

Annual Report



Saskatchewan Pulse Growers

2002-2003

Delivering Value

SASKATCHEWAN PULSE GROWERS 2002-2003 ANNUAL REPORT

2003 Board of Directors



Lloyd Affleck



Shawn Buhr
Chairman



Dean Corbett



Germain Dauk



Ron Hundebly



Don Meier
Vice Chairman



Jim Moen

Vision

Saskatchewan will be a world leader in the production, processing, and marketing of high quality and high value products for a viable and profitable pulse industry.

Mission

To provide leadership for an innovative, profitable and sustainable Saskatchewan pulse industry, through research, market development and communication in collaboration with stakeholders.

2003 Chairman's Report



As Chairman of the Board, I am pleased to bring to you the Annual Report for 2002-2003. First of all, I would like to thank the other Directors for their unselfish commitment to the Board and to our industry. Also, a big **thank you** to our staff, a group of professionals who really make this organization what it is today.

The last year has been a challenge for everyone in the agriculture industry. The widening of the drought and then the long wet fall in 2002 really made life difficult on the farm. The consequences of these problems are still rippling through the pulse industry, but I am confident that a return to more normal weather will iron out most of these difficulties.

The Board and staff continue to refine and improve our strategic planning process. This year, we also updated the Board's vision and mission to more accurately reflect a whole industry approach. For the first time, we held a mid-year review with staff and Board to review and refine the strategic plan. The importance of strategic direction cannot be underestimated. Our industry has shown remarkable growth and we believe that this growth is not finished. Strategic planning allows us to identify and focus on the critical success factors to help ensure that the Saskatchewan pulse industry remains the driving world force that it has become.

The Board's focus on research remains a top priority. In spite of the difficulties posed by successive droughts, investment in research has increased substantially. Initially, this increased investment would have been made at the expense of reserves, but substantially higher pulse prices had a large impact on checkoff this year and covered the anticipated shortfall. The need to continue to invest in our future has never been clearer and we will persist in working hard to increase the investment in this critical area by all industry stakeholders. Through research, we will be the world's pulse industry leader.

Pulse Canada's profile on the national and international fronts continues to be enhanced. The need for a strong national and international voice is clear. In order to use our dollars most effectively, we must coordinate both our activities and goals with our neighboring grower groups and the Canadian Special Crops Association. Saskatchewan has provided strong leadership to Pulse Canada over the last year and this will continue.

One of the strategic goals of our industry is to improve the current producer security system. The Board has been active in building consensus on how a producer security system could work. While this action is not yet complete, we will continue to press hard for a solution that is acceptable to the whole industry. Removing this uncertainty will provide benefits to the whole industry and can only improve our competitiveness.

As our industry grows and the level of investment that growers make through checkoff increases, we will continue to work hard to communicate new discoveries to all stakeholders. For example, during the last year, we launched an electronic newsletter called the Pulse Brief, in an effort to communicate with growers more effectively. We will continue to look for new and innovative ways to improve communications on the activities of the Saskatchewan Pulse Growers Board and industry. This will allow Saskatchewan to be the world's foremost pulse innovator.

I believe this organization has always been very fortunate to attract great people to our Board and it is hard to see them leave. Because of our sunset regulation, this year we are losing two exceptional board members and two great people: Germain Dauk and Don Meier. For their service, we owe our sincere thanks for their years of hard work to advance Saskatchewan's pulse industry.

Shawn R. Buhr

Executive Director's Report



After two years of reduced production, 2003 was pivotal for our industry. Although significant areas of the province experienced drought for the third year in a row, large areas of the province were able to produce normal quantities of pulses, resulting in adequate quantities of high-quality pulse products for our markets. This will allow the Canadian pulse industry to reestablish its leadership position in international pulse markets.

We are constantly challenged to balance the immediate, short-term needs of the industry with strategic, long-term opportunities in the market place. Strategic planning is a useful tool to arrive at this balance. This past year, we conducted a strategic review of our mission, vision, values and plans. We set out clear goals, actions and milestones for ourselves and reviewed all staff responsibilities.

Our New Vision

Saskatchewan will be a world leader in the production, processing, and marketing of high quality and high value pulse products for a viable and profitable pulse industry.

This means that the long-term viability and profitability of our pulse industry is our ultimate goal. We recognize that the industry is comprised of many players, including growers, processors, exporters, and others. All aspects need to be profitable to ensure long-term health. Our industry is largely reliant on bulk and bagged export of whole pulses. High-quality pulse products may not always attract a premium, but we believe that by exceeding the quality of our competitors' pulses, Canadian pulses can be the product of choice in world markets. New, and perhaps higher value uses for our pulses offer hope for increased demand for pulses, investment opportunities for producers and processors, and decent returns to the industry.

Our New Mission

To provide leadership for an innovative, profitable and sustainable Saskatchewan pulse industry, through research, market development and communication in collaboration with stakeholders.

Our mission describes the role of SPG to achieve our vision. Accomplishments in the key performance areas of research, market development and communication will contribute to an innovative, profitable and sustainable industry.

Our Values

At Saskatchewan Pulse Growers, we:

- *Strive for excellence*
- *Show respect for the individual*
- *Conduct ourselves with honesty and integrity*
- *Act with professionalism*

This is the first time that we have stated our values. They are meant to describe how we will conduct ourselves.

The Board's commitment to grow the value of the industry by dramatically increasing R&D investments is evident in our financial statement. R&D investments increased by 55% in 2003 and are budgeted to increase by a further 81% in 2004. Our stated goal is to annually invest \$4 million in R&D by 2005. Combined with a targeted \$16 million in R&D investment by other private and public sources, this will result in total annual investments of \$20 million. Please refer to the "Year in Review" for details on the research and other programs we are funding.

I am confident that our accomplishments over the past year have contributed value to the pulse industry in Saskatchewan. My staff and I look forward to continuing to work for the betterment of the industry.

Garth Patterson

Returns to Research

Saskatchewan's pulse crop sector has experienced phenomenal growth.

Area seeded to pulse crops has expanded from almost negligible acres in 1980 to 5.3 million acres at the peak in 2001. Pulses have offered producers an opportunity to improve and diversify their sources of income. Pulse crops have also spurred economic development in areas such as handling, cleaning, bagging and secondary processing, as well as in agricultural machinery manufacturing.

Many factors have contributed to the rapid growth of the pulse sector in Saskatchewan, including lower relative prices of traditional crops, new market opportunities and government policy changes. But among the factors contributing to growth of the pulse industry in the province, there is one aspect for which growers themselves can take credit; namely, the research and development responsible for the "know-how" of producing pulse crops.

In 1984, pulse growers in the province held a plebiscite, creating a checkoff system that would deduct a portion of every pulse sale and invest it into the development of the industry. Nearly twenty years later, the Board of Saskatchewan Pulse Growers asked the question: was it worth it?

A 2003 report by University of Saskatchewan economist Dr. Richard Gray and private researcher Terry Scott reveals the answer as a resounding **yes**. The study focused on research expenditures in areas such as plant breeding, plant disease, weed and insect control, inoculants and fertilizers, pulse crops for animal feeds, machinery and equipment, crop rotations and general agronomy. To estimate the economic impact of SPG research and development activities, Gray and Scott measured the costs and benefits for producers, consumers and value-added sectors, comparing the industry as it exists (or is expected to exist) with the presence of Saskatchewan Pulse Growers, to how the industry might look if SPG had not existed.

Their research found that the benefit to cost ratios are quite high. Even in the short term (1984-2008), the benefit to cost for growers is 13.5 to 1.0 when the combined impacts from genetic improvement and the acceleration of development created by SPG activities are taken into account. This ratio means that for every \$1.00 of cost borne by growers they receive \$13.46 in producer surplus in the 1984-2008 time period. The internal rate of return on genetic research alone is estimated at 18 % for growers between 1984 and 2008.

In the 1984-2020 time frame, the total producer impact jumps to 15.6 to 1.0. The internal rate of return on genetic research is estimated at 20.4% for growers.

In terms of broad economic impact, the industry benefit to cost ratio, which includes producer surplus, consumer surplus and value-added in related sectors, is 28.35 to 1.0 in the 1984-2008 scenario and climbs to 31.32 to 1.0 in the 1984-2020 time frame.

Even without considering the non-economic benefits of pulses, such as potential health benefits or increased agricultural biodiversity from pulses in cropping systems, the study found very significant returns to pulse research. In these often-difficult times of the new millennium, few investments can report similar returns. Saskatchewan pulse producers can take pride in having the foresight and initiative to invest in their own industry and to see that investment pay off in spades.

In terms of broad economic impact, the industry benefit/cost is 28 to 1 in the 1984-2008 time period and climbs to 31 to 1 in the long-term (1984-2020) scenario.

Reference: "The Returns To Research," by R.Gray and T.G.Scott, November 2003.



What we do

Saskatchewan Pulse Growers provides leadership for an innovative, profitable and sustainable Saskatchewan pulse industry, through research, market development and communication in collaboration with stakeholders.

Background

The first Saskatchewan pulse producer organization was formed in 1976.

In a 1984 plebiscite of Saskatchewan pulse farmers, producers voted to institute a mandatory, non-refundable checkoff to fund projects to develop the industry. The Saskatchewan Pulse Crop Development Board was born. (later known simply as "Saskatchewan Pulse Growers")

Funding and Governance

A checkoff of 1% of the value of the gross sale is deducted at points of sale when a producer sells pulse crops (including peas, lentils, chickpeas, beans, faba beans, or soybeans).

The Board of Directors consists of seven pulse farmers, all of whom are elected by other registered pulse growers.

Our Annual General Meeting is held in January during Crop Production Week in Saskatoon.

Programs

To keep the industry sustainable and profitable, the Board invests the checkoff in the following areas:

1. Research and Development

Our largest expenditure, the R&D program includes ongoing research in a number of areas, including: disease management and resistance, genetic improvements, agronomy, weed control, new uses and quality assessment.

SPG works very closely with Pulse Canada Research to lead a national initiative to increase pulse research.

2. Variety Release

SPG provides access to new pulse varieties developed through the R&D program by offering breeder

At a Glance

seed without royalties to Select-status seed growers in Saskatchewan and Alberta. Since 1997, growers have benefited from access to over 35 varieties of pulses developed at the University of Saskatchewan's Crop Development Centre.

The Variety Release program aims to increase pulse sector growth through the rapid uptake and acceptance of new and improved pulse varieties.

3. Market Development

Our Market Development program works to develop international and domestic market opportunities for pulses in human diets and livestock rations.

SPG funds Pulse Canada's international market development activities, such as reduction of trade barriers, harmonization of regulations, and access to new and existing markets.

4. Communications

SPG provides research, production, and market information in a number of ways, including: *PulsePoint* magazine, annual reports, SPG website, The Pulse Brief electronic news service, Pulse Days annual conference, and several regional meetings and field days.

SPG collaborates closely with partners in industry, processing, government, research and extension to communicate, deliver programs, and advance the pulse industry.

5. Policy

SPG provides leadership on issues important to the pulse industry, such as government investment and regulation, producer security, and crop protection.

6. Operations

SPG staff combines industry knowledge and individual expertise to deliver programs as directed by the SPG Board.

Office

The activities of the Saskatchewan Pulse Growers are carried out by an Executive Director and staff to achieve Board objectives.

The SPG office is located at Innovation Place in Saskatoon.

Year In Review

Research and Development

Growers are capturing significant benefits from their checkoff investment. Highlights from the past year include:

- We invested \$1.57 million in 2003. We expect this to increase to \$2.85 in 2004. Matching government funding has been accessed wherever possible.
- We are funding Pulse Canada Research, which is leading a national initiative to increase pulse research. Pulse Canada was successful in convincing the federal government to establish a chickpea development program in Saskatoon. Details will be negotiated through 2004.
- Twelve agronomy projects were supported, some of which included: pink seed disease in pea, chickpea agronomy and disease, Stemphylium disease in lentil, weed control and variety demonstrations.
- Thirteen pulse genetic projects and programs were funded. Our goals are to enhance growers' competitiveness by improving varieties in existing market classes and to create new markets for growers by developing new market classes.
- Five processing/value added projects were funded. Examples include: pea flour in aquaculture, canning quality assessment, quality assessment facilities at the Canadian International Grains Institute and pulse quality research.
- A previously-funded project by SPG received media attention this year, on the use of pea fibre in geriatric diets. We expect this research to contribute to increased demand for pea fibre.

Market Development

Pulse Canada leads our international efforts. Two SPG Directors and the SPG Executive Director provide guidance to Pulse Canada. Canadian pulses are now exported to 140 countries. Here are Pulse Canada's key accomplishments over the past year:

- The Chinese have reduced their tariff rates on imports of feed peas, which will improve our competitiveness with other feed ingredients.
- The trade is being provided with better technical information on Canadian pulses.
- A strategy for increasing human consumption in North America has been implemented.
- We are monitoring the European Union's policy on maximum residue limits for crop protection products in pulses to ensure that our market access is not restricted.
- Pulse Canada was successful in convincing NAFTA to use pulses as a test crop to increase harmonization of registration of crop protection products. This should improve our access to these products.

Our domestic feed development efforts are led by animal nutrition specialist, Barb Stefanyshyn-Cote.

- Domestic feed industry efforts are concentrated on increasing the feed industry's awareness of the benefits of feed peas, targeting the geographic region of western Canada and northwest USA.

Year In Review

Communications

Pulse growers are our primary stakeholders. We provide production and market information in a number of ways:

- World-class speakers at Pulse Days during Crop Production Week.
- An Annual Report, which includes an audited financial statement, and is available to any pulse grower.
- *PulsePoint* magazine is sent to growers quarterly.
- Our website is continuously updated with information.
- We cooperate with Saskatchewan Agriculture, Food & Rural Revitalization to provide growers with information at winter meetings and summer field days.
- A bi-weekly electronic news service called *The Pulse Brief*.

Variety Release

Since 1997, growers have benefited from access to over 35 new varieties of pulses produced at the Crop Development Centre. All Select-status seed growers in Alberta and Saskatchewan have access to this seed, at cost, and with no royalties.

- CDC pea varieties were among the first to incorporate resistance to powdery mildew.
- The new CDC lentils with improved disease resistance have reduced growers' crop protection costs, and new red lentil varieties in particular are opening new markets to us.
- New CDC chickpea varieties with improved disease resistance and quality attributes will allow us to become competitive in world markets.
- CDC bean varieties are giving Saskatchewan producers the opportunity to enter into new markets.
- We have been reviewing our policy on investments into pea breeding in order to ensure that growers continue to have access to the best pea varieties in the world.

Policy

Our Board concentrates on government policies directly impacting our industry.

- SPG successfully convinced Saskatchewan Crop Insurance to increase its pea coverage for 2003.
- We worked with growers affected by the bankruptcy of Naber Seed and Grain to determine if there was any recourse through the Canada Grain Act. It turned out that there was not.
- A western Canadian committee was established to review options for new ways to provide producer payment security.
- We have developed and communicated a position on genetically modified pulses to ensure that GM pulses are not commercialized in Canada until there is market acceptance.
- We are participating in the Canada Grains Council's On Farm Food Safety Committee to ensure that any government program in this area is in the best interests of farmers.



THE TEAM

EXECUTIVE DIRECTOR
Garth Patterson

RESEARCH &
DEVELOPMENT MANAGER
Joelle Harris

COMMUNICATIONS
MANAGER
Penny Eaton

CONTROLLER
Helen Baumgartner

ADMINISTRATIVE
ASSISTANT
Tasha Nett

ACCOUNTING CLERK
Esther Zvacek

SPECIAL PROJECTS
MANAGER
Brenda Scott

HERGOTT DUVAL STACK & PARTNERS LLP

CHARTERED ACCOUNTANTS

PARTNERS

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To the Board of Directors of Saskatchewan Pulse Crop Development Board

We have audited Saskatchewan Pulse Crop Development Board's control as of August 31, 2003, to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard public 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 to achieve its goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial reports.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing.

We used the control framework developed by The Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Saskatchewan Pulse Crop Development Board's control. We did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

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

Saskatchewan Pulse Crop Development Board's management is responsible for effective control related to the objectives described above. Our responsibility is to express an opinion on the effectiveness of control based on our audit.

We conducted our audit in accordance with standards for assurance engagements established by the CICA. Those standards require that we plan and perform an audit to obtain reasonable assurance as to effectiveness of Saskatchewan Pulse Crop Development Board'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.

In our opinion, Saskatchewan Pulse Crop Development Board's control was effective, in all significant respects, related to the objectives stated above as of August 31, 2003, based on the CICA criteria of control framework.

Control can provide only reasonable not absolute assurance of achieving objectives reliably for two reasons. First, there are inherent limitations in control including judgment in decision-making, human error, collusion to circumvent control activities and management overriding control. Second, cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or the degree of compliance with control activities may deteriorate.

HERGOTT DUVAL STACK & PARTNERS LLP

CHARTERED ACCOUNTANTS

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Saskatchewan Pulse Crop Development Board and Saskatchewan Agri-Food Council

Dear Sirs:

We have made an examination to determine whether the Saskatchewan Pulse Crop Development Board complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended August 31, 2003:

Agri-Food Council Act
The Pulse Crop Development Plan Regulations

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

In our opinion, the Saskatchewan Pulse Crop Development Board has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended August 31, 2003.

SASKATOON, SASKATCHEWAN
November 12, 2003

“HERGOTT DUVAL STACK & PARTNERS LLP”
Chartered Accountants

Auditors' Report

To the Members of Saskatchewan Pulse Crop Development Board

We have audited the statement of financial position of Saskatchewan Pulse Crop Development Board as at August 31, 2003, and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at August 31, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

SASKATOON, SASKATCHEWAN
November 12, 2003

“HERGOTT DUVAL STACK & PARTNERS LLP”
Chartered Accountants

**SASKATCHEWAN PULSE CROP DEVELOPMENT BOARD
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2003**

	2003	2002
<u>ASSETS</u>		
Current Assets		
Cash	\$ 213,618	\$ 152,279
Cash - externally restricted	74,500	3,500
Investments (market value - \$743,210)	738,656	885,864
Accounts receivable	583,290	308,450
Inventory	15,484	33,434
Prepaid expenses	44,694	57,821
Accrued interest receivable	64,851	78,544
	1,735,093	1,519,892
Investments - restricted (market value - \$1,000,000)	1,000,000	1,000,000
Capital assets (Note 3)	345,709	352,689
	\$ 3,080,802	\$ 2,872,581

<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	\$ 109,913	\$ 137,090

<u>NET ASSETS</u>		
Externally restricted (Note 4)	74,500	3,500
Invested in capital assets	345,709	352,689
Internally restricted	1,000,000	1,000,000
Unrestricted	1,550,680	1,379,302
	2,970,889	2,735,491
	\$ 3,080,802	\$ 2,872,581

Approved by the Board

 _____ Director	 _____ Director
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**SASKATCHEWAN PULSE CROP DEVELOPMENT BOARD
STATEMENT OF OPERATIONS
YEAR ENDED AUGUST 31, 2003**

	2003		2002
	Budget (Note 10)	Actual	Actual
Revenue			
Check-off	\$ 2,004,838	\$ 3,075,810	\$ 2,478,225
Research and development	-	5,000	-
Extension and communication	230,700	231,640	238,476
Variety release	237,866	220,597	265,589
Pulse Canada	-	-	10,140
Interest	60,000	107,408	109,297
Domestic market development	-	3,000	-
	2,533,404	3,643,455	3,101,727
Expenses (Schedule I)			
Research and development	1,700,000	1,572,497	1,015,682
Extension and communication	360,250	314,904	423,593
Variety release	365,535	336,886	370,596
Pulse Canada (Note 6)	560,763	522,407	553,846
Directors	195,700	165,810	171,306
Office	481,800	517,893	463,834
Domestic market development	47,220	33,069	81,703
Policy development	25,000	15,591	26,321
	3,736,268	3,479,057	3,106,881
Excess (deficiency) of revenue over expenses	\$ (1,202,864)	\$ 164,398	\$ (5,154)

**SASKATCHEWAN PULSE CROP DEVELOPMENT BOARD
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED AUGUST 31, 2003**

Net Assets	Externally Restricted	Invested in Capital Assets	Internally Restricted	Unrestricted	2003	2002
Balance, beginning of the year	\$ 3,500	\$ 352,689	\$ 1,000,000	\$ 1,379,302	\$ 2,735,491	\$ 2,737,145
Excess (deficiency) of revenue over expenses	-	-	-	164,398	164,398	(5,154)
Contributions	71,000	-	-	-	71,000	3,500
Purchase of capital assets	-	3,286	-	(3,286)	-	-
Amortization	-	(10,266)	-	10,266	-	-
Balance, end of year	\$ 74,500	\$ 345,709	\$ 1,000,000	\$ 1,550,680	\$ 2,970,889	\$ 2,735,491

**SASKATCHEWAN PULSE CROP DEVELOPMENT BOARD
STATEMENT OF CASH FLOWS
YEAR ENDED AUGUST 31, 2003**

	2003	2002
Cash flows from operating activities		
Excess (deficiency) of revenue over expenses	\$ 164,398	\$ (5,154)
Amortization, not affecting cash	10,266	12,102
Net change in non-cash working capital balances relating to operations:		
Investments	147,208	207,518
Accounts receivable	(274,840)	9,216
Inventory	17,950	18,303
Prepaid expenses	13,127	(16,154)
Accrued interest receivable	13,693	(8,287)
Accounts payable	(27,177)	(234,372)
	64,625	(16,828)
Cash flows from investing activities		
Purchase of capital assets	(3,286)	(2,564)
Net increase (decrease) in cash during the year	61,339	(19,392)
Cash, beginning of year	152,279	171,671
Cash, end of year	\$ 213,618	\$ 152,279

SASKATCHEWAN PULSE CROP DEVELOPMENT BOARD NOTES TO THE FINANCIAL STATEMENTS AUGUST 31, 2003

1. Nature of organization

The Saskatchewan Pulse Crop Development Board ("the Board") is a non-profit organization which was established in 1984 under the Agri-Food Act of Saskatchewan.

The mission of the Board is to provide leadership for an innovative, profitable and sustainable Saskatchewan pulse industry, through research, market development and communication, in collaboration with stakeholders.

2. Significant accounting policies

The financial statements have been prepared to reflect the following significant accounting policies:

Investments

Investments are recorded at the lower of cost and fair market value.

Inventory

Inventory is stated at the lower of cost and net realizable value.

Capital assets

Land and equipment are stated at cost. Equipment is amortized using the declining balance method at a rate of 20%. On acquisitions of equipment during the year, amortization is calculated at one-half the annual rate of 20%.

Appropriation of funds

The Board of Directors has approved the appropriation of certain funds generated from operations to be set aside to be used in the future as an operating reserve. The amounts of these appropriations and the appropriated balances are accounted for and disclosed separately in the financial statements as internally restricted funds.

Research contributions and donations

Research contributions and donations are recognized in these financial statements in the period defined in the terms and conditions of the respective agreements.

Revenue recognition

Check-off are recognized at the time of settlement.

The company follows the deferral method of accounting for contributions. Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is assured.

Income taxes

No provision for income taxes has been made in these financial statements as the organization is exempt from income tax under Section 149 (1) of the Income Tax Act.

**SASKATCHEWAN PULSE CROP DEVELOPMENT BOARD
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2003**

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period.

By nature, asset valuations are subjective and do not necessarily result in precise determinations. Should underlying assumptions change, the estimated net recoverable amount could change by a material amount.

Management periodically reviews the carrying value of the capital assets to ensure that the carrying value can be recovered from future cash flows. Management also periodically reviews the useful lives of the capital assets to determine, in their judgement, an adequate charge against income for amortization expense.

3. Capital assets

	2003			2002
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	\$ 94,109	\$ 51,400	\$ 42,709	\$ 49,689
Land	303,000	-	303,000	303,000
	\$ 397,109	\$ 51,400	\$ 345,709	\$ 352,689

4. Externally restricted contributions

In 2002, the Saskatchewan Pulse Crop Development Board launched a fundraising campaign to raise \$1.5 million to expand pulse research facilities. This represents approximately 50% of the estimated \$3 million required to fund the establishment of a Pulse Field Lab Facility.

5. Financial instruments

The carrying value of current financial assets and current financial liabilities are considered to approximate their fair market value unless otherwise disclosed.

6. Pulse Canada

Pulse Canada is a national organization comprised of the pulse trade and pulse grower organizations from Alberta, Saskatchewan, Manitoba and Ontario. Saskatchewan Pulse Grower payments comprise approximately 70% of Pulse Canada's revenue from growers and the trade in Canada. Pulse Canada's key activities include:

- tariff reduction (success to date in Chile and China)
- acting on non-tariff trade barriers and trade irritants
- developing new market for Canadian pulse (Canadian feed peas to Chile and Colombia)
- increasing Canadian market share in existing pulse markets
- linking market intelligence with plant breeding

SASKATCHEWAN PULSE CROP DEVELOPMENT BOARD NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED AUGUST 31, 2003

6. *Pulse Canada (continued)*

- development of pulse quality profiles, development of an international initiative to standardize quality measurement
- communication to pulse buyers
- crop protection strategies
- development of a strategy to increase and coordinate pulse research investment
- interacting with the federal government regarding research funding, programs and regulations.

7. *Research and development grants*

The Board of Directors has approved future funding for several research and development projects. Payments due in each of the next five years, assuming the terms of the contracts are fulfilled, are as follows:

2004	\$ 1,353,336
2005	872,649
2006	359,314
2007	98,606
2008	33,588

8. *Lease commitments*

A three-year lease agreement exists with the Saskatchewan Opportunities Corporation for the premises at 411 Downey Road, Saskatoon, Saskatchewan. Yearly rental payments due in each of the next four years are as follows:

2004	\$ 39,801
2005	40,064
2006	42,359
2007	3,547

9. *Cash advance program*

Effective March 22, 2002, the administration of the Cash Advance Program was assigned to the Canadian Canola Growers Association ("CCGA"). Based on this agreement with the CCGA, the Board will have no further obligations as an administrator and will incur no additional liabilities with respect to cash advances issued from this date forth. Initially when the cash advance program became available to producers, the Board entered into an agreement with the Manitoba Corn Growers Association Inc. ("MCGA") to administer this program. The Board maintains obligation and liability relating to its activities as an administrator with the MCGA. As at the report date, there were approximately \$2,787,647 of producer advances outstanding, from its previous administrator activities with the MCGA. These amounts were provided to the program through a bank loan and are guaranteed by the government.

10. *Budgeted figures*

These figures are based on the budget as presented at the Annual General Meeting held on January 6, 2003, and subsequently revised August 7, 2003, and have been reclassified to conform to the financial statement presentation.

11. *Comparative figures*

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

**SASKATCHEWAN PULSE CROP DEVELOPMENT BOARD
SCHEDULE OF EXPENSES
YEAR ENDED AUGUST 31, 2003**

	2003		2002
	Budget (Note 10)	Actual	Actual
Research and development			
Agronomy	\$ 104,457	\$ 252,232	\$ 192,087
Breeding	777,729	1,155,024	763,621
Processing	8,801	136,241	6,150
General	15,000	29,000	15,000
Fundraising	5,000	-	38,824
Unallocated	789,013	-	-
	1,700,000	1,572,497	1,015,682
Extension and communication			
Communications	165,850	153,874	244,598
Crop production week	165,700	142,914	152,559
Extension meetings	12,000	7,446	19,074
Field day	14,200	9,735	4,814
Other	2,500	935	2,548
	360,250	314,904	423,593
Variety release	365,535	336,886	370,596
Pulse Canada (Note 6)	560,763	522,407	553,846
Directors			
Communications	6,000	3,222	6,129
Election	21,600	24,301	20,479
Honoraria	75,000	70,662	73,567
Travel	64,100	52,042	53,118
Other	29,000	15,583	18,013
	195,700	165,810	171,306
Office			
Communications	15,100	10,800	14,368
Contract work	132,900	158,799	121,765
Office	41,900	54,490	53,525
Salaries and benefits	259,000	263,998	250,683
Travel	17,000	16,962	16,350
Other	15,900	12,844	7,143
	481,800	517,893	463,834
Domestic market development	47,220	33,069	81,703
Policy development	25,000	15,591	26,321
	\$ 3,736,268	\$ 3,479,057	\$ 3,106,881

SCHEDULE OF SASKATCHEWAN PULSE GROWERS RESEARCH EXPENDITURES YEAR ENDED AUGUST 31, 2003 (prepared by management)

Researcher	Organization	Project #	Project	Amount
Agronomy				
Ball	University of Saskatchewan	AGR0101	Canopy and Stem Stiffness Contributions to Disease Resistance in Lentil	\$ 7,780
Banniza	Crop Development Centre	AGR0105	Improvement of Chickpea Disease Control Through Spray Application Delivery Method	37,127
Banniza	Crop Development Centre	AGR0301	Investigation into the Biology of <i>Stemphylium botryosum</i> , a Potentially New Pathogen in Lentil Production in Saskatchewan	12,515
Banniza	Crop Development Centre	AGR0302	Investigation into the Population Structure of <i>Ascochyta lentils</i>	18,000
Banniza	Crop Development Centre	AGR0317	Extension for: Control of Sclerotinia Stem Rot in Small-Seeded Lentil Production in the Black Soil Zone	25,000
Gan	Agriculture & Agri-Food Canada	AGR0020	Seed Size Relation to Vigour and Yield in Kabuli Chickpea	16,800
Huang	Agriculture & Agri-Food Canada	AGR0108	Epidemiology and Economic Impact of Pink Seed of Pea	7,000
Johnson	Agriculture & Agri-Food Canada	AGR0311	Additive Effects of Group 2 Herbicides on Crop Tolerance and Recropping Restrictions	103,760
Nybo	Wheatland Conservation Area	AGR0115	Regional Adaptation and Demonstration of Improved Pulse Varieties for the Brown Soil Zone	2,400
Nybo	Wheatland Conservation Area	AGR0303	Lower Costs of Production of Chickpea	3,000
Shirtliffe	University of Saskatchewan	AGR0120	Optimizing Dry Bean Agronomy	10,150
Walley	University of Saskatchewan	AGR0015	Rhizobium Inoculants for Enhanced Nitrogen Fixation in Beans	8,700
				\$252,232
Breeding				
Bett	University of Saskatchewan	BRE0305	Improving the Quality Profile of Dry Beans for the Canadian Prairies Using Genetic and Metabolomic Approaches	\$ 24,760
Bett	University of Saskatchewan	BRE0321	Identification and Transfer of Genes Related to Frost Tolerance from <i>Phaseolus angustissimus</i> to <i>P. vulgaris</i>	106,823
Diederichsen	Agriculture & Agri-Food Canada	BRE0010	Characterization, Evaluation and Acquisition of Grain Legume Germplasm	14,000
Gossen	Agriculture & Agri-Food Canada	BRE0310	Identifying Genetic Resources for Resistance to Ascochyta Blight of Chickpea	43,000
Lulsdorf	Crop Development Centre	BRE0257	An International Collaboration for the Development of New and Improved Sources of Ascochyta Resistance in Chickpea	54,200
Vandenberg	Crop Development Centre	BRE0125	Development of Frost Tolerance in Dry Bean using Traditional Plant Breeding Methods (Project terminated-unused funds were returned to SPG)	-26,985
Vandenberg	Crop Development Centre	BRE0124	Integrated Long Term Strategy for Genetic Improvement of Resistance to Ascochyta Blight and Anthracnose in Lentil	144,000
Vandenberg	Crop Development Centre	BRE0253	Developing Faba Bean as a Feed, Forage and Food Pulse for the Prairies	30,250
Vandenberg	Crop Development Centre	BRE0316	International Efforts to Develop Doubled-Haploid Technology for Field Pea (<i>Pisum sativum</i> L.) and Lentil (<i>Lens culinaris</i> L.)	135,575
Vandenberg	Crop Development Centre	BRE0322	Lentil and Bean Breeding	33,500
Vandenberg/ Warkentin	Crop Development Centre	BRE9701	Pulse Crop Breeding	472,862
Warkentin	Crop Development Centre	BRE0304	Strategy for Genetic Improvement of Ascochyta Blight Resistance in Chickpea	63,275
Warkentin	Crop Development Centre	BRE0315	Pulse Crop Regional Variety Trials in Saskatchewan	59,764
				\$1,155,024
Processing				
Campbell	University of Saskatchewan	PRO0032	Use of Pea Flours in Aquaculture Feeds with an Emphasis on Feed Processing and on Effects to Solids and Nutrient Discharge to the Aquatic Environment	\$ 8,801
Han	University of Saskatchewan	PRO0314	Development of a Near Infrared Reflectance Spectroscopy (NIRS) Method for Predicting the Canning Quality of Dry Bean, Kabuli Chickpea, and Field Pea (Yellow and Green)	49,940
Hodgins	Hodgins & Company	PRO0318	Market Intelligence: Processed Pulses-Ethnic Markets in North America	5,000
Senft	Canadian International Grains Institute	PRO0323	Construction and Installation of a Pulse Processing and Milling Facility at CIGI	32,500
	Pulse Canada Research	PRO0324	Enhancing Pulse Quality Research in the Areas of Image Analysis Technology, Cooking and Size Measurement Methodology, and Vitamin Analysis	40,000
				\$136,241
General				
Gray	University of Saskatchewan	GEN0320	The Returns to Research Funded by the Saskatchewan Pulse Growers	\$ 14,000
	University of Saskatchewan	AMSCH	SPG Don Jaques Memorial Scholarship	15,000
				\$29,000
Total				\$1,572,497



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