 in Canada).

Ten projects are intended to "Increase Canadian pork industry competitiveness" and four are funded to "Increase Canadian pork industry differentiation". Some of the projects are very large with a number of sub-activities. The Prairie Swine Centre Inc. is the lead for tech transfer and they are working with the CDPQ to provide tech transfer in English and French.

Producer Services

Planning has begun for the next phase of the federal agri-science cluster program, which is expected to start in 2013.

PRRS Free Herd Certification Pilot Program

The PRRS Free Herd Certification Pilot Program is a multi-provincial program intended to assess the feasibility of certifying freedom from specific diseases, in this case PRRS. The project was developed by Sask Pork and is being administered at Sask Pork with participation of Alberta Pork.

The target groups for the PRRS Negative Herd Certification Pilot Program are farms that regularly sell feeder pigs, breeding stock or any class of live pigs for export. The project allows for up to one hundred farms to participate with some compensation for the farms to offset their participation costs in the project. A producer information package on the project was widely circulated and as of yearend, 18 farms had registered.

The database which tracks the testing and calculates the status for each enrolled premise has been developed at Sask Pork by Mark Ferguson together with Dr. Leigh Rosengren and Harvey Wagner. It is a workable database which will provide proof of concept at a reasonable cost in a timely manner.

The project is wholly funded by the Canadian Swine Health Board.

Transportation Quality Assurance (TQA®)

The TQA® program, which is owned by the United States National Pork Board, had its normal three-year revision in 2011. There was an increased demand for the TQA® program in the last year with 106 individuals being trained by Sask Pork, along with some additional Saskatchewan transporters trained by other TQA® advisors. Only transporters who have passed either the TQA® or CLT® courses are allowed to deliver at most packing plants.

Communications & Promotion

Domestic Promotion/Pork Marketing Canada

A national domestic promotion committee was struck to review promotion. The Canadian Pork Council and Canada Pork International have discussed a joint initiative to implement a national marketing strategy.

The Canadian Pork Story and the differentiation strategy that CPI is already working upon could constitute the basis for a national marketing strategy.

Television Advertising

CBC television show "*Best Recipes Ever*" Closed Captioning Campaign - March 21 - September 2011. This featured 101 - 10 second closed captioning billboards with a target audience of 3,406,000 women age 25-64.

Dieticians of Canada National Conference - June 2011 Edmonton, Alta

Attendance was ~700 of which 300 were dietitians. Top 6 questions related to: cooking pork; concerns with internal end cooking temperature relative to undercooking and the risk of trichinosis (more so than overcooking). Pork was the only "meat" exhibitor at the conference.

Andrea Villneff, Ontario Pork's Nutritionist and Susan Riese, Manitoba Pork's Manager, Consumer Marketing & Community Relations Programs were available to answer any questions regarding pork, nutrition and diabetes. The resource "How Pigs are Raised" and consumer recipes relating to specific health conditions such as diabetes, heart healthy (low sodium) and slow cooker recipes (very popular) were distributed..

Retail and Foodservice Support

Sask Pork administered the distribution of Pork Marketing Canada consumer resources to 175 grocery stores in western Canada. Three distributions were done from July 2010 to March 2011.

Nutrition Program

The *Healthy Choices for Optimum Health* nutrition fact sheet was produced by the Canadian Pork Council for national distribution. The fact sheet and 200 *Healthy Choices, Lean Choices* poster were requested by the Saskatoon Health Region for all public and French immersion schools in the system.

National Consumer Website Updates

The redesign of the national PutPorkOnYourFork website was undertaken by Manitoba Pork Council staff this year with input from the provinces. Final modifications to the site are on hold pending development of the National Promotions Strategy.

Regina Home Economics for Living Project Inc. (HELP)

Sask Pork sponsored and help in the development of a series of 8 Nutrition workshops in May 2011 in Regina. The workshops were delivered by a Home Economist to 124 participants including young adults, single parents and students.

Through initial conversations with the participant base, the HELP Home Economist determined there was interest in learning how to use pork in their weekly meals. Many indicated they didn't think of pork when planning their meals for a week.

Communications & Promotion

Workshop 1: Pork - A Healthy Choice

Substituting pork for other proteins and nutrient values of pork cuts.

Recipe prepared: Pork Stroganoff

Workshop 2: Fast and Easy Meal Choices

Emphasized easy recipe selections

Recipe Prepared: Ground Pork Tacos

Workshops 3: Pork Slow Cooker Meals

Participants learned that with a little prep in the morning, you could come home to a nutritious and delicious slow cooked meal.

Recipe Prepared: Slow Cooker Pulled Pork

Workshop 4: Dispelling the Myths about Pork

(i.e., pork is expensive; high in fat; difficult to cook; dry)

Recipe Prepared: Ham and Lentil Soup

Workshops 5 and 6: Cost Effective Child Approved Recipes

Combined two workshops for this topic as it was heavily requested - emphasized the use of pork as a quality and cost effective substitute for beef and chicken. Showcased easy and fun recipes to make with small children.

Recipes Prepared: Pork Nuggets; Ground Pork Burgers and Pizza

Workshop 7: Cost Comparisons

Discussed cuts of meat. Reviewed grocery flyers to show how to do cost comparisons when shopping for groceries. Focused on the affordability of pork vs other meats

Recipe Prepared: Pork Veggie Wraps

Workshop 8: Easy Breakfast, Lunch and Dinner Recipes

Emphasis was on quick, easy and nutritious recipes for all meals (especially for breakfast)

Recipe Prepared: Ham and Cheese Muffins

Farmscape Radio Program

FarmScope radio program is in its 14th year of broadcasting. Sask Pork continues to sponsor the radio network hosted by Bruce Cochrane of Wonderworks Canada Inc. It airs daily (Mon-Fri) on CKLQ Radio Brandon, CFRY Radio Portage La Prairie, CJVR Radio and CK750 Radio Melfort, CKSW Radio Swift Current. and XM105 Radio in Whitecourt, Alberta.

Bruce also produces the Farmscape E-newsletter which is distributed widely to international subscribers, researchers, government representatives, industry leaders and individuals interviewed for the program.

Symposium 2010 Advisory Committee

- Denise Beaulieu, Ph.D., Prairie Swine Centre Inc.
- Bevra Fee, Fast Genetics, Spiritwood, SK
- Henry Gauvreau, D.V.M., Warman Veterinary Services
- Kevin Hursh, P.Ag., (Facilitator) Hursh Consulting and Communications
- Joe Kleinsasser, Rosetown Farming Co. Inc.
- Don Kolla, Cudworth Pork Investors Group
- Brad Marceniuk, P.Ag., B.Sc., Saskatchewan Ministry of Agriculture
- Bernardo Predicala, Ph.D., Prairie Swine Centre Inc.
- David Tschetter, Star City Farming Co. Inc.

- Conference Coordinators:
Kim Browne and Harvey Wagner

Saskatchewan Pork Industry Symposium

2010 was the 33rd consecutive year for the conference with attendance reaching 269 over the two days. Special guests included Honourable Bob Bjornerud, Minister of Agriculture and Jurgen Preugschas, Chairman, Canadian Pork Council Board of Directors.

Communications & Promotion

Western Canadian Livestock Expo

Sask Pork participated in the pork and dairy trade show on April 12-13, 2011 that featured 49 exhibitors showcasing the latest in swine and dairy equipment. The show was held in a new venue (Marquis Downs) at Prairieland Park this year and attracted better than expected traffic. Sask Pork sponsored the Tuesday morning and Wednesday afternoon coffee breaks.

Agri-Education Program

Sask Pork participated in Agri-Education tours throughout the province this year. The tours are coordinated by Agriculture in the Classroom. Our display formed part of the Lloydminster, Prince Albert, Saskatoon and Yorkton Ag-Ed tours. It is estimated that 3800 students participated in the tours.

Sandra Fonstad and Laura Eastwood assisted Sask Pork in hosting the interactive display in Saskatoon which included live piglets. They presented information on how pig are raised to elementary students.

Laura hosted the display at the Ag-Ed Tours in Prince Albert, while the Lloydminster and Yorkton Ag-Ed tours use Sask Pork's display and resources, they have local volunteers with agricultural backgrounds to man the displays.

Hurry Hog Curling Rink Decal Program

This was the fifth year the decals had been provided to Saskatchewan association curling rinks. A total of 33 clubs requested decals in the 2010 curling season.

Sask Pork Industry E-Newsletters

The *Industry* E-Mail report is prepared and distributed by Harvey Wagner each week.

The *Forum* E-Newsletter (new format this year) is prepared and distributed quarterly by Kim Browne.

Memberships & Industry Associations

- Agriculture Council of Saskatchewan Inc.
- Agriculture Institute of Canada
- Canadian Western Agribition - International Reception
- Farm Animal Council of Saskatchewan
- Prairieland Park Exhibition Association
- Saskatchewan Food Processors Association
- Saskatchewan Institute of Agrologists
- Saskatoon and District Chamber of Commerce

Industry Awards of Distinction 2010

2010 Pork Industry Awards of Distinction

Don Kolla, Cudworth Pork Investors Group *Community Spirit Award*

Don was honored by his staff for his generous service to the community of Cudworth and his genuine concern for his staff at CPIG.

His recognition of staff accomplishments, motivation, ongoing training, and genuine concern for the health and well-being of his staff, has created a workplace where the staff feel valued in their careers. Don is a highly respected member of CPIG and the Cudworth community.



Pictured left to right:
Don Hrapchak, Kathleen Kolla, Don Kolla

Don and Nancy Lidster, DNL Farms Ltd. *Production Innovation Award*

Don and Nancy were acknowledged for their many years of providing innovative and often ground-breaking production and animal handling training for the swine industry. They have, and continue to, provide value to production systems across the province, country and the U.S. and are very well known and respected in the swine industry in the area of handling pigs.



Pictured left to right:
Joe Kleinsasser, Nancy Lidster, Don Lidster

Pat Frith, Pig Improvement Company (Retired) *Distinguished Service Award*

Pat was honored for his long time service to the swine industry dating back to the 1970's. His varied background in production systems, livestock equipment and passion for customer service was appreciated by the many hog managers he worked with over the years. Pat continues to stay on top of industry developments even in his retirement.



Pictured left to right:
Connie Frith, Jim Haggins, Pat Frith

Sponsorships & Donations

Sponsorships & Donations

Assiniboine Valley Chapter of the Saskatchewan Superannuated Teachers Provincial Golf Tournament - June 2011

Canadian Mental Health Association - Teddy Bear Affair - 2011

Canadian Western Agribition - International Reception - November 2010

Canadian Pork Council - Japan Disaster Relief Fund

College of Pharmacy and Nutrition - University of Saskatchewan - Nutrition Professional Enhancement Day - November 2010

Cystic Fibrosis Canada - Annual Ride for Life - May 2011

Farm Animal Council of Saskatchewan - Fence Lines to Corporate Boardrooms - Prize Donation - December 2010.

Farm Animal Council of Saskatchewan - 2011 Billboard Campaign - April 2011

Floral Community Association - Harvest Windup - November 2010

Kinsmen Telemiracle - Volunteers Meals - March 2011

Livelong and District Annual Summerspiel - July 2011

Regina Home Economics for Living (HELP) Project Regina - May 2011

Saskatchewan Association of Rural Water Pipelines Annual Convention - December 2011

Saskatchewan Barbeque Association - Toontown Smokedown Barbecue Championships - July 2011

Saskatoon Friendship Inn Easter Dinner - Donation of Hams - April 2011

Saskatchewan Irrigation Projects Association - South Saskatchewan River Basin Showcase Tour - August 2011

Saskatchewan Meat Processors Association Annual Convention - March 2011

Saskatchewan Ministry of Agriculture Annual Golf Tournament - prize donation - September 2010

Saskatchewan Outstanding Young Farmers - Silver Level sponsorship - April 2011

SIAST Retail Meat Cutting Program Student Bursary - 2010

Team Perogie Power Walk to End Breast Cancer - July 2011

University of Saskatchewan, College of Pharmacy & Nutrition - Student Enhancement Fund

Western Canadian Livestock Expo - Exhibitor and Refreshment Breaks - April 2011

Western College of Veterinary Medicine - Veterinarians Without Borders - May 2011

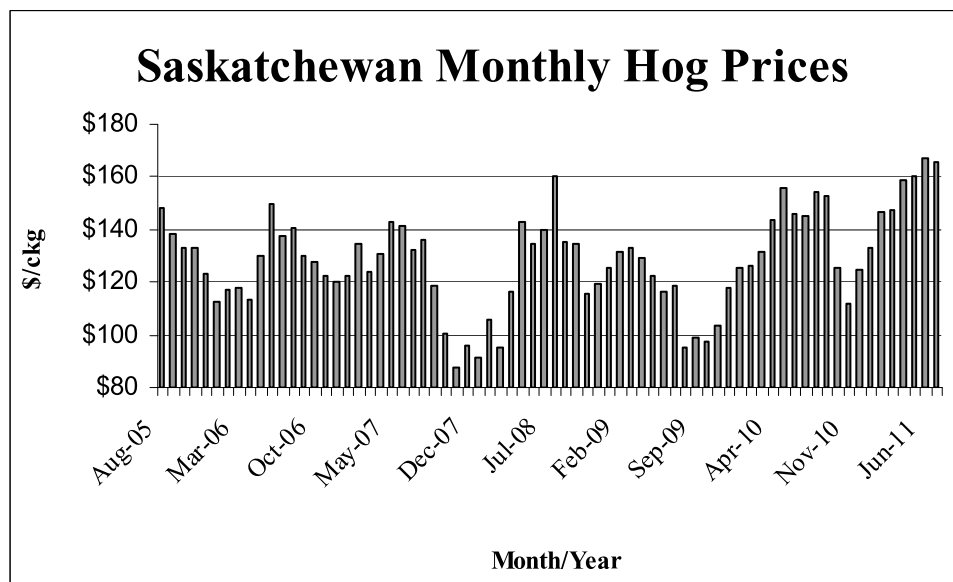
Yorkton Exhibition Association - Agri-Education Tours - November 2011

Statistics & Trends

In Saskatchewan, the 2010/2011 year will be remembered as one where record breaking U.S. pork and lean hog prices combined with a high Canadian dollar exchange rate and high feed costs to result in slim positive margins for Canadian producers. The fact that margins were in break-even or positive territory is itself extraordinary, considering the last year this occurred was in 2006. Over the course of the year, most producers would certainly have been in a position to cover cash costs except for a brief period in the 4th quarter of 2010. Depending upon their business structure, some producers would have been able to achieve a small profit.

Notable events that occurred in 2010/2011 included flooding in Saskatchewan and Manitoba, which reduced seeded acreage and resulted in lower overall crop production. Despite the uncertainty, wheat and barley prices only increased by approximately \$35/tonne on average over the previous year, and did not result in an unusually volatile market. Also, the Canadian Dollar rallied throughout the year and once again proved to be a limiting influence on hog prices. Finally, on a more positive note, the reopening of the Moose Jaw packing plant (Thunder Creek Pork) provided a boost to the Saskatchewan industry. This along with higher prices has resulted feeling of cautious optimism in the industry.

Between August 2010 and July 2011, hog prices in Saskatchewan averaged \$145.55/c/kg, which was significantly above the ten-year average of \$133.13/c/kg. In fact, this was the highest level prices have hit since 2001. Tempering much of optimism around pricing is the fact that costs have steadily increased over the past decade, and hog prices have not kept pace. Adjusting for inflation (2002 dollars), the real price of hogs today is only \$117/c/kg.

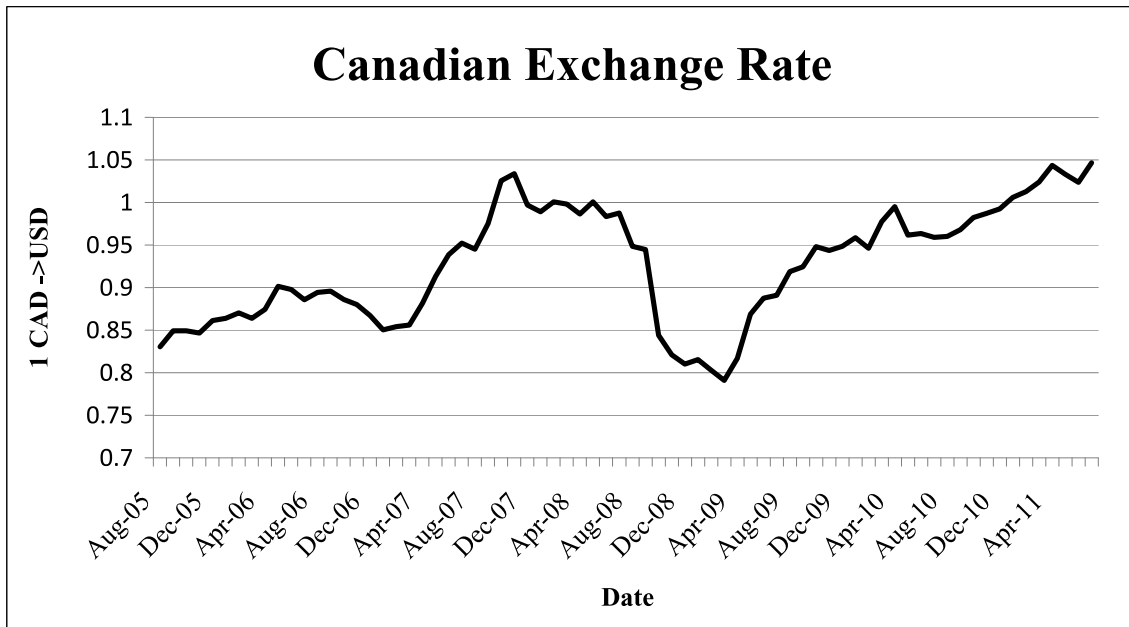


Source: SPI Marketing Group Inc, H@ms Marketing Services

In an ongoing trend, the Canadian exchange rate continued to suppress prices after a brief respite in 2008/2009. Between August 2010 and July 2011, U.S. lean hog prices averaged \$US 82.44, which was an increase of \$15/cwt over the previous year, and represents a record high. Margins in the slaughter sector were positive, as the USDA cut-out value averaged a record \$US 88.67/cwt, which was an increase of \$18/cwt over the previous year. A lower US dollar combined with strong export markets contributed to the strong meat values.

Statistics & Trends

In 2010/2011, the exchange rate averaged 1.01, an increase of 5% over the previous year when it averaged 0.954. The change in the dollar value alone resulted in a loss of revenue of approximately \$9/c/kg for producers.

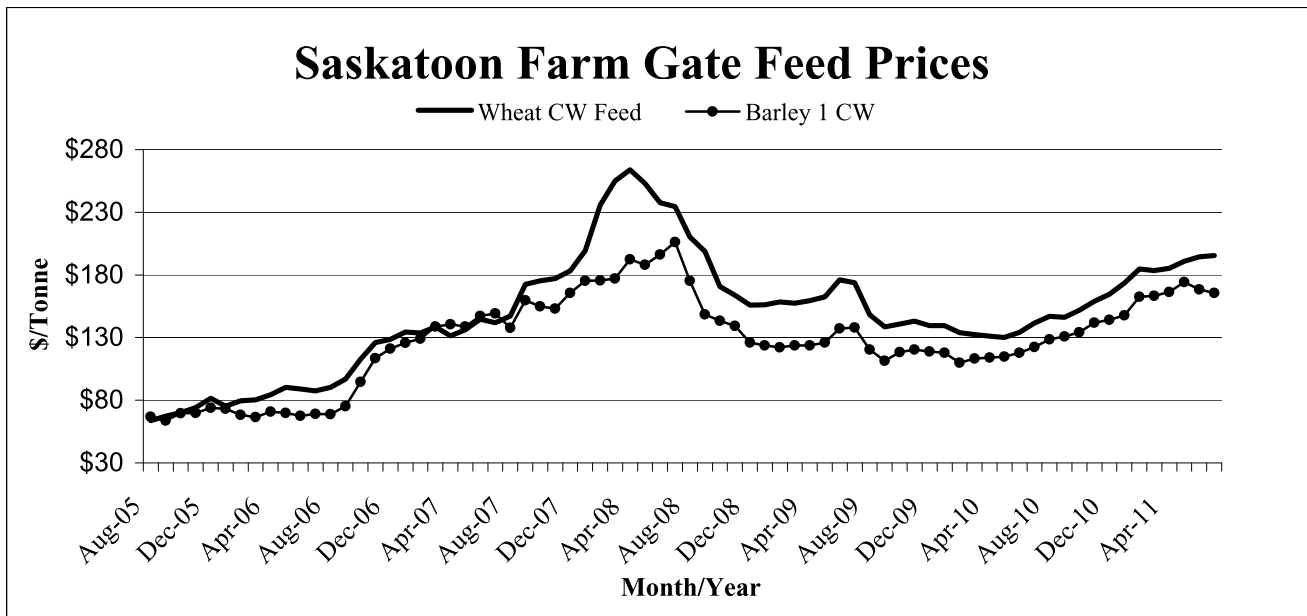


Source: Bank of Canada

Feed grain prices increased steadily in Saskatchewan following the 2010 harvest. Widespread flooding in Manitoba and Saskatchewan resulted in decreased seeded area of most crops. In Canada, the seeded area of wheat and barley were down 15% and 20% respectively. Ultimately, Canadian wheat carry-out stocks declined by 8% while barley stocks declined by 44% between the 2010 and 2011 crop years. The USDA estimates that total world grain production declined by 6% between the 2010 and 2011 crop years.

As a result of tighter supplies, Saskatchewan feed wheat prices increased by 26% to \$173.05/tonne while feed barley prices increased 30% to \$152.32/tonne between August, 2010 and July 2011.

Statistics & Trends



Source: Saskatchewan Agriculture and Food

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

Saskatchewan's producer numbers declined again in 2010 as disappointing returns continued to push producers out of the industry. In 2010, a total of 99 producers marketed hogs produced at 167 active premises across the province. The bulk of the decline this year was in the 0-500 hog categories, which dropped by 18 producers. Producer numbers among farms producing more than 500 hogs remained relatively stable.

Saskatchewan Producer Profile*

Number of Hogs Produced	Number of Producers				Number of Slaughter Weight Hogs Produced			
	2010	2009	2008	2007	2010	2009	2008	2007
<100	11	27	39	65	472	845	1306	2361
100-500	7	9	25	37	1952	2239	6035	10019
500-1000	3	3	15	20	2424	1605	10602	14850
1000-5000	15	18	36	41	47600	48232	90812	102130
5000-25000	55	54	51	64	579719	545789	508564	666536
25000-50000	5	5	7	4	169217	163815	209658	114864
>50000	3	3	2	2	880414	684405	669848	1028216
Totals	99	119	175	233	1,681,798	1,446,930	1,496,825	1,938,976

Source: Saskatchewan Pork Development Board

*Note: These numbers are based upon checkoff data, and represent the number of producers/companies that produced hogs, not the number of production units or premises. In 2010 there were 167 active premises in Saskatchewan.

Statistics & Trends

In 2010, Saskatchewan produced a total of 1,968,381 pigs, which was down by approximately 7,305 animals from 2009. Feeder pig exports declined sharply, dropping by 238,382 down to 255,819 pigs. Increased profitability on the finishing side in Saskatchewan provided an incentive to finish feeder pigs at home. As a result, market hog production increased by 234,868. Marketings of sows and breeding stock remained relatively stable.

Number of Pigs Sold in Saskatchewan by Category

	Market Hogs	Sows and Breeding Stock	Feeder Pig/ Weanling Exports	Total Pigs Produced
2005	2,214,413	48,142	195,113	2,457,668
2006	2,015,017	60,959	289,551	2,365,527
2007	1,938,976	55,065	547,650	2,541,691
2008	1,496,825	37,065	1,069,752	2,603,642
2009	1,446,930	34,555	494,201	1,975,686
2010	1,681,798	28,754	255,819	1,968,381

Source: Saskatchewan Pork Development Board

According to Statistics Canada, Saskatchewan's breeding herd increased by 3,700 sows over the past year and now stands at 91,200 animals. The entire Canadian sow herd decreased by 13,700.

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

	B.C.	Alberta	Sask.	Man.	West	Ontario	Quebec	Atl.	East	Canada
2005	18.2	196.8	131.2	365.6	711.8	430.0	414.3	32.1	876.4	1,588.2
2006	18.6	188.0	130.9	368.0	705.5	417.1	399.0	30.8	846.9	1,552.4
2007	18	182.6	128.3	370.5	699.4	408.5	394.0	30.5	833.0	1,532.4
2008	16.9	165.0	119.6	340.0	641.5	365.0	385.0	27.2	777.2	1,418.7
2009	15.6	156.5	93.0	330.5	595.6	350.8	382.0	21.6	754.4	1,350.0
2010	9.4	148.5	87.5	325.0	570.4	335.0	371.1	18.8	724.9	1,295.3
2011	9.2	145.6	91.2	313.4	559.4	341.0	360.0	21.2	722.2	1,281.6

Source: Statistics Canada, Hog Statistics

The total number of pigs produced in Canada declined once again in 2010. Eastern Canadian production decreased by 549,400 animals and stands at approximately 14 million pigs, while western Canada's production declined by 612,300 animals and sits at 13 million pigs. Saskatchewan remains the 5th largest pork producing province in Canada behind Manitoba, Quebec, Ontario, and Alberta.

Statistics & Trends

Hogs Marketed in Canada by Province (1,000 Head)

	BC	Alberta	Sask.	Man.	West	Ontario	Quebec	ATL	East	Canada
2005	338.6	3,796.5	2,458.7	8,555.6	15,149.4	7,539.9	7,249.5	595.3	15,384.7	30,534.1
2006	328.3	3,848.7	2,605.4	8,754.6	15,537.0	7,399.5	7,059.7	569.2	15,028.4	30,565.4
2007	336.3	3,748.1	2,849.1	9,160.8	16,094.3	7,396.3	7,163.7	576.6	15,136.6	31,230.9
2008	325.8	3,530.8	2,907.6	8,788.1	15,552.3	7,686.8	7,259.3	562.5	15,508.6	31,060.9
2009	288.2	3,052.8	1,978.4	8,270.1	13,589.5	6,768.2	7,389.4	431.9	14,589.5	28,179.0
2010	231.7	2,996.5	2,002.2	7,746.8	12,977.2	6,178.4	7,484.3	377.4	14,040.1	27,017.3

Source: Input Data from Statistics Canada, calculated by Saskatchewan Ministry of Agriculture.

Calculation: Slaughter plus international and interprovincial exports, less imports.

Includes: Slaughter Market and Culled Hogs, Weanlings and Feeders

In 2010, Sask Pork data indicates that 55,428 hogs were slaughtered in Saskatchewan, mainly in provincially inspected plants. Donald's Fine Foods began slaughtering hogs at their Thunder Creek Pork plant in Moose Jaw in January, 2011. The plant is expected to process approximately 5,000 hogs/week (260,000/year). As a result, total slaughter numbers in Saskatchewan for 2011 are forecast to increase substantially.

Approximately 1.1 million of Saskatchewan's market hogs were transported to Manitoba, while 471,087 animals were transported to Alberta for slaughter. U.S. exports of animals for slaughter increased slightly to 66,407 hogs. In 2010, the total Canadian slaughter decreased by 1.3 million to a total of 20.3 million animals. The bulk of this decline occurred in Ontario where Maple Leaf Foods had been operating their Burlington plant at reduced capacity. The Burlington plant was sold in November, 2010 to Sun Capital Partners Inc.

Hogs Slaughtered In Canada

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

	Atl/Quebec	Ontario	Man/Sask	Alberta	B.C.	Canada
2005	8,538,043	4,602,168	5,393,054	3,122,016	503,404	22,158,685
2006	8,238,050	4,513,639	5,137,042	3,241,863	488,843	21,619,437
2007	8,104,069	4,799,704	4,745,023	2,934,702	494,884	21,078,382
2008	8,317,756	5,122,047	4,854,146	2,701,366	525,014	21,520,329
2009	8,308,626	4,949,398	4,949,398	2,599,175	500,035	21,639,122
2010	8,094,013	4,058,381	5,211,881	2,560,487	367,543	20,292,305

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

Statistics & Trends

Live hogs exports from Canada to the U.S. were down once again in 2010. The reduced Canadian breeding herd and transportation costs remain significant factors limiting the live export market. According to Agriculture and Agri-food Canada, approximately 4.7 million feeder pigs were exported from Canada to the United States in 2009, down 10% from the previous year. Market hog exports to the U.S. remained relatively stable in 2010, down by only 82,562 animals. As has been the case since 2008, U.S. Country of Origin labelling rules continue to influence the marketing opportunities and economics of exporting live hogs.

Canadian Live Hog Exports by Province (< 50kg)

	Manitoba	Saskatchewan	Alberta	B.C.	West	Canada
2005	3,634,034	168,174	296,044	30,633	4,128,885	5,414,931
2006	4,066,357	286,072	286,309	31,661	4,670,399	6,014,268
2007	4,479,810	672,345	297,620	19,675	5,469,450	6,729,779
2008	4,383,172	1,095,464	360,170	14,855	5,853,661	7,036,388
2009	3,478,459	477,434	365,457	9,757	4,331,107	5,221,664
2010	3,042,429	253,832	405,501	7,200	3,708,962	4,699,916

Source: Agriculture & Agri-Food Canada

Canadian Live Hog Exports by Province (> 50kg)

	Manitoba	Saskatchewan	Alberta	B.C.	West	Canada
2005	1,379,970	113,053	330,478	1,165	1,824,666	2,777,294
2006	1,334,662	164,253	292,312	1,072	1,792,299	2,751,189
2007	1,665,793	306,076	304,545	3,643	2,280,057	3,283,250
2008	1,114,780	73,888	251,074	2,306	1,442,048	2,308,368
2009	477,757	6,453	171,026	1,595	656,831	1,142,671
2010	451,767	6,389	140,585	241	598,982	1,060,109

Source: Agriculture & Agri-Food Canada

Management's Responsibility

To Saskatchewan Pork Producers:

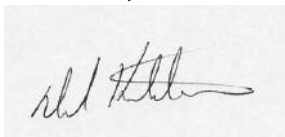
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate 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.

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

October 5, 2011



Management



Management

Independent Auditors' Report

for the year ended July 31, 2011

TWIGG & COMPANY

CHARTERED ACCOUNTANTS

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

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

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

TELEPHONE (306) 244-0808
FACSIMILE (306) 244-0004
www.twiggandcompany.com

Independent Auditors' Report

To the Board of Directors of Sask Pork.

Report on the Financial Statements

We have audited the accompanying financial statements of Sask Pork, which comprise the statement of financial position as at July 31, 2011, and the statements of operations, change in net assets, cash flows, and schedule of travel expenses for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Sask Pork as at July 31, 2011 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Saskatoon, Saskatchewan
October 5, 2011

"Twigg & Company"
Chartered Accountants

Statement of Financial Position

as at July 31, 2011

	<u>ASSETS</u>	
	<u>2011</u>	<u>2010</u>
CURRENT		
Cash	\$ 404,123	\$ 307,289
Short-term investments	239,000	81,916
Accounts receivable	189,405	225,408
Prepaid expenses	<u>11,368</u>	<u>14,297</u>
	843,896	628,910
CAPITAL ASSETS (Note 3)	801	1,602
RESTRICTED INVESTMENTS	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 1,844,697</u>	<u>\$ 1,630,512</u>
	<u>LIABILITIES</u>	
CURRENT		
Accounts payable and accrued liabilities	\$ 99,038	\$ 163,322
Deferred contributions and revenue (Note 4)	<u>206,332</u>	<u>113,526</u>
	<u>305,370</u>	<u>276,848</u>
	<u>NET ASSETS</u>	
INTERNALLY RESTRICTED (Note 5)		
Partnership program	7,225	11,492
Operating reserve	1,000,000	1,000,000
UNRESTRICTED	<u>532,102</u>	<u>342,172</u>
	<u>1,539,327</u>	<u>1,353,664</u>
	<u>\$ 1,844,697</u>	<u>\$ 1,630,512</u>

COMMITMENTS (Note 6, 7)

APPROVED BY THE BOARD:



Director



Director

Statement of Operations

for the year ended July 31, 2011

	2011	2011	2010
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
REVENUE			
Check-off and export service charge	\$ 1,396,000	\$ 1,378,394	\$ 1,314,149
Government grants (<i>Note 8</i>)	343,000	66,983	37,266
Symposium fees	58,000	50,065	52,145
Reimbursed travel and project sponsorship		16,896	28,712
Interest	23,200	8,538	1,873
Other	<u> </u>	<u>8,557</u>	<u>30,222</u>
	<u>1,820,200</u>	<u>1,529,433</u>	<u>1,464,367</u>
EXPENSES			
Research, including Prairie Swine Centre	278,449	291,670	322,857
Salaries and benefits	418,618	409,801	398,172
Industry association	233,917	237,324	218,261
Symposium	60,450	54,332	60,614
Communications	80,050	68,217	60,889
Operations and office	110,218	96,891	96,318
Promotions	100,200	37,449	46,187
Directors and committees	60,782	35,742	39,382
Policy and industry development	10,000	4,784	1,706
Travel (<i>Schedule 1</i>)	22,600	26,377	18,381
Organizational development	25,570	11,137	12,751
Amortization		801	801
National services	4,700	2,717	1,095
Bad debts			157,768
Reimbursed expenses	12,000	16,215	27,870
PRRS project (<i>Note 8</i>)	<u>343,000</u>	<u>50,313</u>	<u>37,266</u>
	<u>1,760,554</u>	<u>1,343,770</u>	<u>1,500,318</u>
EXCESS (DEFICIENCY) OF REVENUE			
OVER EXPENSES FOR THE YEAR	\$ <u>59,646</u>	\$ <u>185,663</u>	\$ (<u>35,951</u>)

Statement of Changes in Net Assets

for the year ended July 31, 2011

	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
NET ASSETS, BEGINNING OF YEAR	1,011,492	342,172	1,353,664	1,389,615
Excess (deficiency) of revenue over expenses	(<u>4,267</u>)	<u>189,930</u>	<u>185,663</u>	(<u>35,951</u>)
NET ASSETS, END OF YEAR	<u>\$ 1,007,225</u>	<u>\$ 532,102</u>	<u>\$ 1,539,327</u>	<u>\$ 1,353,664</u>

Statement of Cash Flows

for the year ended July 31, 2011

	<u>2011</u>	<u>2010</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$ 185,663	\$(35,951)
Amortization	<u>801</u>	<u>801</u>
	<u>186,464</u>	(<u>35,150</u>)
Changes in non-cash working capital		
Balances related to operation:		
Accounts receivable	36,003	149,083
Prepaid expenses	2,929	4,806
Accounts payable and accrued liabilities	(64,284)	50,521
Deferred contributions and revenue	<u>92,806</u>	<u>103,526</u>
	<u>67,454</u>	<u>307,936</u>
Total from operating activities	<u>253,918</u>	<u>272,786</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	_____	(<u>2,403</u>)
Total from investing activities	_____	(<u>2,403</u>)
INCREASE IN CASH DURING THE YEAR	253,918	270,383
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>389,205</u>	<u>118,822</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 643,123</u>	<u>\$ 389,205</u>
CASH AND EQUIVALENTS CONSISTS OF:		
Cash	404,123	307,289
Short-term investments	<u>239,000</u>	<u>81,916</u>
	<u>\$ 643,123</u>	<u>\$ 389,205</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	774	756
Income taxes paid	<u>Nil</u>	<u>Nil</u>

Notes to Financial Statements

for the year ended July 31, 2011

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 members of which are appointed by the Government of the Province of Saskatchewan.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments

Held for trading:

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

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

Notes to Financial Statements

for the year ended July 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and receivables:

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

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

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

Other financial liabilities:

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

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

Financial asset impairment:

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

(b) Cash and cash equivalents:

Cash is comprised of cash on hand.

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

Notes to Financial Statements

for the year ended July 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Capital assets:

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

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

(d) Revenue recognition:

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

Sask Pork follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred or restrictions met. Unspent amounts are included in deferred contributions and revenue. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

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

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

Interest and investment revenue is recognized when earned.

(e) Research funding expenses:

Research funding expenses are recognized when projects are approved and the recipient has met eligibility criteria. Funds advanced to recipients prior to eligibility criteria being met are recorded as advances. Sask Pork receives funding from the Canadian Swine Health Board for eligible costs incurred for the PRRS project.

Notes to Financial Statements

for the year ended July 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Use of estimates:

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

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	2011 Net book value	2010 Net book value
Leasehold improvements	<u>2,403</u>	<u>1,602</u>	<u>801</u>	<u>1,602</u>
	<u>2,403</u>	<u>1,602</u>	<u>801</u>	<u>1,602</u>

4. DEFERRED CONTRIBUTIONS AND REVENUE

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

Sask Pork received funding related to the annual Saskatchewan Pork Industry Symposium which is to be held after fiscal year-end in November 2011. This funding is deferred and recognized as conference fees revenue on the completion of the symposium.

Sask Pork receives funding to administer the On Farm Food Safety (OFFS) program. The OFFS program provides funding to producers who have expended funds on approved program activities such as OFFS technical advice, the purchase of approved equipment, or a first certification audit.

Notes to Financial Statements

for the year ended July 31, 2011

4. DEFERRED CONTRIBUTIONS AND REVENUE (continued)

	2011	2010
Deferred contributions and revenue, beginning of year	\$ 113,526	\$ 10,000
<i>Contributions and revenue received during the year:</i>		
PRRS project contributions	96,620	149,792
Saskatchewan Pork Industry Symposium funding	41,500	30,635
On Farm Food Safety program (OFFS)	35,000	-
<i>Less:</i>		
Amounts recognized as PRRS project expenses	(50,314)	(37,266)
Amounts recognized as conference fees	(30,000)	(39,635)
Amounts recognized as OFFS program expenses	-	-
Deferred contributions and revenue, end of year	\$ 206,332	\$ 113,526

The deferred contributions and revenue relates to the following:

Saskatchewan Pork Industry Symposium (Partnership program)	12,500	1,000
PRRS project	158,832	112,526
On Farm Food Safety Program	35,000	-
	\$ 206,332	\$ 113,526

5. INTERNALLY RESTRICTED NET ASSETS

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

Notes to Financial Statements

for the year ended July 31, 2011

6. RESEARCH COMMITMENTS

Prairie Swine Centre Inc.

Effective January 1, 2011 Sask Pork agreed to provide an annual contribution of \$275,000 to the Prairie Swine Centre Inc. The annual contribution is provided for the core funding of the Prairie Swine Centre. The amounts that Sask Pork has committed to pay to PSCI are as follows:

	2011	2010
Prairie Swine Centre Inc.	190,944	295,076
Canadian Swine Research & Development Cluster	60,056	-
IRDA	24,000	-
Impact of Repeated Applications of Manure and Biogas Production By-Products on Soils and Crops	-	10,000
Post-weaning Wasting/Catabolic Syndrome in Saskatchewan Pigs: Enteric Calicivirus our Emerging Novel Pathogen?	-	10,000
Centre de développement du porc du Québec Science Cluster 2009-2010	-	7,781
ADOPT PROJECT (Loading Facilities for Market Hogs: Saskatchewan Top 10)	7,740	-
ADOPT PROJECT (Use of Rubber Flooring to Improve the Effectiveness of Group Housing)	8,930	-
	291,670	322,857

7. LEASE COMMITMENTS

(a) Building lease:

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

Year ending July 31:	
2012	\$ 49,260
2013	<u>10,263</u>
	59,523

Notes to Financial Statements

for the year ended July 31, 2011

7. LEASE COMMITMENTS (continued)

(b) Operating lease:

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

Year ending July 31:	
2012	\$ 5,492
2013	3,870
2014	<u>967</u>
	<u>10,329</u>

(c) Contractual commitments:

Sask Pork is committed under an annual agreement with Wonderworks Canada Inc. to sponsor a series of pork oriented agricultural news coverage. The current agreement expires on September 30, 2011 however subsequent to year-end a new agreement was signed with Wonderworks. The minimum annual charges are as follows:

Year ending July 31:	
2012	\$ 3,333
2013	<u>20,000</u>
	<u>23,333</u>

8. PRRS PROJECT

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

The funding agreement, dated March 31, 2010, with Canadian Swine Health Board (CSHB) stipulates that funding will be paid once certain milestones are reached and the required reports have been received by the CSHB. Funding of \$96,620 (2010 - \$149,792) was received during the current year. This contribution has been accounted for as described in *Note 4*.

Notes to Financial Statements

for the year ended July 31, 2011

9. FINANCIAL INSTRUMENTS

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

Risk management policy

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

Credit concentration

As at July 31, 2011, four customers accounted for 68% (47% - 2010) of accounts receivable, representing the Organization's maximum credit risk exposure. The Organization believes that there is no unusual exposure associated with the collection of these receivables. The Organization manages its credit risk by performing regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

Fair value of financial instruments

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

Interest rate risk

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

Notes to Financial Statements

for the year ended July 31, 2011

9. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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

10. CAPITAL MANAGEMENT

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

11. BUDGET

The budget for 2010/2011 was approved by the Board of Directors on September 8, 2010.

Schedule of Travel Expenses

for the year ended July 31, 2011

	Budget (Note 11)		
	<u>2011</u>	<u>2011</u>	<u>2010</u>
National services	2,100	1,901	141
Industry association	10,500	10,032	10,797
Organizational development		5,611	1,595
Policy and industry development	6,000	8,833	5,279
Communications	2,000		-
Promotions	<u>2,000</u>	<u> </u>	<u>569</u>
	<u>22,600</u>	<u>26,377</u>	<u>18,381</u>

Payee List

as at July 31, 2011

Payee List

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

CIBC Visa	\$ 60,607
Canadian Pork Council	\$ 259,190
MITACS	\$ 35,000
Manitoba Pork Council	\$ 35,827
Prairie Swine Centre	\$ 172,614
Strath & Company	\$ 88,259
502 on 45 th Trade Centre	\$ 51,178
Rosengren Epidemiology Consulting	\$ 41,141

Research Projects Funded from Hog Check-Off

Project Name	Researchers	2010-2011 Funding
Prairie Swine Centre Inc.	Various	\$ 155,944
Canadian Swine Research & Development Cluster (CSRDC)	Various	60,056 *
IRDA	Various	24,000 *
MITACS	Various	35,000 *
ADOPT Projects		
Loading Facilities for Market Hogs: Saskatchewan Top 10	Various	7,740
Use of Rubber Flooring to Improve the Effectiveness of Group Housing	Various	<u>8,930</u>
Total		<u>\$ 291,670</u>

* Payments made to CSRDC, IRDA & MITACS are in support of Research projects conducted at the Prairie Swine Centre Inc.

Directors' Remuneration

as at July 31, 2011

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, 2010 – July 31, 2011:

Directors	Per Diem	Expenses	Total
Brad Cramer	\$ 2,350 **	\$ 3,721	\$ 6,071
Cliff Ehr	-	-	-
Bevra Fee	3,650 **	4,136	7,786
Jay McGrath	8,325 *	2,230	10,555
Daryl Possberg	800	1,257	2,057
Dave Tschetter	3,250	5,160	8,410
Directors Total	18,375	16,504	34,879

Committee Appointments

Canadian Pork Council Board of Directors Representative – Florian Possberg	600	259	859
Directors/Committee Appointments Total	\$ 18,975	\$ 16,763	\$ 35,738

* Included in the per diem was a monthly honorarium of \$600 paid to the Chairman.
(On Dec 10/10, Jay McGrath was elected Chairman, Bevra Fee – Vice Chair, Daryl Possberg – Audit Chair)

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

Independent 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, 2011.

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

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

In our opinion, Sask Pork has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended July 31, 2011.

**Saskatoon, Saskatchewan
October 5, 2011**

**"Twigg & Company"
Chartered Accountants**

Independent Auditors' Report

To Saskatchewan Pork Producers:

We have audited Sask Pork's control as of July 31, 2011 to express an opinion as to the effectiveness of its control related to the following objectives:

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

Management's Responsibility

The Organization's management is responsible for maintaining effective control over the objectives stated above.

Auditor's Responsibility

Our responsibility is to express an opinion based on our audit as to the effectiveness of its control related to the following objectives:

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

(continued on next page)

Independent Auditors' Report

To Saskatchewan Pork Producers:

(continued from previous page)

We used the control framework developed by The Canadian Institute of Chartered Accountants ("CICA") to make our judgments 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 controls as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

We conducted our audit in accordance with standards for audits of internal control set out in the CICA Handbook - Assurance. Those standards require that we plan and perform the 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgement in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance, and not absolute assurance, the objectives referred to above may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

Opinion

In our opinion, based on the limitations noted above, Sask Pork's control was effective, in all material respects, to meet the objectives stated above as of July 31, 2011 based on the CICA criteria of control framework.

Independent Auditors' Report

To Saskatchewan Pork Producers:

(continued from previous page)

We have also audited, in accordance with Canadian generally accepted auditing standards, the financial statements of Sask Pork, which comprise the statement of financial position as at July 31, 2011, and the statements of operations, change in net assets, cash flows, and schedule of travel expenses for the year then ended, and a summary of significant accounting policies and other explanatory information. We have issued our report dated October 5, 2011, which is the same date as the date of the report on the effectiveness of internal controls.

Saskatoon, Saskatchewan
October 5, 2011

"Twigg & Company"
Chartered Accountants

Independent Auditors' Report

To Saskatchewan Pork Producers:

We have examined the financial statements of Sask Pork for the year ended July 31, 2011 and have issued our report thereon dated October 5, 2011. We have examined the system of internal control as at July 31, 2011 and have issued our report to you dated October 5, 2011. 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, 2011 and have issued our report to you dated October 5, 2011.

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

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

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

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

Saskatoon, Saskatchewan
October 5, 2011

"Twigg & Company"
Chartered Accountants



Sask Pork

2 - 502 45th Street West
Saskatoon, SK S7L 6H2

Tel: (306) 244-7752 Fax: (306) 244-1712

www.saskpork.com