

# Annual Report 2011 - 2012



*Saskatchewan*  
PORK DEVELOPMENT BOARD

### **Corporate Governance**

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

### **Internal Controls**

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

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# Chairman's Letter



As the end of 2012 nears I think back on the year from a producer perspective. We began the year with a lot of optimism as the Saskatchewan hog numbers had remained steady. We hoped that the grain prices would return to more normal levels and hog market prices would be high enough to allow producers to make a profit.

Although market prices did reach decent levels, the drought in the U.S. took feed prices even higher across north America causing producers to market animals at lighter weights which subsequently flooded the market with hogs. The result of this sent the cash market price plunging lower.

September was a disaster for all producers as ISO wean pigs were next to worthless and market hogs were losing \$40 to \$60 per animal. Liquidation had started again and there was a lot of concern that if these prices continued through the fourth quarter, more and more producers would be forced to shut down production.

Thankfully a rebound in the price helped reduce the losses and once again showed signs of hope. The hog market futures for 2013 are starting to look very good and if the U.S. experiences a normal crop year, profitability can once again return to this industry.

I encourage producers to take advantage of interim AgriStability payments and the Advance Payments Program to help get through these down times. If these programs are not working for you, contact Sask Pork staff so they can document difficulties producers may be having accessing the programs. This information will be compiled and forwarded to the Canadian Pork Council and the federal ministry of agriculture.

I would like to thank the staff at Sask Pork for all their work throughout the year - you do a great job.

To the producers please contact the office with any questions or concerns. The staff would be glad to help you in any way they can.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jay McGrath". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Jay McGrath  
Chairman

# General Manager's Letter



What can I say, yet another challenging year for pork producers, not only in Saskatchewan, but across Canada and all of North America. In a year that showed the promise of a return to profitability for the hog industry, a major drought in the United States resulted in \$8 corn prices, record high feed grain costs and significant losses in the industry once again. This marks the fifth straight year of negative margins. The impact on the industry has been dramatic. All producers, regardless of size or organizational structure, have been significantly impacted by the negative returns. All have employed every opportunity for reducing costs and becoming more efficient. Cost competitiveness is not the issue for Saskatchewan producers. To remain viable into the future we must extract more revenue from the value chain.

Despite the economic challenges in the industry, Saskatchewan's hog production remained relatively stable in the past year at just over 1.7 million market hogs and approximately 260,000 iso weans. At the same time, our producer base also remained stable and there has even been some interest in reopening some of the barns that were idled under the Hog Farm Transition program. While the impact of higher feed prices may stall some of that interest, Saskatchewan does have a number of relatively

newer barns available for expanded production should the economic climate exist. Obviously the packers, Thunder Creek Pork for example, who made a major investment in their packing plant earlier this year, consider the future for the industry to be very positive.

A major function of Sask Pork is to work on behalf of pork producers with provincial and federal governments, provincial pork associations and other agricultural organizations to promote programs, services, or regulations that are of benefit to producers and other parts of the value chain.

In the last few months, the Board of Directors and staff have been very busy working with both the provincial and federal governments to obtain some support for the losses incurred by producers due to the drought and high feed costs. While both levels of government are sympathetic to the situation, the only support producers will obtain is through the present suite of business risk management programs with no consideration for ad hoc payments.

While additional cash support to producers seems to be off the table, both levels of government are gearing up for the much anticipated Growing Forward II program which is the new five-year

# General Manager's Letter

funding agreement beginning April 1, 2013. Under this program more dollars will be available for innovation, marketing and increasing the industry's competitiveness. Through the Canadian Pork Council (CPC), we have been working on a number of initiatives within the Growing Forward II framework to enhance the pork sector's future competitive ability.

We also continued to support the business risk management tool, referred to as the CPC Hedging Program. This program, should it obtain government support, would provide a source of funds to cover all margin calls for hogs hedged by producers. It has received support from the Canadian Pork Value Chain Roundtable and provincial pork associations and is now being seriously reviewed by the Business Risk Management group within Agriculture and Agri-Food Canada.

Producer programs continued with the Animal Care Assessment being incorporated into the Canadian Quality Assurance (CQA®) program in January 2012.

Through funding from the Canadian Swine Health Board (CSHB), approximately 97% of Saskatchewan production is participating in the National Swine Biosecurity program. The CSHB has done an excellent job in a very brief time in focusing on delivering biosecurity, surveillance and research to enhance the health of Canada's swine herds.

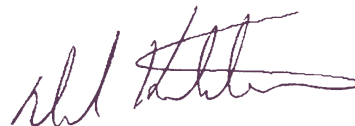
Additional funding was also made available by the Saskatchewan Ministry of Agriculture to Sask Pork for enhancements to the swine biosecurity program and to help producers offset the costs of implementing needle-free injection systems on their farms.

On the research side, Sask Pork was an original provincial member of Swine Innovation Porc, a national research organization that received about \$8 million over a three year period ending March 31, 2013 to conduct research for the Canadian swine sector. This group is now planning for the next round of funding and research to be conducted under Growing Forward II.

The national approach to funding research seems to be working very effectively as the relatively small research community across Canada is now collaborating on a number of projects. The Prairie Swine Center, as an important part of that national research community, is very well respected and plays an important role in the national research effort. This year marks the 20 anniversary for the Prairie Swine Center and we should all congratulate them on a job well done.

In closing, I would like to express my sincere appreciation to the Board of Directors. Their dedication, ideas and thoughtful guidance of the organization will show great rewards to the industry over the coming years. I would also like to thank Kim, Patty, Mark and Harvey for their hard work in helping producers become more successful and profitable.

Respectfully submitted,



Neil Ketilson  
General Manager

# Board of Directors

## 2011 - 2013 Board of Directors

### Elections

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

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

### Mission

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

### Vision

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



**Jay McGrath**  
Chairman



**Shannon Meyers**  
Vice Chairman



**Paul Ulrich**  
Audit Chair



**Dickson Gould**



**Florian Possberg**  
CPC Board of  
Directors



**David Tschetter**

Cliff Ehr was appointed in 2012 as Sask Pork's representative to the Canada Pork International Board of Directors

# Staff / Committee Representation

## Staff

### Neil Ketilson

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

### Kim Browne

Executive Administration  
Promotions & Communications  
Symposium Coordinator  
(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

Canada Pork International Board of Directors - Cliff Ehr  
Canadian Pork Council Board of Directors - Florian Possberg  
Canadian Swine Health Board - Florian Possberg (Chair)  
Canadian Swine Health Board Research Committee - Harvey Wagner  
CPC Safety Net Committee - Jay McGrath, Neil Ketilson  
CPC Traceability Committee - Neil Ketilson  
CQA® Advisory Committee - Harvey Wagner  
Hog Farm Transition Program Management Committee - Neil Ketilson  
International Swine Cost of Production Network (InterPig)  
- Mark Ferguson  
National Farm Animal Care Council - Florian Possberg  
Pig Code Development Committee - Florian Possberg (Chair)  
Swine Innovation Pork - Neil Ketilson  
Trade Advocacy Working Group - Florian Possberg (Chair),  
Neil Ketilson

## Industry Representation

Agriculture in the City 2012/2013 Planning Committee - Kim Browne  
Farm Animal Council of Saskatchewan - Neil Ketilson  
Feeds Innovation Institute - U of S - Neil Ketilson  
Prairie Swine Centre Board of Directors - Neil Ketilson  
Provincial Emergency Planning Consultations - Harvey Wagner  
SIAST Retail Meat Cutting Program Advisory - Kim Browne  
Statistics Canada Advisory Committee on Agricultural Statistics  
- Mark Ferguson



# Director & Staff Activities

- September 11-12, 2011 Agriculture in the City - Kim Browne
- September 27, 2011 ALMA (Alberta Livestock and Meat Agency research programs presentation - Bevra Fee, Neil Ketilson
- October 17-18, 2011 Feeding a Hungry World Conference, Ottawa - Neil Ketilson
- October 24-25, 2011 CPC Producer Forum - Ottawa, ON - Brad Cramer, David Tschetter, Neil Ketilson
- November 3-4, 2011 Canadian Swine Health Conference, Niagara Falls - Neil Ketilson, Harvey Wagner
- November 4-6, 2011 - Saskatchewan Association of Veterinary Technologists 27th Annual Conference - Harvey Wagner
- December 8, 2011 - Agricultural Producers Association of Saskatchewan (APAS) AGM - Mark Ferguson presented hog industry update
- January 11-13, 2012 - Growing Forward in a Volatile Environment Ag Policy Conference - Ottawa, ON - Neil Ketilson
- February 14, 2012 - Neil Ketilson appointed to Swine Innovation Pork Board of Directors.
- February 16, 2012 George Morris Centre presentation "Canada's Agri-Food Policy Challenges - Implications for Western Canada's Agri-Food Sector - Mark Ferguson
- February 16, 2012 CCHSA National Summit Canadian Agri-Safety Applied Research Program, Saskatoon - Harvey Wagner
- February 22, 2012 - Regional Consumer Promotions meeting in Winnipeg with Alberta Pork/Manitoba Pork - Kim Browne
- February 23, 2012 - Presentation to the Saskatchewan Association of Rural Municipalities Board of Directors by Mark Ferguson. Dave Tschetter and Paul Ulrich attended.
- March 2, 2012 - Canada Pork International in Partnership with GIRA World Pork Outlook Workshop, Montreal - Dickson Gould
- March 21, 2012 - Ontario Pork Annual General Meeting - Neil Ketilson
- March 29-30, 2012 - Agri-Food Council Governance and Industry Development Conference: featured sessions on governance, market development, research and trade - Neil Ketilson, Bevra Fee and David Tschetter
- April 26, 2012 - Annual Premier's Dinner, Saskatoon, SK - Jay McGrath, Florian Possberg, Paul Ulrich, David Tschetter, Neil Ketilson
- May 29-June 1, 2012 - Canadian Meat Council meeting, Quebec City - Neil Ketilson
- July 15-19, 2012 - PNWER Cross Border Livestock Health Conference, Saskatoon - National Pork Board Transport Quality Assurance Program (TQA) presentation - Harvey Wagner
- July 25, 2012 - Upper Qu'Appelle Water Conveyance Tour - Moose Jaw - Neil Ketilson
- July 30 2012 presentation on Saskatchewan hog sector to Robin Gray and Mihai Lupescu, US Embassy - Neil Ketilson, Harvey Wagner
- July 30, 2012 - Growing Forward Stakeholder Consultation meeting Regina - Jay McGrath, Neil Ketilson

# Provincial Focus

## Saskatchewan Slaughter Capacity

Thunder Creek Pork in Moose Jaw has been processing for 18 months with an annual capacity of 275,000 hogs. This year the plant underwent extensive renovations to convert operations from hot skinning to the more accepted scalding technique.

## Premises Registration/Survey

In January, 2012 Sask Pork conducted a premises registration in Saskatchewan to update barn location, capacity and contact information in advance of federal traceability regulations expected to be published in late 2012 or 2013. To date, 166 premises have submitted their registration information. This represents virtually all commercial hog production premises in the province.

Sask Pork also conducted a producer survey at the same time as the premises registration. 61 responses were received. According to the responses:

- 11% of producers were aware of feral pigs/wild boar in the area around their barns
- 21% of producers were concerned about disease transmission through feral pigs.
- 70% of producers hedge or forward price some of their hog production, while 41% of respondents typically have over 40% of their production hedged.
- 57% of producers forward price some of their feed requirements, while only 22% had over 40% of their feed requirements hedged.

Producers also identified a number of industry roadblocks and research ideas, the top two being a) transportation distance/lack of slaughter capacity in Saskatchewan and b) tight labour supply/high wage rates in Saskatchewan.

## Hedging Program

A lack of available capital in the industry and reluctance by the banking industry to finance hedging activities continue to be major detriments to the industry. To this end, Sask Pork has continued to work with the Canadian Pork Council to develop and refine a hedging program proposal originally developed last year. The program would provide a loan guarantee for the specific purpose of financing initial margins and potential future margin calls to ensure every producer has an equal opportunity to take advantage of favourable prices and margins.

In response to questions regarding the value of hedging to industry and required margin levels, Sask Pork developed a model to estimate the net income that can be generated from hedging, margin requirements, and the overall costs hedging over a seven year timeframe between 2005 and 2011.

The study found there was the potential for a \$7.25/ckg/year profit from hedging activities under a relatively simple and implementable hedging strategy. However, in some years hedging hogs did result in decreased profits. The maximum combined (currency and lean hog) margin required for a specific month over the timeframe was \$72.69/ckg. However, the average margin level required between 2005 and 2011 was quite a bit lower at \$16.23/ckg. The average cost of the hedging program varied yearly based on the level of margin calls, but averaged \$0.87/ckg for the 7-year period.

Throughout the year, Sask Pork continued to consult with governments and industry regarding the program with the hope of achieving a pilot project and inclusion in Growing Forward 2. While nothing has been announced, there appears to be interest by AAFC in further studying the concept.

# National Focus

## Pig Code Development Review

Revisions to the Codes of Practice for pigs were undertaken beginning in October 2010 under the National Farm Animal Care Council (NFACC). During the course of the review, the Pig Code Scientific Committee identified the following as major welfare areas to be addressed:

- Controlling pain: castration
- Methods of euthanasia
- Pig space allowance
  - Sow housing
  - Group housing (floor feeding, electronic sow feeding, feeding stalls)
  - Sow stalls
  - Social management of sows
  - Space allowance – sows

Florian Possberg, Chair of the Pig Code Development Committee stated in a July Farmscape interview that “revisions to the Pig Code of Practice must consider the needs of the animal, the needs of the producer and the demands of the consumer.”

The Code Review Committee is made up of pork producers, practicing veterinarians, swine researchers and representatives of government and animal welfare organizations. Dr. Harold Gonyou, Prairie Swine Centre participates on the Pig Code Scientists Committee.

It is anticipated there will be a public consultation document ready in early 2013.

## Provincial Levies for National Purposes

In June the CPC circulated copies of its strategic plan “Building a Durable Future” that offered an overview of the principal areas of national focus for the next few years and the Canadian Swine Industry’s National Program and Services Report.

Recommendations have been developed that set out the rationale for and funding that will be requested from the Provincial Members. National programs/ services that would be covered by the funding model include:

Trade Access  
Nutrition Program  
CQA  
International Markets  
Domestic Market  
PigTrace Canada  
Canadian Swine Health Board programs  
Swine Innovation Porc Research Programs

## National Pork Marketing Strategy

The Canada Pork International (CPI) Task Force called for proposals to develop a strategic plan for a domestic promotion program and selected Marcon Management Consultants for the initiative. The new plan is under development.

The *Validation and Development of the Canadian Pork Story - Marketing Strategy for the Domestic Market* report has been submitted to the Canadian Pork Council and Canadian Meat Council. It is expected they will reach a decision soon regarding the funding of a National Pork Marketing Strategy.

## PigTrace Canada

In July, the Government of Canada announced proposed new regulations that would make traceability mandatory for pigs. These regulations would require that custodians of pigs:

- identify all farmed pigs and farmed wild boars using approved methods; and
- record and report all movements of pigs from birth or import, to slaughter or export.

# National Focus

The recently introduced *Safe Food for Canadians Act*, if accepted, would strengthen and modernize Canada's food safety system and include livestock traceability.

The Canadian Pork Council welcomed the amendments to Canada's Health of Animals Regulations, which detail the proposed requirements for swine traceability. The proposed regulatory amendment published as Part I of the *Canada Gazette* was released for public comment in July.

While Sask Pork supports the adoption of mandatory swine traceability and see the regulations as a necessary step in establishing the pork industry's swine traceability system, we submitted the following comments related to specific provisions of the amendments:

- Objection to the 48-hour reporting requirement for animal movements. We believe this would be very difficult to adhere to and expensive for producers to comply with in some situations.
- Section 172.1 - Linked Premises. We believe that several of the linked premises report requirements are unnecessary and simply represent additional work for producers, i.e., that operators of both sites must report all movements for three months prior to the sites being registered as linked; and that the number of pigs moved between the two sites need to be submitted monthly.

Sask Pork recommended that movements not have to be reported monthly, and also the number of pigs moved would need only be reported once every six months upon registration of the linked premises.

We believe this would provide adequate evidence to support and maintain the registration of two premises as linked.

## Swine Innovation Porc

The Canadian Swine Research and development Cluster (CSRDC) assumed a new brand name in 2011, and is now known as Swine Innovation Porc. The organization was originally established in 2010 with funding from the swine industry and the Government of Canada to launch an ambitious research program. Harvey Wagner represented Sask Pork on the Board of directors until February, 2012, when Neil Ketilson assumed this role. In addition to governance, Sask Pork has allocated \$210,120 over three years to four projects which are being conducted at the Prairie Swine Centre.

To date, Swine Innovation's research program is comprised of 14 research projects. Ten projects focus on increasing Canadian pork industry competitiveness, while four focus on increasing Canadian pork industry differentiation. There are also three technology transfer initiatives. These projects involve over 100 researchers from 14 universities and 13 research centres. The current slate of projects is to be completed by March 31, 2013 with the target of measurable results on farms by this date.

In addition to ensuring current projects are completed on schedule, Swine Innovation is currently focused on the future, and is looking forward to the renewal of AAFC's Canadian Agri-Science Cluster Initiative. The organization is currently establishing research priorities for 2013-2018 through consultations with partners.

# National Focus

## InterPIG (International Swine Cost of Production) Study

Mark Ferguson continued again in 2011/2012 to take an active role in the InterPIG initiative, assembling a dataset on behalf of the Canadian industry for submission to the group.

According to the results, the U.S. (Iowa) had the lowest cost of production in 2011 at \$171/ckg., followed by Brazil's Mato Grosso region at \$175/ckg, Canada at \$176/ckg, and finally Brazil's Santa Catarina region at \$183/ckg. Denmark averaged \$217/ckg and was among the most cost competitive of the EU nations.

In terms of pricing, in a surprising change Canada did not report the lowest pricing in 2011. Brazil's Mato Grosso region reported receiving \$168/ckg compared with Canada at \$175/ckg, Brazil's Santa Catarina region at \$181/ckg, and the U.S. (Iowa) at \$197/ckg. The gap between European and 'American' prices also narrowed this year with Denmark averaging \$201/ckg.

In addition to the InterPIG initiative, Mark also assisted Alberta Pork with establishing a cost of production benchmarking project in that province. It is hoped that the various Canadian sources for cost of production benchmarking can eventually be combined to form a reliable Canadian dataset.

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

In November 2011, the WTO panel decision struck down trade illegal elements of the COOL legislation as it applies to imported livestock. It found that COOL does discriminate against foreign livestock and was inconsistent with WTO trade obligations.

In March 2012, the U.S. appealed the panel decision.

The CPC, its members from Ontario and Manitoba and the Canadian Cattlemen's Association collaborated on the analysis to support the government's submission to the panel and continued to work towards a solution that would not necessitate further litigation.

In June 2012, the WTO Appellate Body released its report on COOL confirming that it did discriminate against Canadian livestock. However, the appeal decision found there wasn't enough evidence to determine whether the COOL measure is more restrictive than necessary.

The Government of Canada indicated it will continue to work with its U.S. partners to ensure trade moves freely and asked that the U.S. respect international trade obligations and comply with the WTO findings.

## Export Information 2011

*(Source: Canada Pork International)*

Canadian pork and pork by-products are exported to more than 143 countries. Only the European Union and the United States are exporting more pork products and by-products than Canada. Exports account for more than 50% of Canadian pork production. Total exports of all products in 2011 was 1,151,273 tonnes.

### Top Volume Markets

USA	950,956 tonnes
Japan	852,243 tonnes
Russia	185,390 tonnes
Australia	118,977 tonnes
Mexico	104,739 tonnes
South Korea	99,440 tonnes

Initiatives undertaken by Canada Pork International (CPI) include Adding Value and Growth to

# Export Focus

Commodity Driven Markets. Promoting the attributes of Canadian pork is key to market access and differentiating from a commodity product, i.e.,

- Meat quality attributes
- Traceability
- On-farm food safety
- Animal welfare
- Exclusivity
- Consistency
- Exacting specifications
- Financial performance
- Promotional support
- Consumer marketing

CPI believes the value of all of these benefits – whether functional, emotional or exclusive – lead to a premium price for Canadian pork.

A 2012 study by the George Morris Centre confirms that Canadian hog and pork production and exports contribute \$9.28 billion to the Canadian economy. The study also indicates that Canadian pork exports in 2011 of \$3.2 billion generated additional value added activity of \$3.5 billion for the Canadian economy and \$20-30/ head back to Canadian hog producers.

The full George Morris Centre study, *Economic Impacts of Canadian Pork Exports* can be found at: [http://www.cpc-ccp.com/documents/newsreleases/Economic\\_Impact\\_of\\_Canadian\\_Pork\\_Exports\\_May\\_2012.pdf](http://www.cpc-ccp.com/documents/newsreleases/Economic_Impact_of_Canadian_Pork_Exports_May_2012.pdf)

## South Korean Free Trade Agreement

The Canadian Government is seeking to reengage South Korea in order to finalize the FTA. The Federal Government has asked the Canadian industry to see if there is support for this initiative from South Korean importers. CPI will work with other industry groups to identify possible activities in that regard.

## European Union Trade Agreement

In April 2012, pork industry leaders participated in a series of events across the country to promote the importance of trade and highlight the benefits of an ambitious Canada-European Union free trade deal.

CPC Chair Jean-Guy Vincent stated that “Canada is a globally competitive and successful producer and exporter of pork and pork products. The key factor to sustaining our success is the ability to access a wide variety of markets.”

The Canadian Government is still looking at finalizing an agreement by the end of the year. A contact group within CPI has been established to formulate a Canadian pork industry position.

# Producer Services

## Canadian Quality Assurance (CQA®)

There are 152 current registered units participating in the CQA program which is essentially all commercial hog production facilities in the province.

The only change to the program this year was the amalgamation of the Animal Care Assessment (ACA™) program into CQA® effective January 2012. Full producer participation in ACA® will be phased in over a three year period with farms completing the self-assessment form and checklist.

The FPPQ and the CPC have applied for funding for a project to look at a number of items in the CQA® program. They will be reviewing the generic HACCP model; assessing how the CQA® program relates to the Global Food Safety Initiative (GFSI) system; what the costs to producers would be to comply with the GFSI standard; considering a HACCP model for outdoor and organic pork; and finally looking at electronic technology to simplify on-farm data collection.

Sask Pork is participating in the electronic technology trials on a group of Saskatchewan farms.

## Pig Code of Practice Development

A review of the Code was undertaken this year and led by the National Farm Animal Council. Sask Pork Director, Florian Possberg is the Chair of the review committee with Dr. Harold Gonyou representing the Prairie Swine Centre in the review process.

The revised code should be available for public comment in the fall of 2012.

## Needle Free Injection Systems

Sask Pork applied for and received funding for needle free injection systems (NFIS) equipment

purchase up to 100 CQA® registered farms from the Saskatchewan Ministry of Agriculture, On Farm Food Safety Program as previously reported for the 2011/2012 government fiscal year.

Sask Pork administers the pork industry NFIS program for the Growing Forward OFFS provincial program. At July 31, 2012, thirty-seven units had applied for and received funding.

We applied for another 60 units for CQA® registered farms for the 2012/2013 fiscal year, which has been approved.

## National Swine Biosecurity Program

In the year since this program was launched, producer participation in the program has exceeded expectations. Originally rolled out in three provinces, it has since expanded to include all pork producing provinces.

Saskatchewan's uptake in the Biosecurity Program program at July 31, 2012 is:

- 15 training sessions held
- 145 CQA® units trained (152 eligible units)
- 97% of annual production by trained units
- 108 of the 145 assessments have been received and payments processed.

The Saskatchewan Swine On-Farm Biosecurity Program, funded by the Saskatchewan Ministry of Agriculture was announced June 21, 2012. This program has a total of \$150,000 available for a follow-up veterinary visit and biosecurity enhancements under Growing Forward.

All farms that have received biosecurity training and completed the assessment forms can apply for a \$300 payment to offset the cost of one additional veterinary visit and up to \$1,000 towards equipment upgrades/purchases completed between March 20,

# Producer Services

2012 and February 28, 2013. This added funding will assist pork producers in implementing biosecurity sanitation improvements on their farms.

Sask Pork also signed an additional delivery contract with the Canadian Swine Health Board (CHSB) to cover the funding for the additional farms we have trained above the initial estimate of 100 units. As with the first contract, the CHSB will cover \$150 per unit for training, \$500 for the farm to complete their assessment form and \$500/unit for a visit from the farm herd health veterinarian to implement the program.

## **PRRS Free Herd Certification Pilot Program**

This project was undertaken to assess the feasibility of certifying that farms are free from specific diseases, in this case PRRS. Target groups for the program include farms that sell feeder pigs, breeding stock or any class of live pigs for export.

The project is well underway with 92 farms enrolled in Saskatchewan, Alberta, Manitoba, Ontario and Quebec. Data input by the veterinarians is in progress and the project is working fairly smoothly.

We have received some invoices and have processed and/or paid producer compensation to participating producers to offset the extra time and effort required for the testing and data submission by their herd health veterinarians.

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

## **Transportation Quality Assurance (TQA®)**

This year Sask Pork held 12 TQA® certification training sessions with 111 attendees.

The Canadian Livestock Transport (CLT) program is being re-vamped and re-branded and will offer training in person and on-line in late 2012.



# Communications & Promotion

## Saskatchewan Pork Industry Symposium - 2011

The 34th annual Symposium was held November 15-16 in Saskatoon. The conference theme *Optimizing Profit and Minimizing Risk* looked at how adjustments in the production environment translate into better profits. Attendance reached 229 over the two days.

## Symposium Advisory Committee 2011

- Jennifer Brown - Prairie Swine Centre Inc.
- Kim Browne - Sask Pork, Symposium Coordinator
- Matt Einarson - East-Man Feeds
- Bridget Grey - Big Sky Farms
- Steffen Klenk - PIC Canada Ltd.
- Don Kolla - Cudworth Pork Investors Group
- Brad Marceniuk - Saskatchewan Ministry of Agriculture
- David Tschetter, Star City Farming Co. Inc.
- Harvey Wagner - Sask Pork

## Western Canadian Livestock Expo

Sask Pork exhibited at the annual pork and dairy trade show on April 13-14, 2012. 30 exhibitors participated over the two days showcasing the latest in swine and dairy equipment. Sask Pork sponsored the Farmyard lunch on the second day of the show.

## Farmscape Radio Program

Farmscape, hosted by Bruce Cochrane, is in its 15th year of broadcasting. Sask Pork and Manitoba Pork Council co-sponsor the radio network.

The program airs daily (Mon-Fri) on CKLQ Radio Brandon, CFRY Radio Portage La Prairie, CJVR Radio and CK750 Radio Melfort, CKSW Radio Swift Current and XMI05 Radio in Whitecourt, Alberta.

## Agriculture in the City 2012

Sask Pork participated on the planning committee for the first Agriculture in the City event in Saskatoon. Held at the Farmer's Market at River Landing, it was designed as a free family-oriented festival that demonstrated the value of agriculture in the local community.

In addition to the tradeshow, activities included cooking demos using local products, pie judging contests, goat rodeo, made in Saskatchewan breakfast and interactive games and activities for children.

The event was administered and funded by Agriculture and Agri-Food Canada with additional funding from the Saskatchewan Ministry of Agriculture and participating commodities.

Planning for the 2013 event began this summer. It will be a one day event (Saturday) in April held at a local shopping mall. This new venue will attract nearly 10,000 people in a single day.

## Agri-Education Program

Throughout the year Sask Pork was involved in Agri-Ed events in Lloydminster, Prince Albert and Yorkton that attracted nearly 5,000 students. Our display was also requested by the Quesnel, B.C. 4-H group who still have a very active swine club.

Our AgEd display at *Chilling with Agriculture* in Prince Albert was manned by Laura Eastwood, Garrett Rozeboom, Millie Lemieux and Felina Tan, all graduate students at the Prairie Swine Centre.

The Lloydminster display was manned by Patricia McConnell, a former pork industry Animal Health Technician.

# Communications & Promotion

## Hurry Hog Curling Rink Decals

This is the 6th consecutive year we have offered the decals to Saskatchewan association curling rinks. In 2011 year 61 clubs ordered decals, nearly twice the number that had ordered the previous year.

## Gardenscape 2012

Sask Pork sponsored one of the grilling demos this year with local chef Drew Hornell preparing and serving Molasses Smoked Pork.

The event provided an opportunity to answer consumer questions about cooking pork and distribute consumer resources.

More than 25,000 people attended the outdoor living trade show this year.

## Domestic Promotion

In June 2011 the CPC Board of Directors responded to the initiative of Canada Pork International to facilitate a joint producer/packer domestic marketing undertaking by agreeing that CPI is the best vehicle to develop and implement a national marketing strategy.

A proposed National Marketing Strategy was accepted in principal.

A consulting group was retained to gather feedback from the provincial agencies on CPI's role in export market development and domestic promotions.

Two one-day Distribution Education Program seminars for exporters were held in April in Toronto and Montreal.

## National Television Advertising

The national closed-caption advertising featuring "Put Pork on Your Fork" and Choose Canadian Pork aired on CBC television's "Best Recipes Ever, Steven & Chris" and "In the Kitchen with Stefano" from November 2011 through April 2012.

The cost was shared by Sask Pork, Alberta Pork, Manitoba Pork Council and Ontario Pork.

104 ten-second Closed Captioning billboards aired with a projected audience during the period of 6,923,100 adults aged 25-54.

## Print Advertising

As part of a regional promotions initiative, Sask Pork partnered with Manitoba Pork Council on a full page ad in two issues of *Western Grocer* magazine (spring and fall 2012).

Sask Pork also placed a full page ad plus advertorial in the June 2012 *Star Phoenix Wellness Guide* focussing on the lean and healthy attributes of fresh Canadian pork.

## Dieticians of Canada Annual Conference

The Canadian pork industry was well represented at this national conference in Toronto in June.

Pork Marketing Canada, exhibitor and lunch sponsor, served pork burgers with mango salsa. Mary Ann Binnie, Manager, Nutrition & Food Industry Relations, CPC and Andrea Villneff of Ontario Pork were both on hand to answer questions on cooking times and temperatures and distribute consumer resources.

# Communications & Promotion

## Canadian Western Agribition November 2011 - Regina

Sask Pork Chairman Jay McGrath and Cliff Ehr, Ernie Patrick and Bridget Gray all of Big Sky Farms assisted staff in manning the pork display at the week long event in Regina.

In addition to the corporate exhibit, Sask Pork also sponsored the Agribition International Reception at the Casino Regina on the Wednesday evening.

## Farm Animal Council of Saskatchewan “We Care” Billboard Campaign

Sask Pork was a sponsor of the 2012 campaign that is intended to “bring commodities together to educate consumers about livestock and poultry producers dedicated to responsible animal care 24/7”. 2012 sponsors of the campaign included the Saskatchewan Ministry of Agriculture, the bison, cattle, chicken, egg and pork industries. 24 billboards and one superboard were displayed in Saskatoon, Regina and Moose Jaw from May through August and then again in August.



## 2012-2013 Farrowing Calendars

Sask Pork and Alberta Pork partnered on the design and printing costs for two-year farrowing calendars which were distributed to all producers in December 2011.

# Awards of Distinction 2011

## **Dr. Harold Gonyou** **Prairie Swine Centre Inc.** ***Lifetime Achievement Award***

Dr. Gonyou was honored for his contribution to the pork industry through his strong research, teaching and leadership roles in the field of animal behaviour. The results of his work have had a significant impact on the efficient and welfare appropriate production of animals. During his 19 years with the Prairie Swine Centre, Dr. Gonyou focused on addressing specific needs of the pork industry.

His list of research publications represents a comprehensive approach to the study of farm animal behaviour with a wide range of topics including: response to environmental challenges; maternal behaviour; use of space; equipment design, and social behaviour.

His work also addressed important welfare management practices such as early weaning in pigs, gestation housing for sows, crowding of growing animals, and animal transportation.

The industry continues to benefit from Dr. Gonyou's contributions with seven of the nine Ph.D. graduates he trained currently holding tenure-track or research appointments in four countries.

He taught introductory animal science, environmental management, and animal production, to 800+ students and further contributed to the field of animal behaviour worldwide through publication of the book *Social Behaviour in Farm Animals*. He also served as President of the International Society for Applied Ethology and as Editor of *Applied Animal Behaviour Science*.

Dr. Gonyou's career represents a successful example of applying a relatively new field of study, that combined research, teaching, and technology transfer, to improve the productivity and profitability of pork production while reinforcing the ability of all people in animal agriculture to be good animal stewards.

## **Don Hrapchak** **SPI Marketing Group Inc.** ***Lifetime Achievement Award***

Don Hrapchak's career in the pork Industry began at age 15 with a job at Intercontinental Packers where he worked part-time until finishing his Post-Secondary education at University of Saskatchewan. During that time he worked in virtually all areas of the processing plant including the stockyards.

In 1973, at age 24 he graduated with a B.Comm and accepted the position of Sales Manager with the Saskatchewan Hog Marketing Commission/SPI Marketing where he remained until 1998. He was then promoted to General Manager of SPI where he has remained until today.

During Don's career in the pork/hog industry, he served on many boards and committees including Mitchells Gourmet Foods, Canada Pork International, h@ms Marketing Services, Saskatchewan AgriVision, Prairieland Park and Canadian Western Agribition. He recently worked tirelessly towards the merger of SPI Marketing and Manitoba Pork Marketing Co-op into h@ms Marketing Services.

# Sponsorships & Donations

## Sponsorships & Donations

Bruce Winkler Memorial Silent Auction - Donation of print - March 2012

Canadian Mental Health Teddy Bear Affair - sponsor of pork dinner - February 2012

Canadian Western Agribition - International Reception - November 2011

Farm Animal Council of Saskatchewan Annual Billboard Campaign - April 2012

Gardenscape Outdoor Living Show - March 2012  
Pork Grilling Demonstrations

Kinsmen Telemiracle - Volunteers Meals - March 2012

Livelong Annual Summerspiel - July 2012

Perdue Oddfellows and Rebekahs - Donation of resources for Children's Activity Kits for hospitals and women's shelters

Prairie Regional H.O.G. Rally - 5th Annual - Saskatoon - July 2012

Prairie Swine Centre Spring Meeting - Saskatoon - March 2, 2012

Ross Johnson Memorial Scholarship Fund - University of Saskatchewan - February 2012

Saskatchewan Association of Rural Water Pipelines Annual Convention - December 2011

Saskatchewan Barbecue Association - Toontown Smokedown Barbecue Championships - Pork Category Yellow Ribbon Sponsor - July 2012

Saskatchewan Hutterian Educators Association Conference - Swift Current - March 2012

Saskatchewan Meat Processors Association - donation of door prizes for March 2012 conference

Saskatchewan Outstanding Young Farmers Silver Sponsor - May 2012

Saskatchewan SPCA Animal Welfare Conference - Saskatoon - Fall 2012

Superannuated Teachers of Saskatchewan - Annual Golf Tournament - Moose Jaw - June 2012

Team Perogie Power Run for Breast Cancer - donation of door prizes

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

University of Saskatchewan AgBio Discovery Program - June 2012

Upper Qu'Appelle Water Conveyance Tour - Moose Jaw - July 2012

Western Canadian Conference of the Canadian Culinary Federation - Regina - February 2012

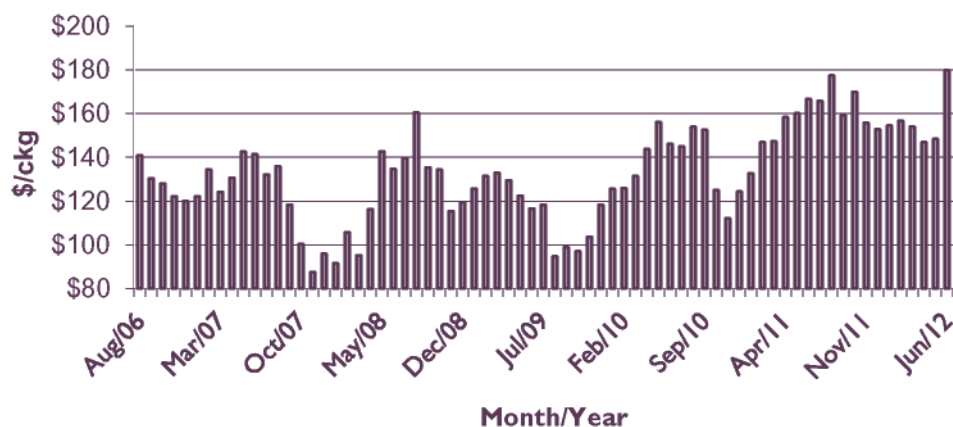
Yorkton Exhibition Association - Pork AgEd display at Harvest Showdown - November 2011

# Statistics & Trends

2011/2012 was a positive year for producers in terms of pricing and margins. Although feed costs continue to steadily rise due to tight supplies, reduced supplies of hogs coupled with strong demand has led to strong pricing for hogs. This in turn resulted in most producers generating small to modest profits for the year, which was certainly welcome news given the recent history of losses in the industry. Additionally, Canadian WTO victories on U.S. country of origin labelling provided some positive news to the industry.

Between August 2011 and July 2012, index 100 hog prices in Saskatchewan averaged \$161.23/c/kg, which was significantly above the ten-year average of \$135.43/c/kg. This represents the highest prices of any 12-month period since 2000/2001 when prices averaged 162.28. Unfortunately, hog prices continue to lag behind prices received for other consumer goods. Adjusting for inflation (2002 dollars), the real price of hogs today is only \$133.08/c/kg.

### Saskatchewan Monthly Hog Prices

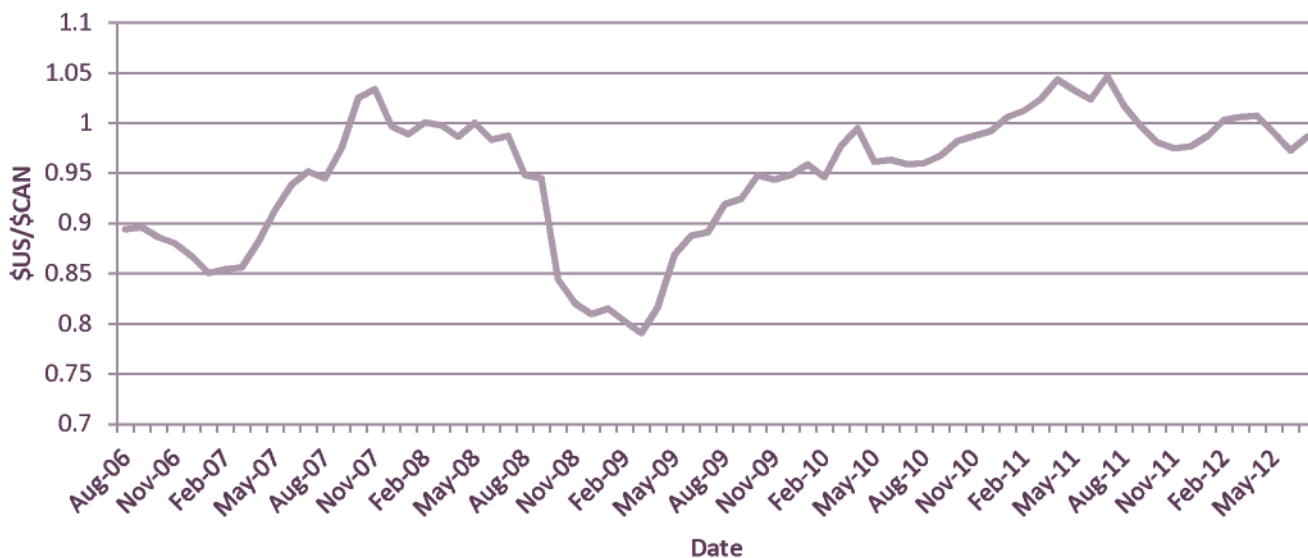


Source: SPI Marketing Group Inc, H@ms Marketing Services

In 2011/2012, the Cda/US exchange rate averaged 0.99, a decrease of approximately 2% over the previous year when it averaged 1.01. Although the decline was beneficial and did contribute to higher prices, it should be noted that this was the second highest exchange rate in recent history.

# Statistics & Trends

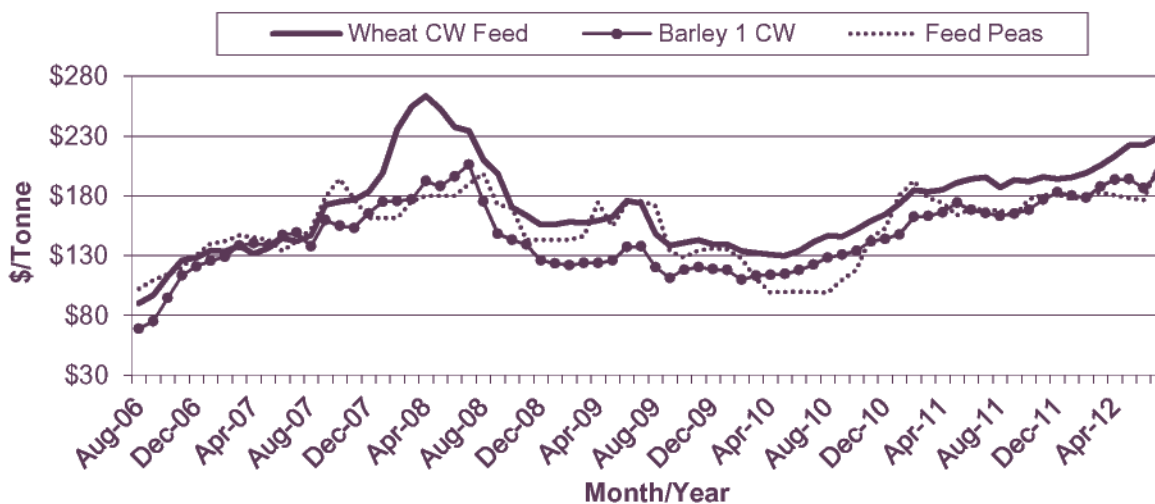
## Canadian Exchange Rate



Source: Bank of Canada

Feed prices in 2011/2012 continued to remain historically high, influenced heavily by low carry-in stocks resulting from last year's wet conditions. As a result of the continued tight supplies, Saskatchewan feed wheat prices increased by 18% to \$204.14/tonne while feed barley prices increased 19% to \$181.26/tonne, and feed Peas increased 16% to \$179.17/tonne between August, 2011 and July 2012.

## Saskatoon Farm Gate Feed Prices



Source: Saskatchewan Agriculture and Food

# Statistics & Trends

In 2011, a total of 93 producers marketed hogs produced at 162 active premises across the province. This is a decline of six producers over the previous year, and represents the smallest decline in the producer base in recent history. The largest decline was in the 1000-5000 category, which lost three producers and 11,169 animals.

## Saskatchewan Producer Profile\*

Number of Hogs Produced	Number of Producers				Number of Slaughter Weight Hogs Produced			
	2011	2010	2009	2008	2011	2010	2009	2008
<100	8	11	27	39	205	472	845	1,306
100-500	6	7	9	25	1,787	1,952	2,239	6,035
500-1000	3	3	3	15	1,796	2,424	1,605	10,602
1000-5000	12	15	18	36	36,431	47,600	48,232	90,812
5000-25000	55	55	54	51	591,143	579,719	545,789	508,564
25000-50000	5	5	5	7	146,232	169,217	163,815	209,658
>50000	4	3	3	2	989,257	880,414	684,405	669,848
<b>Totals</b>	<b>93</b>	<b>99</b>	<b>119</b>	<b>175</b>	<b>1,766,851</b>	<b>1,681,798</b>	<b>1,446,930</b>	<b>1,496,825</b>

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 2011 there were 162 active premises in Saskatchewan.

In 2011, Saskatchewan produced a total of 2,067,018 pigs, which was up by 98,637 animals from 2010. Feeder pig exports were steady, up by 4% to 264,945 pigs. Market hog production increased by 85,053, while 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
2006	2,015,017	60,959	289,551	2,365,527
2007	1,938,976	55,065	547,650	2,541,691
2008	1,496,623	37,065	1,069,752	2,603,440
2009	1,446,930	34,555	494,201	1,975,686
2010	1,681,798	28,754	255,819	1,968,381
2011	1,766,851	35,222	264,945	2,067,018

Source: Saskatchewan Pork Development Board



# Statistics & Trends

According to Statistics Canada, as of January 1, 2012 Saskatchewan's breeding herd increased by 2,100 sows over the previous year and stands at 90,600 animals. The entire Canadian herd actually increased by 9,300 sows and bred gilts over the same time period.

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

	<b>B.C.</b>	<b>Alberta</b>	<b>Sask.</b>	<b>Man.</b>	<b>West</b>	<b>Ontario</b>	<b>Quebec</b>	<b>Atl.</b>	<b>East</b>	<b>Canada</b>
2006	18.1	192.1	128.8	368.0	<b>707.0</b>	424.0	408.1	31.5	<b>863.6</b>	<b>1,570.6</b>
2007	17.6	185.0	130.7	368.4	<b>701.7</b>	407.7	391.5	31.2	<b>830.4</b>	<b>1,532.1</b>
2008	17.2	168.3	124.2	356.3	<b>666.0</b>	377.6	372.9	28.7	<b>779.2</b>	<b>1,445.2</b>
2009	16.2	157.1	102.8	331.3	<b>607.4</b>	327.4	355.7	25.2	<b>708.3</b>	<b>1,315.7</b>
2010	11.6	143.7	84.9	319.0	<b>559.2</b>	306.8	341.9	18.8	<b>667.5</b>	<b>1,226.7</b>
2011	8.2	137.0	85.9	314.0	<b>545.1</b>	299.5	328.2	19.9	<b>647.6</b>	<b>1,192.7</b>
2012	9	137.1	90.4	314.5	<b>551.0</b>	302.5	319.4	22.3	<b>644.2</b>	<b>1,195.2</b>

Source: Statistics Canada, Cansim Table 003-0004

The total number of pigs produced in Canada declined slightly in 2011. Eastern Canadian production decreased by 295,200 animals and stands at just under 14 million pigs, while western Canada's production increased by 247,400 animals and sits at just over 13 million pigs. Saskatchewan remains the 5th largest pork producing province in Canada behind Manitoba, Quebec, Ontario, and Alberta.

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

	<b>BC</b>	<b>Alberta</b>	<b>Sask.</b>	<b>Man.</b>	<b>West</b>	<b>Ontario</b>	<b>Quebec</b>	<b>ATL</b>	<b>East</b>	<b>Canada</b>
<b>2006</b>	328.3	3,848.7	2,605.4	8,754.6	<b>15,537.0</b>	7,399.5	7,059.7	569.2	<b>15,028.4</b>	<b>30,565.4</b>
<b>2007</b>	336.3	3,748.1	2,849.1	9,160.8	<b>16,094.3</b>	7,396.3	7,163.7	576.6	<b>15,136.6</b>	<b>31,230.9</b>
<b>2008</b>	325.8	3,530.8	2,907.6	8,788.1	<b>15,552.3</b>	7,686.8	7,259.3	562.5	<b>15,508.6</b>	<b>31,060.9</b>
<b>2009</b>	288.2	3,052.8	1,978.4	8,270.1	<b>13,589.5</b>	6,768.2	7,389.4	431.9	<b>14,589.5</b>	<b>28,179.0</b>
<b>2010</b>	231.7	2,996.1	1,985.3	7,746.1	<b>12,959.2</b>	6,195.6	7,497.0	377.4	<b>14,070.0</b>	<b>27,029.2</b>
<b>2011</b>	182.5	3,006.4	2,115.9	7,901.8	<b>13,206.6</b>	6,079.8	7,375.2	319.8	<b>13,774.8</b>	<b>26,981.4</b>

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

# Statistics & Trends

Checkoff data indicates that Saskatchewan produced 1,802,073 market hogs, cull sows, and breeding stock in 2011. Of these animals, approximately 1,181,810 of Saskatchewan's market hogs were transported to Manitoba for slaughter, while 444,356 animals were transported to Alberta for slaughter. U.S. exports of market weight animals increased slightly to 74,593. In all, 101,314 animals produced in Saskatchewan were slaughtered locally in the province.

In 2011, the total Canadian slaughter decreased by 28,000 animals to a total of just over 21 million animals. Manitoba/Saskatchewan was the only region to increase their slaughter, while Ontario remained steady and both Alberta/BC and Quebec and the Atlantic provinces declined.

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

	Atl/Quebec	Ontario	Man/Sask	Alberta/BC	Canada
2006	8,238	4,514	5,137	3,731	21,619
2007	8,104	4,800	4,745	3,430	21,078
2008	8,318	5,122	4,855	3,226	21,519
2009	8,309	4,949	5,282	3,099	21,639
2010	8,173	4,432	5,356	3,161	21,123
2011	8,077	4,452	5,570	2,998	21,095

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

Live hog exports from Canada to the U.S. were up in terms of feeder pig exports, but down in terms of slaughter animals. According to Agriculture and Agri-food Canada, approximately 4.8 million feeder pigs were exported from Canada to the United States in 2011 up 2% from the previous year. Canadian market hog exports to the U.S. were down by 53,988 animals and sit at just under one million animals.

In November, 2011 it was announced that Canada won the WTO case on U.S. country of origin labelling. The U.S. appeal of this decision was overturned in June, 2012. Canadian live hog exports have declined sharply since the country of origin labelling laws came into force in 2008.

# Statistics & Trends

## Canadian Live Hog Exports by Province (< 50kg)

	Manitoba	Saskatchewan	Alberta	B.C.	West	Canada
<b>2006</b>	4,066,357	286,072	286,309	31,661	4,670,399	6,014,268
<b>2007</b>	4,479,810	672,345	297,620	19,675	5,469,450	6,729,779
<b>2008</b>	4,383,172	1,095,464	360,170	14,855	5,853,661	7,036,388
<b>2009</b>	3,478,459	477,434	365,457	9,757	4,331,107	5,221,664
<b>2010</b>	3,042,429	253,832	405,501	7,200	3,708,962	4,699,916
<b>2011</b>	3,161,424	279,933	480,819	238	3,922,414	4,800,747

Source: Agriculture & Agri-Food Canada

## Canadian Live Hog Exports by Province (> 50kg)

	Manitoba	Saskatchewan	Alberta	B.C.	West	Canada
<b>2006</b>	1,334,662	164,253	292,312	1,072	1,792,299	2,751,189
<b>2007</b>	1,665,793	306,076	304,545	3,643	2,280,057	3,283,250
<b>2008</b>	1,114,780	73,888	251,074	2,306	1,442,048	2,308,368
<b>2009</b>	477,757	6,453	171,026	1,595	656,831	1,142,671
<b>2010</b>	450,871	2,630	140,584	2,691	596,776	1,048,645
<b>2011</b>	415,212	11,184	155,134	0	581,530	994,657

Source: Agriculture & Agri-Food Canada

# Audited Financial Statements

for the year ended July 31, 2012

## 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 fulfills 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 26, 2012



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Management



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Management

# Independent Auditors' Report

for the year ended July 31, 2012

Twigg & Company

CHARTERED ACCOUNTANTS

650 REGENCY CENTRE  
333-26TH STREET EAST  
SASKATOON, SK S7K 0L4

TELEPHONE (306) 244-0808  
FACSIMILE (306) 244-0004  
[www.twiggandcompany.com](http://www.twiggandcompany.com)

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, 2012, 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, 2012 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 26, 2012

  
Chartered Accountants

# Statement of Financial Position

as at July 31, 2012

	<b>ASSETS</b>	
	<u>2012</u>	<u>2011</u>
<b>CURRENT</b>		
Cash	\$ 648,892	\$ 404,123
Short-term investments	259,000	239,000
Accounts receivable	160,509	189,405
Prepaid expenses	<u>36,874</u>	<u>11,368</u>
	1,105,275	843,896
<b>CAPITAL ASSETS</b> (Note 3)	5,576	801
<b>RESTRICTED INVESTMENTS</b>	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 2,110,851</u>	<u>\$ 1,844,697</u>
	<b>LIABILITIES</b>	
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 115,431	\$ 99,038
Deferred contributions and revenue (Note 4)	<u>282,643</u>	<u>206,332</u>
	<u>398,074</u>	<u>305,370</u>
	<b>NET ASSETS</b>	
<b>INTERNALLY RESTRICTED</b> (Note 5)	1,000,488	1,007,225
<b>UNRESTRICTED</b>	<u>712,289</u>	<u>532,102</u>
	<u>1,712,777</u>	<u>1,539,327</u>
	<u>\$ 2,110,851</u>	<u>\$ 1,844,697</u>
<b>COMMITMENTS</b> (Note 6, 7)		

APPROVED BY THE BOARD:



\_\_\_\_\_  
Director



\_\_\_\_\_  
Director

# Statement of Operations

for the year ended July 31, 2012

	<b>2012</b> <b><u>Budget</u></b>	<b>2012</b> <b><u>Actual</u></b>	<b>2011</b> <b><u>Actual</u></b>
<b>REVENUE</b>			
Check-off and export service charge	\$ 1,393,500	\$ 1,414,507	\$ 1,378,394
Government grants and project funding (Note 8)	466,332	311,019	66,983
Symposium fees	58,000	52,725	50,065
Reimbursed travel	12,000	17,099	16,896
Interest	18,700	22,307	8,538
Program administration and traceability	-	70,128	7,500
Other	<u>-</u>	<u>3,106</u>	<u>1,057</u>
	<u>1,948,532</u>	<u>1,890,891</u>	<u>1,529,433</u>
<b>EXPENSES</b>			
Research, including Prairie Swine Centre (Note 6)	596,035	287,500	291,670
Salaries and benefits	435,336	433,445	409,801
Industry association	247,802	248,342	237,324
Symposium	60,450	59,463	54,332
Communications	128,300	73,350	68,217
Operations and office	108,871	103,717	96,891
Promotions	70,900	34,675	37,449
Directors and committees	60,782	31,138	35,742
Policy and industry development	30,000	5,198	4,784
Travel (Schedule 1)	22,600	30,023	26,377
Organizational development	27,480	12,583	11,137
Amortization	2,667	3,589	801
National services	92,600	251,448	2,717
Bad debts	-	36,130	-
Reimbursed expenses	12,000	18,025	16,215
PRRS project	<u>-</u>	<u>88,815</u>	<u>50,313</u>
	<u>1,895,823</u>	<u>1,717,441</u>	<u>1,343,770</u>
<b>EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR</b>	<b><u>\$ 52,709</u></b>	<b><u>\$ 173,450</u></b>	<b><u>\$ 185,663</u></b>

# Statement of Changes in Net Assets

for the year ended July 31, 2012

	<b><u>Internally Restricted</u></b>	<b><u>Unrestricted</u></b>	<b><u>2012 Total</u></b>	<b><u>2011 Total</u></b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	1,007,225	532,102	1,539,327	1,353,664
Excess (deficiency) of revenue over expenses	(____ 6,737)	____ 180,187	____ 173,450	____ 185,663
<b>NET ASSETS, END OF YEAR</b>	<b><u>\$ 1,000,488</u></b>	<b><u>\$ 712,289</u></b>	<b><u>\$ 1,712,777</u></b>	<b><u>\$ 1,539,327</u></b>



# Statement of Cash Flows

for the year ended July 31, 2012

	<u>2012</u>	<u>2011</u>
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses	\$ 173,450	\$ 185,663
Amortization	<u>3,589</u>	<u>801</u>
	<u>177,039</u>	<u>186,464</u>
Changes in non-cash working capital		
Balances related to operation:		
Accounts receivable	28,896	36,003
Prepaid expenses	( 25,506)	2,929
Accounts payable and accrued liabilities	16,394	( 64,284)
Deferred contributions and revenue	<u>76,311</u>	<u>92,806</u>
	<u>96,095</u>	<u>67,454</u>
Total from operating activities	<u>273,134</u>	<u>253,918</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	( 8,365)	-
Total from investing activities	( 8,365)	-
<b>INCREASE IN CASH DURING THE YEAR</b>	264,769	253,918
<b>CASH AND EQUIVALENTS, BEGINNING OF YEAR</b>	<u>643,123</u>	<u>389,205</u>
<b>CASH AND EQUIVALENTS, END OF YEAR</b>	\$ <u>907,892</u>	\$ <u>643,123</u>
<b>CASH AND EQUIVALENTS CONSISTS OF:</b>		
Cash	648,892	404,123
Short-term investments	<u>259,000</u>	<u>239,000</u>
	\$ <u>907,892</u>	\$ <u>643,123</u>
<b>SUPPLEMENTAL CASH FLOW DISCLOSURE</b>		
Interest paid	527	774
Income taxes paid	<u>Nil</u>	<u>Nil</u>

# Notes to Financial Statements

for the year ended July 31, 2012

## I. DESCRIPTION OF BUSINESS

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

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

### (a) Financial instruments

#### Held for trading:

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

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

#### Loans and receivables:

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

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

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

# Notes to Financial Statements

for the year ended July 31, 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Financial instruments (continued)

#### 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 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 of revenue over expenses.

### (b) Cash and cash equivalents:

Cash is comprised of cash on hand.

Short-term investments are composed of guaranteed investment certificates. They qualify as cash equivalents as they are short term, highly liquid investments, that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Short-term investments subject to restrictions that prevent their use for current purposes are included in restricted investments.

### (c) Capital assets:

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

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

# Notes to Financial Statements

for the year ended July 31, 2012

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Revenue recognition:

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

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

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

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

Interest and investment revenue is recognized when earned.

### (e) Research funding expenses:

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

### (f) Use of estimates:

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

# Notes to Financial Statements

for the year ended July 31, 2012

## 3. CAPITAL ASSETS

			<u>2012</u>	<u>2011</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net book value</u>	<u>Net book value</u>
Leasehold improvements	2,403	2,403	-	801
Computer equipment	<u>8,365</u>	<u>2,789</u>	<u>5,576</u>	<u>-</u>
	<u>10,768</u>	<u>5,192</u>	<u>5,576</u>	<u>801</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 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.

Sask Pork receives funding from the Canadian Swine Health Board (CSHB) to be held, administered and distributed in accordance with the related National Biosecurity Training program funding agreement. The National Biosecurity Training program provides funding to producers who have attended training sessions on national biosecurity, completed a self assessment and action plan, and had a veterinarian conduct an onsite visit. Deferred contributions related to expenses of future periods represent unspent externally restricted funding for the purposes of paying program participants and veterinarians.

Sask Pork receives funding from the Saskatchewan Ministry of Agriculture to be held, administered and distributed in accordance with the related Saskatchewan Swine On-Farm Biosecurity program funding agreement. The Saskatchewan Swine On-Farm Biosecurity program provides funding to producers who have attended training sessions on biosecurity, completed a self assessment and action plan, and had a veterinarian conduct an onsite visit. Deferred contributions related to expenses of future periods represent unspent externally restricted funding for the purposes of paying program participants and veterinarians.

# Notes to Financial Statements

for the year ended July 31, 2012

## 4. DEFERRED CONTRIBUTIONS AND REVENUE (continued)

	2012	2011
<b>Deferred contributions and revenue, beginning of year</b>	<b>\$ 206,332</b>	<b>\$ 113,526</b>
<i>Contributions and revenue received during the year:</i>		
PRRS project contributions	96,620	96,620
Saskatchewan Pork Industry Symposium funding	-	41,500
On-Farm Food Safety program (OFFS)	20,000	35,000
National Biosecurity training program (CSHB)	207,360	-
Saskatchewan Swine On-Farm Biosecurity program	75,000	-
<i>Less:</i>		
Amounts recognized as PRRS project expenses	( 88,815)	( 50,314)
Amounts recognized as conference fees (Symposium)	( 12,500)	( 30,000)
Amounts recognized as OFFS program expenses	( 32,820)	-
Amounts recognized as National Biosecurity (CSHB) training program expenses	(188,534)	-
Amounts recognized as Saskatchewan Swine On-Farm Biosecurity program expenses	-	-
<b>Deferred contributions and revenue, end of year</b>	<b>\$ 282,643</b>	<b>\$ 206,332</b>

The deferred contributions and revenue relates to the following:

	2012	2011
Saskatchewan Pork Industry Symposium	-	12,500
PRRS project	166,637	158,832
On Farm Food Safety program	22,180	35,000
National Biosecurity training program (CSHB)	18,826	-
Saskatchewan Swine On-Farm Biosecurity program	75,000	-
<b>Deferred contributions and revenue, end of year</b>	<b>\$ 282,643</b>	<b>\$ 206,332</b>

# Notes to Financial Statements

for the year ended July 31, 2012

## 5. INTERNALLY RESTRICTED NET ASSETS

- a) Sask Pork's Board of Directors have internally restricted net assets of \$1,000,000 as a reserve for future operating expenses.

## 6. RESEARCH COMMITMENTS

### Prairie Swine Centre Inc.

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:

	2012	2011
Prairie Swine Centre Inc.	148,916	190,944
Canadian Swine Research & Development Cluster	126,084	60,056
IRDA	-	24,000
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
Canadian Swine Research & Development Cluster - Swine Innovation fund	12,500	-
	<b>287,500</b>	<b>291,670</b>

# Notes to Financial Statements

for the year ended July 31, 2012

## 7. LEASE COMMITMENTS

### (a) Building lease:

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

<b>Year ending July 31:</b>	
2013	\$ 11,792
	<u>11,792</u>

### (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:

<b>Year ending July 31:</b>	
2013	\$ 5,492
2014	<u>967</u>
	<u>6,459</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, 2012 however subsequent to year-end a new agreement was signed with Wonderworks. The minimum annual charges are as follows:

<b>Year ending July 31:</b>	
2013	\$ 36,667
2014	40,000
2015	40,000
2016	<u>6,667</u>
	<u>123,334</u>



# Notes to Financial Statements

for the year ended July 31, 2012

## 8. GOVERNMENT GRANTS AND PROJECT FUNDING

	2012	2011
PRRS program (CSHB)	88,815	50,313
ADOPT project	850	16,670
National Biosecurity training (CSHB)	188,534	-
On Farm Food Safety program	32,820	-
	<b>311,019</b>	<b>66,983</b>

## 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, 2012, four customers accounted for 82.76% (68% - 2011) 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.

# Notes to Financial Statements

for the year ended July 31, 2012

## 9. FINANCIAL INSTRUMENTS (continued)

### 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 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 2011/2012 was approved by the Board of Directors on July 22, 2011.

## 12. SUBSEQUENT EVENT

On September 10, 2012 Big Sky Farms, a major pork producer in province, entered into receivership. At year-end the Organization had a receivable from Big Sky Farms of \$21,082 the collection of which is highly unlikely. Accordingly, the Organization has written off this account as a bad debt expense at year-end.

Big Sky Farms produces a significant percentage of the province's total pork production. As such if Big Sky Farms is not purchased as an operating entity the potential loss of this production in Saskatchewan could result in a significant decrease in the Organization's check-off revenue in the future. However, at present the ultimate financial impact on the Organization cannot be reasonably estimated.

# Schedule of Travel Expenses

for the year ended July 31, 2012

	<b>Budget (Note 11)</b>		
	<u>2012</u>	<u>2012</u>	<u>2011</u>
National services	2,100	1,698	1,901
Industry association	10,500	11,956	10,032
Organizational development	-	3,026	5,611
Policy and industry development	6,000	12,733	8,833
Communications	2,000	-	-
Promotions	<u>2,000</u>	<u>610</u>	<u>-</u>
	<u>22,600</u>	<u>30,023</u>	<u>26,377</u>

# Disclosure of Payments

as at July 31, 2012

## 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:

502 on 45 <sup>th</sup> Trade Centre	\$ 51,013
Big Sky Farms Inc.	\$ 93,103 *
Canadian Pork Council	\$ 267,036
Canadian Swine R&D Cluster	\$ 145,513
CIBC Visa	\$ 61,766
Prairie Swine Centre	\$ 151,513

\* Big Sky Farms Inc. payments composed of \$44,450.00 for the National Biosecurity program, \$45,000.00 for the OFFS program and \$3,653 for the PRRS project.

## Research Projects Funded from Hog Check-Off

Project Name	Researchers	2011-2012 Funding
Prairie Swine Centre Inc.	Various	\$ 148,916
Canadian Swine Research & Development Cluster (CSRDC)	Various	126,084 *
Canadian Swine Research & Development Cluster (CSRDC) - Swine Innovation Fund		<u>12,500</u>
Total		<u>\$ 287,500</u>

\* Payments made to CSRDC, are in support of research projects conducted at the Prairie Swine Centre Inc.

# Directors' Remuneration

as at July 31, 2012

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, 2011 – July 31, 2012:

Directors	Per Diem	Expenses	Total
Brad Cramer	\$ 600	\$ 1,218	\$ 1,818
Cliff Ehr	-	-	-
Bevra Fee	1,050 **	380	1,430
Dickson Gould	1,000	2,827	3,827
Jay McGrath	9,450 *	2,438	11,888
Shannon Meyers	-	-	-
Daryl Possberg	200	609	809
Florian Possberg	1,800	1,135	2,935
Dave Tschetter	2,300	4,083	6,383
Paul Ulrich	1,200	525	1,725
	<b>17,600</b>	<b>13,215</b>	<b>30,815</b>
<b>Other payments</b>	-	323 ***	323
<b>Directors Total</b>	<b>\$ 17,600</b>	<b>\$ 13,538</b>	<b>\$ 31,138</b>

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

(On Jan. 4/12, Jay McGrath was elected Chairman, Shannon Meyers – Vice Chair, Paul Ulrich – Audit Chair)

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

\*\*\* Payments made to facilitate meetings.

# 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, 2012.

- 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, 2012.

Saskatoon, Saskatchewan  
October 26, 2012

*Wigg & Company*  
Chartered Accountants

# Independent Auditors' Report

## To Saskatchewan Pork Producers:

We have audited Sask Pork's control as of July 31, 2012 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.

## Auditors' 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, 2012 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, 2012, 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 26, 2012, which is the same date as the date of the report on the effectiveness of internal controls.

**Saskatoon, Saskatchewan  
October 26, 2012**

*J. J. J. & Company*  
**Chartered Accountants**

# Auditors' Report

## To Saskatchewan Pork Producers:

We have examined the financial statements of Sask Pork for the year ended July 31, 2012 and have issued our report thereon dated October 26, 2012. We have examined the system of internal control as at July 31, 2012 and have issued our report to you dated October 26, 2012. 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, 2012 and have issued our report to you dated October 26, 2012.

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 26, 2012

  
Chartered Accountants





**Sask Pork**

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

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

**[www.saskpork.com](http://www.saskpork.com)**