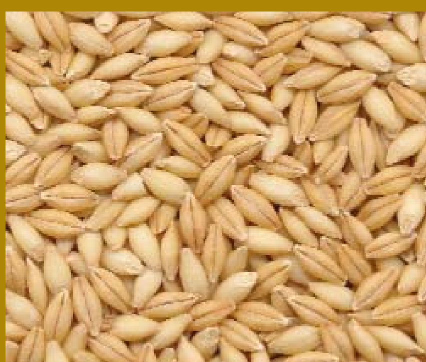
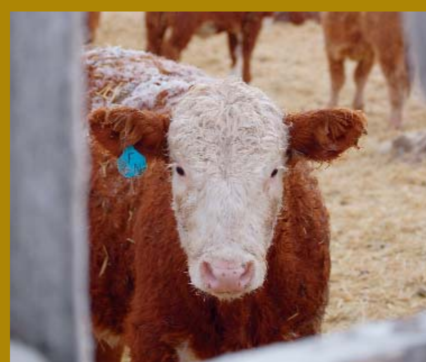
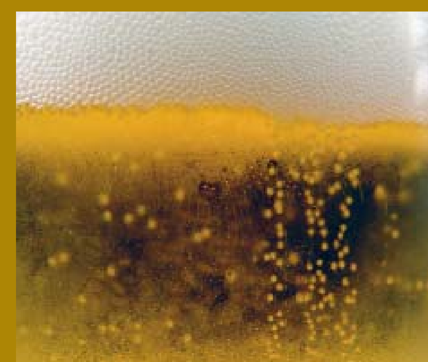
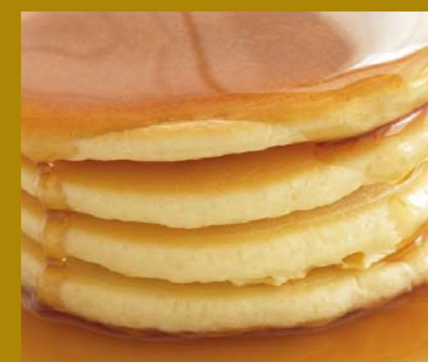
Annual Report 2007/2008





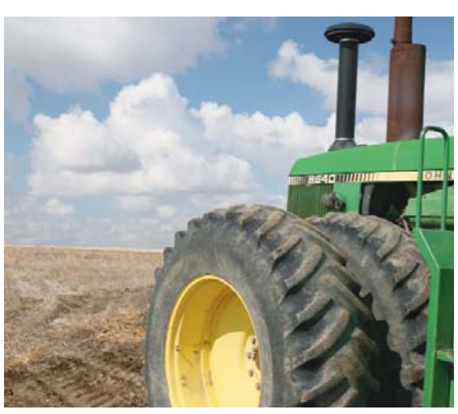




A Good Year

In agriculture, some years are better than others. For the Alberta Barley Commission, the fiscal year 2007/2008 was a better year.

After a deficit of $242,097 in 2006/2007, we ended 2007/2008 on July 31 with a surplus of $189,814. We were able to do this, in part, because of an increase in the amount of check-off dollars submitted to the Commission: $1.41 million in 2007/2008 compared to $1.25 million in 2006/2007. We also saw a slight decrease in check-off dollar refunds: $95,598 in 2007/2008 compared to $98,097 in 2006/2007. As well, we adopted deep cost-cutting measures to reduce the Commission's overhead costs.



Just as importantly, we significantly reduced our investment in new research projects and some areas of market development and member communications. Overall, we maintained our support of existing projects and commitments while also finishing the year with a surplus.

For example, we continued our annual research funding of $250,000 for the Field Crop Development Centre in Lacombe. In the face of funding cutbacks and reallocations by the Province of Alberta (in particular its decision to no longer fund malting barley research), we felt it was important to continue our support for the barley programs affected.

As well, we worked with numerous new and existing industry partners to make recommendations and form alliances that serve barley farmers across Alberta. We leveraged our investment in research with our partners: our $321,500 resulted in a total of $2,364,000; every $1 from the Commission attracted $7.35. We also published just three editions of Barley Country instead of the normal four, saving about $40,000 in production, printing and postage.

In all, we reduced our expenditures and investments in these areas by $240,000 in 2007/2008, almost enough to recoup the shortfall we experienced in 2007/2008.

Highlights 2007/2008

- Registration of a new malting barley from Lacombe called Bentley (see page 16)
- Agronomic advances in malting barley production, the result of joint projects with the Canadian Wheat Board and Agriculture and Agri-Food Canada
- Funding totalling $3.5 million from the Alberta Crop Industry Development Fund for feed research
- A project to encourage agronomic advances in producing Alberta barley for Japanese Shochu
- A very favourable and comprehensive technical and business study on using barley in biorefining (ethanol, distillers grains and extracts) through our Barley Bioproducts Opportunities Project (see page 15)
- A review of rail transportation and input to transportation policy decisions in collaboration with Grain Growers of Canada
- Recommendations to improve and strengthen farmer insurance and income programs
- A joint project with the Canadian International Grains Institute to use barley in more foods
- Positive, flexible changes in federal regulations for kernel variety distinguishability (KVD) and plant novel traits (PNT)
- Discussions of a centre of excellence for feed grains as part of the Alberta Livestock and Meat Strategy
- Negotiations to renewal of the Alberta/Canada Barley Agreement with Alberta Agriculture and Rural Development and Agriculture and Agri-Food Canada
- Movement (although no final agreement) at World Trade Organization negotiations on reducing barriers to international trade
- Successful regional and annual general meetings
- Proposed changes to our regulations.

Priorities 2008/2009

Looking ahead, we'll work to make 2008/2009 one of our "better years" as well.

- Securing funding for continued malting barley research and development
- Monitoring barley demand, yield and acreages to solidify our income base
- Stepping up our efforts to collect more than $600,000 in uncollected or unremitted check-off dollars for feed barley each year
- Funding new (and much needed) research projects especially ones related to leaf disease, plot trials, fusarium, water use, nitrogen use and the development of low phytate barley
- Monitoring and responding to provincial and government funding for agricultural programs and research
- Increasing the check-off rate to $1/tonne from 50 cents/tonne (or to about two cents/bushel from about one cent/bushel)
- Identifying new value-added, opportunities and markets – be they in meat, malt or muffins – for Alberta's barley farmers.

It goes without saying that our organization can only succeed when you succeed. The current "high" prices for grain are offset by rapidly rising costs for fuel, fertilizer, seed and almost every other input cost. One of our most important tasks in the coming year will be to provide you with information to help you manage your business in a volatile market. We'd like to see better years ahead for everyone involved in Alberta's barley industry.

As is our custom with our annual report, we'd like to end our message by thanking the many people who contributed to our progress and success in 2007/2008. Our board members and delegates give an exceptional amount of their time and expertise to guiding the Alberta Barley Commission. The industry partners we work with help us achieve common goals and make important advances. And last but not least, our thanks to our staff and contractors. They are dedicated and professional in everything they do to represent our members. We cannot imagine doing what we do without them.

Doug Robertson
Chairman

Mike Leslie
Chief Executive Officer

Management Discussion & Analysis

We focused on ending the year in a better financial position than the previous year. And we did.

In agriculture, the ability to anticipate and react been has never been as important as it was in 2007/2008. While farmers have been doing this for centuries, more recently they've had less and less in the way of lead or response time. Market conditions are prone to significant shifts in the space of hours, rather than weeks, months or crop years. What was true yesterday is ancient history tomorrow.

Like the producers we represent, the Alberta Barley Commission has had to learn how to be successful in an era of accelerated change. For our organization, staff and contractors, this has meant constantly monitoring our costs, always tracking our value and swiftly responding as circumstances dictate.

Throughout the fiscal year Aug. 1, 2007 to July 31, 2008, we were diligent in tracking our investments and expenses. We focused on ending the year in a better financial position than the previous year. And we did. We ended 2007/2008 with a surplus of $189,814, compared to a loss of $242,097 in 2006/2007. Overall, our revenue was $1,440,972 in 2007/2008 compared to $1,240,231 in 2006/2007.

Honouring commitments

As noted in the Chairman's and CEO's message, we continued to honour our commitments to existing research, market development and producer services projects, although due to budget constraints we were not able to invest in any major new projects. In these areas alone, we reduced our investments/costs by about $240,000 in 2007/2008. The previous year, our Board voted to increase our support to these areas as a show of good faith and confidence in a difficult and uncertain year, but financially, it was not an effort we could afford to duplicate in 2007/2008.

Our revenue from service charges (check-off dollars) increased about 13 per cent ($163,007) to $1,409,925 in 2007/2008, up from $1,246,918 in 2006/2007. While last year's $1.4 million was on par with our budgeted revenue (and in line with 2005/2006's $1.4 million check-off dollars' submission), an estimated $600,000 in annual check-off dollars were still not submitted despite being required by law.

We stepped up our efforts in 2007/2008 to increase the collection of these unsubmitted check-off dollars by creating greater awareness and understanding of how these funds support producers and their feedlot customers. Our approach has been, and remains, to encourage compliance through education rather than through enforcement.

Furthermore, we will emphasize Alberta Marketing Council requirements that anyone involved in buying or processing barley requires a license. One of our key messages to barley growers will be that if they are selling to someone who does not take the check-off dollars from their payment then they are selling to an unlicensed dealer.

Controlled costs

Throughout 2007/2008 we tightly controlled our general and administrative spending, reducing our costs in amortization, computers, general expenses, bank fees, postage, salaries and travel. We did, however, see a $5,499 increase in office rent as well as a slight increase in our phone costs ($10,288 in 2007/2008 compared to $9,325 in 2006/2007) and an additional $2,010 in strategic planning costs ($6,685 compared to $8,695).

While we were able to cut our expenses in the past year, we nonetheless operate in an economy with several years of rapidly increasing costs. Yet the Commission has not seen any significant revenue increase since the check-off dollar rate was increased in 2003 to $0.50/tonne or $0.011/bushel. (From 1991 to 2003, it was $0.40/tonne or $0.008/bushel.)

Added to this, is a steady decline in barley production due to increased competition from other crop options. In 2004, farmers seeded 4.72 million acres in barley; in 2008, the acreage forecast was 4.05 million, which was a 16 per cent decrease from the previous year and 17 per cent lower than the 10-year average. The forecast production for barley in 2008 is estimated at 4.47 million tonnes, which StatsCan reports is down 13 per cent from 2007 and 11 per cent lower than the 10-year average.

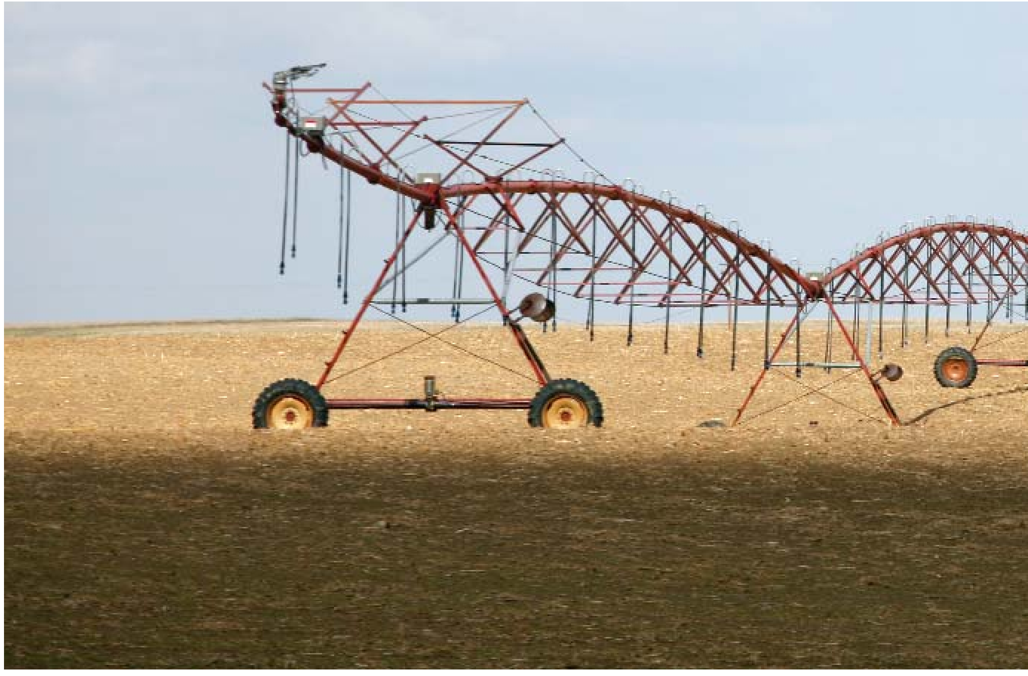
Increasing revenue

Throughout the year, the Commission considered the benefits and drawbacks of raising the check-off dollar rate to $1.00/tonne ($0.022/bushel); the matter will be put to Commission producers, delegates and directors in the regional meetings and may be brought forward to the 2008 annual general meeting.

If accepted, an increased service charge would give the Commission a greater ability to pursue its mandate. This is especially important as public research dollars are dwindling and government funders are moving to a 50/50 funding formula with industry (meaning barley producers must provide at least half of the project funding). It should be noted that if the increase is accepted it would be effective at the start of next year's crop year (Aug. 1, 2009), which coincides with the Commission's fiscal year. Due to the six-month hold back on check-offs, the Commission would not have access to this new revenue until February 2010.

Leadership

Leadership continues to develop and evolve at the Commission. In December 2007, Doug Robertson once again became the organization's chairman; our previous chairman, Terry Young, became vice-chairman. Earlier in the year at our regional meetings, Trevor Petersen was elected as a new director for Region 3. He replaced Jesper Nielson, who stepped down as a director, but was elected as a delegate for that region. In Region 4, John Wozniak Jr. was re-elected as director. Leo Meyer of Woking, Alberta was re-elected as a director-at-large.



Newly elected delegates were: Andrew Otto (Region 1), Wade Christie (Region 2) and Harold Haugen (Region 3). We'd like to thank Alex Hamilton and Murray Marsh, who stepped down last fall after serving as delegates of Region 2, for their many years of service.

Like many other Alberta companies, we have been subject to the effects of a tight labour market. Two staff left the Commission in 2007/2008 for other opportunities. In September 2008, we were actively recruiting to fill the vacancies.

Partnerships

One of our "cornerstone" partnerships was under final renewal discussions as this issue went to print. Agriculture and Agri-Food Canada, Alberta Agriculture and Rural Development and the Alberta Agricultural Research Institute jointly formed the Alberta/Canada Barley Development Agreement in 1991. The Commission joined the partnership in 1996 and ever since has supported its work to develop new malting, feed, food and other barley varieties for Alberta producers. This very productive and valuable partnership has supported much of the barley breeding that takes place at the Alberta Crop Development Centre in Lacombe and resulted in numerous new varieties.

The Commission is also working on another agreement with Agriculture and Agri-Food Canada that will smooth the way for more joint projects between the two organizations and other industry partners.

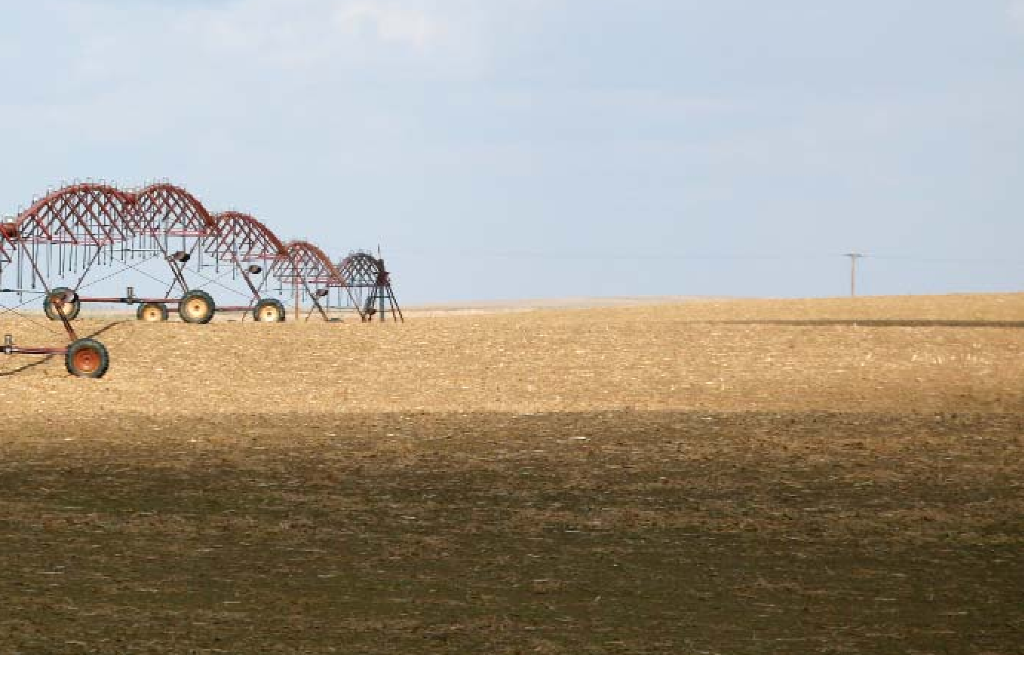
As always, community involvement was an important Commission activity. In 2007/2008, our Board members, delegates and staff participated in numerous events throughout Alberta, including: Aggie Days, FarmTech, Stony Plain City Slickers and the Calgary Stampede (at agriculture displays and the ATCO Kitchen).

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

- World Trade Organization negotiations
- The Crop Sector Working Group on the environment and land- and water-use issues
- Alberta Land Use Framework
- Alberta Institute on the Environment for Agriculture and Forestry
- Alberta Water Council's Wetlands Policy Project Team
- Agri-Environmental Partnership of Alberta, including its Goods & Services and its Environmental Market Opportunities project teams
- Alberta's Agriculture Funding Consortium
- Nutrient Beneficial Management Practices Steering Committee
- Canadian Barley Food Coalition
- And numerous other committees on feed, seed, fertilizer, transportation and crop risk management issues.

Alberta Barley Commission governance

The Province of Alberta formed the Alberta Barley Commission in 1991 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.

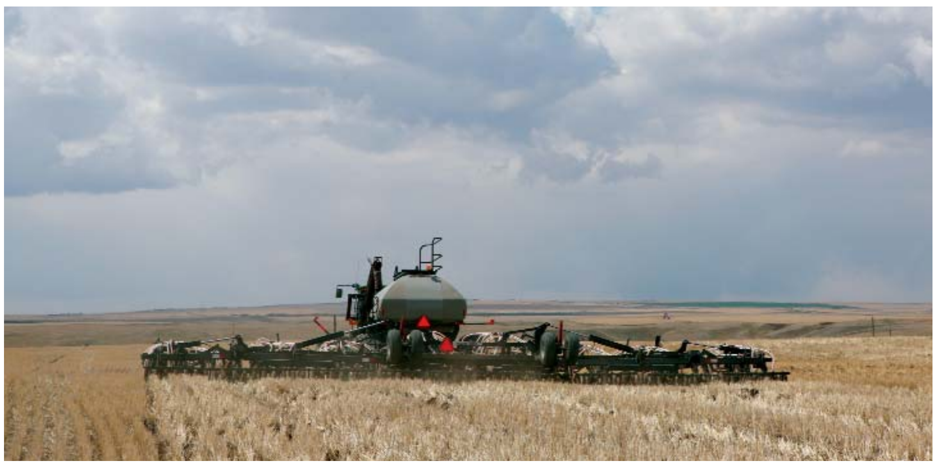


The Commission operates as a corporation and is governed by a nine-person Board of Directors. Eligible barley producers elect six directors; each represents one of the Commission's six regions and is elected by producers from his/her respective region.

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.

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 Commission's chairman and vice-chairman are elected by the directors at the first Board meeting following the annual general meeting.



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.

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 an 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 any matters related to the Alberta Barley Plan

(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 receiving 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.

September 19, 2008

Auditors' Report

To the Directors of
Alberta Barley Commission

We have audited the balance sheet of **Alberta Barley Commission** as at July 31, 2008 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 "check-off" 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, 2008 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, 2008

	2008 $	2007 $
Assets		
Current assets		
Cash and short-term investments (note 5)	345,514	83,008
Accounts receivable	94,580	139,187
Prepaid expenses	12,893	14,290
	452,987	236,485
Investments	1,461,238	1,313,105
Capital assets (note 4)	20,781	21,504
	1,935,006	1,571,094
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	70,735	29,031
Grants payable (note 5)	656,668	684,700
Unearned revenue (notes 2 and 6)	638,178	477,752
	1,365,581	1,191,483
Net assets	569,425	379,611
	1,935,006	1,571,094

Commitments (notes 7

Approved by the Board of Directors

Director
Doug Robertson, Chairman

Director
Terry Young, Vice Chairman

Statement of Operations and Net Assets
For the year ended July 31, 2008

	2008 $	2007 $
Revenue		
Service charges (note 2)	1,409,925	1,246,918
Less: Refunds	95,598	98,097
Net service charges	1,314,327	1,148,821
Realized and unrealized gain on investments	39,645	–
Other income	87,000	91,410
	1,440,972	1,240,231
Expenditures		
Market development	199,484	359,197
Producer services	587,307	668,746
Policy development	163,376	176,181
Directors fees and expenses	50,778	59,130
Other donations and grants	298	1,563
	1,001,243	1,264,817
Excess (deficiency) of revenue over expenses before general and administrative expenses	439,729	(24,586)
General and administrative		
Amortization	6,606	10,144
Computer system development	4,157	6,845
General expenses	14,855	19,979
Interest and bank charges	1,705	1,900
Office rent	26,785	21,286
Postage and delivery	1,845	2,091
Professional fees	14,190	11,500
Salaries and benefits	113,861	115,915
Stationery and supplies	7,412	8,751
Strategic planning expenses	8,695	6,685
Telephone	10,288	9,325
Travel	1,513	2,525
	211,912	216,946
Excess (deficiency) of revenue over expenses before the following	227,817	(241,532)
Loss on disposal of computer equipment	–	565
Excess (deficiency) of revenue over expenses for the year	227,817	(242,097)
Net assets – Beginning of year	379,611	621,708
Transitional adjustment on adoption of new accounting policy (note 3)	(38,003)	–
Net assets – End of year	569,425	379,611

Statement of Cash Flows
For the year ended July 31, 2008

	2008 $	2007 $
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	227,817	(242,097)
Items not affecting cash		
Amortization	6,606	10,144
Loss on disposal of computer equipment	–	565
Interest earned but not received	–	(49,069)
Realized/unrealized gain on investments	(39,645)	–
	194,778	(280,457)
Changes in non-cash working capital items		
Accounts receivable	(44,607)	(22,491)
Prepaid expenses	(1,397)	(4,048)
Accounts payable and accrued liabilities	41,704	(56,592)
Grants payable	(28,032)	(3,012)
Unearned revenue	160,426	20,693
	322,872	(345,907)
Investing activities		
Investments – net	(54,483)	(142,266)
Purchase of capital assets	(5,883)	(2,749)
Proceeds on disposition of capital assets	–	1,012
	(60,366)	(144,003)
Increase (decrease) in cash	262,506	(489,910)
Cash and equivalents – Beginning of year	83,008	572,918
Cash and equivalents – End of year	345,514	83,008

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, 2008 reflects only those service charges and refunds pertaining to producer transactions occurring from February 1, 2007 to January 31, 2008.

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 Change in accounting policies

a) Current year change adopted

Effective August 1, 2007, the Commission adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, Financial Instruments – Recognition and Measurement. This section provides guidance on when a financial instrument must be recognized on the balance sheet and how it is to be measured. It also provides guidance on the presentation of gains and losses on financial instruments.

Adoption of these new standards, as at August 1, 2007, has the following impacts on the classification and measurement of the Commission's financial instruments:

i) Cash is classified as "held-for-trading." It is measured at fair value and changes in fair value are recognized in operations.

ii) Accounts receivable is classified as "loans and receivables" and is measured at amortized cost, which is generally the amount on initial recognition less an allowance for doubtful accounts.

iii) Investments are classified as "held-for-trading" and are measured at fair value.

iv) Accounts payable and accrued liabilities are classified as "other financial liabilities" and are measured at cost.

The valuation basis for the investments as at July 31, 2007 is cost, since Canadian generally accepted accounting principles preclude restatement of the prior year when adopting market valuation for investments. This resulted in a decrease in the general fund balance as at August 1, 2007 of $38,003 recognized as a transitional adjustment on that date.

As a result of adoption of this standard, the increase in market value of investments from August 1, 2007 to July 31, 2008 of 39,645 is included in the statement of operations as at July 31, 2008 as "realized and unrealized gain on investments."

b) Recent accounting pronouncements issued and not yet adopted

Financial Instruments

In December 2006, the CICA issued Handbook Sections 3862 "Financial Instruments-Disclosures" and 3863, "Financial Instruments – Presentation." These standards enhance the requirements of the previously issued Section 3861. Section 3862 places greater emphasis on disclosures about risks related to recognized and unrecognized financial instruments and how those risks are managed. Section 3863 carries forward the same presentation standards as Section 3861. These two new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2007 on a prospective basis.

Capital Disclosure

Effective for fiscal years commencing on or after October 1, 2007, the Commission will adopt CICA Handbook Section 1535 Capital Disclosure. This Section establishes standards for the disclosure of both qualitative and quantitative information related to an entity's objectives, policies and processes for managing capital.

The impact of these standards is unknown as the Commission is currently evaluating the impact of adopting these new standards on the financial statements.

4 Capital assets

			2008	2007
	Cost	**Accumulated amortization**	**Net**	**Net**
	$	$	$	$
Office furniture	65,107	58,939	6,168	7,546
Promotion equipment	19,509	18,178	1,331	1,866
Computer equipment	41,882	28,600	13,282	12,092
	126,498	105,717	20,781	21,504

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.

Included in cash and short-term investments is $220,000 received from government agencies relating to specific research project grants included in grants payable. There are no external restrictions on the investment of these funds, which will be paid out over the life of the related research projects.

6 Unearned revenue

Unearned revenue consists of the following:

	2008	**2007**
	$	$
Service charges collected from February 1 to July 31 of fiscal year	554,685	356,331
Accrued service charges receivable	105,353	145,025
Allowance for refunds	(21,860)	(23,604)
	638,178	477,752

7 Commitments

Lease commitment

The Commission entered into a three year lease agreement for office space effective March 1, 2008. The future minimum obligations including estimated operating costs, associated with the lease are as follows:

	$
2009	31,216
2010	32,295
2011	19,206
	82,717