

ANNUAL REPORT
2017-18



ABOUT US

The Saskatchewan Barley Development Commission (SaskBarley) was established in 2013 and is led by a producer-elected Board of Directors from across Saskatchewan. SaskBarley's purpose is to increase the production and value of barley for both the producer and consumer.

VISION STATEMENT

To ensure barley is a long term, profitable and internationally competitive crop choice for Saskatchewan producers.

MISSION STATEMENT

To identify, develop and support research, market development, and extension initiatives that ensure the long-term profitability and sustainability of barley for Saskatchewan producers.

GUIDING PRINCIPLES

- Advocating on behalf of registered producers
- Maintaining and enhancing Saskatchewan's brand for quality
- Communicating best management practices for barley production
- Demonstrating transparency and good governance
- Building and sustaining collaborative relationships with organizations that share common objectives
- Identifying and leveraging available resources



Back row, left to right: Cam Goff, Zenneth Faye, Allen Kuhlmann, Keith Rueve
Front row, left to right: Jason Skotheim, Brent Johnson

BOARD

Jason Skotheim, Chair

306-270-4343

jason@skotheim.ca

Brent Johnson, Vice-Chair

306-725-3228

boverjexcavating@yahoo.ca

Cameron Goff, Director

306-544-2790

c.b.goff@sasktel.net

Allen Kuhlmann, Director

306-582-2001

skuhlmann@sasktel.net

Zenneth Faye, Director

306-272-7080

zfaye@sasktel.net

Keith Rueve, Director

306-231-7420

keithrueve@live.ca



STAFF

Jillian McDonald,

Executive Director

306-370-7237

jmcdonald@saskbarleycommission.com



Delaney Seiferling,

Communications Manager

306-250-1099

dseiferling@saskbarleycommission.com



CHAIR'S MESSAGE

After five years of operation, SaskBarley remains committed to its mandate and purpose.

Our vision is to ensure that barley is a long term, profitable and internationally competitive crop choice for Saskatchewan producers. Our mission is to identify, develop and support research, market development, and extension initiatives that establish long term profitable and sustainable barley production for Saskatchewan producers.

We revisited our strategic plan in 2017 we found that the foundations of the organization have changed very little. We just updated our plan slightly to

reflect the current state of the industry and the latest information on opportunities for growth.

In 2017/18 we continued to make steady progress towards achieving our long-term goals.

The Western Canadian Deduction officially ended and we assumed the responsibilities of that levy. This includes a greater contribution to the Canadian Malting Barley Technical Centre (CMBTC) to support the important work of that organization. This transition will also mean more support from SaskBarley for the barley breeding programs at the University of Saskatchewan Crop Development Centre and the Agriculture and Agri-Food Canada Brandon location when those agreements come up for renewal in 2019 and 2020 respectively.

While we did have an election in the fall of 2017, our Board of Directors remained unchanged and each of our valued Directors has become more experienced and excited about their respective areas of interest.

Over the past year, we have also increased our investments in our three priority areas – research, market development and advocacy and advisory projects. Our research investments are strategically focused on investing in projects we believe will help producers increase their yield gains, agronomic efficiencies

and on-farm practices. We also invested in research that aims to help barley breeders continually develop new and improved varieties, with enhanced yield potential, disease resistance, end use quality and more. Most notably we spent a significant amount of time collaborating with other funding partners within the barley industry to create an enhanced national Barley Cluster that applied to the Federal government's Canadian Agriculture Partnership AgriScience Program to fund the next National Barley Research Cluster. This will translate into a \$1.4 M investment over the next five years into barley research that aims to ensure that agronomic productivity and disease resistance improvements are achieved so that barley is a competitive cereal crop choice for producers in rotation with other major crops. In the previous two barley research cluster, the Federal government has matched industry funding at a rate of 3:1. Read more about all the research we invested in throughout 2017/18 on Pg. 7.

In terms of market development, our goals are to understand and stay on top of market potential in the areas of food, feed and other uses and then work with the entire value chain to ensure we're exploiting that potential. China presents a major opportunity for Canadian barley right now, with total exports to the country totally 1.7 million tonnes last year.

We are working with our national partners, the Canadian Malting Barley Technical Centre and Barley Council of Canada, to nurture and grow the partnership with China. Flip to Pg. 11 to learn more about the work we're doing in this area.

We also had a busy year in terms of our advocacy and advisory work. See our Executive Director's report for more information on this.

Finally, I want to re-iterate the importance of your voice, as the producer. Our job is to represent you and we always value your opinions and input on issues that affect our industry. You have several outlets to make your

voice heard. You can attend our annual general meeting, held each January in Saskatoon; you can run for our Board and/or make an informed vote in our elections (the most recent one took place this past fall); and you can always contact any of us directly – our contact information is available on our website and on Pg. 3 of this report.

Thank you all for your contributions towards the future of our industry and for another great year. I look forward to seeing many of you throughout the next year and wish you all a successful new year.

Jason Skotheim, Chair





EXECUTIVE DIRECTOR'S MESSAGE

We are a small organization but you wouldn't know it by our passion and output.

We meet formally about five times throughout the year but our Board members are present and engaged with their SaskBarley work all year. I know this because I receive phone calls, emails and responses from them at all hours, every day of the week. They do this because they believe in the work they're doing and want to improve the industry. I thank them for this dedication.

I also have to acknowledge our "staff" of two, and the services of AgriBiz Communications. Both Delaney and I were on maternity leave at different times during

portions of 2017/2018. It is a testament to the Board members and their confidence in our abilities as we continued operations as usual during the baby boom at SaskBarley and met our operational objectives for the year.

I am once again proud to report that we've made a lot of progress over the past year towards achieving our long-term goals and fulfilling the mandate of the organization – to sustainably grow our industry. Notably, Canada had a record amount of barley exports in 2017/2018, and looks to be on track to do the same in 2018/2019.

One of our major priority areas is advocating for Saskatchewan barley producers on all relevant issues. This past year we provided feedback on transportation, proposed tax changes, and value creation in variety development. We have also been actively working with our industry partners on a variety acceptance strategy. We feel we are gaining traction here and are excited about some of the new malt barley varieties that are under commercial testing (see CMBTC report on Pg. 11).

A variety acceptance strategy is just one way greater collaboration within the Canadian barley industry can enhance the profitability of barley for producers. Greater communication and collaboration among the entire value chain is critical for the success of the industry.

One of our biggest achievements in 2017/2018 was bringing the

Canadian barley industry together to determine our combined vision going forward. Earlier this year our Board realized that our industry needed a unified vision and plan to ensure we're all working together to achieve common goals so we took the initiative in planning a meeting with all Canadian barley organizations. In April 2018, 35 participants came together from across the value chain to begin this process.

Earlier this year we also announced that the Saskatchewan Crop Insurance Corporation (SCIC) launched an insurance program for malting barley – something we had been instrumental in developing. Flip to Pg. 9 for a more detailed report on these outcomes.

This year will be the sixth year that we've partnered with our co-hosts, Sask Wheat, SaskOats, SaskFlax, SaskPulse and SaskCanola, to bring you another annual CropSphere conference. We have also put a lot of thought into planning three barley-specific sessions for the event this year, which we hope will be of interest to you.

We welcome your feedback on the work we do and the issues that affect barley production in the province.

And once again, on behalf of SaskBarley, thank you all for your support over the past year. We look forward to another successful year.

Jill McDonald, Executive Director

RESEARCH

Program goals

- Increase yield gains and agronomic efficiencies
- Enhance desirable market quality characteristics
- Establish best management practices

Program objectives

- Assess and quantify barley research capacity (in both variety development and agronomy) to fill gaps in information
- Explore future barley research and development paths
- Leverage SaskBarley funds with other organizations to maximize research opportunities and potential

In 2017/18 SaskBarley invested in research and programs that aim to meet our strategic goals.

Reducing deoxynivalenol (DON) in fusarium infected barley through sorting, physical and chemical treatments

2017-2019

SaskBarley investment \$25,000

Fusarium head blight (FHB) now affects most of the Canadian prairies and can be a devastating disease.

This project aims to help reduce deoxynivalenol (DON) in fusarium-infected barley by examining strategies to reduce it in barley post-harvest on-farm and during seed cleaning. These strategies will include sorting and physical and chemical treatments.

Malt vs. feed barley management

2018

SaskBarley investment \$26,280

Funding partners: Saskatchewan Agriculture - ADOPT

This project compares the difference between malt and feed barley varieties and aims to demonstrate that newer malt varieties can provide comparable yields to the best feed varieties.

It also looks at the agronomic factors that go into growing feed versus malt in order to demonstrate basic agronomic practices for newer malt varieties to help barley producers stay competitive in a changing market.

Overall this research will aim to help producers grow malt varieties without sacrificing feed yields if their grain is rejected for malt and give them better options for barley varieties, to help improve their bottom lines.

The Prairie Soil Carbon Balance Project Phase 4: Monitoring SOC on commercial direct-seeded fields across Saskatchewan

2018-2019

SaskBarley investment: \$10,264

Funding partners: Saskatchewan Agriculture - Agriculture Development Fund, Sask Wheat, SaskOats, SaskFlax, SaskPulse and SaskCanola

Now in its 20th year, the next phase of research for the Prairie Soil Carbon Balance Project is the ideal point to add measures of soil organic carbon quality to improve our understanding of the stability and potential future sequestration

potential. It is also the ideal time to compare the results with those on conventional small plot experiments and with modelled results using sophisticated models of carbon and nitrogen dynamics.

This phase of research will use the project's network of 136 benchmarks on commercial farm fields scattered across the agricultural portion of Saskatchewan to investigate the SOC change on actual farm fields.

The end goal of the project will be to help Saskatchewan producers become fully recognized for their actions to sequester atmospheric carbon dioxide by increasing soil organic carbon.

The population structure of Fusarium pathogens of small grain cereals, their distribution and relationship to mycotoxins; Prevalence, population structure and mycotoxins of Fusarium poae affecting small grain cereals in Western Canada

2018-2022

SaskBarley investment: \$45,000

Funding partners: WGRF, MWBGA

This research aims to evaluate the Canadian population structure and chemotype dynamics of *Fusarium graminearum* in cereals and understand the prevalence, population structure and mycotoxins of *Fusarium poae* affecting small grain cereals in Western Canada.

Overall this research aims to help us further our understanding of fusarium so that we can better manage and prevent it.

ONGOING RESEARCH INVESTMENTS

Agriculture & Agri-Food Canada barley cluster

May 2018 – April 2023

SaskBarley investment: \$1.4 million over five years

Funding partners: Alberta Barley, BMBRI, MWBGA, WGRF, CFCRA

We committed \$1.4 million over five years to the second phase of the barley cluster program, a federal program that aims to grow the barley industry by investing in barley research and development activities that bring innovation to the sector and help industry bring the results of research and development to market through adoption/commercialization.

More specifically the research will aim to ensure that agronomic productivity and disease resistance improvements are achieved so that barley is a competitive cereal crop choice for producers in rotation with other major crops. It will also aim to ensure that processing quality traits are maintained or improved to satisfy the diverse and evolving end-use customer needs both domestically and internationally.

Watch for more details about the AAFC Barley Cluster, to be announced in the new year.

Core breeding agreement with the Crop Development Centre and Western Grains Research Foundation

January 2015-December 2019

SaskBarley investment: \$90,000 per year

Funding partners: Alberta Barley, MWBGA, WGRF

This ongoing research, funded in partnership with the Western Grains Research Foundation and carried out through the University of Saskatchewan's Crop Development Centre, focuses on breeding new malt, hullless and general purpose barley varieties with improved agronomics, physical grain quality, disease resistance, and end-use market attributes.



ADVOCACY AND ADVISORY

Program objective:

- Ensure that barley producers' interests are articulated and advanced

In 2017/18 SaskBarley was an active advocate for Saskatchewan barley producers in a number of areas.

Strategic planning:

In December 2017, SaskBarley did a strategic planning session review and update our organizational strategic goals and mission and vision statements, and produce a strategic plan to clearly outline our strategic goals and direction. The outcome of the session was that we developed an updated version of our strategic plan with revised vision and mission statements, guiding principles, core functions, strategic direction, operational objectives, performance measures and resources. This report is available on our website.

Barley industry roundtable:

In the past year SaskBarley identified a need to bring together all Canadian barley value chain stakeholders to discuss the current state of the industry and our collective goals going forward, as well as how to get there. We worked to make this meeting happen. In early 2018, we co-hosted a meeting that brought together 35 participants representing the entire value chain: line companies, maltsters, beer companies, commissions and producers. On the agenda for the meeting was discussions around a common vision for the industry and plans for how to work together to

get there. What came out of this meeting was a pledge to continue to work together towards an agreed-upon, unified plan.

Insurance:

Earlier this year we announced that a malting barley insurance program was made available for Saskatchewan barley producers through the Saskatchewan Crop Insurance Corporation (SCIC). We had been working to develop such a program with the SCIC for several years, as our Board felt this project was closely aligned with our overall goal of ensuring the long-term profitability of barley for Saskatchewan producers, as well as making it a competitive crop choice in our province.

Transportation:

Again this year, SaskBarley advocated for Saskatchewan barley producers in discussions around the Canada Transportation Act and changes to rail transportation regulations. We were cautiously optimistic when Bill C-49 was passed earlier this year, amending the Canadian Transportation Act with several provisions meant to improve the reliability and accountability of the Canadian grain transportation system. Despite these changes however, we have continued to work in partnership with the Agricultural Producers Association of Saskatchewan (APAS) and Sask Wheat to participate in government consultations on the topic, keep the issue on the agenda for discussion with government officials, and push for changes that will improve services for producers.

Carbon:

Throughout 2017/18 SaskBarley continued its membership of the Carbon Advisory Committee, a group that focuses on protecting Saskatchewan producers from negative repercussions of a federal carbon tax, by using scientifically sound arguments derived from decades of research that has been done in our province surrounding soil carbon. Other members of this group include the Saskatchewan Soil Conservation Association, Sask Wheat, Sask Pulse Growers, SaskCanola, SaskOats, SaskFlax, and Saskatchewan Agriculture.

Over the past year, the committee has further honed its messaging and its reach, presenting its findings to several other organizations and government groups that are involved in carbon discussions.

Consumer advocacy:

In 2017/18, SaskBarley maintained its membership and Board position with Farm and Food Care Saskatchewan (FFC-SK), a group that aims to raise awareness and appreciation of agriculture in Saskatchewan. In summer 2018, SaskBarley also sponsored FFC-SK's Chef's Series exhibit at Taste of Saskatchewan, which featured top Saskatchewan chefs competing to prepare dishes featuring Saskatchewan-grown foods, including barley. More than 100,000 people attended the six-day event in Saskatoon, SK.



MARKET DEVELOPMENT

Program objectives:

- Provide leadership in the alignment of producer and all value chain interests to build a domestic and internationally competitive team approach to barley marketing in collaboration with our national partner, Barley Council of Canada.
- Guide market research and develop market potential in the areas of:
 - Barley as malt in beer and liquor production
 - Barley as the most viable alternative for livestock feed
 - Barley and barley components as a healthy food choice
 - Barley as a new and emerging product for environmentally friendly and green industrial use
- Facilitate sound analysis and understanding of market impacts, including transportation of Saskatchewan barley to local, domestic, national and international markets
- Exploit and expound the characteristics of barley
- Establish and market a validated 'brand' for Saskatchewan barley

In 2017/18, SaskBarley invested in market development work through our funding of the Canadian Malting Barley Technical Centre (CMBTC), the Barley Council of Canada (BCC) and our own investments.

CMBTC Update

The 2017-18 marketing year was an exciting one for the CMBTC and its members as ideal harvest weather led to an excellent quality crop. With ample supplies, strong demand from China combined with Canada's domestic malting industry requirements of 1 million tonnes led to over 2.5 million tonnes of malting barley being selected last year, an all-time record.

With the crop in the bin, the CMBTC departed for China in November 2017 to provide a quality overview of the newly harvested barley. Over 10 days, we visited the majority of China's largest malting and brewing companies including maltsters Supertime, COFCO and Xingxe, as well as breweries Tsigntao and Beijing Yanjing. The timing was excellent as China was in the midst of its largest purchasing spree of Canadian malting barley history. We also had the opportunity to profile promising new Canadian barley varieties such as AAC Synergy, CDC Bow and AAC Connect.

Back at the CMBTC, the robust export program contributed to an extraordinarily busy year with the pilot malt house and brewery running almost nonstop. In addition to evaluating the quality of the new harvest each year and the majority of cargoes shipped overseas, the CMBTC works with its members, including breeders and seed companies, to micro-malt and evaluate new variety lines under development, helping ensure only the best varieties move on to become eligible for registration.

In addition to our staple functions, the CMBTC had two applied research projects on the go. The first looked at which strains of fusarium were linked to processing problems such as beer gushing and how to mitigate DON growth during malting. The second project studied the flavour profiles of existing and new barley varieties and the impact on the final product – beer. We compared the “heirloom” variety Harrington and stalwarts AC Metcalfe and CDC Copeland with new varieties AAC Connect, CDC Bow and Lowe. Understanding the flavour characteristics of these barley varieties will better enable Canada to market new varieties in the future.

Looking back on 2017/18, the salient features were the fantastic quality of the crop and the significant uptick in demand for Canadian malting barley from China, pushing our market share up from 20% to 35% in a single year. It made for a positive year and has us feeling very optimistic about the future.

CMBTC Malting Barley Tour

Summer 2018

SaskBarley investment: \$10,000

SaskBarley was a sponsor and co-host of the CMBTC Malting Barley tour in summer of 2018. The tour aimed to showcase the Canadian barley industry to malting barley buyers from China and to build partnerships for the Canadian barley industry. The tour took place in Saskatchewan and Alberta and included 15 representatives from six of China’s largest malting and brewing companies, including Tsingtao, China’s second largest brewer.

China is the world’s largest purchaser of malting barley, accounting for 75% of global trade. In 2017-18 China imported 1.5 million tonnes of malting barley from Canada, valued at approximately CAD \$450 million.

“In 2017 China was the largest buyer of Canadian malting barley,” says Peter Watts, Managing Director for the CMBTC. “It’s important for these companies to come to Canada to see our world class farming operations and to meet the producers with generations of knowledge and experience.”



BARLEY COUNCIL OF CANADA

Over the course of the past year, the BCC has accomplished a great deal towards enhancing profitability for the entire barley value chain.

This has included a proactive strategy aimed at bringing our world-class barley and value-added products to market. Chief among our target markets is China, where we have capitalized on momentum established in years' past towards progress in reaching their feed industry.

Over the past two years, we have partnered with Beijing Wahmix Bio-Tech Co. Ltd., an industry-leading company specializing in feed enzyme research and development, production, and application in China, to advocate for the use of Canadian high-protein feed barley in China's feed mill industry. This past November, BCC President Phil de Kemp traveled to Beijing as part of a delegation hosted by the Hon. Minister of Agriculture and Agri-Food Lawrence MacAuley. There we signed a *Letter of Intent for Strategic Cooperation* between the BCC and Wahmix to promote the sales of Canadian feed barley into China. In April 2018, de Kemp returned to Beijing with Dr. Eduardo Beltranena, a well-known research and nutrition specialist from the University of Alberta, to host a number of seminars with major Chinese feed mill companies on how to use and incorporate Canadian barley in their livestock rations.

This initiative has already begun to bear fruit. After the Wahmix group presented to our board in June 2018, the BCC hosted a follow-up trade mission with their representatives the following month. Through our collaborative spirit, we partnered with the Flax Council of Saskatchewan and Pulse Canada to give our Wahmix visitors a sense of the size and scope of Canadian farms and processing. This partnership resulted in the sharing of BCC's business development contacts with our fellow commodity groups for the purposes of building relationships with the Chinese delegation. The trip also consisted of a trip to Lethbridge, AB, to meet with some of Agriculture and Agri-Food Canada's leading barley and beef researchers and visit Kasko Cattle Co. Ltd.'s feed lot to see our barley feed in practice.

Here at home, the BCC has maintained our focus on the future by officially applying to the National Farm Products Marketing Council to become a Promotional Research Agency. This would enable the BCC to receive a modest check-off (proposed to be \$0.25 per tonne/barley and \$0.32 per tonne/malt) to be paid by the industries that import and export these commodities in and out of Canada. Our board of directors has determined that this is the most effective way to balance the financial model between industry and producer contributions so that the BCC can focus on long-term market and research objectives.



In cooperation with the provincial barley commissions (AB, SK, MB), WGRF, BMBRI and the CFCRA, BCC acted as the coordinator for a National Barley Cluster application to the federal Canadian Agriculture Partnership (CAP) AgriScience Program – Clusters.

The BCC has always prioritized industry cooperation and this past year was no different. We are an active participant and Board member in the newly-revitalized Canada Grains Council. We are also a Board member on the Canadian Agri-Food Trade Alliance, where we continue to push the federal government to pass legislation and implement the Comprehensive Progressive agreement for Trans-Pacific Partnership as quickly as possible. The BCC remains a steering committee member of the Canadian Roundtable for Sustainable Crops, and a

member of Canadian Roundtable for Sustainable Beef, which we engage in to lead, develop and facilitate sustainability communication among the agriculture industry and with consumers and the public.

On the food side, Alberta Barley's three-year AgriMarketing Program came to an end last March. This project was administered by the BCC on behalf of Alberta Barley. Over the past year, new material was added to the website (www.gobarley.com), including information for the food manufacturing and food service industries. The *GoBarley* recipes, materials, and messaging was seen or heard over three-million times over the past year through print, online and television media sources. Canadian consumers are incorporating food barley into their diet more and more!

SASKATCHEWAN BARLEY DEVELOPMENT COMMISSION

Audited Financial Statements
for the year ending July 31, 2018

Twigg & Company Chartered Professional Accountants
333 - 25th Street East | Saskatoon, SK S7K 0L4
Tel. 306-244-0808 | Fax. 306-244-0004
Email twigg.ca@sasktel.net
www.twiggandcompany.com

Independent Auditors' Report

To the Board of Directors of Saskatchewan Barley Development Commission

Report on the Financial Statements

We have audited the accompanying financial statements of Saskatchewan Barley Development Commission, which comprise the statement of financial position as at July 31, 2018 and the statements of operations, changes in net assets and cash flows 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 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 qualified audit opinion.

Basis for qualified opinion

The commission collects a check-off fee from Saskatchewan producers through buyers of Barley. It was not practical for us to verify whether all buyers of Barley produced in Saskatchewan have collected and remitted the required check-off fee to the commission. As such the completeness of the related revenue does not lend itself to satisfactory audit verification. Accordingly, our verification of check-off fee revenue was limited to the amounts recorded

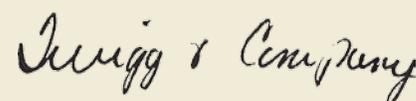
in the accounts of the commission. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses and cash flows from operations for year ended July 31, 2018, current assets as at July 31, 2018 and July 31, 2017, and net assets at both the beginning and end of the July 31, 2018 and July 31, 2017 years. The audit opinion on the financial statements for the year ended July 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Saskatchewan Barley Development Commission as July 31, 2018 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

The financial statements as at July 31, 2017 and for the year then ended were audited by other auditors who expressed a qualified opinion on those statements in their report dated December 18, 2017.

December 12, 2018
Saskatoon, Saskatchewan
Chartered Professional
Accountants



Saskatchewan Barley Development Commission

Statement of Financial Position

As at July 31, 2018 — with comparative information for 2017

	2018	2017
	\$	\$
Assets		
Current:		
Cash and cash equivalents	1,824,186	855,137
Short-term investments (note 3)	509,013	199,376
Accounts receivable (note 4)	212,236	132,166
Prepaid expenses	9,797	221
	2,555,232	1,186,900
Long Term:		
Long-term investments (note 3)	664,670	197,737
	3,219,902	1,384,637
Liabilities		
Current:		
Accounts payable and accrued liabilities (note 5)	206,451	65,205
Net assets		
Internally restricted (note 6)	800,000	800,000
Unrestricted	2,213,451	519,432
	3,013,451	1,319,432
	3,219,902	1,384,637

Commitments (notes 9, 10)

Approved by the Board:




Saskatchewan Barley Development Commission

Statement of Operations

For the year ended July 31, 2018 — with comparative information for 2017

	2018 Budget	2018 Actual	2017 Actual
	\$	\$	\$
	(unaudited note 7)		
Revenue			
Producer check-off fees (note 8)			
Fees	2,180,183	2,592,522	1,056,327
Refunds	(87,207)	(162,118)	(33,911)
Net	2,092,976	2,430,404	1,022,416
Grants	-	39,720	20,890
Investment income	5,000	40,042	-
Interest income	-	1,332	5,769
Other	-	-	156
Change in fair value of investments	-	27,005	(11,469)
	<u>2,092,976</u>	<u>2,538,503</u>	<u>1,037,762</u>
Expenses			
Research projects	535,000	245,351	258,829
Research administration	25,000	5,475	7,807
Service contracts	129,400	137,653	124,319
Board of directors	96,000	84,528	62,998
General and administrative	43,800	56,204	33,351
Election	5,000	1,770	1,830
Market development	287,500	240,262	174,217
Communications and advocacy	109,500	73,241	100,498
	<u>1,231,200</u>	<u>844,484</u>	<u>763,849</u>
Excess of revenue over expenses for the year	<u>861,776</u>	<u>1,694,019</u>	<u>273,913</u>

Saskatchewan Barley Development Commission

Statement of Changes in Net Assets

For the year ended July 31, 2018 — with comparative information for 2017

	Internally Restricted	Unrestricted	2018 Total	2017 Total
	\$	\$	\$	\$
Balance – Beginning of Year	800,000	519,432	1,319,432	1,045,519
Excess of revenue over expenses for the year	-	1,694,019	1,694,019	273,913
Balance – End of Year	800,000	2,213,451	3,013,451	1,319,432

Saskatchewan Barley Development Commission

Statement of Cash Flows

For the year ended July 31, 2018 — with comparative information for 2017

	2018 \$	2017 \$
Operating Activities		
Excess of revenue over expenses for the year	1,694,019	273,913
Changes to income not involving cash:		
Unrealized loss (gain) on investments	(27,005)	11,469
	1,667,014	285,382
Changes in non-cash working capital		
Balances related to operation:		
Accounts receivable	(80,070)	(54,786)
Prepaid expenses	(9,576)	(136)
Accounts payable and accrued liabilities	141,247	32,398
	51,601	(22,524)
Total from operating activities	1,718,615	262,858
Investing activities		
Net purchases of investments	(749,566)	(408,582)
Total from investing activities	(749,566)	(408,582)
Increase (decrease) in cash and equivalents for the year	969,049	(145,724)
Cash and equivalents – Beginning of year	855,137	1,000,861
Cash and equivalents – End of year	1,824,186	855,137
Cash and equivalents consists of:		
Cash	680,533	249,725
Investment savings account	1,143,653	605,412
	1,824,186	855,137

Saskatchewan Barley Development Commission

Notes to Financial Statements

For the year ended July 31, 2018

1. Authority

The Saskatchewan Barley Development Commission (“the Commission”) was established on June 7, 2013, pursuant to The Saskatchewan Barley Development Plan Regulations (“Regulations”), under the authority of The Agri-Food Act, 2004. The mandate of the Commission is to invest grower’s check-off dollars in research and market development initiatives that contribute to profitable and sustainable barley production in Saskatchewan.

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 CPA Canada Handbook and include the following significant accounting policies:

a) Revenue recognition:

Producer check-off fees are recognized upon receipt of the Buyer’s report. Refunds are recognized when refund applications are received from producers and the requested refund has been agreed to check-off records.

The Commission follows the deferral method of accounting for contributions, which include government funding and grants. 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.

Interest and investment income are recognized as they are earned.

b) Administration contract expense:

Administration contract expense is a fee charged by the Agriculture Council of Saskatchewan Inc. (“ACS”), to the Commission for administering the check-off fee program. The fee includes a charge for time spent by ACS staff and a share of ACS’s overhead costs. The expense is recognized as the service is received.

Saskatchewan Barley Development Commission

Notes to Financial Statements

For the year ended July 31, 2018

2. Significant accounting policies (continued)

c) Internally restricted net assets:

The Commission has internally restricted net assets totalling \$800,000 as a reserve in the event that the commission is disbanded or there are other unforeseen circumstances. Any income earned or changes in fair value arising from these assets are recognized in unrestricted net assets.

d) Financial instruments:

The Commission 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 debt and 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 accrued liabilities. The fair value of the cash, accounts receivable, and accounts payable and accrued liabilities approximates their carrying value due to their short-term nature.

e) 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 reported amount of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Significant estimates include, but are not limited to, accruals for certain revenues and expenses.

Saskatchewan Barley Development Commission

Notes to Financial Statements

For the year ended July 31, 2018

2. Significant accounting policies (continued)

f) Income taxes:

The Commission qualifies as a tax exempt organization under section 149 of the Income Tax Act.

g) 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.

h) Foreign currency translation:

At the transaction date, each asset, liability, revenue or expense arising from a foreign currency transaction of the Commission is translated into Canadian dollars using the exchange rate at that date. At each balance sheet date, monetary items denominated in a foreign currency are adjusted to reflect the exchange rate in effect at the balance sheet date. Exchange gains or losses of the Commission that arise on translation or settlement of foreign currency-denominated monetary items are included in the determination of excess of revenue over expenses for the year.

i) Cash and cash equivalents:

Cash and cash equivalents consist of balances with banks and short-term investments with maturities of three months or less.

Saskatchewan Barley Development Commission

Notes to Financial Statements

For the year ended July 31, 2018

3. Investments

	2018		2017	
	Years to Maturity	Market Value (\$)	Yield to Maturity (%)	Market Value (\$)
Short-term:				
Guaranteed investment certificates (cost 2018 - \$99,998; 2017 - \$nil)	1	101,868	2.40	-
Equity instruments (cost 2018 - \$377,912; 2017 - \$204,945)	-	407,145	-	199,376
		509,013		199,376
Long-term:				
Guaranteed investment certificates (cost 2018 - \$668,768; 2017 - \$203,637)	2 - 24	664,670	1.74 - 6.40	197,737
		664,670		197,737

4. Accounts Receivable

The accounts receivable balance consists of the following:

	2018	2017
	\$	\$
Levies receivable	212,236	132,166
	212,236	132,166

Saskatchewan Barley Development Commission

Notes to Financial Statements

For the year ended July 31, 2018

5. Accounts Payable and Accrued Liabilities

The accounts payable and accrued liabilities balance consists of the following:

	2018 \$	2017 \$
Trade payables	44,333	31,293
Levy refunds payable	162,118	33,912
	206,451	65,205

6. Internally Restricted Net Assets

The Commission has internally restricted net assets for completion of certain projects and to refund the check-off fees to producers in the event of disestablishment of the Commission. Management requires the Board of Directors' approval to use the money from these restricted assets. During the year no contribution was made to the internally restricted net assets (2017 - \$nil).

7. Budget

The Board approved the 2017/2018 fiscal year budget at the meeting on October 25, 2017. The budget figures included in the accompanying financial statements are unaudited.

8. Producer Check-off Fees

Under the Regulations, each buyer of barley is required to remit to the Commission a check-off fee of \$1.06/tonne (\$.50/tonne – 2017) of barley marketed upon final settlement to producers. Producers can request a refund of check-off fees paid from August 1 to July 31 by submitting a refund application by August 31 of the following fiscal year. Effective August 1, 2017 the Commission took over the administration of the Western Canadian Deduction (WCD) check-off which was \$0.56/tonne. The WCD check-off was added to the Commission's previous check-off of \$0.50/tonne to form the current check-off of \$1.06/tonne.

Saskatchewan Barley Development Commission

Notes to Financial Statements

For the year ended July 31, 2018

9. Service Contracts

The Agriculture Council of Saskatchewan Inc. charged the Commission \$34,859 (2017 - \$35,137) for administering the check-off fee program and the business activities of the Commission. During the year the Commission entered into a contract with ACS for administering the check-off fee program and the business activities of the Commission. The Commission agreed to pay a minimum of \$39,810 for levy collection activities for the period August 1, 2018 to July 31, 2019.

The Commission entered into contracts with 101123132 Saskatchewan Ltd. and AgriBiz Communications Corp. for rent, management and consulting services. Annual payments due in each of the next three years are as follows:

Year ending July 31:	
2019	135,825
2020	123,375
2021	63,000

10. Research Commitments

The Commission is committed to funding research and development projects over several years to benefit the barley industry. Annual payments due in each of the next five years are as follows:

Year ending July 31:	
2019	153,102
2020	79,677
2021	10,000
2022	10,000
2023	10,000

11. Related Party Transactions

During the year ended July 31, 2018 members of the Commission's elected Board of Directors received payments for per diems and expenses of \$59,059 (2017 - \$65,164). All related party transactions are measured at carrying amounts.

Saskatchewan Barley Development Commission

Notes to Financial Statements

For the year ended July 31, 2018

12. Financial Instruments

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

Credit risk

The Commission is exposed to credit risk from potential non-payment of accounts receivable. Most of the accounts receivable were collected shortly after year-end.

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 Commission is exposed to interest rate risk on its fixed income investments.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Commission is subject to the risk of foreign exchange fluctuations on certain amounts held in foreign currencies and included on the balance sheet in their Canadian dollar equivalent.

Market Risk

Market risk is the risk that financial instrument fair values will fluctuate due to changes in market prices. The significant market risks to which the Commission is exposed are currency risk, interest rate risk and other price risk related to investments.

13. Comparative Figures

Certain July 31, 2017 comparative figures have been reclassified to conform to the presentation adopted for the current year.

Saskatchewan Barley Development Commission

Payee List

August 1, 2017 - July 31, 2018

Personal Services (Threshold \$2,500)

Board of Directors (all amounts included)

	Honorariums	Operating Expenses	Research	Market Development	Total
Faye, Zenneth	7,700	2,003	1,107	2,289	13,100
Goff, Cam	4,650	1,277	-	1,325	7,252
Johnson, Brent	6,500	2,281	1,565	531	10,877
Kuhlmann, Allen	4,700	2,454	1,361	1,466	9,981
Rueve, Keith	6,150	3,602	-	1,812	11,564
Skotheim, Jason	8,200	2,440	-	-	10,640

Research and Development

(Threshold \$5,000)

Brewing and Malting Barley Research Inst.					6,832
CMBTC					55,000
Conservation Learning Centre Inc					6,832
East Central Research Foundation					12,462
IHARF					6,832
Irrigation Crop Diversification Corp					6,832
NE Agricultural Research Foundation					6,832
Prairie Swine Centre Inc					10,000
Saskatchewan Soil Conservation Assoc.					7,848
Saskatchewan Variety Performance Group					13,900
University of Manitoba					10,000
University of Saskatchewan					50,000
Western Applied Research Corporationn					20,625
Western Grains Research Foundation					90,000

Extension (Threshold \$5,000)

Agriculture in the Classroom Sask Inc					5,833
Barley Council of Canada					153,500
Farm & Food Care Saskatchewan Inc					13,750

Extension - Media and Communication

(Threshold \$5,000)

Blairmore Media Inc					9,154
Canada Post					9,254
Delaney Seiferling Consulting					28,859
Reach Communications Inc					9,523

Supplier Payments (Threshold \$20,000)

101123132 Saskatchewan Ltd					102,794
AgriBiz Communications Corp					51,279
Agriculture Council of Saskatchewan					34,859

Other Payments (Threshold \$20,000)

CONTACT US

General Inquiries: 306-653-7232

Fax: 306-244-4497

Email: info@saskbarleycommission.com

www.saskbarleycommission.com

Mailing Address: Bay 6A – 3602 Taylor Street East
Saskatoon, SK S7H 5H9

Return undeliverable Canadian
addresses to the below address

SASKBARLEY OFFICE:

Bay 6A - 3602 Taylor Street East
Saskatoon, SK S7H 5H9

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