

Annual Report

2013 - 2014



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, 2013* 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:
Saskatchewan Pork Industry Symposium 2013

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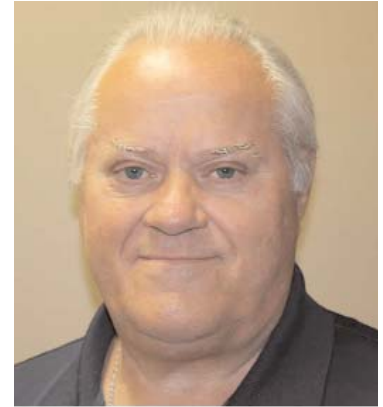
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Chairman's Letter

The pork industry has experienced a year to remember! After struggling through years of low prices, high costs, welfare challenges, labour shortages and other maladies, who expected the last year to be so profitable?

PEDv hit the US heartland in April 2013. Since then, more than 8000 cases have been confirmed in 31 states. An estimated 8 million pigs were lost. Farrowing herds infected experienced devastating scours that caused piglet deaths while demoralizing people working long hours to try to help.

Canada got PED as well. Here it was limited to 63 cases in Ontario, 5 cases in Manitoba and 1 in PEI. To date, Saskatchewan and the other provinces have been spared.



Sask Pork has focused on using all available resources to fight PED. We have cooperated with our provincial Chief Veterinary Officer Dr. Betty Althouse, who has been a big help and nationally with the Canadian Pork Council's Canadian Swine Health Board, veterinarians and industry related organizations to lower the risk.

Many of our efforts have been focused on transportation and biosecurity which are likely the biggest risk factor and offer the best opportunity to protect our industry.

Animal welfare was a major item in the last year. Sask Pork participated in the development of the new Pig Code for Canada which was released this spring by the National Farm Animal Care Council. There were eleven face to face national meetings, more than 50 conference calls by the Code committee plus numerous producer and industry meetings that lead to a final version that should set the standard for years to come.

Sask Pork continues to work on a national Hedging program to reduce price risk on hog sales. This proposal would use futures contracts to forward price thus giving producers a tool to reduce risk.

Production in our province has seen a bit of a resurgence. Our sow herd leads the nation in growth as some empty facilities are being brought back into production. Our industry must maintain significant numbers to stay viable so this is a very good sign.

Sask Pork and our industry should count its blessings over the last year. Great profits do not last long so enjoy it while we can. However hard work by all to maintain a healthy and efficient hog sector will pay big dividends when lean times return.

Thanks to our staff and all that work hard every day to make it happen!

A handwritten signature in black ink, appearing to read 'Florian Possberg'. The signature is fluid and cursive, written over a light blue horizontal line.

Florian Possberg
Chairman

General Manager's Letter

To quote Chairman Possberg, during some of the bleakest financial times of the industry, "eventually even bad luck runs out". And so it has. The perfect storm has turned into perfect market conditions; hog prices for much of 2014 were at record levels, and while feed prices remained high into the summer of 2014, an excellent crop in the United States has resulted in feed grain prices at half the 2014 highs. The combination of record high market hog prices and ever lower feed grain costs have resulted in very good margins, at times well over \$60 per market hog. While one is always watching the horizon for some unexpected market issue, the 2014/15 year also looks to be very profitable. Finally.



As profitability has returned to the industry, we are beginning to see producers upgrading their facilities and in some cases reopening some of the better barns that were closed during the Transition program days. That being said, there will be no major expansion of the herd as we expect the industry will need an extended period of profitability before we will see any major new building. One good year will not replenish the balance sheets of producers. Hopefully we are just entering a long term profitability period as many barns will be soon reaching their useful life and two of the major packers need significantly more market hogs to run the plants at reasonable operational efficiencies. It's important the entire value chain operates at peak efficiency to maintain competitiveness with other global marketors. For our part, we will need to develop a strategy for new construction, even to maintain current production levels.

Maintenance of swine health in producers' herds has always been a major priority for Sask Pork. During this past year, the health file dominated our activities in an effort to prevent the spread of PEDv into Canada and our producer's herds. Since the first U.S. case of PEDv in May 2013, it has infected over 70% of their herds, is now endemic, and has caused considerable hardship to those affected. Our response to the U.S. situation prompted strategies for prevention as well as containment and eradication should a break occur somewhere in Saskatchewan over the course of the last year and a half. Sask Pork and the Government of Saskatchewan have committed over \$1.5 million dollars for surveillance, reporting systems, producer communications, biosecurity programs, a new transportation certification program and research into a long term solution.

Sask Pork continued to work on or monitor other important files such as feral hogs, international trade agreements, COOL, marketing, Swine Innovation Porc, PSC and research, risk management, including an insurance and hedging program, a new Code of Practice, CQA®, ACA™, TCA and PigTrace.

In closing, I would like to thank our Chairman and Board of Directors for their wisdom, dedication and guidance of the organization and the staff for all their hard work and thoughtfulness during the past year.

A handwritten signature in black ink, appearing to read 'Neil Ketilson', written over a light blue grid background.

Neil Ketilson
General Manager

Board of Directors

Elections

Elections are held in November of odd numbered years. 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.

2013 - 2015 Board of Directors



Florian Possberg
Chairman



Shannon Meyers
Vice-Chairman



Paul Ulrich
Audit Chair



Dickson Gould
CPC Board of
Directors



Cliff Ehr



David Tschetter

Staff / Committee Representation

Staff

Neil Ketilson

General Manager
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Promotions & Communications
Symposium Coordinator
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Manager Producer Services &
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Canadian Pork Council Committee Representation

Canada Pork International Board of Directors - Neil Ketilson
Canadian Pork Council Board of Directors - Dickson Gould
Canadian Swine Health Board - Florian Possberg (Chair)
Canadian Swine Health Board Research Committee - Harvey Wagner
Safety Net Committee - Neil Ketilson
CQA® Advisory Committee - Harvey Wagner
International Swine Cost of Production Network (InterPig) - Mark Ferguson
Pig Code Development Committee - Florian Possberg (Chair)
PigTrace Implementation Team - Mark Ferguson / Harvey Wagner
Swine Innovation Porc - Neil Ketilson
Trade Advocacy Working Group - Dickson Gould / Neil Ketilson

Industry Representation

Agriculture in the City 2014 Planning Committee - Kim Browne
Agricultural Producers Association of Saskatchewan - Livestock Committee - Mark Ferguson
Farm Animal Council of Saskatchewan - Neil Ketilson
Farm and Food Care Saskatchewan Interim Board - Shannon Meyers
Feeds Innovation Institute, U of S - Neil Ketilson
Prairie Swine Centre Board of Directors - Neil Ketilson
Provincial Emergency Planning Consultations - Harvey Wagner
Statistics Canada Advisory Committee - Mark Ferguson

Director & Staff External Activities

- August 15 - Agriculture Producers of Saskatchewan Meeting - Regina - *Neil Ketilson*
- September 4, 2013 - Meeting with Scott Moe, Legislative Secretary to the Minister of Agriculture, Paul Merriman, Legislative Secretary to the Minister of Industry and Kirk Westgard, Executive Director Immigration Services, Ministry of Economy regarding labour, immigration and the SINP - *Florian Possberg, Neil Ketilson & Harvey Wagner*
- September 19- CFIA Transport Regulatory Consultation - *Harvey Wagner*
- September 24 - Western Nutrition Conference and Canadian Feed Technology Research Facility workshop/viewing - *Harvey Wagner*
- October 17- CIPARS 2012 Results Consultation - *Harvey Wagner*
- October 18 - Throne Speech Roundtable Discussion with Minister Gerry Ritz - CETA, trade, deficit reduction, economic growth and changes to CFIA were discussed along with foreign labour. - Regina, SK - *Florian Possberg*
- November 8 - Canada EU Trade Agreement Roundtable with Commodities Hosted by The Honourable Lynn Yelich, Minister of State - Saskatoon - *Florian Possberg, Shannon Meyers & Mark Ferguson*
- November 14 - Pre-Budget Consultation meeting with MP Kelly Block and MP Randy Hoback - Regina - *Florian Possberg*
- November 15 - Agriculture Producers Association of Saskatchewan meeting, Regina - *Neil Ketilson*
- November 22 - Conference Call with China Consulate General Weldon Epp (Guangzhou Region) - *Neil Ketilson*
- December 2 - Canadian Swine Health Board/ Prairie Swine Centre Air Filtration Project meeting - Saskatoon - *Harvey Wagner*
- December 2 - Agri-Food Council Governance and Industry Development Conference - Saskatoon, - *Neil Ketilson*
- December 4-6 - Agricultural Producers Association AGM - Regina - *Mark Ferguson*
- December 10 Chinese Delegation - Toronto - *Neil Ketilson*
- January 3-5 - Saskatchewan Agriculture Rural Leaders Conference - January 3-5, Oklahoma City - *Neil Ketilson*
- January 21- Harvey Wagner- PSCI Innovators Club workshop
- January 21-23 - Banff Pork Seminar 2014, Banff, *Cliff Ehr, Paul Ulrich, Dave Tschetter & Harvey Wagner*
- January 29-31 - 4th Annual Agri-Food Policy Conference - *Neil Ketilson*
- February 4-5, 2014 Saskatchewan Agriculture Trade Summit Saskatoon - *Florian Possberg & Neil Ketilson.*
- February 6 - Saskatchewan Agri-Food Council hosted meeting with Trade Commissioners - U of S - *Neil Ketilson*
- February 19-20 - Canada Pork International Annual Meeting - Montreal - *Neil Ketilson*
- February 21 - Cramer Livestock and Nutrition Show - Swift Current - *Harvey Wagner / Mark Ferguson*

Director & Staff External Activities

- February 25-27 - Canadian Federation of Agriculture Annual Meeting - Ottawa - *Neil Ketilson*
- March 5-6 - Agri-Risk Conference - Ottawa - *Neil Ketilson*
- Canada-Korea Roundtable - Hosted by Sask Pork and Agriculture and Agri-Food Canada - March 14, Saskatoon, SK - *Florian Possberg, Shannon Meyers & Neil Ketilson*
- April 8 - Manitoba Pork Council Annual General Meeting - Winnipeg - *Florian Possberg / Neil Ketilson*
- April 10 - Value-Added Agriculture Workshop & Reception - Saskatoon - *Mark Ferguson*
- May 15 - Saskatchewan Trade and Export Partnership (STEP) Networking Reception with His Excellency Bruce Heyman, Ambassador of the US and Canada - Regina - *Neil Ketilson*
- June 10-11 - AAFC Hog Production Insurance Workshop - Ottawa - *Dickson Gould*
- June 18 - Farm Progress Show - Regina - *Neil Ketilson*
- June 26 - Agriculture Council of Saskatchewan Annual General Meeting - Saskatoon - *Neil Ketilson*
- July 23 - Agriculture Producer Association of Saskatchewan - Saskatoon - *Paul Ulrich*
- July 29 - Maple Leaf Consumer Foods 9th Annual Producer Meeting and Dinner - Saskatoon - *Neil Ketilson*

Industry Development

Western Livestock Price Insurance Program

A new program was introduced in Saskatchewan in April, 2014- the Western Livestock Price Insurance Program (WLPIP). This is an options-style product that is available for cattle and hog producers to purchase and enables producers to set a floor price for their production.

Sask Pork hosted a producer meeting on April 23, 2014 where officials from the Saskatchewan Ministry of Agriculture and the Saskatchewan Crop Insurance Corporation presented the details of the new program.

While the program is innovative and offers a new pricing option to producers, it appears the cost (premiums) for the program are high, both when compared to premiums offered to the cattle sector under the same program and compared to other forward pricing and hedging options available to producers.

Sask Pork will continue to work with governments to improve the value of this program for the province's hog producers.

Hedging

Given the cyclical nature of hog and feed markets, developing and encouraging producers to utilize risk management has long been a topic of interest and priority for governments and the hog industry. The industry's recent volatility has demonstrated that is beneficial for producers to increase their use of risk management.

Hedging both lean hog futures and the Canadian dollar is a proven and effective strategy to protect Canadian producers from unexpected price declines. However, in the event the commodity price increases,

futures trading can carry a significant short-term financial risk. That is, the producer must forward cash to their broker just to maintain their market position before they have actually sold the product. This short-term cash flow uncertainty resulting from margin calls is thought to deter many farmers, producer organizations, and other service providers from extensively hedging their production.

Over the past two years, one of Sask Pork's main risk management policy initiatives has involved advocating for increased government support for private sector risk management- specifically, access to a pool of capital for margin calls. In cooperation with several other provinces and the Canadian Pork Council, Sask Pork developed the concept for a program which would provide a government loan guarantee for margin calls, making it easier for producers to obtain financing specifically for this purpose.

There is ongoing interest in the program by federal and provincial governments. Agriculture and Agri-Food Canada has funded two studies, which confirmed that the concept was feasible and carries little financial risk. In 2014, the Canadian Pork Council was encouraged to submit a proposal to the new federal AgriRisk Initiatives program which we hope will be approved and provide further analysis and development of the program.

National Focus

PigTrace Canada

In July, 2014, amendments to the Health of Animals Act came into force that made swine traceability mandatory in Canada. The regulations require anyone moving swine to report the locations of origin and destination, the date/time of the movement, license plate of the vehicle, and the quantity of animals and identification numbers on the animals. The regulations also require tags or tattoos to be applied to animals for certain types of movements.

The CPC is the national administrator of the swine traceability program, and Sask Pork is responsible for the administration of the system within Saskatchewan.

In early June, 2014, Sask Pork sent traceability packages to all registered producers which included the PigTrace information kit and login information for the PigTrace online database. Also included was a laminated sheet containing the new premises IDs and tattoo identifiers (herd marks) issued to each unit.

Sask Pork held 6 Traceability information sessions in June (4 in-person meetings & 2 webinars). About 120 people attended these meetings. To date, uptake has been excellent. Saskatchewan producers in July reported 927 movement events. Most farms are using electronic methods to input data into the PigTrace system (website, CSV files) and a small number are sending faxes to PigTrace.

On July 4th, Sask Pork started processing PigTrace tag orders for Saskatchewan producers. Tags may be used to identify pigs for certain types of movements, but producers typically utilize tags for feeder pigs, breeding stock and culled breeding stock, and movements to unknown destinations. We've had a significant amount of producer contact

through this implementation period, though most registered producers seem to now be comfortable with the reporting process. We commend producers for their receptiveness and ongoing hard work to make this program a success.

InterPIG

In 2013/14, Mark Ferguson continued to represent Canada on the InterPIG international cost of production benchmarking group. InterPIG data is the most reliable data available that compares prices and cost of production in various countries around the world. The participants include the U.S., Brazil, and a number of E.U. countries. The participating countries are responsible for 90% of the world's pork exports, so the data represents our most significant competitors.

The results show that in 2013, Canada had the second lowest cost of production of the 15 participating countries at \$190/c/kg (all figures expressed in Canadian hot dressed carcass basis and Canadian dollars). Only Brazil was lower, with the Santa Caterina region at \$178/c/kg, and the Mato Grosso region at \$158/c/kg.

The U.S. reported a cost of production at \$200/c/kg. Sweden led the European countries with a cost of production totalling \$278/c/kg, while Spain reported the lowest E.U. cost at \$220/c/kg. Denmark reported their costs at \$227/c/kg. In terms of hog prices, the Mato Grosso region of Brazil reported the lowest price at \$136/c/kg, followed by Canada at \$141/c/kg, and the Santa Caterina region of Brazil at \$142/c/kg. The U.S. reported price was \$155/c/kg. Denmark reported the lowest European price at \$170/c/kg, while Austria reported the highest at \$195/c/kg.

National Focus

Canadian Swine Health Board Undergoes Transition

The Canadian Swine Health Board (CSHB) was originally established in 2009 and received Government of Canada funding of \$25 million to develop biosecurity best management practices, address swine research needs and evaluate long term disease risk management strategies.

The CSHB was very successful in delivering communications, biosecurity programs, research and surveillance systems across the country.

As of March 31, 2014, its financial support changed significantly forcing the CSHB, Canadian Pork Council and the provincial pork associations to determine how to maintain the essential elements of the Swine Health Board with a significantly reduced budget. Much of that debate continues. However, with the threat of PEDv, Delta coronavirus and other emerging diseases, swine health has been elevated to the top of everyone's agenda.

In April 2014 government funding for the program was reduced to basic operations and has since been cancelled. The CSHB has no staff and its tenure is in limbo until the former Board, CPC and provincial pork organizations can develop a governance and funding model to adequately deal with the swine health file. While the national debate continues, many of the provincial pork associations, including Sask Pork, are developing programs and committing significant dollars to enhance communications, biosecurity, and surveillance programs.

CPC restructuring

Given the transition undergone by the Canadian Swine Health Board and the changing mandate of the Canadian Pork Council, a committee representing a number of provincial pork associations and senior staff within the CPC, have been working through a process to evaluate the present operational structure of the organization.

Of interest is the changing role and responsibilities of the CPC from its original mandate of policy, trade and regulatory development and lobbying governments. CPC is now also responsible for developing and delivering industry on-farm food safety and animal care programs, including CQA®, ACA™ and PigTrace Canada.

As a result of this broadened role of the organization, the committee reviewed the organizational model and provided recommendations on a new structure to the CPC Board of Directors and the member forum.

Export Focus

Canada is known as a supplier of safe high quality pork. Canadian pork products are exported to more than 100 countries. Exports account for more than 50% of Canadian pork production. In 2013, Annual Canadian pork exported a total of approximately 1.2 million tonnes with a value of \$3.2 billion.

Top Export Markets

Country	Value (Thousands)	Quantity (Tonnes)
United States	\$ 1,144,586	365,591
Japan	813,224	193,034
China	263,065	162,337
Russian Federation	260,237	92,614
Mexico	125,042	84,096

2013/2014 was an extraordinary year for Canada in terms of negotiating new free trade deals with major markets, and the Government of Canada along with the Canadian Pork Council and Canada Pork International should be commended for their efforts in opening up new markets for pork. Among the highlights this year:

Canada-EU FTA (Announced Oct. 2013)

- The European Union (E.U.) is an important pork-consuming market which the Canadian pork industry has had little real access. The E.U., with a population of 500 million people consumes over 20 million tonnes of pork annually.
- In addition to securing free access for processed pork products on the day this new agreement takes effect, Canada will acquire a quota volume equivalent to over 80 thousand tonnes of pork cuts.
- The solid trade deal that has been negotiated

with the EU could increase Canadian pork exports by up to \$400 million a year.

Canada-Korea FTA (Announced March, 2014)

- The Canadian pork industry has been a strong advocate for completing a Canada-Korea FTA to prevent further deterioration in Canada's competitive position in that market against competitors - the United States, the European Union and Chile, all of which have free trade deals in place.
- This FTA will put Canada on equal footing with those competitors in what has at times been the industry's third or fourth most important export market. Without an FTA with Korea, Canada's \$223 million of pork trade with Korea in 2011 and \$129 million of pork trade in 2012 would largely disappear when the FTAs Korea has signed with three other countries are fully implemented. Canada exported approx. \$76 million dollars of pork to Korea in 2013.
- South Korea has typically been a top 5 market to Canada, and the high value of the items sold there, such as chilled (shoulder) butts and bellies is significant enough to have a major impact on Canadian hog prices and jobs in both the farming and processing sectors should Canada lose access to the market.
- An American study evaluated the benefits for the US pork sector of the FTA between US and Korea at US \$10 per hog. The benefits for the Canadian pork industry of a Canadian FTA with South Korea should be similar as those in the US.

Export Focus

Trans-Pacific Partnership (TPP) (Ongoing Negotiations)

- The Canadian Pork industry has strongly supported the TPP talks from the outset.
- Reports that Japan has made unacceptable tariff offers in each of the agricultural sectors it considers sensitive, including pork, compel us to express our deep concern that these critical market access objectives will not be achieved.

Canada-Honduras FTA (Signed November 2013)

- Will help restore pork access to a market that could be worth an estimated 5 to 7 million dollars in sales in the first year of the FTA.

Producer Services

Canadian Quality Assurance (CQA®)

There are currently 150 registered units participating in the CQA® and ACA™ programs, which covers virtually all hogs sold for slaughter in Saskatchewan. Work to streamline the CQA® and the ACA™ programs is continuing and will include the ACA™ being incorporated into the CQA® program; providing an electronic delivery option and aligning CQA® with other international food safety programs.

Canadian Ractopamine-Free Pork Certification Program

The *Canadian Ractopamine-Free Pork Certification Program* (CRFPCP) is becoming mature with more producers being enrolled as more processors in our region participated in the program. It has proven successful with significant movement of pork to Russia prior to the ban on pork from Canada this summer. The program is continuing since many of our other international customers wish to purchase pork raised under the program.

On-going monitoring of producers will be done as a part the CQA® program for those producers enrolled in the CRFPCP. The CFIA is working with industry to blend the CRFPCP with the EU pork standards program.

Pig Code of Practice Development

The National Farm Animal Care Council (NFACC) released the final version the new Code in June. The Code Development Committee took into account producer comments gathered after the release of the draft, so there was good producer response to the new Code. Printed version of the Code will be sent to all producers in the fall.

Saskatchewan Swine On-Farm Biosecurity Program 2014

The Saskatchewan Swine On-Farm Biosecurity Program (SSOFBP), funded by the Saskatchewan Ministry of Agriculture and the Government of Canada through Growing Forward 2, was announced by Ministers Ritz and Stewart on April 17, 2014. The SSOFBP had a total of \$150,000 available for a second follow-up veterinary visit and biosecurity enhancements.

All Saskatchewan swine farms were eligible to 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 February 1, 2014 and July 31, 2014. This added funding was to assist pork producers in implementing biosecurity sanitation improvements on their farms. At the close of the SSOFBP on July 31, 2014, 122 farms made application to the program and were paid a total of \$149,911. Sask Pork provided a payment of \$300 for a second biosecurity focused veterinary visit on any Saskatchewan hog farm in 2014. At year-end 15 farms had submitted claims for a visit.

Porcine Epidemic Diarrhea (PED) Virus Preparedness

The arrival of Porcine Epidemic Diarrhea (PED) in North America in 2013 and the devastating effects it wrecked on producers whose farms were affected, have been a major focus of producers and the industry and Sask Pork over the past year. The first cases in Canada were reported in Ontario and the Maritimes.

Sask Pork established two working committees to tackle the challenge of PED infection of Saskatchewan herds. The *Transportation Sanitation Group* is focused on preventing PED infection and the *Contingency Planning Group* developed plans for

Producer Services

containment and mitigation of PEDv infection(s) on Saskatchewan farms. A contingency plan has been finalized and is available for implementation when required. A number of initiatives to prevent infection have begun, including a transport wash certification program and research to improve wash effectiveness.

Surveillance testing for PED was undertaken earlier this year and continues at high traffic areas by Saskatchewan CVO office personnel. Sask Pork and the Government of Saskatchewan have committed significant funds to assist with PEDv prevention and mitigation activities.

Producer information sessions and telephone town hall meetings have been held with PED advisories circulated as information becomes available. There has been good cooperation between the provincial pork organizations, swine health groups provincial CVO's, CFIA and the veterinary community.

Labour Challenges

Labour attraction and retention continues to be a concern for Saskatchewan farms and the processing industry.

Sask Pork consulted with the Government of Saskatchewan to identify ways to improve the situation. To elevate the visibility of our producers to prospective employees, Sask Pork attended two jobs fairs in Regina and Saskatoon and promoted farms actively seeking employees.

Transportation Quality Assurance (TQASM)

This year Sask Pork held 14 TQA[®] certification training sessions with 71 attendees. The 2014 revision of the TQA[®] program allows for online training of some transporters. It also upgraded the

animal handling section considerably.

Livestock Emergency Response Units

To help fill a void in the event of a transport livestock emergency, Sask Pork assembled and deployed two fully stocked units earlier this year.

These units are designed to provide equipment to help “first responders” with the extraction and temporary confinement of animals after a transport accident. The units are currently located at Humboldt and Moose Jaw.

Sask Pork will participate in first responders training sessions in the fall.



Communications & Promotion

Saskatchewan Pork Industry Symposium - 2013

2013 marked the 36th year for Symposium. The annual event, held November 19-20 saw more than 200 in attendance over the two days.

Day 1 topics ranged from group sow housing and barn conversions to nutrition, swine health and interpreting the kill statement.

On Day 2, speakers focused on antibiotic use and stewardship, issues and challenges for the processing industry and Canada's competitiveness in the global markets. We also delved into the interesting aspects of cross cultural communications in the workplace and practical information on recruiting employees from foreign countries.

The Honourable Lyle Stewart, Minister of Agriculture was guest speaker at our evening banquet.

Symposium Advisory Committee 2013

- Kim Browne, Sask Pork, Symposium Coordinator
- Murray Duggan, Fast Genetics
- Laura Eastwood, Prairie Swine Centre
- Henry Gauvreau, - Warman Veterinary Services
- Neil Ketilson - Sask Pork
- Don Kolla - Cudworth Pork Investors Group
- Michel Lariviere - PIC Canada Ltd.
- Brad Marceniuk - Ministry of Agriculture
- Florian Possberg, B & F Polar Pork / Sask Pork
- David Tschetter, Star City Farming
- Paul Ulrich - Ulrich Pork Farms Ltd.
- Harvey Wagner - Sask Pork
- Lee Whittington - Prairie Swine Centre

Farmscape Radio Program

Farmscape, hosted by Bruce Cochrane, has been broadcasting for 17 years. Sask Pork and Manitoba Pork continue to co-sponsor the radio network airing in Manitoba, Saskatchewan and Alberta.

From the Farmscape desk...

“There has been a lot to report on over the last year. “By far the biggest story right now is Porcine Epidemic Diarrhea and the excellent job being done by Canada's pork producers, shippers and processors to contain its spread. This issue has been forefront on the minds of all.

Lessons learned from circo continue to be applicable. Those interviewed have said the competitive difference in the export market is disease control and this disease we are dealing with now won't be the last.

Speaking of export markets, new trade deals have to top the list: Korea, Europe, and China. According to federal Agriculture Minister Gerry Ritz, it's those markets and others that are helping maintain the value of Canadian pork and beef in the face of the hurt being caused by Country of Origin Labelling.

It was no surprise when the WTO announced the American government had not only reneged on trade deals it had made, but made the discrimination worse with its 2013 fix. The U.S. has an election coming up and one last appeal so it's expected the issue will drag out to the end. The ball is in their court and Canada is prepared to move forward with tariffs.

There are lots of things happening in other areas, research, labour, communications.

Thank you to the experts who have shared their insight this year and our audience.”

Communications & Promotion

Agri-Education Program

We continue our involvement in provincial Agri-Ed events and with the assistance of the Prairie Swine Centre graduate students and volunteers, pork displays were manned in Lloydminster, Prince Albert, Saskatoon and Yorkton.

Agriculture in the City 2014

Sask Pork served as a commodity member of the planning committee for this year's event held April 5th at the Mall at Lawson Heights in Saskatoon.

Attendance was higher than in 2013 with what seemed to be a lot more interest in animal care, pork production and modern farming practices.

Sask Pork organized the Cooking Demonstrations featuring radio personality and "foodie" Mark Loshack of Rock 102 FM who prepared delicious recipes using locally grown products.

Special guest speakers included greetings from the Government of Canada, by Brad Trost, MP for Saskatoon/Humboldt. Janice Tranberg, Assistant Deputy Minister of Agriculture, attended the event bringing greetings on behalf of the Ministry. Agriculture in the City was administered by and received funding from Agriculture and Agri-Food Canada with additional funding from the Saskatchewan Ministry of Agriculture and participating commodities.



Saskatchewan Ministry of Agriculture's Pizza Farm Project - Moose Jaw, SK

Val Panko with the Government of Saskatchewan Agriculture Knowledge Centre coordinated the Ag Awareness project with assistance from local commodities.

The project was a Pizza Farm demonstration plot for students and the general public to see how food is grown and harvested. Students were given the opportunity to plant seeds and then return in the fall for the Harvest Day to gather all the ingredients they needed to make pizzas. The displays remained and were open to the public all summer.

The pork display featured new signage developed for this project that focused on the processing side with a life size market hog depicting primals, signage on the various pork cuts and nutrition information that tied to Health Canada's *Guide for Healthy Eating*.

The display also included a live market hog courtesy of Thunder Creek Pork with Kaye Kronebusch of TCP on hand to host the display and educate the students on why we raise pigs and meat processing.

E-Forum Newsletter

Newsletters were published in August, December, March and June and distributed via email and regular mail.

Communications & Promotion

Farm Animal Council of Saskatchewan “We Care” Billboard Campaign 2014

Sask Pork is pleased that Bryan and Tiffanie Possberg are featured as the 2014 Real Face of Farming pork producers for this year’s FACS billboard program. The campaign will be displayed over the year throughout Saskatchewan on billboards, buses and benches, in airports – even on the back of washroom doors!



Hurry Hog Curling Rink Decals

The ice decal program continues to be popular with the province’s curling clubs. While participation by the clubs is down over the past few years due to the smaller communities finding it difficult to find the staff to maintain the ice, we had 40 clubs participate in the 2013 season.

2013 Awards of Distinction

Two awards were presented in 2013 at our annual Pork Industry Symposium banquet November 19.

PRODUCTION RESEARCH AWARD

Presented to

BRIAN ANDRIES, BSA

Manager, Prairie Swine Centre, Floral, SK

Lee Whittington, President and CEO of the Prairie Swine Centre presented the Production Research Award to Brian Andries.

Brian joined the Prairie Swine Centre (PSC) 35 years ago when the facility was a new pig barn, located on Floral Road and operated by the U of S College of Agriculture.

Since the beginning, PSC has begun a new project every 9 to 11 days and Brian has always been at the "centre" of what happens at the "Centre".

The operation is now known across Canada and beyond as the Prairie Swine Centre and Brian continues to manage the site and important research underway today.



Pictured: Brian Andries

Communications & Promotion



Pictured: Lee Whittington and Brian Andries

PRODUCTION EXCELLENCE AWARD **Presented to** **SYLVIA MESZAROS** **Barn Manager** **Cudworth Pork Investors Group**

Sylvia Meszaros has managed a 1200 sow farrow to finish multiplier unit for Cudworth Pork Investors Group for the last 19 years. She has made it her leadership statement to embrace a "lifetime of learning" and continues to lead a production team that consistently exceeds all production targets.

A capable and passionate team leader with a huge heart, Sylvia cares deeply about her staff, her pigs, CPIG, and everyone in her life. She is a very deserving recipient of this Award.

The high performance levels attained by CPIG is largely due to Sylvia's dedication and leadership skills in creating a winning team environment.



Pictured top right: Sylvia Meszaros
Centre right: Sylvia and Family
Bottom right: Don Kolla and Sylvia Meszaros

Communications & Promotion

Domestic Promotion

Canada Pork International's Domestic Marketing Program will proceed and a director is currently being hired who will assume responsibility for the program in the fall. He will work with Michael Young to develop the national promotion strategy for processors, distributors and retailers.

Canada Pork, a newly created division of Canada Pork International, launches a National Pork Marketing Strategy this summer. Its mission is to improve the prosperity of the Canadian pork industry. This new initiative is overseen by the National Pork Marketing Committee of Canada Pork International, made up of industry members from the packer/processing sector and provincial hog producers associations.

More information available at www.canadapork.com

The new national **PutPorkonYourFork** website went live this summer with a fresh new look!

The Choose Canadian Label program will continue under the CPI Domestic program and not under Pork Marketing Canada. Sask Pork financially supported the program by contributing towards the printing of labels for retailers and processors for 2013-14. The retailers are being encouraged to incorporate the label into their own store labels to reduce the ongoing cost of this program.

In-Store Promotion

Sask Pork assisted Federated Co-Op by providing content and photos for a new in-store pork consumer guide. We also continue to work with them to support the Co-Op Raised at Home program.

TV Advertising / Sponsorship

Sask Pork has partnered with Rock 102 FM Radio Personality Mark "Shack" Loshack as co-sponsor of the television program "*Cooked with Shack*". This 1/2 hour show offers cooking ideas for the average guy and can be seen across western Canada on Shaw Cable Video on Demand and in Saskatchewan on Shaw TV Channel 10.

In a fun and entertaining way, Shack shows how easy it is to cook great recipes with basic ingredients you find in your own kitchen. The show also features music from Shack's sidekick and guitarist Harreson James and spotlights music from local bands.

Print & Web Advertising

Consumer ads appeared in Planet S and Prairie Dog Magazine featuring weekly barbecue recipes throughout the summer.

An ad and nutrition information was featured in the Regina Leader Post Nutrition Month feature in March 2013.

Star Phoenix Holiday Guide December 2013 - featured recipe for holiday Crown Roast.

Sask Pork and Manitoba Pork partnered on a food-service related ad in the HyLife Foods Feature in Business Review Canada - April 2014

Communications & Promotion

Sponsorships & Donations

Saskatchewan Home Economics Teachers Conference
- September 2013

Saskatchewan SPCA Animal Welfare Conference -
September 2013

Toontown Smokedown - Saskatoon Ribfest - August
2-5, 2013

Western Nutrition Conference *Tastes of the World*
Reception sponsor - September 24-26, 2013

Saskatchewan Outstanding Young Farmers Nationals
- November 15, 2013 - Regina

Saskatchewan Pharmacy and Nutrition Students'
Society - Nutrition Professional Enhancement Day

Regina Home Economics for Living Inc. (HELP)
Healthy Eating Workshops - October-November 2013

Saskatchewan Hutterian Educators Association
(SHEA) Annual Conference - October 24-25, 2013

Farm Animal Council Annual General Meeting
Commodity Food Basket Fundraiser - donation of
hams - December 2013

Saskatchewan Association of Rural Water Pipelines
Inc. - March 2014 - Bronze sponsor and donation of
consumer resources

Saskatoon Telemiracle 38 - Pork for Volunteers Meals

Perdue Oddfellows and Rebekahs Kits for Kids - Pig
Tales Activity Booklets donation

State Agriculture and Rural Leaders Conference -
Oklahoma City, Oklahoma - January 3-5, 2014

U of S Animal Science Department Annual Curling
Bonspiel - Saturday March 8 - donation of water
bottles and curling toques

Saskatoon 4-H Petting Zoo - Fish Pond - April 2014 -
donation of PigTales activity books

Bruce Winkler Memorial Silent Auction - donated
framed art print

Saskatchewan Outstanding Young Farmers - Gold
Sponsor - June 2014

College of Agriculture and Bioresources Adopt a
Family Silent Auction Fundraiser - May 30, 2014 -
Donation of pork gift package of crockpot and picnic
tote.

Great Saskatchewan Bacon Festival - Pork display
and consumer resources - June 2014 - Kipling, SK

Saskatchewan Big Rig Show and Shine - Favel
Trucking Moose Jaw, SK - July 5-6, 2014 Silver
sponsor and door prize

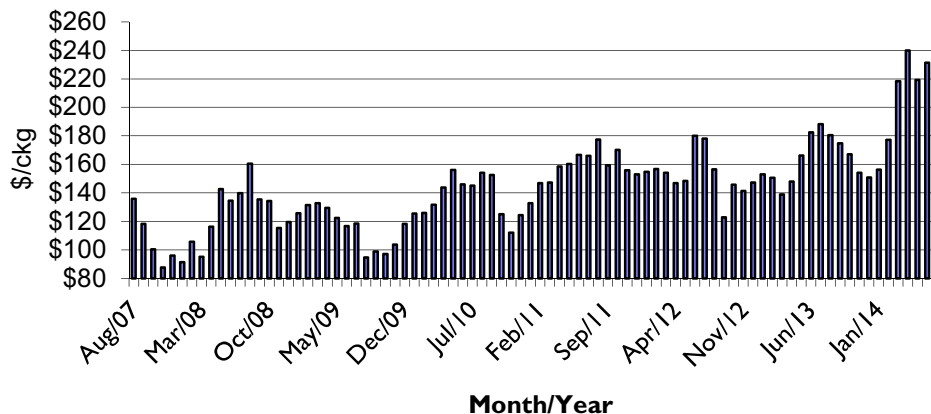
Agriculture in the Classroom Oilseeds Invitational
Golf Classic and Fundraiser - July 2014 - Silent
Auction gift basket

Statistics & Trends

2013/2014 was a profitable year for Saskatchewan's pork producers. Several factors contributed to this, including the ongoing Porcine Epidemic Diarrhea (PED) outbreak in the U.S., which reduced hog supplies and subsequently has increased North American Hog Pricing. Lower feed costs as a result of a bumper crop in Saskatchewan, and a record 2013 U.S. corn crop helped to provide relief on the feed cost side. Finally, the Canada/U.S. exchange rate steadily declined over the course of the year, which also boosted hog prices. In hindsight, the year can be viewed as one where pretty much everything went right for producers, including keeping PED out of the province.

Between August 2013 and July 2014, index 100 hog prices in Saskatchewan averaged \$193.64/c/kg. This represents the highest hog price ever recorded in the province for this 12-month period, breaking the record of \$186.02/c/kg set in 1996/1997. To put this into perspective, Saskatchewan's 10-year average hog price is \$139.22/c/kg. Significant outbreaks of PED in the U.S. during the 2013/2014 winter caused high mortality in nursing pigs which ultimately resulted in 2-5% lower hog numbers. The expectation of smaller hog supplies along with strong demand for pork strengthened prices throughout the year.

Saskatchewan Monthly Hog Prices

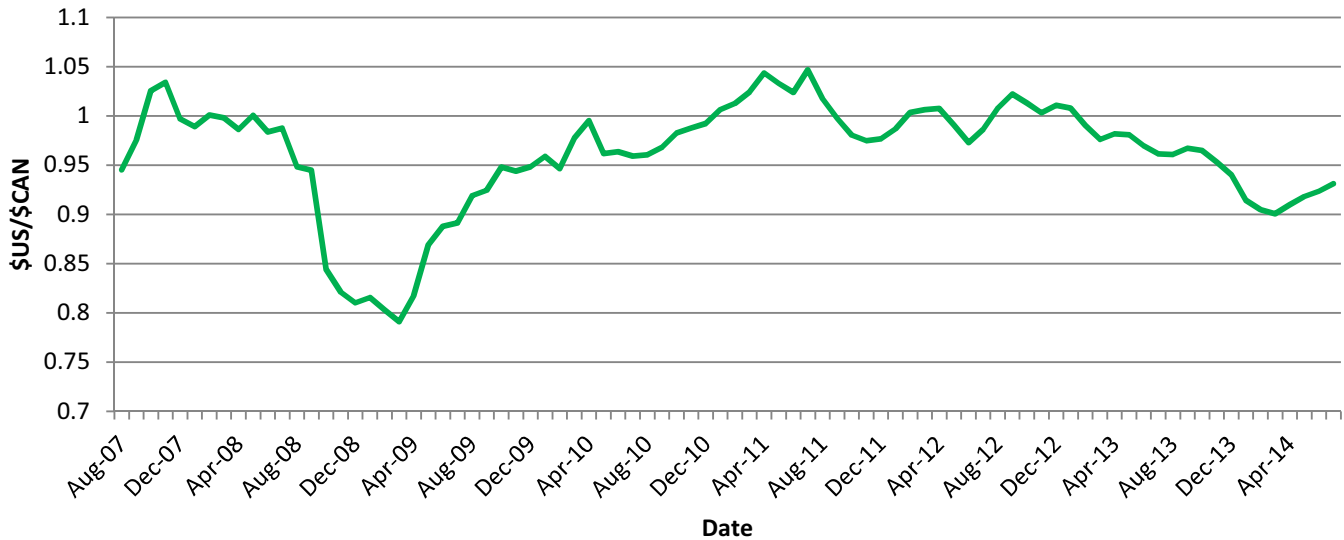


Source: SPI Marketing Group Inc, H@ms Marketing Services

Another factor which favoured producers this year was the Canada-U.S. exchange rate, which dropped from near par at 0.993 last year to an average of 0.932 in 2013/2014. This is the lowest that the exchange rate has been since 2008. A lower exchange rate supports prices, since Canadian hog prices are derived via formulas from U.S. markets. The importance of the exchange rate cannot be understated, as this alone probably contributed nearly \$15/hog to each producer's bottom line.

Statistics & Trends

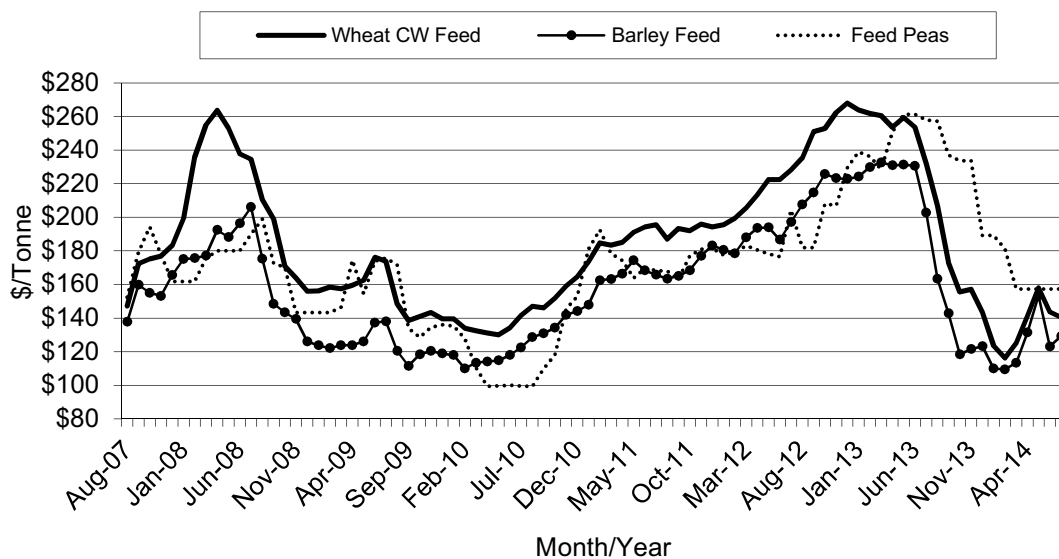
Canadian Exchange Rate



Source: Bank of Canada

Feed prices declined sharply from the record levels set last year, providing significant relief to producers. The largest contributing factor was a record breaking U.S. corn crop, where 13.9 billion bushels were produced, boosting feed supplies in North America, and pushing down prices for all grains. Similarly, Saskatchewan's grain producers enjoyed a bumper crop for the 2013 harvest. As a result, Saskatchewan feed wheat prices declined sharply by 42% to \$148.71/tonne while feed barley prices increased 43% to \$128.24/tonne, and feed peas increased 16% to \$192.29/tonne from the previous year.

Saskatoon Farm Gate Feed Prices



Source: Saskatchewan Ministry Of Agriculture

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

Statistics & Trends

In 2013, a total of 84 producers marketed hogs produced at 159 active premises across the province. This is a decline of 6 producers over the previous year. Saskatchewan's producer base has remained relatively stable since 2010 when 99 producers marketed hogs.

Saskatchewan Producer Profile*

Number of Hogs Produced	Number of Producers				Number of Slaughter Weight Hogs Produced			
	2013	2012	2011	2010	2013	2012	2011	2010
<100	4	7	8	11	143	144	205	472
100-500	5	6	6	7	1,108	1,909	1,787	1,952
500-1000	3	1	3	3	2,002	968	1,796	2,424
1000-5000	9	12	12	15	28,587	37,207	36,431	47,600
5000-25000	54	55	55	55	580,547	602,682	591,143	579,719
25000-50000	5	5	5	5	150,601	140,900	146,232	169,217
>50000	4	4	4	3	957,255	977,269	989,257	880,414
Totals	84	90	93	99	1,720,243	1,761,079	1,766,851	1,681,798

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 2013 there were 159 active premises in Saskatchewan.

In 2013, Saskatchewan produced a total of 2,090,054 pigs, which was an increase of 28,447 animals from 2012. Feeder pig exports were the main contributor, up 22% to 331,572 pigs. Feeder pig prices were excellent this year due to feeder pig shortages in the U.S. due to PED. U.S. Isowean prices peaked in March, 2014, averaging US \$68.05. Market hog production declined by 40,836 animals, while marketings of sows and breeding stock declined by 4,951 animals.

Checkoff data indicates that Saskatchewan produced 1,758,452 market hogs, cull sows, and breeding stock in 2013. In all, 220,014 animals produced in Saskatchewan were slaughtered locally in the province. Of the remainder, 952,126 were transported to Manitoba for slaughter, while 504,372 animals were transported to Alberta for slaughter, and 81,617 were exported to the U.S.

Statistics & Trends

Number of Pigs Sold in Saskatchewan by Category

	Market Hogs	Sows and Breeding Stock	Feeder Pig/ Weanling Exports	Total Pigs Produced
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
2012	1,761,079	30,271	270,257	2,061,607
2013	1,720,243	38,239	331,572	2,090,054

Source: Saskatchewan Pork Development Board

According to Statistics Canada, as of January 1, 2014 Saskatchewan's breeding herd numbered 93,000 sows and bred gilts. This is an increase of 3,900 (4.3%) over the previous year. Repopulation of existing sow units is the main catalyst for the increase. The entire Canadian herd increased by 4,800 sows in 2014, and now totals 1,192,800 animals

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

	B.C.	Alberta	Sask.	Man.	West	Ontario	Quebec	Atl.	East	Canada
2008	17.2	168.3	124.2	356.3	666.0	377.6	372.9	28.7	779.2	1,445.2
2009	16.2	157.1	102.8	331.3	607.4	327.4	355.7	25.2	708.3	1,315.7
2010	11.6	143.7	84.9	319.0	559.2	306.8	341.9	18.8	667.5	1,226.7
2011	8.2	137.0	85.9	314.0	545.1	299.5	328.2	19.9	647.6	1,192.7
2012	9	137.1	90.4	314.1	550.6	302.5	319.4	21.0	642.9	1,193.5
2013	8.6	135.8	89.1	314.3	547.8	304.1	315.4	20.7	640.2	1,188.0
2014	8.6	135.9	93.0	315.4	552.9	302.6	317.3	20.0	639.9	1,192.8

Source: Statistics Canada, Cansim Table 003-0004

The total number of pigs produced in Canada declined significantly in 2013. Eastern Canadian production decreased by 273,900 animals and stands at just over 13.3 million pigs, while western Canada's production declined by just over a million animals and sits at just over 12.3 million pigs. Saskatchewan remains the 5th largest pork producing province in Canada behind Manitoba, Quebec, Ontario, and Alberta.

Statistics & Trends

In 2013, the total Canadian slaughter declined by 361,600 animals to 20.6 million animals. The bulk of the decline was in Ontario, which slaughtered almost 200,000 fewer animals.

Hogs Slaughtered In Canada (1000 Head) (Number of Hogs Slaughtered in Federally and Provincially Inspected Plants)

	BC	Alberta	Sask.	Man.	Ontario	Quebec	ATL	Canada
2008	523.0	2,701.4	48.5	4,806.8	5,122.0	8,122.1	195.7	21,519.4
2009	500.0	2,599.2	39.7	5,242.2	4,949.4	8,168.2	140.4	21,639.1
2010	499.3	2,662.1	33.8	5,322.3	4,432.3	8,120.8	52.4	21,123.1
2011	490.5	2,507.0	201.8	5,368.0	4,451.6	8,052.4	26.3	21,097.5
2012	484.6	2,406.0	213.0	5,571.8	4,431.0	7,985.4	28.7	21,120.5
2013	2,831.0		5,675.4		4,232.8		8,019.7	20,758.9

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

In 2013, live hog exports from Canada to the U.S. were down. According to Agriculture and Agri-food Canada, approximately 3.9 million feeder pigs were exported from Canada to the United States in 2013, down 18% from the previous year. Canadian Market hog exports to the U.S. were 809,025, down by 72,991 animals from the previous year.

Canadian Live Hog Exports by Province (< 50kg)

	Manitoba	Saskatchewan	Alberta	B.C.	West	Canada
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
2011	3,161,424	279,933	480,819	238	3,922,414	4,800,747
2012	3,212,162	336,478	447,301	0	3,995,941	4,794,338
2013	2,482,161	277,913	432,124	0	3,192,198	3,943,086

Source: Agriculture & Agri-Food Canada

Canadian Live Hog Exports by Province (> 50kg)

	Manitoba	Saskatchewan	Alberta	B.C.	West	Canada
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	2,691	601,432	1,060,109
2011	428,093	16,959	155,647	0	600,699	1,020,309
2012	397,620	12,915	152,641	0	563,176	882,016
2013	347,931	18,997	139,276	165	506,369	809,025

Source: Agriculture & Agri-Food Canada

Management's Responsibility

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 accounting standards for not-for-profit organizations. 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 14, 2014



Management



Management

Independent Auditors' Report

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

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, 2014 and the statements of operations, changes in net assets, cash flows, and schedule of travel expenses for the year ended July 31, 2014, 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 accounting standards for not-for-profit organizations, 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.

continued next page

Independent Auditors' Report

Twigg & Company

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SASKATOON, SK S7K 0L4

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Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Sask Pork as at July 31, 2014 and the results of its operations and cash flows for the year ended July 31, 2014 in accordance with Canadian accounting standards for not-for-profit organizations.

October 14, 2014
Saskatoon, Saskatchewan



Chartered Accountants

Statement of Financial Position

as at July 31, 2014

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT:		
Cash	\$ 264,793	\$ 216,509
Short-term investments	632,623	609,000
Accounts receivable	127,898	187,850
Prepaid expense	<u>10,226</u>	<u>9,387</u>
	1,035,540	1,022,746
CAPITAL ASSETS (Note 3)	6,298	2,788
RESTRICTED INVESTMENTS	<u>1,000,000</u>	<u>1,000,000</u>
	<u>\$ 2,041,838</u>	<u>\$ 2,025,534</u>

LIABILITIES

CURRENT:		
Accounts payable and accrued expenses (Note 4)	\$ 110,195	\$ 105,958
Deferred contributions and revenue (Note 5)	<u>33,762</u>	<u>-</u>
	<u>143,957</u>	<u>105,958</u>

NET ASSETS

INTERNALLY RESTRICTED (Note 6)	1,000,000	1,000,000
UNRESTRICTED	<u>897,881</u>	<u>919,576</u>
	<u>1,897,881</u>	<u>1,919,576</u>
	<u>\$ 2,041,838</u>	<u>\$ 2,025,534</u>

COMMITMENTS (Note 7, 8)

APPROVED BY THE BOARD:



Director



Director

Statement of Operations

for the year ended July 31, 2014

	2014	2014	2013
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
REVENUE			
Check-off and export service charge	\$ 1,487,500	\$ 1,354,549	\$ 1,399,862
Government grants and project funding (<i>Note 9</i>)	261,000	170,018	479,226
Symposium fees	53,000	54,505	52,210
Reimbursed travel	17,000	14,384	22,943
Interest	22,400	25,609	23,744
Program administration and traceability	-	-	121,325
Other	<u>-</u>	<u>20,505</u>	<u>4,257</u>
	<u>1,840,900</u>	<u>1,639,570</u>	<u>2,103,567</u>
EXPENSES			
Research, including Prairie Swine Centre (<i>Note 7</i>)	357,250	351,159	329,989
Salaries and benefits	463,852	458,894	449,025
Industry association	281,500	258,495	255,495
Symposium	62,950	70,055	67,119
Communications	95,200	79,552	81,871
Operations and office	111,785	102,971	100,835
Promotions	125,000	37,173	20,925
Directors and committees	60,180	36,590	36,728
Policy and industry development	10,000	-	4,809
Travel (<i>Schedule 1</i>)	33,900	34,508	25,869
Organizational development	18,210	11,178	10,903
Amortization	1,667	5,937	2,788
National services	372,050	201,231	233,955
Reimbursed expenses	15,000	13,522	23,159
PRRS project	<u>-</u>	<u>-</u>	<u>253,298</u>
	<u>2,008,544</u>	<u>1,661,265</u>	<u>1,896,768</u>
EXCESS (DEFICIENCY) OF REVENUE			
OVER EXPENSES FOR THE YEAR	<u>\$ (167,644)</u>	<u>\$ (21,695)</u>	<u>\$ 206,799</u>

Statement of Changes in Net Assets

for the year ended July 31, 2014

	<u>Internally Restricted</u>	<u>Unrestricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
NET ASSETS, BEGINNING OF YEAR	1,000,000	919,576	1,919,576	1,712,777
Excess (deficiency) of revenue over expenses	_____ -	(21,695)	(21,695)	_____ 206,799
NET ASSETS, END OF YEAR	<u>\$ 1,000,000</u>	<u>\$ 897,881</u>	<u>\$ 1,897,881</u>	<u>\$ 1,919,576</u>

Statement of Cash Flows

for the year ended July 31, 2014

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	\$(21,695)	\$ 206,799
Amortization	<u>5,937</u>	<u>2,788</u>
	(<u>15,758</u>)	<u>209,587</u>
Changes in non-cash working capital		
Balances related to operation:		
Accounts receivable	59,952	(27,341)
Prepaid expenses	(839)	27,487
Accounts payable and accrued liabilities	4,237	(9,473)
Deferred contributions and revenue	<u>33,762</u>	<u>(282,643)</u>
	<u>97,112</u>	<u>(291,970)</u>
Total from operating activities	<u>81,354</u>	<u>(82,383)</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	(<u>9,447</u>)	-
Total from investing activities	(<u>9,447</u>)	-
INCREASE (DECREASE) IN CASH DURING THE YEAR	71,907	(82,383)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>825,509</u>	<u>907,892</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 897,416</u>	<u>\$ 825,509</u>
CASH AND EQUIVALENTS CONSISTS OF:		
Cash	264,793	216,509
Short-term investments	<u>632,623</u>	<u>609,000</u>
	<u>\$ 897,416</u>	<u>\$ 825,509</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	934	1,004
Income taxes paid	<u>Nil</u>	<u>Nil</u>

Notes to Financial Statements

for the year ended July 31, 2014

1. DESCRIPTION OF BUSINESS

Sask Pork is a producer managed organization operating programs and research for the development of the Saskatchewan pork industry and the promotion of hogs and pork produced in Saskatchewan. Sask Pork was established by the Pork Industry Development Plan Regulations pursuant to *The Agri-Food Act, 2004*. Sask Pork is subject to supervision by the Agri-Food 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 less than 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 accounting standards for not-for-profit organizations in Part III of the *CICA Handbook* and include the following significant accounting policies:

(a) Financial instruments:

The Organization initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statements of operations in the period incurred.

Financial assets subsequently measured at amortized cost include cash and accounts receivable. Financial liabilities subsequently measured at amortized cost include accounts payable and deferred contributions and revenue. The fair value of the cash, accounts receivable, and accounts payable approximates their carrying value due to their short-term nature.

(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.

Notes to Financial Statements

for the year ended July 31, 2014

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. 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.

Notes to Financial Statements

for the year ended July 31, 2014

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Contributions in-kind:

Contributions in-kind are recorded at fair value for goods or services used in the normal course of operations that would otherwise have been purchased.

(g) Use of estimates:

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations 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.

The application of the Organization's accounting policy for deferred contributions and revenue requires judgment in determining whether a particular item meets the criteria for recognition as revenue or deferred contributions.

3. CAPITAL ASSETS

The capital assets balance consists of the following:

	2014		2013	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	\$ 17,812	\$ 11,514	\$ 6,298	\$ 2,788
	\$ 17,812	\$ 11,514	\$ 6,298	\$ 2,788

4. ACCOUNTS PAYABLE

The accounts payable balance consists of the following:

	2014	2013
Trade payables	70,854	65,109
VISA payable	5,764	300
Vacation payable	18,026	15,655
Payroll liabilities	5,114	16,613
Other	10,437	8,281
	110,195	105,958

Notes to Financial Statements

for the year ended July 31, 2014

5. DEFERRED CONTRIBUTIONS AND REVENUE

Sask Pork receives funding to administer the Porcine Epidemic Diarrhea (PED) prevention and preparedness program. The PED prevention and preparedness program provides funding for the monitoring of transport trucks for contamination with PED virus, contingency planning for the Saskatchewan swine industry in the event of PED incursion into the provincial herd and to assist with response activities to prevent any spread of the disease from the first farm(s) confirmed to have PED in Saskatchewan.

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 in order to mitigate the risks associated with Porcine Epidemic Diarrhea (PED) to herds in Saskatchewan. The cost of equipment purchase and assessments by veterinarians (one visit) are to be paid from this funding.

	2014	2013
Deferred contributions and revenue, beginning of year	\$ -	\$ 282,643
<i>Contributions and revenue received during the year:</i>		
PRRS project contributions	-	85,322
PED prevention and preparedness (Ministry of Agriculture)	40,000	-
National Biosecurity training program (CSHB)	-	63,382
Saskatchewan Swine On-Farm Biosecurity program	150,000	61,150
<i>Less:</i>		
Amounts recognized as PRRS project expenses	-	(251,959)
Amounts recognized as PED prevention and preparedness expenses	(6,327)	-
Amounts recognized as National Biosecurity (CSHB) training program expenses	-	(82,208)
Amounts recognized as Saskatchewan Swine On-Farm Biosecurity program expenses	(149,911)	(136,150)
Funding repaid (OFFS)	-	(22,180)
Deferred contributions and revenue, end of year	\$ 33,762	\$ -

The deferred contributions and revenue relates to the following:

	2014	2013
PED prevention and preparedness (Ministry of Agriculture)	33,673	-
Saskatchewan Swine On-Farm Biosecurity program	89	-
Deferred contributions and revenue, end of year	\$ 33,762	\$ -

Notes to Financial Statements

for the year ended July 31, 2014

6. INTERNALLY RESTRICTED NET ASSETS

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

7. 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. In addition to the annual contribution in the current year \$13,750 has been paid to the Prairie Swine Centre Inc. which represents the second year of a five year funding commitment for the salary of the Chair in Animal Welfare. The amounts that Sask Pork has committed to pay to PSCI are as follows:

	2014	2013
Prairie Swine Centre Inc.	288,750	302,500
ADOPT Project	13,780	9,760
SaskMilk CAAP Project	-	3,000
Canadian Swine Research & Development Cluster - Swine Innovation fund	44,129	14,729
Other	4,500	-
	351,159	329,989

8. 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 31st, 2016 and requires minimum annual lease payments as follows:

Year ending July 31:	
2015	\$ 37,560
2016	41,054
2017	10,482

Notes to Financial Statements

for the year ended July 31, 2014

8. LEASE COMMITMENTS (continued)

(b) Contractual commitments:

Sask Pork is committed under an annual agreement with Wonderworks Canada Inc. and Manitoba Pork to sponsor a series of pork oriented agricultural news coverage. The current agreement expires on September 30, 2015. The minimum annual charges are as follows:

Year ending July 31:	
2015	\$ 40,000
2016	6,667

9. GOVERNMENT GRANTS AND PROJECT FUNDING

	2014	2013
PRRS program (CSHB)	-	251,959
ADOPT project	13,780	8,909
National Biosecurity training (CSHB)	-	82,208
Saskatchewan Swine On-Farm Biosecurity program	149,911	136,150
PED prevention and preparedness (Ministry of Agriculture)	6,327	-
	170,018	479,226

10. 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, 2014, four customers accounted for 74.64% (67.67% - 2013) 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. Most of the accounts receivable were collected shortly after year-end.

Notes to Financial Statements

for the year ended July 31, 2014

10. 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.

11. 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.

12. BUDGET

The budget for 2013/2014 was approved by the Board of Directors on June 25, 2013.

Schedule of Travel Expenses

for the year ended July 31, 2014

SCHEDULE 1 – Schedule of Travel Expenses for the year ended July 31, 2014

	Budget (Note 12)		
	<u>2014</u>	<u>2014</u>	<u>2013</u>
National services	3,900	3,041	1,646
Industry association	15,000	13,346	12,759
Organizational development	5,000	6,255	4,811
Policy and industry development	6,000	11,049	5,808
Communications	2,000	-	-
Promotions	<u>2,000</u>	<u>817</u>	<u>845</u>
	<u>33,900</u>	<u>34,508</u>	<u>25,869</u>

Payee List & Research Projects

as at July 31, 2014

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 th Trade Centre	\$ 55,342
OlySky L.P.	\$ 52,000
Canadian Pork Council	\$ 317,754
Manitoba Pork Council	\$ 45,578
CIBC Visa	\$ 50,952
Prairie Swine Centre	\$ 303,830

Research Projects Funded from Hog Check-Off

Project Name	Researchers	2013-2014 Funding
Prairie Swine Centre Inc. (Includes \$13,750 for Animal Welfare Chair position)	Various	\$ 288,750
U of S – Project #20120016- Effects of Repeated Applications of - Liquid Swine Manure on Gray Luvisolic Soils	Various	4,500
Swine Innovation Porc		<u>44,129</u> *
Total		\$ <u>337,379</u>

* *Payments made to Canadian Pork Council at the rate of
2.5 cents/market hog and ½ cent/weanling*

Directors' Remuneration

as at July 31, 2014

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, 2013 – July 31, 2014:

Directors	Per Diem	Expenses	Total
Dickson Gould	\$ 1,200	\$ 3,447	\$ 4,647
Cliff Ehr	-	-	-
Shannon Meyers	1,000 **	1,334	2,334
Florian Possberg	12,150 *	5,122	17,272
David Tschetter	1,800	3,716	5,516
Paul Ulrich	2,400	4,016	6,416
	18,550	17,635	36,185
Other payments	-	406 ***	406
Directors Total	\$ 18,550	\$ 18,041	\$ 36,591

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

** Included in the per diem was a monthly honorarium of \$150 paid to the Vice-Chair. (Not claimed)

*** Payments made to facilitate meetings.

Auditors' Report

To Saskatchewan Pork Producers:

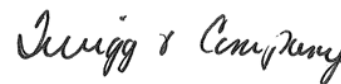
We have made an examination to determine whether Sask Pork complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding agency resources, spending, revenue raising, borrowing and investing activities during the year ended July 31, 2014.

- The Agri-Food Act, 2004
- The Agri-Food Regulations, 2004
- The Pork Industry Development Plan Regulations, 2013

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, 2014.

October 14, 2014
Saskatoon, Saskatchewan



Chartered Accountants

Independent Auditors' Report

To Saskatchewan Pork Producers:

We have audited Sask Pork's control as of July 31, 2014 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 the standard for audits of internal control over financial reporting set out in the CICA Handbook - Assurance. This standard requires 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, 2014 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, 2014, 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 14, 2014 which is the same date as the date of the report on the effectiveness of internal controls.

October 14, 2014
Saskatoon, Saskatchewan


Chartered Accountants

Independent Auditors' Report

To Saskatchewan Pork Producers:

We have examined the financial statements of Sask Pork for the year ended July 31, 2014 and have issued our report thereon dated October 14, 2014. We have examined the system of internal control as at July 31, 2014 and have issued our report to you dated October 14, 2014. 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, 2014 and have issued our report to you dated October 14, 2014.

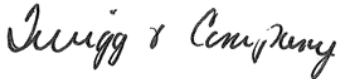
Our examinations were made in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. In those instances, if any, that our study and evaluation of internal control disclosed conditions indicating 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.

October 14, 2014
Saskatoon, Saskatchewan


Chartered Accountants



Sask Pork

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