



Chairman's and CEO's message

May you live in interesting times. For centuries this phrase has been uttered as both a blessing and a curse, for interesting times are filled with upheaval, uncertainty and opportunity.

For the Alberta Barley Commission, the past fiscal year (Aug. 1, 2006 to July 31, 2007) has indeed been an interesting time. We have seen our industry turned sideways from the efforts, promises and disappointments of market choice. We've questioned the transfer or withdrawal of crop research funding and support. We've monitored trends and patterns that indicate the strong potential for new uses, products and markets for barley. And we've initiated research to capitalize on barley's potential.

We are pleased to present the Commission's annual report for 2006/2007. In it we examine our "interesting times" and how they affect Alberta's 17,000 barley producers – our members – and our organization.

In 2006/2007, the Commission received income of \$1.24 million, compared to \$1.3 million in 2005/2006. This decrease can largely be attributed to a year-over-year reduction in net service charges (check-off dollars) of \$88,756, about \$300,000 less than forecast in our budget for the fiscal year. This was due to fewer barley sales as a result of low prices at the start of the year followed by market uncertainty later in the year. Despite the reduced revenues, the Board decided to maintain programs and increase spending on member services as well as policy development. In all, expenses exceeded revenue by \$242,097.

The Board approved this shortfall to address needs over the past year and directed the shortfall be repaid over the next five years. The 2007/2008 budget and future budgets will set aside \$50,000 per year as a return to the Commission's long-term investment account.

Market choice

During the past fiscal year, the single biggest issue Alberta's barley industry faced was market choice. Throughout the summer and fall of 2006, we worked with the Government of Canada and then Minister of Agriculture and Agri-

Food Chuck Strahl and numerous other grain industry groups and associations to discuss ideas and options for marketing western Canadian barley and wheat.

The discussions were never about eliminating the Canadian Wheat Board, but about giving farmers more choice about where, when and to whom they sold their product.

Complex and divisive, market choice required an investment on our part. For example, we produced a special market choice issue of *Barley Country* in February 2007 to inform our members of the facts, opinions and possible outcomes of market choice, and we encouraged them to vote in a federal government plebiscite.

We continued to follow developments very closely and were particularly dismayed to see such turmoil in the barley market during a period of record high pricing; uncertainty that has kept Canadian barley producers out of the global marketplace.

Bioproducts research

Faced with global warming and declining oil reserves, countries around the world are developing their capacity to produce energy from renewable resources. Recognizing this trend, the Alberta Barley Commission spearheaded the Barley Bioproducts Opportunities Project (BBOP).

The project is being jointly managed by the Commission and the Western Barley Growers Association. In May 2007, the project received \$262,500 from the Biofuels Opportunities for Producers Initiative (BOPI). Funding for BOPI is through the Agriculture and Food Council of Alberta which administers Agriculture and Agri-Food Canada's Advancing Canadian Agriculture and Agri-Food program funding in Alberta.

As well, the Commission is providing \$30,000 of project funding; the Western Barley Growers Association (WBGA) is providing in-kind support for the project.

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Industry supporters of the three-phase project are:

- Syngenta (\$45,000)
- Ceapro (\$10,000)
- Wilbur-Ellis Canada (\$2,000)
- Parkland Agri Services (\$1,000).

The goal of BBOP is to provide evidence-based information on using barley in new ways, particularly in biofuels and its associated byproducts. This project will benefit western Canadian barley producers and a host of organizations and businesses dedicated to innovative, sustainable uses of a crop that is currently under valued and under utilized in these sectors.

BBOP will examine barley's feasibility in a number of emerging applications; specifically, researchers will study the opportunities and challenges growers would face to establish regional, barley-based ethanol production facilities. The \$380,000-project will also look at removing valuable fractions from barley prior to ethanol production and using a byproduct of barley ethanol production – distilled grains – in commercial applications, including cattle feed.

Currently, barley production is driven by feed and malt users, and barley producers have little direct connection to downstream business areas. Furthermore, less than one per cent of the 10 to 12 million tonnes of barley produced in Canada each year is used for food and industrial uses.

Emerging technologies and major trends in food, feed and industrial markets give barley the potential to become an important feedstock not only for traditional industries but also in new markets.

Barley is already one of Western Canada's most important crops due to its role in Canada's beef and hog industries, domestic and international malting and brewing, and agronomic rotational management. BBOP will determine if Western Canada's barley producers can capitalize on the crop in new, profitable and sustainable ways.

When completed, the project will give members of the WBGA, the Commission and their customers a reasonable reliable base of regional technical and business information to assess their options for investing in barley ethanol production and bioproducts.

Crop research

Recently, the Province of Alberta said it will no longer provide funds or staff for future malting barley research, something it's supported through the Canada-Alberta Barley Agreement since 1993 (the agreement ends in 2008).

The Province says it will spend funds previously used for malting barley research on new feed and biofuel initiatives. And while the Commission fully supports new areas of research in barley, it does not believe taking funds from one program to support another serves the interests of barley producers.

In our opinion, this is a clear shift away from supporting primary agriculture production in Alberta. The Province has promised to complete current projects and continue to support malting barley research projects in Brandon and Saskatoon, but malting varieties developed in Manitoba or Saskatchewan won't necessarily grow well in Alberta.

A premium, quality crop, malting barley has tremendous contract farming and export potential, which is why the Commission has invested in developing new malting barley varieties for many years. Indeed, researchers at the Alberta Field Crop Development Centre believe they are within months of making it through the rigorous federal registration process with two new lines, TR05669 and TR05671. How the Province will support further development of these lines remains unclear.

Another troubling shift in research was the Province of Alberta's decision to end \$100,000 of funding and in-kind support for regional varietal evaluation trials (known as RVTs).

RVTs compare crop varieties in actual field and weather conditions all across Alberta. Trial results are published annually in the Alberta Seed Guide and used widely by Alberta farmers to select the seed variety that best suits their soil zone, climate and management style.

Prior to 2006, the Province provided more than \$100,000 worth of direct annual support as well as growing sites and crop coordinators for 43 RVTs for barley varieties and more than 200 RVTs for other Alberta crops, among them wheat, oats, rye, canola, field peas and lentils.

Trusted, unbiased and independent, the Alberta RVT testing program has demonstrated that it is essential to produce crops to meet the needs of the international and domestic value-added processing industry. We are working with Alberta Pulse Growers, the Alberta branch of the Canadian Seed Growers Association and the Agricultural Research and Extension Council of Alberta to create a prairie-wide RVT program. We also continue to encourage the Province of Alberta to provide ongoing support of RVTs.

We firmly believe research is not a cost but an investment and that research in crop development will reward investors – industry, private sector and government – with the ability to remain competitive in an ever-changing global marketplace.

The Commission will continue to support research projects and facilities such as:

- Near infrared reflectance spectroscopy (NIRS) research by Dr. Jim Helm of the Alberta Field Crop Development Centre and Dr. Ruurd Zijlstra of the University of Alberta. NIRS is a precise and rapid method of testing and analysis used to determine the chemical make up and components of organic materials.
- Agri-Food Discovery Place at the University of Alberta's south campus. The Commission's support of Discovery Place stems from a goal to establish the relationship between barley-based food and health – and to make barley producers more competitive and profitable.
- A variety of projects at the Food Processing Development Centre in Leduc to create and/or refine foods containing barley.
- Prairie-wide efforts to thwart the westward spread of fusarium head blight.
- New feed varieties that respond to the specific needs of livestock producers, including cattle and hogs.

Policy

One of the Commission's main tasks is to bring the views and concerns of barley producers to government and regulatory bodies and to have new policies and legislation reflect our members' interests. In 2006/2007, we represented Alberta barley growers and their customers by:

- Direct and active representation for own use imports (OUI) through the Grain Growers of Canada. Our goal is to ensure producers have the benefit of this process under the new OUI replacement program, Grower Requested Own Use (GROU).
- Participation on a 2-4-D task force to maintain the low-cost chemical for use by barley producers, especially those who follow Roundup-ready canola in their rotation or produce barley silage.
- Continually monitoring the World Trade Organization's Doha round of negotiations and supporting the Canadian Agri-Food Trade Alliance (CAFTA) in its hands-on discussions with WTO leaders and trade negotiators. By opening markets for Canadian barley and the value-added products of barley (mainly beef and pork), we ensure our future success in international trade.
- Working towards a food claim authorized by Health Canada to approve barley as a "healthy food," similar to the approval the U.S. Food and Drug Administration gave U.S. barley in 2005.
- Participating in the Canadian International Grains Institute's food barley program, which focuses on the handling, marketing and commercial application of barley in food.
- Ongoing contact with provincial and federal officials on other issues such as market choice, transportation, new variety approvals, research funding and export markets.

Looking ahead

We will continue to work with officials from the Province of Alberta and the Government of Canada on developing policy that serves Alberta's 17,000 barley producers and their customers.

The Commission's steadfast commitment to research and the improvement of barley's overall performance will continue through significant and pioneering work with Agriculture and Agri-Food Canada, the Canadian Wheat Board and the University of Alberta. This will include efforts to increase barley's resistance to fusarium disease, fertilizer utilization and exploring fractionation methods, processes and opportunities.



Management Discussion & Analysis

For Alberta's barley producers, 2006/2007 was a year of uncertainty. In Canada, the debate on the Canadian Wheat Board's role in barley marketing and rising feed prices around the world led to both hesitation and speculation. This was further compounded by a rising Canadian dollar which hurt our exports.

While the future looked promising for Alberta barley producers, many took a wait and see attitude when it came to selling their crops. This greatly affected the Alberta Barley Commission's check-off dollars, our main source of revenue, which were \$89,899 below those in 2005/2006 and about \$300,000 less than budgeted.

During the fiscal year, we took immediate steps to reduce our general and administrative costs, which at \$216,946 were \$84,226 less than 2005/2006. The Commission's Board, however, opted to continue to honour and in some instances increase its commitments on major expenditures for market development, research and producer services as well as policy development. These included:

- Production and distribution of a special issue of *Barley Country* informing our 17,000 members about a plebiscite on market choice and the Canadian Wheat Board.
- Increased representation to the Province of Alberta and the Government of Canada about issues and concerns related to barley such as fertilizer regulations, research funding, new variety approval and approval for a health claim.
- Maintaining the Commission's long-term commitment to research by increasing funding the Alberta Field Crop Development Centre in Lacombe.
- Maintaining our support of Agri-Food Discovery Place at the University of Alberta's south campus. In partnership with the U of A and the Alberta Crop Industry Development Fund, the Commission has helped fund a protein scientist to focus on cereal protein research for new food and industrial uses of barley proteins.

We expect to make up for some of the losses recorded in 2006/2007 with check-off revenue in 2007/2008. Nonetheless, we've reduced our forecast for check-off revenue to \$1.2 million, compared to \$1.4 million in 2006/2007. To cover this year's shortfall, we also will contribute \$50,000 per year over the next five years to rebuild the equity of our long-term investment fund.

In 2006/2007, we also saw a number of new faces added to our staff and Board. Terry Young, a barley producer in Lacombe, became chairman, and former Board chairman Doug Robertson became vice-chairman. Ron Heck from Fairview and Albert Wagner from Stony Plain were elected to serve three-year terms on the Board. They joined existing Board members Doug Miller, Brian Otto, Jesper Nielsen, John Wozniak Jr. and Leo Meyer.

We also hired Andy Bai as the office administrator and Darcy Kirtzinger as the policy and research coordinator. Their efforts have greatly improved our tracking and monitoring of check-off dollars and face-to-face communications with MLAs and MPs.

Board member and delegate participation increased during the year at events such as Aggie Days, FarmTech, Stony Plain City Slickers, Calgary Stampede & Exhibition (at agriculture displays and the Atco Kitchen) and numerous other local provincial and community events.

Barley producers were also represented by staff and/or Board members at:

- Fact-finding tours and business meetings in Japan, Brazil and Argentina.
- The Canadian Barley Symposium in Winnipeg.
- The American Maltsters Conference in San Diego.
- The Alberta Crop Industry Development Fund (signatory).
- Alberta's Agriculture Funding Consortium.
- The Canadian International Grains Institute's food barley program.

Alberta Barley Commission Governance

The Alberta Barley Commission was formed in 1991 by the Province of Alberta under the Marketing of Agricultural Products Act to represent the interests of Alberta's barley producers and barley production. The Commission is a non-profit, producer-funded organization.

The Commission operates as a corporation and is governed by a nine-person Board of Directors. Six directors are elected by eligible barley producers; each represents one of the Commission's six regions. All are elected for three-year terms and cannot serve more than two consecutive terms. After a one-year waiting period, they are eligible for re-election. The remaining Board members are directors-at-large nominated by eligible barley producers from throughout the province; they are elected at annual general meetings.

The Commission's chairman and vice-chairman are elected by the directors at the first Board meeting following director elections.

The Commission also has no less than 32 delegates – with a minimum of three per region – who are elected for two-year terms at regional meetings.

To be eligible to vote in Commission elections, Alberta barley producers must remit check-off dollars to the Commission.

The Board of Directors works with the Commission's CEO to advise and consult on the organization's policies, strategies and direction. The CEO and the Commission's staff are responsible for carrying out the Board's directives and for day-to-day Commission operations. Plus they are responsible for preparing the annual business plan and strategy, and accompanying budget.

Once these are approved by the Board, management then executes the plan.

Through various communication tools, the Commission regularly advises its members of its progress. For example, an annual report is produced and distributed each year, summarizing the Commission's financial position and progress towards its operating plans and goals.

Eligible barley producers who have remitted their check-off dollars to the Commission are entitled to:

- (a) attend annual and regional meetings and any special meetings
- (b) make presentations to the Board of Directors on matters related to barley production, research, market development and policy
- (c) vote at regional and special meetings or producer plebiscites
- (d) become a Commission delegate, director or director-at-large.

Producers who choose not to support the Commission may request a refund of their check-off dollars. The refund request must be made within six months from the end of the month of the deduction, and the Commission must refund the service charge within 120 days of the request.

The Commission may from time to time change the service charge (currently at \$0.50/tonne), but any change must be approved by a majority of the directors and delegates present at an annual general meeting or a special Commission meeting.

Director/delegate compensation

Directors and delegates are entitled to claim a per diem allowance for each day served at an authorized Commission event.

Chairman	\$200
Director	\$150
Delegate	\$150

For events of four hours or less, the allowance is one-half of the per diem.

For conference call meetings, the allowance is one-quarter of the per diem.

For board meeting preparations, the allowance is one full per diem.

Board members and delegates are also eligible for a travel per diem allowance and are reimbursed for travel expenses.

<ul style="list-style-type: none"> • Received income of \$1.24 million, compared to \$1.3 million in 2005/2006. • Maintained and/or increased program and member support despite revenue shortfall. • Helped members understand issues about market choice, including publication of a special edition of Barley Country. 		<ul style="list-style-type: none"> • Worked with the Province of Alberta and the Government of Canada on issues and concerns surrounding market choice. • Maintained working relations with the Canadian Wheat Board, a partner in many research and product development projects.
	<ul style="list-style-type: none"> • Conducted a variety of projects at the Food Processing Development Centre in Leduc to create and/or refine foods containing barley. • Promoted research as an investment (not a cost) that rewards those involved – industry, private sector and government – with the ability to remain competitive in an ever-changing global marketplace. 	
<ul style="list-style-type: none"> • Participated in Prairie-wide efforts to thwart the westward spread of fusarium head blight. • Funded research to develop new feed varieties that meet the specific needs of livestock producers. 		<ul style="list-style-type: none"> • Through the Grain Growers of Canada, represented members for own use imports (OUI). • Supported the Canadian Agri-Food Trade Alliance (CAFTA) in its hands-on discussions with WTO leaders and trade negotiators.
	<ul style="list-style-type: none"> • Joined industry groups across Canada to assist the Canadian Food Inspection Agency in developing “smart” regulations and guidelines in its fertilizer division. • Welcomed more than 75 producers and industry and government representatives at the Commission’s 2006 annual general meeting. 	

Research

- National Forum on Seed meetings
- University of Alberta cereal scientist interviews and hiring
- Barley Development Council meetings
- University of Saskatchewan barley plant novel trait meeting
- Agrivalve Processing Business Incubator opening
- Intensive Livestock meeting
- Barley Bioproducts Opportunities Project (BBOP) project funding and launch
- Alberta Field Crop Development Centre annual field day
- Funding Consortium year-round collaboration on research project evaluation, selection and funding
- Regional Varietal Tests response to provincial government cutbacks

Partnerships

- Member of Grain Growers of Canada and hosted the Grain Growers of Canada summer meeting
- GrainVision sponsor

- Growing Alberta’s Food for Thought editorial board member
- Biofuels Opportunities for Producers Initiative committee member
- Agriculture & Food Council member
- Advancing Canadian Agriculture and Agri-Food Program (ACAAF) committee member
- Classroom Agriculture Program steering committee member
- Barley Development Council Board member
- Alberta Crop Industry Development Fund (ACIDF) signatory

Partner meetings

- Alberta Environmental Farm Plan’s annual general meeting
- Growing Alberta’s Harvest Gala and annual general meeting
- Grain Growers of Canada annual general meeting and conference
- Alberta Livestock Industry Development Fund open house and annual general meeting

- Advancing Canadian Agriculture and Agri-food meetings
- Western Barley Growers Association & Western Canadian Wheat Growers Association joint convention
- Alberta Beef Producers convention
- Alberta Crop Industry Development Fund annual general meeting
- Agriculture & Food Council annual general meeting

Policy

- Feed Grain Summit meeting
- Ag Forum bi-annual meeting
- Southern Alberta Conservation Association meetings
- Agriculture and Agri-Food Canada Barley Working Group Market Signals Report & media release
- Alberta Agriculture and Food Grain & Oilseed Summit
- Institute for Food and Agricultural Sciences of Alberta consultation
- Tripartite barley meetings with Agriculture & Agri-Food Canada and Alberta Agriculture & Food

- In partnership with the Western Barley Growers Association, the Alberta Barley Commission spearheaded the Barley Bioproducts Opportunities Project (BBOP), a \$380,000 research and business plan project.
- Continued ongoing support of the University of Alberta's Agri-Food Discovery Place.

- Continued research support of near infrared reflectance spectroscopy (NIRS), a precise and rapid method of testing and analysis used to determine the chemical make up and components of organic materials.

- Responded to the Province of Alberta's decision to no longer provide funds or staff for future malting barley research.
- Responded to the Province of Alberta's decision to end \$100,000 funding and in-kind support for regional varietal evaluation trials (known as RVTs).

- Worked towards a food claim authorized by Health Canada to approve barley as a "heart healthy food."
- Ongoing contact with provincial and federal officials on other issues such as fertilizer and chemical regulations, transportation, new variety approvals, research funding and export markets.

- Supported the University of Saskatchewan in its presentation of scientific data to the Canadian Food Inspection Agency urging approval of a new low phytate barley variety (HB379).
- Through participation in the Funding Consortium, leveraged producers' investment in barley-related projects by as much as \$9 for every \$1 invested.



- Completed strategic planning and measures of success for the organization.
- Awarded Eugene Boyko Memorial Scholarship to Jennifer M. Geddes, a graduate of the University of Lethbridge.

- Canadian Food Inspection Agency consultations on seed and fertilizer
- Meeting with Agriculture and Food Minister George Groeneveld
- Consultations with MLAs
- Canadian Fertilizer Products Forum
- Agriculture Financial Services Corporation CAIS crop insurance consultations
- World Trade Organization consultations
- Premier's dinner in Airdrie
- Marketing Council's governance review
- Crops Environmental Strategy (CES)
- Agri-Environmental Partnership discussions

Marketing

- Canada/U.S./ Mexico meetings
- International Functional Food & Nutraceuticals Show in Japan
- Meetings with Shochu industry representatives in Japan
- Agriculture and Agri-food Canada Brand Canada consultation
- Sanwa Shochu tour

- Canadian International Grains Institute food barley program
- Agriculture and Agri-Food Canada Malt consultation
- Agriculture & Food Council member
- Canadian Barley Food Coalition: established over 30 partnerships with industry to move a barley health claim forward, hired consultants MNP to assist and working with Dr. Nancy Ames to provide scientific data
- Tiffin Conference on alternative enterprise in agriculture

Education

- Stony Plain's City Slickers
- Red Deer's Agri-Trade Show
- Calgary Natural Family Fair
- Calgary Home Show & Food Expo
- FarmTech 2007
- Third Annual SAIT Baking Competition
- Calgary Aggie Days
- Calgary Stampede Ag-Tivity in the City display with Alberta Turkey
- Cardiac Wellness Institute of Calgary Stampede pancake breakfast

- Website: completed plan for new website development in 2008

Strategy/Governance

- Commission strategic planning session with board and staff
- Development of a strategic plan including defined measures of success and baselines
- STRIVE governance review and workshop with board and staff
- Regular board meetings throughout year

Knowledge/Networking

- CropLife Conference
- 36th Annual Barley Improvement Conference in San Diego
- The Innovators Food & Fuel Tour in South America
- Managing Excellence Conference
- Oat & Barley Council of Ontario's Connections 07 Conference
- Canadian Barley Symposium
- Science and Joy of Canadian Barley and Beer Conference in Winnipeg

September 20, 2007

Auditors' Report

**To the Directors of
Alberta Barley Commission**

We have audited the balance sheet of **Alberta Barley Commission** as at July 31, 2007 and the statements of operations and net assets 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 much of its revenue through "checkoff" service charges to producers, the completeness of which could not be satisfactorily verified through our audit. Accordingly, our verification of these revenues was limited to the amounts noted in the Commission's records and we were not able to determine whether any adjustments might be necessary to service charge revenue, assets and net assets.

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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP
Chartered Accountants

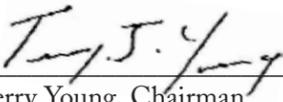
Balance Sheet

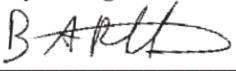
As at July 31, 2007

	2007	2006
	\$	\$
Assets		
Current assets		
Cash and short-term investments	83,008	572,918
Accounts receivable	139,187	116,696
Prepaid expenses	14,290	10,242
Investments (note 3)	99,764	-
	336,249	699,856
Investments (note 3)	1,213,341	1,121,770
Capital assets (note 4)	21,504	30,476
	1,571,094	1,852,102
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	29,031	85,623
Grants payable (note 5)	684,700	687,712
Unearned revenue (notes 2 and 6)	477,752	457,059
	1,191,483	1,230,394
Net assets	379,611	621,708
	1,571,094	1,852,102

Commitments and contingency (notes 7 and 8)

Approved by the Board of Directors


Terry Young, Chairman


Doug Robertson, Vice Chairman

Statement of Operations and Net Assets

For the year ended July 31, 2007

	2007	2006
	\$	\$
Revenue		
Service charges (note 2)	1,246,918	1,335,674
Less: Refunds	98,097	112,007
Net service charges	1,148,821	1,223,667
Other income	91,410	91,017
	1,240,231	1,314,684
Expenditures		
Market development	359,197	358,323
Producer services	668,746	520,138
Policy development	176,181	115,982
Directors fees and expenses	59,130	63,600
Other donations and grants	1,563	100
	1,264,817	1,058,143
Excess of expenses over revenue before general and administrative expenses	(24,586)	256,541
General and administrative		
Amortization	10,144	8,826
Computer system development	6,845	9,645
General expenses	19,979	20,316
Interest and bank charges	1,900	2,532
Office rent	21,286	20,250
Postage and delivery	2,091	3,754
Professional fees	11,500	33,924
Salaries and benefits	115,915	173,923
Stationery and supplies	8,751	7,017
Strategic planning expenses	6,685	12,802
Telephone	9,325	6,891
Travel	2,525	1,292
	216,946	301,172
Excess of expenses over revenue before the following	(241,532)	(44,631)
Loss on disposal of computer equipment	565	-
Excess of expenses over revenue for the year	(242,097)	(44,631)
Net assets – Beginning of year	621,708	666,339
Net assets – End of year	379,611	621,708

Statement of Cash Flows

For the year ended July 31, 2007

	2007	2006
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess of expenses over revenue for the year	(242,097)	(44,631)
Items not affecting cash		
Amortization	10,144	8,826
Loss on disposal of computer equipment	565	-
Interest earned but not received	(49,069)	(48,444)
	(280,457)	(84,249)
Changes in non-cash working capital items		
Accounts receivable	(22,491)	101,560
Prepaid expenses	(4,048)	2,750
Accounts payable and accrued liabilities	(56,592)	74,067
Grants payable	(3,012)	137,974
Unearned revenue	20,693	(89,483)
	(345,907)	142,619
Investing activities		
Purchase of long-term investments	(336,132)	(293,302)
Proceeds on disposition of investments	193,866	528,236
Purchase of capital assets	(2,749)	(9,088)
Proceeds on disposition of capital assets	1,012	-
	(144,003)	225,846
Increase (decrease) in cash	(489,910)	368,465
Cash and equivalents – Beginning of year	572,918	204,453
Cash and equivalents – End of year	83,008	572,918

Notes to Financial Statements

July 31, 2007

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

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Cash and short-term investments

Cash and short-term investments include investments with maturities of up to three months from date of purchase.

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, 2007 reflects only those service charges and refunds pertaining to producer transactions occurring from February 1, 2006 to January 31, 2007.

Interest revenue and revenues from sponsorships and advertising are recognized as earned.

Capital assets

Capital assets are recorded at cost, and 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.

Investments

Investments are stated at the lower of cost and market value where the decline in value is of a permanent nature. They have been classified as a long-term assets in accordance with the nature of the investments.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian 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 expenses during the reporting periods. By their nature, these amounts are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods, could be significant.

3 Investments

	2007	2006
	\$	\$
Sentinel Canada-Interest earning and interest of 13% maturing October 1, 2007	1,068	-
Coupon Bond of Bank of Nova Scotia earning annual interest of 3.12% per annum, maturing September 27, 2007	-	155,865
Bank of Montreal Guaranteed Investment Certificate earning annual compound interest at 4.40% per annum, maturing November 26, 2007	98,696	94,537
Coupon Bond of Bank of Montreal earning annual interest of 3.47% per annum, maturing December 20, 2008	242,139	270,746
Coupon Bond of CIBC earning annual interest of 3.84% per annum, maturing October 31, 2009	309,657	298,217
Coupon Bond of Ontario Hydro earning interest of 3.39%, maturing August 18, 2010	312,651	302,405
Province of Ontario earning annual interest of 4.12% maturing December 2, 2011	348,894	-
	1,313,105	1,121,770
Less: Current portion due within one year	(99,764)	-
	1,213,341	1,121,770

Market value of these investments is approximately \$1,275,102.

4 Capital assets

			2007	2006
	Cost	Accumulated	Net	Net
	\$	amortization	\$	\$
Office furniture	65,107	57,561	7,546	9,232
Promotion equipment	19,509	17,643	1,866	2,617
Computer equipment	35,999	23,907	12,092	18,627
	120,615	99,111	21,504	30,476

5 Grants payable

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

6 Unearned revenue

Unearned revenue consists of the following:

	2007	2006
	\$	\$
Service charges collected from February 1 to July 31 of fiscal year	356,331	380,296
Accrued service charges receivable	145,025	102,664
Allowance for refunds	(23,604)	(25,901)
	477,752	457,059

7 Commitments

Lease commitment

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

	\$
2008	10,500

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.

9 Financial instruments

The Commission's financial instruments included in the balance sheet are comprised of cash and short-term investments, accounts receivables, investments, accounts payable and accrued liabilities and grants payable. In the opinion of management, the Commission is not exposed to significant interest or currency risks arising from these financial instruments.

Fair value

In the opinion of management, the fair values of the financial instruments approximate their carrying amounts.

Credit concentration

Financial instruments that potentially subject the Commission to concentrations of credit risk consist primarily of accounts receivable. As at July 31, 2007, one dealer accounted for 56% (2006 - 43%) of the accounts receivable balance. Management believes there is minimal collection risk in respect of these amounts.



Directors & Delegates

Who they are and the committees and organizations they work with to represent the Commission and its members.

Vision

A vibrant and innovative industry that unlocks the entire potential of barley.

Mission

To advance the interests of Alberta barley farmers through leadership and investment in innovation and development.

Mandate

To coordinate and sponsor research, assist with market & product development, enable technology transfer, and ensure barley producers' best interests are represented in policy development.

Region 1

Brian Otto, Director

- Funding Consortium's
- On Farm food safety and liability committees and cross commodity coalition subcommittee
- Commission's audit committee, and research committees

Delegates

Brad Berger, Nanton
Glenn Logan, Lomond
Greg Stamp, Enchant
(member of Commission's communications committee)
Trent Bolokoski, Warner
Gerard Oosterhuis, Enchant

Region 2

Doug Robertson, Vice-chairman & Director-at-Large

- GrainVision
- Grain Growers of Canada
- Commission's transportation & business risk management, audit, FarmTech and market choice committees.

Doug Miller, Director

- Commission's audit, livestock/feed value chain and non-food uses of barley committees

Delegates

Eugene Brown, Didsbury
Alex Hamilton, Olds
Murray Marsh, Carstairs
Jeff Nielsen, Olds
David Eaton, Oyen
Warren Hilz, Vulcan
Bernie McWilliam, Blackie
Matt Sawyer, Acme (member biofuels committee)

Region 3

Terry Young, Chairman & Director-at-Large

- Alberta Agriculture and Food's fusarium task force
- Alberta/Canada Barley Development Agreement's management and work plan committees
- Funding Consortium
- Alberta Grain Commission
- Canadian Food Inspection Agency's seed program modernization
- National Forum on Seed
- Western Grains' standard committee/barley subcommittee
- Barley Quality Evaluation Team
- Prairie Recommending Committee for Oat and Barley
- Food Malt and Industrial Committee
- Barley Development Council
- Steering committee member for Canadian Food Inspection Agency's barley and oat crop specific consultative group
- Commission's communications, environmental and audit committees, and research committees

Jesper Nielsen, Director

- Alberta/Canada Barley Development Agreement's management and work plan committees
- Barley Development Council
- Chairman of Commission's communications committee and member of Commission's audit committee
- Alternate for FarmTech

Delegates

Mike Ammeter, Sylvan Lake
Wayne Hagemann, Ponoka
Dave Tindal, Clive
Kevin Bender, Bentley
Trevor Peterson, Penhold

Region 4

John Wozniak Jr., Director

- Alberta Agriculture and Food's fusarium task force
- Commission's communications, and audit committees: chairman of environmental committee

Delegates

Cody Kurek, St. Paul
Bernie Klammer, Vegreville
Ed Persely, St. Paul
Dale Fodness, St. Paul
Charlie Leskiw, St. Paul
(member of Commission's audit committee)

Region 5

Albert Wagner, Director

- Chairman of Commission's transportation & business risk management committee and member of audit committee

Delegates

Bryan Adam, Stony Plain
Tom Jackson, Killam
Darrel Hennig, Stony Plain
Richard Mueller, Barrhead

Region 6

Leo Meyer, Director-at-Large

- Western Grains' standard committee/barley subcommittee
- Prairie Regional Grain Council
- Commission's communications, transportation & business risk management and audit committees
- Alternative representative for Grain Growers of Canada

Ron Heck, Director

- Commission's transportation & business risk management and audit committees.

Delegates

Dan Ropchan, Grimshaw
Garry Mihailoff, Fairview
Leo Meyer Jr., Woking