

09/10

# flax

Saskatchewan  
Development Commission

# Annual Report

## Directors 2009/2010

Allen Kuhlmann, Rouleau  
(Chair)  
Lyle Simonson, Swift Current  
(Vice Chair)  
Gregor Beck, Rouleau  
Erwin Hanley, Regina  
David Sefton, Broadview  
Shane Stokke, Watrous

## Advisors

Dr. Gordon Rowland,  
Saskatoon (CDC)  
Glenn Payne, Regina  
(Ministry of Agriculture)  
Venkata Vakulabharanam,  
Regina (Ministry of  
Agriculture)

## Executive Director

Linda Braun, Saskatoon

## Fiber Specialist

Alvin Ulrich

## Head Office

ASA 116-103rd St. East  
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SaskFlax

## Operations

The Commission's 14th year of operation was guided by six directors from its registered members. Allen Kuhlmann returned as Chair, Lyle Simonson continued as Vice Chair. Chris Hale retired from the Commission. Shane Stokke joined the Board of Directors.

Keeping the Board apprised of research and government activities were Advisors Dr. Rowland, Glenn Payne and Venkata Vakulabharanam.

Day to day management of the Commission was handled by Executive Director Linda Braun. Levy collection services were provided by the Ag Council of Saskatchewan Inc. SaskFlax Executive Director is an Advisory Committee member to this new service by ACS which now collects levy on behalf of canola, mustard, canary seed, winter cereals, oats and flax Commissions. Levy rebates were prepared and payment issued to producers requesting payment for Periods 1 and 2.

The Commission engaged the services of Alvin Ulrich (Biolin Research) for fiber/straw related activities; Larry Weber for market support services and Penny Eaton (Eaton & Associates) to assist with communication activities.

Regulations, board orders and policies were reviewed in accordance with the Agri-Food Council requirements. Financial reporting directives were implemented by the organization's auditor, Merv Culham.

The discovery of genetically modified flax in Europe and subsequent market turmoil impacted the Canadian flax industry throughout the value chain. The Flax Council of Canada coordinated efforts to address the issue. Director David Sefton represented Saskatchewan growers on the national committee. Committees were established to liaise and negotiate with European regulators, develop mutually adapted testing protocols, engage provincial and national leaders support, and communicate with all stakeholders.

With Saskatchewan growing the majority of Canada's production (approximately 80%), the Commission implemented a robust communications strategy designed to inform and update its members and the general farm population of events as they were unfolding and recommended actions needed to re-establish this vital marketplace.

Actions implemented included presentations at commodity annual general meetings, winter producer meetings (in conjunction with canola) across the province, newsletter and a Communiqué to all registered producers highlighting testing protocols, available local labs and sampling procedures. The Commission appreciated the support of the Canadian Agricultural Adaptation Program for design and dissemination of the March Communiqué.

SaskFlax and the Flax Council of Canada websites were main communication vehicles. The Commission also piloted two programs to reach growers. A series of conference calls were conducted. Each call program consisted of a panel of Committee members outlining the situation, followed by a question/answer session allowing growers to direct questions to panel members. Calls were well advertised in farm and local media in advance, resulting in excellent participation by Saskatchewan farmers. The same process was utilized with the Ministry of Agriculture personnel to keep them abreast of the situation and allow for updated information dissemination to their clients.

The Executive Director and farmer directors fielded numerous calls over the period as well. An application was submitted to CAAP to assist with communication efforts for 2010 and beyond.

In light of the serious situation, the Commission utilized restraint with activities for research and market facilitation in food, feed and fiber arenas.



**Research**

Previously approved research projects with Dr. Rowland (Winter Nursery, RILS) continued. Bolin’s equipment modification project concluded. The TUFGEN (Total Utilization of Flax Agronomics) national program aimed at providing genetic knowledge to improve flaxseed and straw trials continued under the direction of Dr. Rowland.

The Northern Adapted Flax Variety Development, a cooperative venture with Viterra, Alberta Technology Innovates Futures and B.C. Grain Growers Association, funded in part by CAAP, ADF, WGRF continued to seek funding and partnerships in Alberta and Manitoba. Scientists initiated year 1 of the program. The team participated in Melfort AAFC field day and Viterra hosted a field day for potential Alberta clientele and funding agencies. SaskFlax, in efforts to showcase the project, initiated an “in the zone” page on the Commission’s web site.

**Communications**

Within the Communication pillar, the Commission continued to keep its members apprised of industry events impacting flax growers through its newsletter, the web site and personal contact. Directors also represented flax producers at various industry events and through such organization as Sask Trade and Export Partnership, National Forum on Seed, Prairie Recommending Committee for Oilseed (PRCO); the Flax Council of Canada and Genome Prairie.

**Fiber**

Work continued on the fiber pillar through the national fiber initiative (NAFGEN) where research was conducted in the field and at primary processing facilities. In addition, SaskFlax continued to work

hard within the sustainability platform, developing its action plan to achieve its sustainability vision “Flax is a profitable crop that is produced and transformed in environmentally sound ways into products that are beneficial to society and the environment.” To achieve this vision, the Commission strove to incorporate these fundamental principles:

- flax and flax products are solutions for sustainability (complete plant utilization)
- flax is considered by producers to be a “crop of choice”
- production and transformation have a net positive impact on natural and social systems
- regional transformation of flaxseed and straw
- development of necessary human capital and leadership

**Food**

From a consumer perspective, the Commission continued to provide nutritional and product use information through our web site, and via email and ordinary post. Saskatchewan inDemand provided opportunities for not only the consuming public but also the culinary community to taste and learn how to incorporate flax into their daily food consumption for health and pleasure. Nutrition and product information was disseminated at various conferences, workshops, trade shows and through food/health related organizations and our office. “Everything Flax”, the Commission’s cookbook available at bookstores and online is an effective reference book as well as a recipe collection.

The nutraceutical functional food market place was investigated by attending Supply West, literature review, industry journals and networking with allied organizations.

**Saskatchewan Flax Development Commission  
Board of Directors**



**Allen Kuhlmann  
(Chair)**



**Lyle Simonson  
(Vice Chair)**



**Gregor Beck**



**Erwin Hanley**



**David Sefton**



**Shane Stokke**

## AUDITOR'S REPORT

### **To the Members of Saskatchewan Flax Development Commission**

I have audited Saskatchewan Flax Development Commission's control as of July 31, 2010 to express an opinion as to the effectiveness of its control related to the following objectives.

- To safeguard Commission resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- To prepare reliable financial reports.
- To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding Commission resources, revenue-raising, spending, borrowing and investing.

I used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make my judgements about the effectiveness of Saskatchewan Flax Development Commission's control. I 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.

Saskatchewan Flax Development Commission's management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements established by the CICA. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of Saskatchewan Flax Development Commission's control related to the objectives 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 my opinion, Saskatchewan Flax Development Commission's control was effective, in all material respects, related to the objectives stated above as of July 31, 2010 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 judgement 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.

Merv Culham

  
Chartered Accountant  
Regina, Saskatchewan  
November 9, 2010

### **To the Members of Saskatchewan Flax Development Commission**

I have made an examination to determine whether Saskatchewan Flax Development Commission 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 July 31, 2010:

The Agri-Food Act, 2004  
The Saskatchewan Flax Development Plan Regulations

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

In my opinion, Saskatchewan Flax Development Commission has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended July 31, 2010.

Merv Culham

  
Chartered Accountant  
Regina, Saskatchewan  
November 9, 2010

### **To the Members of Saskatchewan Flax Development Commission**

I have audited the balance sheet of Saskatchewan Flax Development Commission as at July 31, 2010 and the statements of revenue, cumulative surplus and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 my opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at July 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Merv Culham

  
Chartered Accountant  
Regina, Saskatchewan  
November 9, 2010



*"I'm sowing flax  
seeds so a shirt  
will grow for  
you and your  
sister."*

Konstantin Ushinsky, (1824 - 1870)  
Russian children's author

**Saskatchewan Flax Development Commission**  
**BALANCE SHEET**  
**As at July 31, 2010**



**ASSETS**

	Operating Fund	Restricted Fund	Total 2010	Total 2009
<b>CURRENT</b>				
Cash	308,940	463,481	772,421	648,677
Accounts receivable	245,167	0	245,167	179,812
Interfund (payable) receivable	(136,519)	136,519	0	0
	417,588	600,000	1,017,588	828,489
<b>CAPITAL (Note 2)</b>	155,153	0	155,153	185,112
	572,741	600,000	1,172,741	1,013,601

**LIABILITIES**

<b>CURRENT</b>				
Accounts payable	38,596	0	38,596	39,873
Research grants payable	15,000	0	15,000	5,000
	53,596	0	53,596	44,873

**SURPLUS**

<b>SURPLUS</b>				
Appropriated (Note 3)	0	600,000	600,000	600,000
Cumulative surplus (deficit)	519,145	0	519,145	368,728
	519,145	600,000	1,119,145	968,728
	572,741	600,000	1,172,741	1,013,601

Approved on behalf of the Board

See accompanying notes to the financial statements.

*Alex Kuhlman*

Director

*Lyle Ammonson*

Director



**Saskatchewan Flax Development Commission**  
**STATEMENT OF REVENUE AND CUMULATIVE SURPLUS**  
**For the year ended July 31, 2010**

	Budget 2010	Actual 2010	Actual 2009
<b>REVENUE</b>			
Crop levy	212,000	683,721	505,103
Levy refunds issued	(14,840)	(27,699)	(20,158)
Net crop levy	197,160	656,022	484,945
Grant revenues	0	59,905	39,706
Interest income	5,000	12,306	17,322
	202,160	728,233	541,973
<b>EXPENDITURE</b>			
Administration			
Executive director	75,000	95,386	78,410
Travel	2,000	1,992	1,493
Administration	7,000	6,566	6,915
Rent	10,800	10,815	9,450
Levy collection	27,000	33,634	14,408
Meetings	7,000	10,208	5,845
Director per diems	7,000	4,578	4,518
Director honoraria	8,000	12,752	7,215
Professional fees	5,000	4,301	3,224
Bank charges	600	607	417
Insurance	3,500	2,250	3,114
Electronic equipment/programs	2,000	0	214
Amortization	0	29,959	29,959
Communication (Schedule 1)	99,000	178,352	134,848
Research (Schedule 2)	92,630	75,683	54,673
Market facilitation (Schedule 3)	108,500	110,733	195,242
	455,030	577,816	549,945
<b>SURPLUS FOR THE YEAR</b>	<b>(252,870)</b>	<b>150,417</b>	<b>(7,972)</b>
<b>CUMULATIVE SURPLUS BEGINNING OF YEAR</b>		<b>368,728</b>	<b>376,700</b>
<b>CUMULATIVE SURPLUS END OF YEAR</b>		<b>519,145</b>	<b>368,728</b>

See accompanying notes to the financial statements.



### **Our Vision**

*“Saskatchewan Flax Development Commission, as a respected organization, leads the promotion of flax and flax products to the world.”*

### **Our Mission**

*“To lead, promote and enhance the production, value-added processing and utilization of Saskatchewan Flax.”*

**Saskatchewan Flax Development Commission**  
**STATEMENT OF CASH FLOWS**  
**For the year ended July 31, 2010**



**Saskatchewan Flax Development Commission**  
**NOTES**  
**For the year ended July 31, 2010**

**1. Nature of business**

Saskatchewan Flax Development Commission operates to promote and enhance flax production in Saskatchewan for maximum return to producers through market development, research, leadership and communication in the industry.

**2. Accounting policies**

The carrying amount of cash, accounts receivable, accounts payable and research grants payable approximates their fair market value due to the short-term maturities of these items.

The commission does not have a significant credit exposure to any individual customer or counterpart. Revenues are recognized when received or receivable if the amount to be received can be reasonably estimated.

Amortization of capital assets is provided using the straight-line method over the estimated useful lives of the capital assets.

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

	2010	2009
CASH PROVIDED BY (USED BY) THE FOLLOWING ACTIVITIES		
<b>OPERATIONS</b>		
Surplus (deficit) for the year	150,417	(7,972)
Items charged to earnings which do not affect cash		
Amortization	29,959	29,959
	180,376	21,987
Net change in non-cash working capital balances		
Accounts receivable	(65,355)	(28,917)
Accounts payable	(1,277)	(116,028)
Research grants payable	10,000	(45,500)
Increase (decrease) in cash during the year	123,744	(168,458)
CASH BEGINNING OF THE YEAR	648,677	817,135
CASH END OF THE YEAR	772,421	648,677

During the year, the organization had cash flows arising from interest and income taxes paid as follows:

Bank charges paid	607	417
Income taxes paid	0	0

See accompanying notes to the financial statements.

**3. Capital assets**

	2010	2009				
	Cost	Grants received	Accum. amort.	Book Value	Book Value	Rate
Research equipment	502,959	203,366	144,440	155,153	185,112	10%

**Saskatchewan Flax Development Commission**  
**SCHEDULES TO THE FINANCIAL STATEMENTS**  
**For the year ended July 31, 2010**

	Budget 2010	Actual 2010	Actual 2009
<b>Communications</b>			<b>Schedule 1</b>
Annual general meeting	15,000	23,825	18,649
Newsletter	15,000	19,663	16,300
Memberships and subscriptions	1,000	968	2,309
Joint program/partnerships	5,000	0	2,674
Industry liaison	30,000	42,186	33,990
EU/GM market liaison	8,000	68,714	0
Flax market support - Weber	10,000	15,171	49,617
Election	0	0	3,604
Electronic communication	15,000	7,825	7,705
	<b>99,000</b>	<b>178,352</b>	<b>134,848</b>
<b>Research</b>			<b>Schedule 2</b>
New research	0	0	0
Research coordination	1,000	3,441	5,363
Boost yields improved agro	0	1,442	0
CDC quality lab support	0	0	5,000
TUFGEN Genome Prairie	25,000	50,147	0
Dribnenki - Northern Adapted flax	50,000	3,977	9,308
Ulrich - enhance field retting of flax straw	1,630	1,630	9,750
Rowland - RILS phenotyping	10,000	10,046	20,252
Rowland - winter nursery	5,000	5,000	5,000
	<b>92,630</b>	<b>75,683</b>	<b>54,673</b>
<b>Market facilitation</b>			<b>Schedule 3</b>
Flax 2015 national initiative	0	1,640	7,483
Food market	18,500	9,127	40,569
Fibre market	90,000	99,966	147,190
	<b>108,500</b>	<b>110,733</b>	<b>195,242</b>

See accompanying notes to the financial statements.



The budgeted figures are presented for comparison purposes as prepared and approved by the Board, reclassified to conform to the current financial statement presentation. They have not been audited or reviewed.

**4. Appropriated surplus**

Surplus has been appropriated as a reserve to fund future expenditures. Further appropriations will be determined by the Board of Directors.

**5. Commitments**

The Board approved future funding of projects with costs approved as follows:

	Total Cost
Year ended July 31, 2011	140,000
Year ended July 31, 2012	80,000
Year ended July 31, 2013	50,000
<u>Year ended July 31, 2014</u>	<u>50,000</u>
	320,000

The amount includes the Northern Adapted Flax Variety Development Program at \$250,000 which is subject to approval of a sharing agreement.

**6. Incorporation statute**

Saskatchewan Flax Development Commission is a non-profit organization incorporated under the Agri-Food Act, 2004 of Saskatchewan. Under present legislation, no income taxes are paid on the reported income of such operations.

**Saskatchewan Flax Development Commission**  
**EXPENDITURE BY OBJECT**  
**For the year ended July 31, 2010**

**Saskatchewan Flax Development Commission**  
**BOARD OF DIRECTORS**  
**For the year ended July 31, 2010**

	2010	2009
<b>Personnel</b>		
Allen Kuhlmann	13,179	14,580
Chris Hale	1,580	2,851
David Sefton	14,383	7,835
Erwin Hanley	4,183	2,111
Gregor Beck	5,521	4,882
Lyle Simonson	7,124	5,219
Shane Stokke	1,763	0
William Rusk	0	2,003
Payees under \$2,500	0	0
	47,733	39,481
<b>Suppliers</b>		
Food Focus Saskatoon Inc	166,097	164,553
Biolin Research	73,988	76,955
Canada Post	9,580	10,821
Colorshape Communications	22,832	29,329
Agriculture Council of Saskatchewan (Levy Central)	17,092	0
Saskatchewan Canola Development Commission (Levy Central)	15,899	14,131
Eaton & Associates	12,059	22,710
SaskTel	26,515	0
Weber Communications	11,550	22,272
Payees under \$20,000	100,559	114,930
	456,171	455,701
<b>Research</b>		
Biolin Research	2,638	9,750
Crop Development Centre	0	5,000
Genome Prairie	50,000	0
University of Saskatchewan	15,000	25,000
Payees under \$20,000	6,274	15,013
	73,912	54,763
	577,816	549,945

See accompanying notes to the financial statements.

<b>Board of Directors 2009/2010</b>	<b>Advisors 2009/2010</b>
<p><b>Allen Kuhlmann (Chair)</b>  P.O. Box 126  Rouleau, Saskatchewan  S0G 4H0  306.776.2295  306.776.2368 Fax  skuhlmann@sasktel.net</p> <p><b>Lyle Simonson (Vice Chair)</b>  Site 4 Box 10 R.R. #1  Swift Current, Saskatchewan  S9H 3X7  306.553.2307  306.553.2367 Fax  simonsons@sasktel.net</p> <p><b>Gregor Beck</b>  Box 196  Rouleau, Saskatchewan  S0G 4H0  306.776.2432  306.776.2432 Fax  g.i.beck@sasktel.net</p> <p><b>Erwin Hanley</b>  Box 37180  Regina, Saskatchewan  S4S 7K3  306.586.4509  306.586.4509 Fax  ehanley@sasktel.net</p> <p><b>David Sefton</b>  Box 262  Broadview, Saskatchewan  S0G 0K0  306.696.2975  306.696.2276 Fax  sefton.farm@sasktel.net</p> <p><b>Shane Stokke</b>  Box 1315  Watrous, Saskatchewan  S0K 4T0  306.946.4044  306.946.4069 Fax  ssc@yourlink.ca</p>	<p><b>Gordon Rowland</b>  Crop Development Centre  University of Saskatchewan  Room 4D36 51 Campus Dr.  Saskatoon, Saskatchewan  S7N 5A8  306.966.4977  306.966.5015 Fax  gordon.rowland@usask.ca</p> <p><b>Glenn Payne</b>  Provincial Specialist,  Crop BioProducts  Ministry of Agriculture  125 - 3085 Albert Street  Regina, Saskatchewan  S4S 0B1  306.798.0944  306.787.0428 Fax  glenn.payne@gov.sk.ca</p> <p><b>Venkata Vakulabharanam</b>  Provincial Specialist,  Oilseeds  Ministry of Agriculture  125 - 3085 Albert Street  Regina, Saskatchewan  S4S 0B1  306.787.4668  306.787.0428 Fax  venkata.vakulabharanam  @gov.sk.ca</p> <p><b>Fiber Specialist</b></p> <p><b>Alvin Ulrich</b>  161 Jessop Avenue  Saskatoon, Saskatchewan  S7N 1Y3  306.955.4506  306.668.0131 Fax  aulrich@biolin.sk.ca</p> <p><b>Executive Director</b></p> <p><b>Linda Braun</b> B.S.H.Ec.</p> <p><b>Head Office</b>  ASA - 116 - 103rd Street E.  Saskatoon, Saskatchewan  S7N 1Y7  306.664.1901  306.664.4404 Fax  saskflax@saskflax.com  www.saskflax.com</p>

