



***Alberta Barley Commission
12th Annual Report
2002 - 2003***

Report from the Chairman



Dale Fodness, Chairman

The crop year 2002/2003 proved to be both challenging and demanding for Alberta farmers. We faced drought, grasshoppers, BSE, low commodity prices, high input costs, hail and political rhetoric. Somehow, we remain determined and strong in our fight for the survival of our family farms.

The Alberta Barley Commission remains committed to improving and developing the barley industry for Alberta producers. Currently we have agreed to provide funds towards the establishment of the Crop Utilization Research Centre, Phase II of the Agri-Food Discovery Place at the University of Alberta. These funds will be provided over a period of four years and will be part of a multi-million dollar investment in a "state of the art" technology centre. This leading edge research will be fundamentally important in helping to keep Alberta farmers competitive in world markets in the years ahead.

The Alberta Barley Commission now has direct representation on the Canadian Grain Commission's

Western Grains Standards Committee. Grading issues are important to farmers as they directly affect their returns. The replacement of Kernel Visual Distinction (KVD) requirements for grains with a Variety Eligibility Declaration (VED) system is presently undergoing discussion. It is proposed that the implementation of this new program will provide assurance of food safety and protection for both customers and farmers.

The Commission's membership in the Grain Growers of Canada (GGC) has been instrumental in dealing with some complex issues of national and international significance. Some of the concerns that are being addressed by the GGC include international trade, marketing, environment and other regulatory matters that affect farmers from across Canada.

The Commission has participated in many initiatives in the past year, which requires the active involvement of both directors and staff. I would like to thank all of the directors for contributing their knowledge and time to help us represent the interests of Alberta barley producers. Their advice, insight and support have been most appreciated.

I would also like to thank our administrative staff for their dedication and commitment. We were disappointed to have Nicola Stevens leave the Commission this year. However, we offer her

*"The formation of the delegate body
... has proven to be an effective tool
for communication of ideas and
direction for the Commission."*

congratulations in her new position with the Alberta Government. We are looking forward to having Kevin Muxlow return to the Commission in September 2003 as a staff member.

It is my desire, as Chairman, to see the barley producers of Alberta succeed in developing and adding value to the industry. Determination and hard work of all producers will benefit the whole of agriculture in Alberta. This success depends upon all sectors of agriculture working together. The formation of the delegate body three years ago has proven to be an effective tool for communication of ideas and direction for the Commission.

We will continue to strive to provide information and research to enhance the productivity of Alberta farmers.



Dale Fodness

| ALBERTA BARLEY | | | | |
|---|-------------|--------------------------|------------------------------------|---------------------|
| | 2002 | Estimate for 2003 | 10-year Average (1993-2002) | 2003/10-year |
| Production (tonnes) | 2,460,300 | 5,682,600 | 5,558,500 | 101.8% |
| Area seeded (acres) | 5,400,000 | 5,400,000 | 5,220,000 | 103.5% |
| Area harvested (acres) | 2,700,000 | 4,800,000 | 4,390,000 | 109.3% |
| Yield on harvest area (bu/acre) | 41.9 | 54.4 | 57.5 | 94.6% |
| 2002 PRODUCTION BY REGION (TONNES) | | | | |
| Region 1 | 721,200 | Region 4 | 105,500 | |
| Region 2 | 645,900 | Region 5 | 302,000 | |
| Region 3 | 307,200 | Region 6 | 378,400 | |
| <i>Source: Statistics Canada, Alberta Agriculture, Food & Rural Development</i> | | | | |

Report from the General Manager

The 2002/03 crop year was, as expected, not a good one for most barley producers. While prices tended to remain on the high side for most of the year, few producers had much barley to deliver. The drought conditions that prevailed throughout most of the summer of 2002 resulted in a decrease in barley production of over 50 percent from normal levels. The severe shortages of feed supplies resulted in significant imports of corn from the US and some contraction in livestock herds that will adversely affect future domestic demand for barley. If that wasn't bad enough, the discovery of a sole case of Bovine Spongiform Encephalopathy (BSE) virtually crippled the cattle industry overnight and the negative implications of this event will likely take years to overcome. The bottom line to barley producers is that domestic demand for feed barley is likely to decline and our dependency on export markets will increase substantially.

However, at the time of writing this report, the global supplies of barley are forecasted to be relatively low and, consequently, projected prices have been increasing. Albeit that the bumper crop that was anticipated in 2003 was again reduced by widespread drought conditions, many farmers have been reporting average to better than average yields. Production estimates have been near-normal and, if world prices hold up as expected, most barley producers should be able to expect a reasonable return for their barley in the coming year.

“Development of technologies and new applications for barley and barley fractions . . . has been one of the research priorities of the Alberta Barley Commission.”



*Clifton Foster
General Manager*

Development of technologies and new applications for barley and barley fractions that have the potential of establishing high value markets has been one of the research priorities of the Alberta Barley Commission. The Commission's focus in this type of research resulted in the development of a cost effective processing procedure for fractionating barley and oats into high value components, primarily for the food industry. This technology, which was developed at the University of Alberta (U of A), is being commercialized through a spin-off company, Cevena BioProducts Incorporated. Significant progress has been made in the past year towards moving this initiative forward.

The Alberta Barley Commission played a leading role in the Crop Development Opportunities Initiative (CDOI). The CDOI is a coalition of industry stakeholders, researchers and government representatives. It was formed to develop and implement a strategic plan that would lead to the expansion and enhancement of technology development and commercialization of Alberta produced crops. Many of the goals and objectives that were identified by the CDOI have now been adopted within three major programs: the Crop Utilization Research Centre which is phase II of the Agri-Food Discovery Place at the U of A, the Functional Foods and Nutraceuticals Centre also at the U of A, and Bio-Products Alberta. Most of the objectives of the CDOI can be accomplished through these more focused initiatives and considerable progress has been made in the past year in each of these areas. The CDOI will continue to monitor progress in this

“The [Grain Growers of Canada] GGC provides an excellent forum for the various grain producer groups to share their concerns regarding federal issues and international concerns and to develop a common approach to deal with them.”

regard. We are pleased to see that the U of A has assigned Dr. Richard Smith to oversee the implementation of the CDOI's strategic plan with the assistance of funding from the Alberta Crop Industry Development Fund.

In a separate but similar process, I was privileged to serve on the Steering Committee that oversaw the development of Alberta's Agriculture Research and Innovation Strategic Framework. This was a broad based industry/government initiative that reviewed the province's competitive capabilities from basic research to commercialization and adoption of new technologies. This process concluded with the production of a model for the development of the industry through innovation, which has now been adopted by the Government of Alberta. The guiding principles for the strategic framework are “building a critical mass of world-class scientific personnel in disciplines critical to Alberta's unique needs, supporting it with appropriate levels of research program funding, utilizing talents as the engine for innovation, and ensuring discoveries are supported with knowledge transfer, technology commercialization expertise and industry partnerships.”

The Grain Growers of Canada (GGC) continues to gain credibility and respect, both in Canada and abroad, as the voice of grain producers from across Canada. The GGC provides an excellent forum for the various grain producer groups to share their concerns regarding federal issues and international concerns and to develop a common approach to deal with them. It also provides

the Alberta Barley Commission, as it does with all member organizations, with an opportunity to seek support for its national public policy concerns and to have the common views of member organizations represented on an ongoing basis through its office in Ottawa. While perspectives on certain issues vary from time to time, the discussions and process are a valuable resource that was not available prior to the organization being formed in 2000. The Alberta Barley Commission is grateful for the opportunity to be part of the GGC and appreciates the commitment and involvement of all the other grain-producer groups that have partnered in this organization.

During the course of the year, the Commission began a process of defining its governance policies and setting them out in a manual. Part of this process will include a review of the Strategic Plan, now to be called Corporate Ends. This process will include input directly from producers and delegates through our regional and annual general meetings in the fall of 2003. The Corporate Ends will form the basis of the Commission's activities in the years ahead.

We were disappointed to lose Nicola Stevens as our Market Development Coordinator recently. Nicola decided to pursue a career opportunity with Alberta Agriculture, Food and Rural Development. We will miss Nicola's team spirit and cheerful disposition but look forward to working with her in her new capacity on some ongoing development projects. Kevin Muxlow, who was previously with the Commission, and was granted a leave of absence to oversee the establishment of the Grain Growers of Canada organization, has now returned to the Commission in the position of Manager, Corporate Strategy and Development. Kevin's primary responsibilities will be to oversee market development activities and policy planning. We are pleased to again be working more directly with Kevin.



Market Development

The Commission develops and supports market development activities to increase uses of barley and its value to producers. The Commission's Board of Directors has five members who sit on the Market Development Committee. The Committee members for the 2002-03 year were (from left to right) Wayne Hagemann, Doug Miller, Doug Robertson, Brian Kriz (Committee Chairman), and Dale Fodness. This Committee advises the board on market development activities and research projects throughout the year.

BARLEY FLOUR PROJECT

Whole grain barley flour is not only a good source of both soluble and insoluble fibre, it also contains vitamins, minerals, and antioxidants. It works well as an alternative to wheat flour in many baked products such as muffins, cookies and quick loaves. The Market Development Coordinator, Nicola Stevens, together with a team of individuals representing Alberta Agriculture, Food and Rural Development (AAFRD), Agriculture and Food Council, and Hamilton's Barley Flour, has been working on a project to develop partnerships and identify opportunities available for baked barley flour products. A funding application to AAFRD's New Initiatives Fund was successful, and as a result of this project, a barley cookie has been introduced into the marketplace by a Calgary bakery. Initial market feedback suggests that the cookie is popular with consumers.

“...the message they were delivering was Have a Barley Good Day, with recipes and nutritional information on barley.”



Market Development Committee, from left: Wayne Hagemann, Doug Miller, Doug Robertson, Brian Kriz (Committee Chair), and Dale Fodness.

Additional funding is being pursued to further explore opportunities to commercialize barley flour products, as well as implement clinical trials to demonstrate healthful benefits of a “fortified” barley flour.

PROMOTIONS

A new logo and slogan *Have a Barley Good Day* were developed from the barley flour project, and some key promotional items were created and widely distributed. These and other marketing materials were provided through several venues this year.

In 2003, the Alberta government introduced a Healthy U campaign to educate the public on healthy lifestyles that focus on nutrition and fitness. This campaign had booths and representatives at 14 event venues across Alberta during the summer. A part of the message they were delivering was *Have a Barley Good Day*, with recipes and nutritional information on barley.

Additional information on using barley as a food was also provided through other avenues. These included the Canadian Diabetes Association and the Calgary Cardiovascular Network.

The Commission continued to support Growing Alberta, and its Harvest Gala, as well as other worthy initiatives such as the Food Safety Information Line.

“The Commission’s website . . . underwent redevelopment this year and now provides easier access to a wider range of information.”

WEBSITE

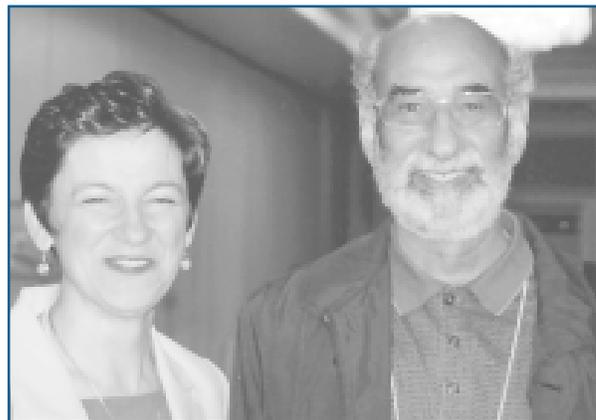
The Commission’s website – www.albertabarley.com – underwent redevelopment this year and now provides easier access to a wider range of information. At over 60,000 visits per year, it is a source of barley information to many Internet users. The *Have a Barley Good Days* slogan has been incorporated into a new consumer section of the website where visitors can discover how much fibre they’re getting from the barley in their diet, and can pose questions to barley experts.

EXPORT MARKETS

The Commission has been reporting on research addressing the needs of specific export markets for the last few years. Research in Japanese and Mexican markets continued to make progress. Researchers are selecting barley samples across the province, screening them for their potential in specific end-use markets, and sending the best samples for commercial testing in Japan. Meanwhile, the meat quality of barley-fed beef and the consumer preferences for this meat are being researched in Mexico, with final results still pending.

BARLEY FRACTIONATION

Progress continues to be made in the area of fractionating barley into its healthful and valuable components. Cevena Bioproducts Inc., a University of Alberta spin-off company, is using the expertise of University researchers to develop a product that uses barley and oats to create specialized ingredients with potentially broad application. When the company begins



Drs. Feral Temelli, from the University of Alberta, and Ron Bhatti, Market Development research advisor for the Alberta Barley Commission, at the 2003 Barley Symposium in Red Deer, Alberta.

production, it should provide a significant market for Alberta barley farmers.

CROP DEVELOPMENT OPPORTUNITIES INITIATIVE

This initiative to develop value-added opportunities for crops in Alberta continues to grow. Over the last year the Alberta Crop Industry Development Fund provided funding to assist in hiring an individual to begin implementation of the strategic plan developed by consultants Toma & Bouma. This position is co-funded by the University of Alberta, with the responsibility to manage a collaborative approach to technology development and commercialization.

“Progress continues to be made in the area of fractionating barley into its healthful and valuable components.”

Research, and the development of new value-added markets for barley, continues to be a high priority for the Alberta Barley Commission. The Market Development Committee and the Producer Services Committee carefully assess the potential benefits for farmers when selecting barley utilization research (feed quality, food and industrial use) and production research (breeding, disease and agronomy) projects.

Some of the research-related activities that the Commission has been involved in are outlined below.

BARLEY DEVELOPMENT COUNCIL

The Barley Development Council (BDC) is comprised of a broad cross-section of researchers, farmers, and industry representatives whose purpose is to provide direction and establish priorities for barley research to government, researchers, and funding agencies. The Alberta Barley Commission is a member of the BDC and refers to the research priorities developed by the Council when determining which projects to fund.

The BDC held its tenth annual meeting in Red Deer, Alberta on June 19th.

CANADIAN BARLEY SYMPOSIUM

The 3rd Canadian Barley Symposium, which was partially sponsored by the Commission, was hosted by the Barley Development Council and commenced after the BDC annual meeting in Red Deer, Alberta on June 19th and 20th. Speakers addressed researchers, farmers, marketers and grain handlers during four sessions including adding value to barley in Canada, barley for food, malting barley market technical issues, and feed barley/agronomic/pathology research.

ALBERTA/CANADA BARLEY DEVELOPMENT AGREEMENT

To ensure that the Alberta barley industry is maintained at a competitive level, the governments of Canada and Alberta agreed to jointly support a barley development project in 1993. The Alberta Barley Commission became a partner under the Agreement in 1996 and provides on-going funding, technology transfer through Barley Country, market development expertise, and maintains a role in determining direction of research programs.

FUNDING

In addition to the core funding contributed to the Alberta/Canada Barley Development Agreement program, the Commission provides funds for a broad variety of other research projects and a summary of each project is listed below.

2003/2004 Research Funding

Each year, the Alberta Barley Commission funds research of interest to Alberta barley producers. Pre-proposals are submitted for consideration to the Market Development and Production Research Committees, with research advisor, Dr. Ron Bhatti, acting as a resource to the Market Development Committee. Recommendations are then made to the Commission's Board of Directors who decide which projects will receive funding in the upcoming year.

The drought again this year resulted in another very poor crop, which meant significantly reduced revenue for the Commission. Therefore, the funds

available to support research were severely limited. In accordance with a resolution passed at the Annual Meeting in December, 2002, the Commission has increased the amount of the checkoff on barley sales and anticipates more funds being available for research in 2004/2005.

Following is a list of projects approved for 2003/2004. Project leaders are listed with the project name; funding is in Canadian dollars. New projects are marked with an asterisk (*) while all others are renewals of work begun in prior years. Total approved for research projects to-date: \$214,094.

AGRONOMY, BREEDING & DISEASE

ALBERTA/CANADA BARLEY DEVELOPMENT AGREEMENT – CORE FUNDING

Drs. Jim Helm, Kelly Turkington, and George Clayton, Field Crop Development Centre, and Lacombe Research Centre, Lacombe

Objective: To provide core funding to long-term projects on barley agronomy, breeding, disease, and germplasm development.

Funding:

\$134,250 Alberta Barley Commission
+ additional funding from other industry partners

DEVELOPMENT OF A NOVEL MICROBIAL PROTEIN FOR BIOLOGICALLY BASED WEED CONTROL IN CEREAL CROPS

Dr. Wenming Zhang, Alberta Research Council, Vegreville

Objective: To develop a biologically based broad-leaved weed control agent using a herbicidal protein produced by a novel strain of fungus.

Funding:

\$10,000 Alberta Barley Commission
20,000 Alberta Research Council
40,000 Alberta Agricultural Research Institute

FEED QUALITY

*EVALUATION OF THE USE OF BETA-GLUCAN DEPLETED BARLEY/OAT FLOUR AS ANIMAL FEED

Dr. Thava Vasanthan, University of Alberta, Edmonton

Objective: To evaluate the feed-nutritional value of barley/oat flour by-products that are processed to improve protein and starch digestibility, by conducting feeding trials with cattle, swine, and poultry.

Funding:

\$20,000 Alberta Barley Commission
24,000 Cevena BioProducts Inc.
86,300 Alberta Agricultural Research Institute
90,500 University of Alberta, in-kind

FOOD & INDUSTRIAL USE

BARLEY SAMPLE IDENTIFICATION PROGRAM FOR THE JAPANESE MARKET

Dr. Darcy Driedger, Food Processing Dev. Centre, Brooks

Objective: To identify and supply a Japanese processor with barley samples that have been screened for potential.

Funding:

\$9,844 Alberta Barley Commission
9,630 Alberta Crop Industry Development Fund
12,140 Alberta Agriculture, Food & Rural Development, in-kind

BARLEY FRACTIONATION – INVESTIGATING PROTEIN AND PENTOSAN FRACTIONS

Dr. Feral Temelli, University of Alberta, Edmonton

Objective: To investigate the isolation, characterization and applications of the pentosan and protein fractions of barley to advance the development of barley fractionation further.

Funding:

\$20,000 Alberta Barley Commission
45,000 Alberta Agricultural Research Institute

BARLEY-BASED FUNCTIONAL FOODS/NUTRACEUTICALS AND THEIR HEALTH BENEFITS

Dr. Feral Temelli, University of Alberta, Edmonton

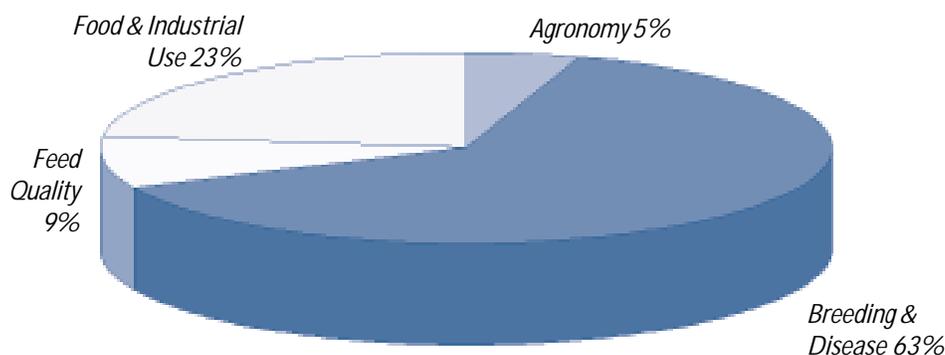
Objective: To investigate the health benefits of whole barley and its isolated fractions (beta-glucan concentrate and barley oil) and compare to other dietary components.

Funding:

\$20,000 Alberta Barley Commission
69,889 Alberta Agricultural Research Institute

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ALBERTA BARLEY COMMISSION RESEARCH FUNDS



Producer Services

The Alberta Barley Commission and, in particular, the Producer Services Committee participate in a number of initiatives that help to provide current information to farmers and promote a positive image of the barley industry.

The Producer Services Committee, from left to right: Brian Otto, Richard Nordstrom, Ed Armstrong, and Don Cox (Committee Chair) also oversee the funding of proposals for barley production research.

PRODUCER COMMUNICATIONS

BARLEY COUNTRY

Reaching over 33,000 Alberta farmers, industry representatives, and overseas contacts, *Barley Country*, our quarterly newsletter, is the main voice for the Alberta Barley Commission. It provides the Commission with the means to report on the research projects that producers' dollars support, as well as coverage on market development initiatives and other topics of interest to farmers.

WEBSITE

The Commission's website at www.albertabarley.com has had a "facelift" in the past year and continues to be a solid source of information used world-wide. The site provides another form of communication with producers and other stakeholders and allows access to archived issues of *Barley Country*, current demonstration plots, and barley recipes, among other things.

"The demo plots provide farmers with an opportunity for side-by-side comparisons... within their region."



Producer Services Committee, from left: Brian Otto, Richard Nordstrom, Ed Armstrong and Don Cox (Committee Chair).

BRIEFLY BARLEY

In order to keep our delegates informed on a regular basis, the Commission distributes a monthly communiqué called *Briefly Barley*. The newsletter-styled brief covers current topics, issues, and developments in the barley industry, often soliciting feedback and direction from the delegates.

BARLEY PLOT DEMONSTRATIONS

The Alberta Barley Commission financially supported 10 various demonstration plots, located throughout Alberta, this year. The demo plots provide farmers with an opportunity for side-by-side comparisons of new and old varieties within their region.

The Commission would like to thank the farmer cooperators who provide their land, time and effort, as well as the applied research associations and other organizations that coordinate each aspect of the demos, including the organized tours.

COMMUNITY AND EDUCATIONAL PROGRAMS

CLASSROOM AGRICULTURE PROGRAM

This year within the Classroom Agriculture Program (CAP), over 550 volunteers introduced thousands of Alberta's grade four students to the importance of agriculture in this province. The generous contribution these volunteers provide, many of whom are farmers, is greatly appreciated.

The Alberta Barley Commission participated in the CAP for 2002/2003 and further supported the program by providing information and materials to the volunteers to further enhance their presentations.

CITY SLICKERS

The City Slickers program, an event that the Multicultural Heritage Centre in Stony Plain coordinates, helps urban students gain a better understanding of where their food comes from. A portion of the crops grown on the City Slickers site is donated to the local food banks, along with food purchased with a \$500 cash donation from the Alberta Barley Commission.

AGGIE DAYS

Each year, students, their teachers, and parent chaperones are given the opportunity to experience agriculture with an interactive approach during Calgary's Aggie Days.

Donna Hamilton from Hamilton's Barley Flour demonstrated to children from kindergarten to grade six how barley in the field becomes barley flour. Donna and staff from the Commission then made barley flour pancakes for several thousand children during the course of the event.

ALBERTA BARLEY COMMISSION – EUGENE BOYKO MEMORIAL SCHOLARSHIP

The Alberta Barley Commission – Eugene Boyko Memorial Scholarship was established in 2002 to honour Eugene Boyko, a long-time director of the Commission who passed away in the spring of 2001. Eugene was known for his support of innovative farming techniques and his commitment to agriculture. To that end, the scholarship was created to recognize and encourage students in the field of crop production and/or crop processing technology studies. One scholarship of \$500 is awarded each year through Alberta Scholarship Programs.



Farmers attending their 2002 regional meeting in Killam, Alberta.

Ms. Jennette Hofsink of Coaldale, Alberta was the first recipient of the Alberta Barley Commission – Eugene Boyko Memorial Scholarship last fall while she was attending her second year of studies at Olds College.

COMMUNITY SPONSORSHIPS

The Commission supports various farm conferences and regional agricultural events throughout the year with cash sponsorships and/or the provision of door prizes. During the past year, the Alberta Barley Commission sponsored FarmTech, the Calgary Seed and Hay Show, the North American Seed Fair, the Farm Women's Conference in Grande Prairie, as well as several other conferences, fairs, and events.

Financial Reports



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August 22, 2003

Auditors' Report
To the Directors of
Alberta Barley Commission

We have audited the balance sheet of **Alberta Barley Commission** as at July 31, 2003 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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 common with similar organizations, the Commission derives revenue from service charges charged to producers, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Commission and we were not able to determine whether any adjustments might be necessary to service charge revenue, assets and surplus.

In our opinion, except for the effects of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of service charges revenue referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Commission as at July 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

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ALBERTA BARLEY COMMISSION

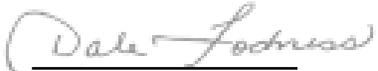
BALANCE SHEET

AS AT JULY 31, 2003

| | 2003 | 2002 |
|--|-----------|-----------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash and short-term investments | 42,664 | 94,732 |
| Accounts receivable | 62,699 | 90,380 |
| Prepaid expenses | 8,435 | 6,076 |
| | 113,798 | 191,188 |
| Investments (note 3) | 931,813 | 890,732 |
| Capital assets (note 4) | 33,894 | 36,450 |
| | 1,079,505 | 1,118,370 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 28,904 | 7,271 |
| Grants payable (note 5) | 319,113 | 302,282 |
| Unearned revenue (notes 2 and 6) | 245,778 | 388,566 |
| | 593,795 | 698,119 |
| Surplus | 485,710 | 420,251 |
| | 1,079,505 | 1,118,370 |

Commitments and contingency (notes 7 and 8)

Approved by the Board of Directors


Director


Director

Financial Reports

ALBERTA BARLEY COMMISSION STATEMENT OF OPERATIONS AND SURPLUS FOR THE YEAR ENDED JULY 31, 2003

| | 2003 \$ | 2002 \$ |
|--|------------|------------|
| Revenue | | |
| Service charges (note 2) | 800,212 | 908,160 |
| Less: Refunds | 52,979 | 67,521 |
| Net service charges | 747,233 | 840,639 |
| Other income | 82,815 | 83,745 |
| | 830,048 | 924,384 |
| Expenditures | | |
| Market development | 167,903 | 193,304 |
| Producer services | 289,355 | 377,137 |
| Policy development | 35,930 | 28,856 |
| Directors fees and expenses | 36,464 | 31,458 |
| Other donations and grants | 6,900 | 16,500 |
| | 536,552 | 647,255 |
| Excess revenue before general and administrative expenses | 293,496 | 277,129 |
| General and administrative | | |
| Amortization | 9,092 | 10,805 |
| Computer system development | 4,138 | 5,536 |
| General expenses | 7,853 | 4,586 |
| Interest and bank charges | 1,291 | 1,413 |
| Office rent | 26,885 | 28,864 |
| Postage and delivery | 5,379 | 5,026 |
| Professional fees | 5,671 | 6,810 |
| Salaries and benefits | 151,835 | 148,094 |
| Stationery and supplies | 5,495 | 5,321 |
| Telephone | 9,288 | 7,522 |
| Travel | 1,110 | 2,158 |
| | 228,037 | 226,135 |
| Excess of revenue for the year | 65,459 | 50,994 |
| Surplus – Beginning of year | 420,251 | 369,257 |
| Surplus – End of year | 485,710 | 420,251 |

ALBERTA BARLEY COMMISSION STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JULY 31, 2003

| | 2003 \$ | 2002 \$ |
|---|------------|------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Excess of revenue for the year | 65,459 | 50,994 |
| Item not affecting cash | | |
| Amortization | 9,092 | 10,805 |
| | 74,551 | 61,799 |
| Changes in non-cash working capital items | | |
| Accounts receivable | 27,681 | 14,390 |
| Prepaid expenses | (2,359) | 2,601 |
| Accounts payable and accrued liabilities | 21,633 | 2,980 |
| Grants payable | 16,831 | (77,963) |
| Unearned revenue | (142,788) | (51,176) |
| | (79,002) | (109,168) |
| | (4,451) | (47,369) |
| Investing activities | | |
| Purchase of long-term investments | (41,081) | (130,427) |
| Purchase of capital assets | (6,536) | (3,432) |
| | (47,617) | (133,859) |
| Decrease in cash | (52,068) | (181,228) |
| Cash and equivalents – Beginning of year | 94,732 | 275,960 |
| Cash and equivalents – End of year | 42,664 | 94,732 |

Financial Reports

ALBERTA BARLEY COMMISSION NOTES TO FINANCIAL STATEMENTS JULY 31, 2003

1 Nature of the Commission

The Alberta Barley Commission (the Commission) is a non-profit, producer funded organization formed August 1, 1991 under the Province of Alberta's Marketing of Agricultural Products Act. Its mandate is to give producers an organization for developing new markets for barley and for influencing the direction of research dedicated to barley production. The Commission's nine directors, who serve fixed terms, are elected at producer meetings.

Funding for the Commission is achieved by way of a check-off system, whereby a service charge is deducted from the proceeds of producers' barley sales and remitted on a periodic basis. These service charges are refundable to producers within six months of the sale transactions, on request.

The Commission, being a non-profit organization, is exempt from income tax under Paragraph 149(1)(l) of the Income Tax Act.

2 Accounting policies

Revenue recognition

Service charges collected (net of refunds paid) are recorded as unearned revenue until the available six month refund period has expired. Accordingly, the statement of operations for the year ended July 31, 2003 reflects only those service charges and refunds pertaining to producer transactions occurring from February 1, 2002 to January 31, 2003.

Amortization

Capital assets are amortized on a declining balance basis at the following annual rates:

| | |
|--------------------------------|-----|
| Office furniture and equipment | 20% |
| Promotion equipment | 33% |
| Computer equipment | 33% |

Computer software costs are fully expensed in the year incurred.

Financial instruments

The Commission's financial instruments included in the balance sheet are comprised of cash and short term investments, accounts receivable, investments, accounts payable and accrued liabilities and grants payable. In the opinion of management, the fair values of the financial instruments approximate their carrying amounts.

3 Investments

| | 2003 | 2002 |
|---|----------------|----------------|
| | \$ | \$ |
| Bank of Nova Scotia GIC earning annual compound interest at 5.9% per annum, maturing November 17, 2002 | - | 275,574 |
| Bank of Nova Scotia GIC earning annual compound interest at 4.45% per annum, maturing August 24, 2003 | 108,769 | 104,138 |
| Bank of Nova Scotia GIC earning annual compound interest at 4.15% per annum, maturing December 20, 2004 | 266,896 | 256,270 |
| Coupon of Province of British Columbia earning annual interest at 4.42%, maturing September 5, 2005 | 266,077 | 254,750 |
| Coupon of Nova Scotia Power Inc. earning annual interest at 4.50%, maturing July 25, 2006 | 206,990 | - |
| Bank of Montreal GIC earning annual compound interest at 4.40% per annum, maturing November 26, 2007 | 83,081 | - |
| | <u>931,813</u> | <u>890,732</u> |

Although some of these investments mature within one year, they have not been recorded as current assets as it is management's intention to

reinvest the proceeds into investments which will mature after the next fiscal year. Market value of these investments is approximately \$938,000.

4 Capital assets

| | 2003 | | 2002 | |
|---------------------|----------------|--------------------------|---------------|---------------|
| | Cost | Accumulated amortization | Net | Net |
| | \$ | \$ | \$ | \$ |
| Office furniture | 64,572 | 48,247 | 16,325 | 16,387 |
| Promotion equipment | 15,912 | 14,625 | 1,287 | 1,805 |
| Computer equipment | 80,446 | 64,164 | 16,282 | 18,258 |
| | <u>160,930</u> | <u>127,036</u> | <u>33,894</u> | <u>36,450</u> |

5 Grants payable

Research project grants committed to in the year are expensed when the grant contract is signed and a corresponding liability is set up for the amount of funds committed. As grant funds are expended the liability is reduced.

6 Unearned revenue

Unearned revenue consists of the following:

| | 2003 | 2002 |
|---|----------------|----------------|
| | \$ | \$ |
| Service charges collected from February 1 to July 31 of fiscal year | 196,551 | 316,228 |
| Accrued service charges receivable | 67,963 | 98,474 |
| Allowance for refunds | (18,736) | (26,136) |
| | <u>245,778</u> | <u>388,566</u> |

7 Commitments

Lease commitment

The Commission entered into a five year lease agreement for office space effective March 1, 2003. The future minimum obligation, including estimated operating costs, associated with the lease is as follows:

| | \$ |
|------|---------------|
| 2004 | 16,388 |
| 2005 | 16,838 |
| 2006 | 17,288 |
| 2007 | 17,738 |
| 2008 | <u>10,500</u> |
| | <u>78,752</u> |

Project commitment

The board has committed to make contributions of \$50,000 for each of the next four years towards the Crop Utilization Research Centre which is Phase II of the new Agri-Food Discovery Place at the University of Alberta.

8 Contingent liability

The Commission, as one of a number of Plaintiffs, was unsuccessful at trial, based upon a decision rendered as of April 11, 1997, with respect to an action to challenge certain "monopoly" aspects of the Canadian Wheat Board Act ("The Charter Challenge"). The original trial judge, in his summary, made an award of "costs" to the successful defendants. However, no amount was specified.

An appeal heard in June 2000, was also unsuccessful, at which time the Plaintiffs filed for leave to appeal to the Supreme Court of Canada. The leave to appeal was dismissed in 2001 and ended the legal action.

The outcome of the cost process is not reasonably estimable at this time. Therefore, no provision for such "costs" has been recorded in these financial statements.



ALBERTA BARLEY COMMISSION

2002/2003 DIRECTORS & DELEGATES

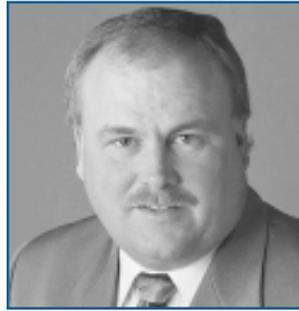


REGION 1

BRIAN OTTO, WARNER

DELEGATES

BLAIR CLAEYS, VAUXHALL
GLENN LOGAN, LOMOND
TED MENZIES, CLARESHOLM
RON PITTMAN, PICTURE BUTTE
RICHARD STAMP, ENCHANT
DON TAYLOR, PINCHER CREEK



REGION 2

DOUG MILLER, ACME

DELEGATES

EUGENE BROWN, DIDSBURY
DAVID EATON, OYEN
WARREN HILZ, VULCAN
JOE JEFFRAY, AIRDRIE
ALANNA HERMANSON, STANDARD
FRED RANDLE, HIGH RIVER
GLENN SAWYER, ACME
BRIAN SCOBIE, VULCAN



REGION 3

WAYNE HAGEMANN, PONOKA

DELEGATES

MIKE AMMETER, SYLVAN LAKE
EARL COLLIER, PENHOLD
TREVOR PETERSEN, PENHOLD
NORM OLSEN, KILLAM
JESPER NIELSEN, KILLAM
DAVE TINDAL, CLIVE
TERRY YOUNG, LACOMBE



REGION 4

DALE FODNESS, ST. PAUL

DELEGATES

LEO COTE, ST. PAUL
CHARLIE LESKIW, ST. PAUL
ED PERSELY, BONNYVILLE



REGION 5

ED ARMSTRONG, DAPP

DELEGATES

BRYAN ADAM, STONY PLAIN
GORDON FRANK, ST. ALBERT
KEITH GUAY, ATHABASCA
TOM JACKSON, ARDROSSAN
ALBERT WAGNER, STONY PLAIN



REGION 6

DON COX, FAIRVIEW

DELEGATES

LEO MEYER, WOKING
DAN ROPCHAN, GRIMSHAW
MEL WATCHORN, FAIRVIEW



DOUG ROBERTSON, DIRECTOR-AT-LARGE,
CARSTAIRS, REGION 2



BRIAN KRIZ, DIRECTOR-AT-LARGE,
RIMBEY, REGION 3



RICHARD NORDSTROM, DIRECTOR-AT-LARGE,
VIKING, REGION 4

Have a
Barley
good day...



Farmers Taking Responsibility For Their Future...

MISSION STATEMENT

The Alberta Barley Commission enables Alberta farmers to invest in positive initiatives that promote a vibrant barley industry by directing research, market development, policy development, and producer education.

ALBERTA BARLEY COMMISSION

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