



# *Investing in the Future.*

SASKATCHEWAN PULSE GROWERS 2001-2002 ANNUAL REPORT



**2002 Board of Directors**  
*Saskatchewan Pulse Growers*



*Top row, left to right: Jim Moen, Ron Hundebly, Germain Dauk, Don Meier  
Bottom row, left to right: Shawn Buhr, Glenn Annand, Dean Corbett*

**Vision**

*The Saskatchewan  
Pulse Industry will be  
the world's preferred  
supplier of peas, lentils,  
chickpeas and beans.*

# *Investing in the Future.*

SASKATCHEWAN PULSE GROWERS 2001-2002 ANNUAL REPORT

**Mission**

*Our Mission is to  
maximize grower  
profitability and  
sustainability.*

## 2002 Chairman's Report

*Glenn Annand*

In my report, I would like to give recognition to some of the people who carried out Board and staff activities and at the same time give you a sense of the organization's philosophy and direction. I have been very fortunate to be part of such a professional and dynamic team.

In spite of the drop in acres and production due to weather, disease and insect problems, the Saskatchewan Pulse Growers had a busy year. Ongoing activities in research coordination, policy development, communications and market development were our top priorities. Producer concerns about crop insurance and payment security required extra attention as the year progressed.

During the six years I have served as a Director, the Board's focus has been on issues which will have a long-term impact on the pulse industry. Regular strategic planning sessions have helped us to identify and focus on the critical success factors. Our mission and vision statements give a strong indication of what is important and where we want Saskatchewan Pulse production to be in the future.

Research coordination and funding continue to be a high priority. To stabilize production, lower production costs, develop new uses and new crop types and remain competitive in a global market, we need to have more pulse research. Shawn Buhr and Jim Moen represented the board's interests on the Saskatchewan Agriculture Development Fund and Pulse Canada Research committees. Development of the Pulse Canada and Saskatchewan Research Strategies are complete; now the implementation phase will require our concentrated effort.

Pulse Canada has developed into a well recognized entity for both national and international issues. Germain Dauk and Don Meier have been strong leaders on the Pulse Canada Board as well as the Saskatchewan Pulse Growers Board. Pulse Canada's activities in the areas of research coordination,

market development, national and international crop protection issues have raised the profile of pulse production in Canada and from that recognition will come future policy changes.

Close ties are maintained with Pulse Canada through our staff and by having regular communication with Gordon Bacon and Dr. Holly Rask.

The SPG directors have taken a leadership role in numerous other activities. Dean Corbett chairs the SPG Communications Committee, Transportation Committee and the Crop Production Week Committee. Ron Hundebly is on the Variety Release Committee and was recently appointed to the Western Grain Standards Committee as chair of the Pulse Sub-committee. Our SPG staff, under the strong leadership of our Executive Director, Garth Patterson, continues to master the changing roles and issues that the Board presents them with. Without them, our successes would be few. Thank you for your dedication.

It was a difficult year, with production problems and the addition of pulses into the U.S. Farm Bill. The SPG Board spent many hours discussing the need for a levy increase with growers and at the Board table in order to fund more pulse research. The strong support we received came from the producers who could see past their short-term problems to the benefit of investing in their future success. Working together as Saskatchewan Pulse Growers, we will have an impact on our destiny.

Sincerely,



Glenn Annand



*Glenn Annand  
Chairman of the Board  
Saskatchewan Pulse Growers*

*"Research coordination, policy development, communications and market development were our priorities in 2002"*





**Garth Patterson**  
Executive Director,  
Saskatchewan Pulse Growers

*Pulse have been  
Saskatchewan's  
success story. Our  
exponential growth  
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tremendous value to  
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in 2002.*

## Value to Growers

SASKATCHEWAN PULSE GROWERS 2001-2002 ANNUAL REPORT

### Executive Director's Report

*Garth Patterson*

Pulse have been Saskatchewan's success story. Our exponential growth has provided tremendous value to growers over the past two decades, peaking at about \$1 billion in 2002. Although 2001 and 2002 were major setbacks to our industry's growth, we are predicting that our pulse industry will reach \$2 billion in the next ten to fifteen years.

However, this great success has come at a cost. In the early days, our peas and lentils were special or "niche" crops, often attracting a premium. We have now become so efficient that these crops are "commoditized", requiring growers to pay special attention to managing costs in order to maximize profits. This efficiency has increased demand for our pulses and has driven out competitors such as Chile. We have also attracted other low cost producers such as Australia, China, France and the USA to our industry.

I believe our industry is at a crossroads. A diagnostic scan of our industry reveals symptoms of growing pains that prescribe leadership and innovation if our industry is to increase in value. These include:

- Bankruptcies of pulse buyers
- Commoditization of lentils and peas, resulting in lower prices to producers (this year's shortage of pulses is an exception)
- Chickpea ascochyta that is becoming increasingly difficult to manage
- Inadequate selection of crop protection products
- Discounting of Canadian pulses on world markets
- Exports of pulses that are mostly in their unprocessed raw form
- Over capacity of pulse processing

While we can't turn back the clock, our challenge is to increase the profitability



of the industry. In fact, the mandate of the Board is to improve grower profitability. Simply put, there are two general ways for us to do this:

1. Reduce the cost of supplying your production to the market, and
2. Increase demand for your production.

Our competitors, particularly Australia and the USA, are upping the ante by increasing both grower and government investments into research and market development. Grower checkoff rates in Australia are at 1.0% and their government matches with an additional 1.0%. Pulse checkoff rates in the USA vary between 1.0% and 1.5%, with very good leverage of government funds.

Last year, Pulse Canada estimated that our industry needed an additional \$20 million per year of research investment to remain competitive. Our Board was faced with a choice of watching our industry slowly become less competitive or increasing investments into areas that will increase the value of our industry. The Board choose to lead the industry by increasing the checkoff rate in order to attract increased private and public investment into the industry.

Following are the key initiatives the Board has taken to increase grower profitability:

### **1/ Research**

New technology to lower production costs, such as higher-yielding varieties and improved production techniques have been the cornerstone of our research programs. New markets created through plant breeding (such as small red lentils, pinto beans, faba beans) and the development of new uses (feed peas in hog rations) will continue to improve grower profitability and increase the value of our industry. Both Pulse Canada and SPG are expending significant staff and Board time to ensure that Federal and Provincial decision makers are partici-

pating in a national research strategy. Our plan is to increase producer research investments from \$1 million to \$4 million by 2005 in order to attract \$4 million of provincial investment and \$12 million of federal investment. Fundraising efforts for the pulse field lab will be stepped up with the hope of starting construction in 2003.

### **2/ Producer Risk Management**

We think that the crop insurance program for pulses can be improved to further reduce production risk. We have discussed this issue with the provincial government and are expecting improvements in 2003. We

*“New technology to lower production costs, such as higher-yielding varieties and improved production techniques have been the cornerstone of our research programs.”*



Harvesting Lentils

are also very concerned about the losses producers have suffered in the Naber bankruptcy and have asked the Federal Government and the Canadian Grain Commission to cover the shortfall. Improvements in the licensing and bonding system are also required to restore producer confidence.

### **3/ Commercialization of Pulse Varieties**

Our unique variety release program provides growers with royalty-free access to new pulse varieties from the Crop Development Centre at the U. of S. In the past 6 years, we have released 31 varieties of peas, lentils, chickpeas and beans.

*Our Vision  
is that  
Saskatchewan  
will be the world  
leader in the  
research,  
development,  
production,  
processing and  
export of pulses  
and value added  
pulse products by  
2010.*

#### **4/ Communications**

Our World Class extension program is designed to educate growers about new production techniques and market opportunities. It includes Pulse Days, Pulse Point magazine, the website, the annual report, winter pulse meetings and a summer pulse tour. Last year, we increased our communications with growers through additional winter meetings in order to seek input on their needs and explain how the checkoff is being used. I am pleased to announce that we will be launching an electronic newsletter (the Pulse Brief) to update producers on timely issues.

#### **5/ International Market Development**

Under the leadership of Gordon Bacon, Pulse Canada continues to work very hard to create new pulse crop markets and maintain existing ones.

Areas of focus include increased market access, food safety, linking market intelligence with plant breeding, development of pulse quality profiles, communication to potential new buyers and lobbying governments regarding programs and regulations. We will

continue to be a major supporter of Pulse Canada in its efforts to increase food and feed markets for Canadian pulse crops.

#### **6/ Policy Development**

The Board has increased its efforts to influence policy impacting

the pulse industry. Improved rail transportation service will benefit growers by increasing our export reliability thereby increasing our ability to supply existing and new markets. Our involvement in the Canadian Grain Commission's Western Grain Standards committee ensures that growers have influence in CGC grades and policies. The Board was instrumental in lobbying the CGC to reduce the shrinkage allowance to 0% (effective Aug. 1, 2003). Our attempts to remove pulses from the US Farm Bill failed, but they have resulted in the Federal government's increased awareness of our needs.

#### **7/ North American Crop Protection Strategy**

Growers need access to better crop protection products in order to reduce their costs and risk. SPG was instrumental in bringing together Pulse Canada and the USA pulse industry to co-develop a strategy to increase grower access to safe crop protection products. We will continue to participate in this process.

I would like to thank all pulse growers in Saskatchewan for their continued support and confidence in the industry. Particularly, I would like to recognize the efforts of our Board and Staff throughout this difficult year. I offer special thanks to our retiring Chairman, Glenn Annand for his leadership and vision over the past six years.

**Staff**  
*Saskatchewan Pulse Growers*



*Top row: left to right:  
Joelle Paradis, Tammy Oviatt, Cathy Northey, Helen Baumgartner  
Bottom row, left to right:  
Garth Patterson, Penny Eaton. Missing: Brenda Scott.*



## **A National Pulse Research Strategy**

*Garth Patterson*

Three years ago, the SPG Board recognized that we must attract increased public and private investment into pulse research if the industry is to grow. SPG initiated and funded Pulse Canada Research, with the goal of developing a national research strategy for pulses. Two years ago, Dr. Holly Rask was hired to lead the initiative. This program was then turned over to Pulse Canada in order to attract more national attention. Pulse Canada's Research Strategy is as follows.

# *A National Pulse Research Strategy*

SASKATCHEWAN PULSE GROWERS 2001-2002 ANNUAL REPORT

*Garth Patterson*

### **1/ Pulse Canada's Research Strategy**

Government funding for agriculture research has barely matched inflation, let alone adapted to the introduction of new crops. As a result, most government funding for pulse crop research is in the form of short-term projects. This makes it difficult to attract, develop and retain experienced scientists and staff. It is clear that research funds must be found to address the needs of a rapidly growing pulse industry.

Working together, the industry has developed a research strategy that identifies current research investments, documents research deficiencies, and creates a vision for the future.

#### ***Vision:***

To increase the international competitiveness of the Canadian pulse industry by enhancing national research capabilities and developing strategic research policy.

#### ***Goals:***

- To be leaders in supplying pulse products that address the needs of Canada's current and future customers.
- To foster innovation and science that manages financial risk in farming, enhances industry development, produces high-quality, safe pulse prod-

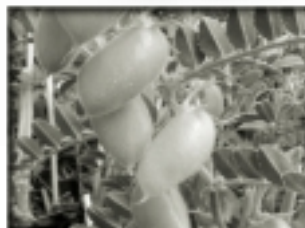
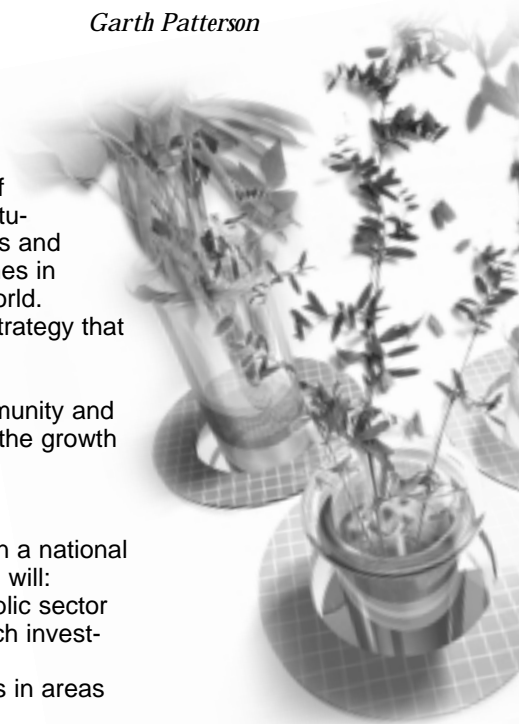
ucts and benefits the environment.

- To realize the research vision through a network of researchers that span institutions and provincial borders and connects between disciplines in Canada and around the world.
- To implement a research strategy that is proactive in addressing industry.
- To build the research community and knowledge proportional to the growth in the industry.

#### ***Outcomes***

Achieving research targets in a national strategy for pulse research will:

- Maximize the return on public sector and grower-funded research investments.
- Identify and initiate projects in areas requiring research activity.
- Strengthen Canada's production and marketing advantage in pulses.
- Develop value-added pulse products in which Canada has a competitive advantage.
- Reinvest 2% of the value of the Canadian pulse industry back into research.
- Increase pulse production to 20-25% of the cropland area in western Canada to support environmentally and economically sustainable farming systems.



*Our Vision is that Saskatchewan will be the world leader in the research, development, production, processing and export of pulses and value added pulse products by 2010.*

- Establish a minimum of 2 viable pulse crop choices for every climatic growing region.

#### **Research Plan Outline:**

The industry has expanded faster than research has developed. The establishment of a foundation of core scientists, infrastructure and knowledge is key to supporting the industry. The industry can then work with this expertise to:

- *Develop a pulse quality, compositional and functional database.* An understanding of all quality attributes of our pulses is critical for determining competitive advantage areas for future markets and to direct the research towards the needs of those markets.
- *Establish a pulse quality assessment system.* Quality is pivotal to competing internationally and gaining access to premium markets. A strong national quality-focused system for pulses will maintain our status as the top pulse exporter in the world and provide new opportunities.
- *Develop a field research site network.* A network of research sites should be established across the various climatic regions in Canada. These locations should be designated as long-term study sites for research such as: minor use pesticide registration, sustainable environments, pathology, pre-registration variety development and general agronomy.
- *Strengthen pathology.* Diseases are

- *Strengthen and adapt the genetic improvement programs.* Genetic improvement is required to improve current crops and to develop new crops and classes.
- *Provide additional utilization research.* Research into utilization is essential to address the needs of current markets and to expand into new markets. Pulse utilization research will lead to more value-added industries in Canada and more diversified market opportunities for producers.
- *Provide a sustainable environment.* Pulse crops improve the environmental sustainability of annual crop production systems. Research is needed to provide data that quantifies these positive aspects. Research is also needed to determine optimum practices for sustainable production.

The pulse research strategy provides a strong research foundation for the industry. Every provincial, federal, grower and private group are contributing towards the strategy in areas that are important to them.

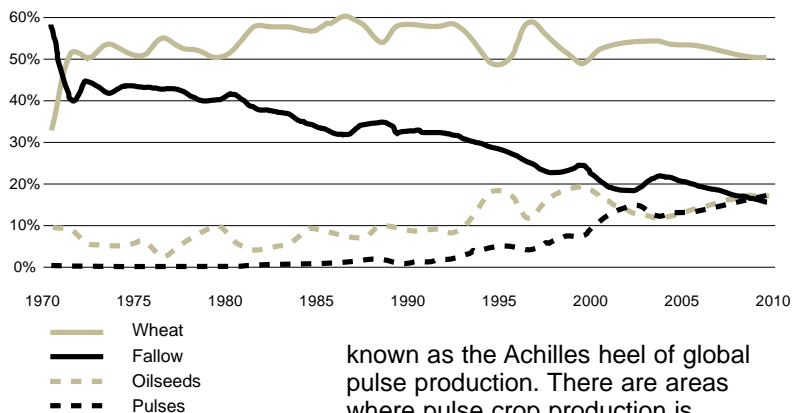
## **2/ The Saskatchewan Component**

Saskatchewan leads the Canadian pulse industry. The pulse industry is Saskatchewan's best agricultural success with growth of over 5,000% since 1980 (103,000 acres in 1980 to 5.4 million acres in 2001). In 2002, drought caused a temporary reduction to 4.3 million acres.

Innovative producers have recognized market opportunities and have diversified into niche markets for high valued crops such as pulses. World-class pulse-related research at the University of Saskatchewan and Agriculture and Agri-Food Canada, combined with producer adoption of production technology resulted in the creation of new economic opportunities in pulse production and value-added processing.

Pulse production has changed the face of farming. As illustrated by Figure 1, it is expected that pulses and oilseeds will increase to about 18% of cultivated acreage; cereals are expected to remain at about 50% of cultivated acreage, with summer fallow dropping to about 15% of cultivated acreage. It is

**Figure 1**  
*Saskatchewan Crop Production Trends*



known as the Achilles heel of global pulse production. There are areas where pulse crop production is severely restricted by disease pressure. The rapid expansion of pulse crops in Canada has resulted in a shortage of pathologists and a greater threat of disease outbreak.



anticipated that the droughts of 2001 and 2002 will result in a temporary increase in summer fallow and cereals.

#### ***Vision:***

Our Vision is that Saskatchewan will be the world leader in research, development, production, processing and export of pulses and value-added pulse products by 2010.

#### ***Outcomes***

The Outcomes of achieving this vision will be that:

- Saskatchewan is the world's preferred supplier of peas, lentils and chickpeas
- Saskatchewan is a reliable supplier of dry beans and fababeans
- Pulses occupy an increasingly larger portion of total crop area
- Saskatchewan is a recognized global center of excellence in pulse research
- Farm-gate income from pulses in Saskatchewan continues to grow
- Crop production is more sustainable and environmentally friendly through the reduced use of nitrogen fertilizer
- Farmers, processors and exporters are more profitable
- Employment increases in related processing, exporting, manufacturing and service industries
- The Canadian public is more aware of the health benefits of pulses.

#### ***Benefits***

Saskatchewan's successful commercialization of pulse production and processing technology has accrued significant economic, environmental and human health benefits back to Saskatchewan, including:

- \$1 billion of farm gate value of production.
- 1,100 persons employed in the pulse processing industry.
- Increased producer engagement in value chain activities such as seed production, processing and export.
- Employment in support industries including research, input manufacturing, equipment manufacturing and transportation.
- Clustering of world-class pulse research expertise in Saskatoon.
- Positive impact on the livestock industry by providing an economic alternative to imported soy meal.
- Positive impact on the environment

through reduction in CO<sub>2</sub> emissions; reduction in reliance on fossil fuel-based nitrogen fertilizer; overall reduction in the use of chemical pest control products and a reduction in soil erosion and soil salinization.

- Positive impact on health of consumers through increased access to pulses and greater awareness of the positive health attributes such as high folic acid, high fibre, high protein & low fat.

#### ***Goals***

The Saskatchewan Research Strategy has the following two goals

**Goal #1: Increase net farm value of pulse production**, by advancing science in the areas of genetic improvement and sustainable crop production.

Pulses often generate higher net farm value compared to other grains and oilseeds in Saskatchewan. Because pulse yields are similar to cereal and oilseed yields in Saskatchewan, they experience a high degree of substitutability. This is unique compared to many other pulse production regions of the world. For example, in India, the world's largest pulse producer, wheat yields average five times more than pulses, resulting in a trend for Indian farmers to shift away from pulse production.

Scientific advances associated with pulse genetics, pathology and agronomy for existing pulse market classes will further improve the net farm value of pulse production. Access to this improved technology will increase the quality and quantity of pulse production, subsequently enhancing our ability to capitalize on our comparative advantage will also create new market opportunities for the Canadian trade and will increase Canada's share of world pulse trade.

Specific actions include:

- Doubling our pulse breeders from two to four
- Increasing varietal screening efforts for disease resistance and quality attributes
- Increasing biotechnology research (genomics, marker assisted selection, tissue culture)
- Establishing two additional pulse pathologists with technical support.
- Intensifying efforts to register new

- crop protection products
- Improving agronomy to support new market classes and improved quality

#### **Goal #2: Increase value**

**added processing and manufacturing** by understanding pulse quality attributes and developing new uses for pulses.

There will continue to be price sensitive markets for bulk supplied pulses, but there are also quality sensitive markets that attract premiums. Research into end-use quality traits and the attributes of pulse constituents is essential to position Canada in these premium markets. New uses research will contribute to the development of new pulse types and new products. In order to attract value added processing facilities to Saskatchewan, this type of research should be closely associated with the breeding programs and the main production region.

In some cases, high net farm values are achieved by using identity preservation techniques in a diverse pulse market containing thirty to forty market classes. This experience makes the pulse industry well positioned to participate in food safety programs to satisfy consumer demands for safe, quality food.

Specific actions include:

- Establishment of a Pulse Quality Evaluation Program in order to create new market opportunities. Saskatchewan's global comparative advantage in pulse production provides the province with an ideal building block to begin the process of creating added wealth from a renewable resource.
- Research into new uses for pulses in order to increase market opportunities for pulses and to assist growers in moving up the value chain by investing in value added processing.

Although a strategy of this magnitude will take many years to implement, progress has begun. Highlights include:

1. Pulse Canada unveiled a pulse research framework at a national pulse research meeting.

2. Agriculture and Agri-Food Canada indicated that it will increase its investment into pulse research.
3. Saskatchewan Agriculture and Food made pulses one of its priorities and increased its co-funding of pulse research.
4. SPG announced a fundraising initiative to build a pulse field research lab in Saskatoon.
5. The Agri-Food Innovation Fund (a Federal/Provincial initiative) committed \$1.5 million towards the pulse field lab.
6. Industry committed \$235,500 to the pulse field lab, with strong indication of support for an additional \$250,000.
7. The Alberta, Saskatchewan, Manitoba and Ontario pulse industries developed provincial research strategies based on the Pulse Canada framework.
8. SPG increased the pulse checkoff to 1.0% over two years in order to increase its annual research budget from \$1.0 million to \$4 million by 2005.
9. SPG increased its 2003 research budget to \$1.66 million.

SPG's long term research strategy has been developed based on the Pulse Canada Research framework and in consultation with numerous stakeholders. I would like to thank those who specifically directed this strategy including: Dr. Bryan Harvey, (U of S); Dr. Graham Scoles, (U of S); Dr. David Wall, (Agriculture and Agri-Food Canada); Dr. Peter Burnett, (Agriculture and Agri-Food Canada); Dr. Kutty Kartha, (Plant Biotechnology Institute); Dr. Wilf Keller, (Plant Biotechnology Institute); Mr. John Buchan, (Saskatchewan Agriculture & Food); and Dr. Abdul Jalil, (Saskatchewan Agriculture & Food).

We believe that sound investment decisions today will result in a healthy Saskatchewan pulse industry in the future.

# HERGOTT DUVAL STACK & PARTNERS LLP

## CHARTERED ACCOUNTANTS

### PARTNERS

LYLE ZDUNICH, BComm CA  
R. JOE PARKER, BComm CA  
THOMAS J. STACK, BA CA  
BARRY FRANK, BComm CA  
BLAIR DAVIDSON, BComm FCA  
BERNIE A. BROUGHTON, BComm CA  
DAVID W. BALLANTYNE, CBV FCA  
CRAIG HERMANN, BComm CA  
CAROL MAILLOUX, BComm CA

### SENIOR COUNSEL

LEE HERGOTT, BComm CA  
MAURICE DUVAL, BComm CA

1200 SASKATOON SQUARE

410 - 22ND STREET EAST  
SASKATOON, SASKATCHEWAN  
S7K 5T6

TELEPHONE (306) 934-8000

FAX (306) 653-5859

[www.hergottduval.sk.ca](http://www.hergottduval.sk.ca)

E-Mail: [office@hergottduval.sk.ca](mailto:office@hergottduval.sk.ca)

## AUDITORS' REPORT

### Saskatchewan Pulse Crop Development Board and Agri-Food Council

Dear Sirs:

We have examined the system of internal control of the Saskatchewan Pulse Crop Development Board in effect as at November 4, 2002. We did not examine certain aspects of internal control concerning the effectiveness, economy, and efficiency of certain management decision making processes. The criteria for the examination of this system of internal control consisted of the control environment and control systems described in the Canadian Institute of Chartered Accountants Handbook.

Our examination was conducted in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an examination to obtain reasonable assurance whether the system of internal control established and maintained by management is sufficient to meet the control objectives referred to below. Such an examination includes obtaining an understanding of the system of internal control and performing tests of controls to determine whether the internal controls exist and operate effectively.

The management of the Saskatchewan Pulse Crop Development Board is responsible for establishing and maintaining a system of internal control to achieve the control objectives noted in (a) to (d) below. In fulfilling this responsibility, estimates and judgement by management are required to assess the expected benefits and related costs of control procedures. Our responsibility is to determine that there is a system of internal control in effect which provides management with reasonable, but not absolute, assurance that:

- (a) the accounts are faithfully and properly kept to permit the preparation of financial statements in accordance with the appropriate basis of accounting;
- (b) all producer money is fully accounted for and properly disposed of and the rules and procedures applied are sufficient to ensure an effective check on the assessment, collection and proper allocation of producer money;
- (c) transactions are executed in accordance with management's authorization, and producer money expended is applied to the purpose for which it was intended by legislation; and
- (d) essential records are maintained and the rules and procedures applied are sufficient to safeguard and control producer money against loss from unauthorized use or disposition.

Because of the inherent limitations in any system of internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of the system of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

In our opinion, based upon the above criteria, the system of internal control of the Saskatchewan Pulse Crop Development Board in effect as at August 31, 2002, taken as a whole, was sufficient to meet the objectives stated above insofar as those objectives pertain to the prevention or detection of errors or fraud in amounts that would be material in relation to the Saskatchewan Pulse Crop Development Board.

SASKATOON, SASKATCHEWAN

**"HERGOTT DUVAL STACK & PARTNERS LLP"**

November 4, 2002

Chartered Accountants



# **HERGOTT DUVAL STACK & PARTNERS LLP**

## **CHARTERED ACCOUNTANTS**

### **PARTNERS**

LYLE ZDUNICH, BComm CA  
R. JOE PARKER, BComm CA  
THOMAS J. STACK, BA CA  
BARRY FRANK, BComm CA  
BLAIR DAVIDSON, BComm FCA  
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DAVID W. BALLANTYNE, CBV FCA  
CRAIG HERMANN, BComm CA  
CAROL MAILLOUX, BComm CA

### **SENIOR COUNSEL**

LEE HERGOTT, BComm CA  
MAURICE DUVAL, BComm CA

1200 SASKATOON SQUARE  
410 - 22ND STREET EAST  
SASKATOON, SASKATCHEWAN  
S7K 5T6

TELEPHONE (306) 934-8000  
FAX (306) 653-5859  
[www.hergottduval.sk.ca](http://www.hergottduval.sk.ca)  
E-Mail: [office@hergottduval.sk.ca](mailto:office@hergottduval.sk.ca)

### **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 Agri-Food Council pertaining to its financial reporting, safeguarding of assets, spending, revenue-raising, borrowing and investing activities during the year ended August 31, 2002.

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 Agri-Food Council during the year ended August 31, 2002.

SASKATOON, SASKATCHEWAN

**“HERGOTT DUVAL STACK & PARTNERS LLP”**

November 4, 2002

Chartered Accountants

### **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, 2002, 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, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

SASKATOON, SASKATCHEWAN

**“HERGOTT DUVAL STACK & PARTNERS LLP”**

November 4, 2002

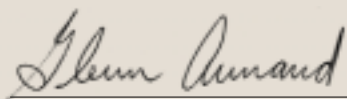
Chartered Accountants

## Financial Statements

### SASKATCHEWAN PULSE CROP DEVELOPMENT BOARD STATEMENT OF FINANCIAL POSITION AUGUST 31, 2002

			(Restated Note 6)
	2002	2001	
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 152,279	\$ 171,671	
Cash - externally restricted	3,500	-	
Investments (market value - \$984,450)	885,864	1,093,382	
Accounts receivable	308,450	317,666	
Inventory	33,434	51,737	
Prepaid expenses	57,821	41,667	
Accrued interest receivable	78,544	70,257	
	<b>1,519,892</b>	<b>1,746,380</b>	
Investments - restricted (market value - \$1,000,000)	1,000,000	1,000,000	
Capital assets (Note 3)	352,689	362,227	
	<b>\$ 2,872,581</b>	<b>\$ 3,108,607</b>	
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 137,090	\$ 371,462	
<b>NET ASSETS</b>			
Externally restricted (Note 4)	3,500	-	
Invested in capital assets	352,689	362,227	
Internally restricted	1,000,000	1,000,000	
Unrestricted	1,379,302	1,374,918	
	<b>2,735,491</b>	<b>2,737,145</b>	
	<b>\$ 2,872,581</b>	<b>\$ 3,108,607</b>	

Approved by the Board



Director



Director

**SASKATCHEWAN PULSE CROP DEVELOPMENT BOARD**  
**STATEMENT OF OPERATIONS**  
**YEAR ENDED AUGUST 31, 2002**

	<b>2002</b>		(Restated Note 6) <b>2001</b>
	Budget (Note 11)	Actual	Actual
<b>Revenue</b>			
Levies	\$ 2,687,814	\$ 2,478,225	\$ 2,748,418
Extension and communication	265,750	238,476	98,145
Interest	120,000	109,297	147,583
Domestic market development	-	-	3,545
Pulse Canada	5,000	10,140	5,000
Variety release	241,100	265,589	256,495
Grants	-	-	75,000
	<b>3,319,664</b>	<b>3,101,727</b>	<b>3,334,186</b>
<b>Expenses (Schedule 1)</b>			
Directors	236,498	171,306	191,269
Office	471,186	463,834	426,777
Extension and communication	484,685	423,593	312,372
Domestic market development	132,320	81,703	38,210
Pulse Canada (Note 7)	604,300	553,846	437,094
Policy development	40,000	26,321	72,629
Research and development	1,051,115	1,015,682	1,259,636
Variety release	388,796	370,596	554,562
	<b>3,408,900</b>	<b>3,106,881</b>	<b>3,292,549</b>
<b>(Deficiency) excess of revenue over expenses</b>	<b>\$ (89,236)</b>	<b>\$ (5,154)</b>	<b>\$ 41,637</b>



**SASKATCHEWAN PULSE CROP DEVELOPMENT BOARD**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**YEAR ENDED AUGUST 31, 2002**

Net Assets	Externally Restricted	Invested in Capital Assets	Internally Restricted	Unrestricted	2002	2001
<b>Balance, beginning of the year</b>	\$ -	\$ 362,227	\$ 1,000,000	\$ 1,393,898	\$ 2,756,125	\$ 2,695,508
Adjustment to prior period (Note 6)	-	-	-	(18,980)	(18,980)	-
<b>Balance, as restated (Deficiency)</b>	-	<b>362,227</b>	<b>1,000,000</b>	<b>1,374,918</b>	<b>2,737,145</b>	<b>2,695,508</b>
excess of revenues over expenses	-	-	-	(5,154)	(5,154)	41,637
Contributions	3,500	-	-	-	3,500	-
Purchase of capital assets	-	2,564	-	(2,564)	-	-
Amortization	-	(12,102)	-	12,102	-	-
<b>Balance, end of year</b>	<b>\$ 3,500</b>	<b>\$ 352,689</b>	<b>\$ 1,000,000</b>	<b>\$ 1,379,302</b>	<b>\$ 2,735,491</b>	<b>\$ 2,737,145</b>

**SASKATCHEWAN PULSE CROP DEVELOPMENT BOARD**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED AUGUST 31, 2002**

	2002	(Restated Note 6) 2001
<b>Cash flows from operating activities</b>		
(Deficiency) excess of revenue over expenses	\$ (5,154)	\$ 41,637
Amortization, not affecting cash	12,102	9,971
Net change in non-cash working capital balances relating to operations:		
Investments	207,518	384,980
Accounts receivable	9,216	(11,650)
Inventory	18,303	1,706
Prepaid expenses	(16,154)	14,619
Accrued interest receivable	(8,287)	(13,141)
Accounts payable	(234,372)	(331,017)
	<b>(16,828)</b>	<b>97,105</b>
<b>Cash flows from investing activities</b>		
Purchase of capital assets	<b>(2,564)</b>	<b>(38,684)</b>
<b>Net (decrease) increase in cash during the year</b>	<b>(19,392)</b>	<b>58,421</b>
Cash, beginning of year	171,671	113,250
<b>Cash, end of year</b>	<b>\$ 152,279</b>	<b>\$ 171,671</b>

**SASKATCHEWAN PULSE CROP DEVELOPMENT BOARD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2002**

**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:

- gather, compile and distribute information on the production, processing, economics, consumption, marketing, and benefits of pulse crops;
- facilitate the increased utilization of Saskatchewan pulses in both domestic and international markets;
- encourage the research and development of pulses based on market needs;
- maximize the profitability of pulse production;
- administer Board operations in an efficient fashion; and,
- operate with fiscal responsibility.

**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 stated 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

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.

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**

		2002		2001	
	Cost	Accumulated Amortization	Net Book Value		Net Book Value
Equipment	\$ 92,123	\$ 42,434	\$ 49,689	\$ 59,227	
Land	303,000	-	303,000	303,000	
	<b>\$ 395,123</b>	<b>\$ 42,434</b>	<b>\$ 352,689</b>	<b>\$ 362,227</b>	

**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 15% of the estimated \$10 million required to fund the establishment of a Pulse Field Lab Facility.

**SASKATCHEWAN PULSE CROP DEVELOPMENT BOARD  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2002**

**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. Adjustment to prior period**

In 2001, there was an error in recording interest revenue. This resulted in an overstatement in interest revenue and accrued interest. As a result of the error, the prior period amounts for accrued interest and interest revenue have been reduced by \$18,980.

**7. 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 75% 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
- 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 and
- interacting with the federal government regarding research funding, programs and regulations.

**8. 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:

2003	\$	973,536
2004		834,909
2005		474,263
2006		114,628
2007		24,000

**9. Lease commitments**

A three-year lease agreement exists with the Saskatchewan Opportunities Corporation for the premises at 310 - 111 Research Drive, Saskatoon, Saskatchewan. Yearly rental payments due in each of the next two years are as follows:

2003	\$	36,791
2004		3,076

**10. Cash advance program (Schedule 2)**

In accordance with an agreement made with Agriculture and Agri-Food Canada, the Board has made a cash advance program available to pulse crop producers.

Under the program, cash advances up to \$50,000 are non-interest bearing to the producer, and advances over \$50,000 are charged interest at a rate of prime less 1/4%. To apply for the loan, the producer provides a 3.5% (2001 - 2%) refundable cash deposit and an administration fee with the loan application. The deposits are repayable to the producer upon repayment of the cash advance and the application fees are used to cover the costs of the program administration. All advances are provided to the program through a bank loan and are guaranteed by the government. The bank rates on all advances are prime less 1/4%, with the government being responsible for interest charges on loans advanced under \$50,000.

The Board has entered into an agreement with the Manitoba Corn Growers Association Inc. ("MCGA") to administer the above program. As at the report date, there were approximately \$4,900,000 of producer advances outstanding.

Effective March 22, 2002, the Board placed a request with the Minister and the Government of Canada for the administration of the Cash Advance Program to be assigned to the Canadian Canola Growers Association to commence with the Spring Credit Advance Program for 2002. The Board will have no further obligations as an administrator and will incur no additional liabilities with respect to the 2002 Spring Credit Advance and thereafter. The Board will however, maintain obligation and liability relating to its previous activities as an administrator.

**11. Budgeted figures**

These figures are based on the budget as presented at the Annual General Meeting held on January 7, 2002, and subsequently revised January 18, 2002 and March 21, 2002, and have been reclassified to conform to the financial statement presentation.

**12. 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, 2002**

**Schedule 1**

	<b>2002</b>		(Restated Note 6) <b>2001</b>
	Budget (Note 11)	Actual	Actual
<b>Directors</b>			
Communications	\$ 8,310	\$ 6,129	\$ 6,999
Election	11,338	20,479	11,338
Honoraria	91,675	73,567	86,263
Meetings	3,490	1,039	3,388
Travel	92,985	53,118	77,968
Other	28,700	16,974	5,313
	<b>236,498</b>	<b>171,306</b>	<b>191,269</b>
<b>Office</b>			
Communications	25,626	14,368	25,815
Contract work	106,738	121,765	100,647
Office	47,198	53,525	69,665
Salaries and benefits	244,862	250,683	192,969
Travel	26,862	16,350	24,879
Other	19,900	7,143	12,802
	<b>471,186</b>	<b>463,834</b>	<b>426,777</b>
<b>Extension and communication</b>			
Communications	275,285	244,598	157,206
Crop production week	168,200	152,559	115,095
Extension meetings	18,200	19,074	17,697
Field day	20,500	4,814	9,985
Other	2,500	2,548	12,389
	<b>484,685</b>	<b>423,593</b>	<b>312,372</b>
<b>Domestic market development</b>	<b>132,320</b>	<b>81,703</b>	<b>38,210</b>
<b>Pulse Canada (Note 7)</b>	<b>604,300</b>	<b>553,846</b>	<b>437,094</b>
<b>Policy development</b>	<b>40,000</b>	<b>26,321</b>	<b>72,629</b>
<b>Research and development</b>			
Agronomy	189,687	192,087	252,875
Breeding	776,227	763,621	932,581
Processing	20,201	6,150	59,180
General	15,000	15,000	15,000
Fundraising	50,000	38,824	-
	<b>1,051,115</b>	<b>1,015,682</b>	<b>1,259,636</b>
<b>Variety release</b>	<b>388,796</b>	<b>370,596</b>	<b>554,562</b>
	<b>\$ 3,408,900</b>	<b>\$ 3,106,881</b>	<b>\$ 3,292,549</b>

**SASKATCHEWAN PULSE CROP DEVELOPMENT BOARD  
SCHEDULE OF CASH ADVANCE PROGRAM AUGUST 31, 2002**

**Schedule 2**

**FINANCIAL POSITION**

	2002	2001
<b>ASSETS</b>		
<b>Current Assets</b>		
Bank - producer deposits	\$ 487,625	\$ 353,027
Cash advances receivable	10,892,189	10,687,804
	<b>11,379,814</b>	<b>\$ 11,040,831</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Repayable producer deposits	\$ 482,571	\$ 314,518
Accounts payable	5,054	38,509
Loan payable	10,892,189	10,687,804
	<b>11,379,814</b>	<b>11,040,831</b>
<b>NET ASSETS</b>		
Unrestricted	-	-
	<b>\$11,379,814</b>	<b>\$ 11,040,831</b>

**OPERATIONS YEAR ENDED AUGUST 31, 2002**

	2002	2001
<b>Revenue</b>		
Administration fees	\$ 92,997	\$ 184,912
Producer loans interest	273,742	417,048
	<b>366,739</b>	<b>601,960</b>
<b>Expenses</b>		
Administration fees paid to MCGA	92,997	184,912
Interest paid to the bank	273,742	417,048
	<b>366,739</b>	<b>601,960</b>
<b>Excess of revenues over expenses</b>	<b>\$ -</b>	<b>\$ -</b>

# **Schedule of Saskatchewan Pulse Growers Research Expenditures**

Year Ended August 31, 2002

(Prepared by management)

Researcher	Project #	Project	Amount
<b>Agronomy</b>			
Ball/University of Saskatchewan	AGR0101	Canopy & Stem Stiffness Affecting Lentil Disease	\$16,000
Ball/University of Saskatchewan	AGR0104	Improving Germination & Stand in Dry Bean	6,350
Banniza/Crop Development Centre	AGR0105	Chickpea Disease Control-Spray Application Delivery	51,387
Derksen/Agriculture & Agri-Food Canada	AGR9705	Pea/Wheat Rotation Effect on Weeds, Nutrients, Soil & Economics	19,000
Gan/Agriculture & Agri-Food Canada	AGR9903	Optimizing Inoculation and Fertilization of Chickpea	13,600
Gan/Agriculture & Agri-Food Canada	AGR0020	Kabuli Selection Pressure of Seed Size, Vigour, & Yields	18,600
Huang/Agriculture & Agri-Food Canada	AGR0108	Epidemiology and Economic Impact of Pink Seed of Pea	10,000
Hwang/Alberta Research Council	AGR9821	Control of Seedling Diseases of Chickpea	6,750
Janzen/Seager Wheeler Farm	AGR0110	CDC Pintium Bean Demonstration	600
Kutcher/Agriculture & Agri-Food Canada	AGR9805	Pea Disease Management	7,000
Nybo/Wheatland Conservation Area	AGR0115	Improved Pulse Varieties for Brown Soil Zone	5,600
Shirliffe/University of Saskatchewan	AGR0120	Dry Bean Agronomy	14,500
Conner/Agriculture & Agri-Food Canada	AGR9908	Resistance of Pea Varieties to Mycosphaerella & Fusarium	2,400
Walley/University of Saskatchewan	AGR0015	Inoculants for Enhanced N Fixation in Beans	20,300
			<b>192,087</b>
<b>Breeding</b>			
Diederichsen/Agriculture & Agri-Food Canada	BRE0010	Grain Legume Germplasm for Pulse Crop Breeders	20,000
Vandenberg/Buchwaldt/Crop Dev. Centre	BRE9902	DNA Markers for Anthracnose Resistance in Lentil Breeding	16,410
Vandenberg/Warkentin/Crop Dev. Centre	BRE9701	Pulse Breeding Program	463,590
Vandenberg/Crop Development Centre	BRE0125	Frost Tolerance-Dry Bean Using Traditional Plant Breeding Method	62,667
Vandenberg/Crop Development Centre	BRE0124	Improvement of Resistance to Ascochyta & Anthracnose-Lentil	145,440
Banniza/Crop Development Centre	BRE0028	Pulse Crop Pathology Program	14,561
Vandenberg/Crop Development Centre	BRE9915	Haploid Breeding of Pulses	9,000
Warkentin/Crop Development Centre	BRE0128	Saskatchewan Pulse Testing Network for Germplasm Evaluation	17,853
Warkentin/Crop Development Centre		Pulse Genomics Equipment	14,100
			<b>763,621</b>
<b>General</b>			
University of Saskatchewan	AMSCH	SPG Don Jaques Memorial Scholarship	15,000
			<b>15,000</b>
<b>Processing</b>			
Arganosa/University of Saskatchewan	PRO0131	Evaluation-Canned Pulses Grown Various Locations in Saskatchewan	5,400
Hickling/Canadian International Grains Inst.	PRO9818	Utilization of Feed Peas in Tropical Aquaculture- project terminated-accrual adjustment	-5,250
Whiting/University of Saskatchewan	PRO0031	Pea Fibre as a Laxative	6,000
			<b>6,150</b>
<b>Total</b>			<b>\$ 976,858</b>



Saskatchewan Pulse Growers

310 - 111 Research Dr.

Saskatoon SK Canada S7N 3R2

306.668.5556 phone

306.668.5557 fax

[pulse@saskpulse.com](mailto:pulse@saskpulse.com)

[www.saskpulse.com](http://www.saskpulse.com)