



# **Western Grains Research Foundation Annual Report 2007**

# A Year In Review

The Western Grains Research Foundation (WGRF) had an exciting year in 2007. We have seen many indicators of change that may impact the agricultural landscape in the coming years, and our Board and staff embrace these changes as an opportunity to further help farmers. Below are a few highlights from 2007.

## **Broadening the Check-off**

WGRF continues to work diligently to broaden the check-off above and beyond CWB sold grains. This change requires WGRF to move to a new piece of legislation, which means a number of tireless hours working with government to push this move through. With the proposed removal of barley from under the CWB, this request is even more urgent in nature and we have been communicating this to government.

Discussions have taken place in person, on the phone and through a letter campaign. Overall, the conversations have presented an optimistic view from government, who appear to be on side with helping WGRF move the legislative change through in a timely manner.

## **Federal Tax Credit for Farmers on Check-off Investments**

The federal government annually provides a Scientific Research and Experimental Development (SR&ED) tax credit to producers offering them money back on their check-off investments.

The tax credit percentage for producers who contributed to the Wheat and Barley Check-off (administered by the Western Grains Research Foundation) in 2007 are **82% for wheat** and **85% for barley**.

More information about the SR&ED tax credit can be found on WGRF's website.

## **Wheat Midge Tolerant Varieties**

Four midge tolerant wheat varieties were registered in 2007, and are the first spring wheat varieties that have been developed with any defense to wheat midge. They have been bred using natural breeding methods (and are not GMO) with the aid from farmers through the WGRF at Agriculture and Agri-Food Canada's Winnipeg and Swift Current research stations.

Wheat midge is a particularly devastating insect pest with over \$40.1 million lost by farmers in downgrading factors due to midge in 2006 alone. Special measures are being introduced to prolong the life of this midge tolerance in the form of an interspersed refuge (varietal blend).

This is the first time a system such as this is being applied to the commercial production of wheat in the world, and as such, a strong education component is necessary for its success as farmers will be responsible for the stewardship of this refuge. This distribution technique will help farmers to respond to the devastating issue of wheat midge in a proactive way, and could potentially extend the effective life of the midge tolerance from as little as 10 years to 90 years or longer.

WGRF, along with a number of key stakeholders including western Canadian wheat producer representatives, provincial agriculture ministries, seed regulatory officials, wheat breeders and seed distributors have been working together to develop a plan for the distribution of these varieties which is expected to have a release date of 2010.

WGRF has taken a lead role in the coordination of these groups and is excited about the positive potential these varieties have for farmers in Western Canada.

# A Year In Review con't

## Board Changes

The WGRF Board took on a new face with two organizations being removed from the Board in 2007. The first was Agricore United, as they were no longer an organization after the Viterra merger that took place in March of 2007.

The second organization that withdrew their name from the WGRF Board was the former Saskatchewan Wheat Pool, now known as Viterra. This withdrawal was made as they are no longer structured as a producer Board, and therefore were not eligible for membership under WGRF's Board guidelines.

2007 was a challenging and rewarding year for WGRF. These are exciting times in the agriculture industry, especially within the research sector. We will continue fighting to keep our producers competitive with the rest of the world, and will work hard in representing farmers in Western Canada at the research table.

We leave you with this quote:

**"Nothing we can do can change the past,  
but everything we do  
changes the future."**

**- Unknown**

All the best in the coming year,



Lanette Kuchenski, Executive Director

Keith Degenhardt, Chairman of the Board

## **Continue reading...**

for more information about the wheat and barley check-offs, our Endowment Fund, status of the railway revenue cap overages, as well as a full five-year summary listing of our financials.

# WGRF Board of Directors, 2007

The WGRF Board took on a new face in 2007, with two organizations being removed from the member organizations that make up the Board (see the Year in Review for more information).

The Board that over-see's WGRF is comprised of 16 diverse and well rounded members. Made up of mainly farmers and one representative from Agriculture and Agri-Food Canada, they each represent a different agricultural organization from all across Western Canada.

WGRF's member organizations include:

Agricultural Producers Assn of Saskatchewan  
Alberta Soft Wheat Producers Commission  
BC Grain Producers Association  
Canadian Seed Growers Association  
Keystone Agricultural Producers  
Prairie Oat Growers Association  
Western Barley Growers Association  
Western Pulse Growers Association

Agriculture & Agri-Food Canada  
Alberta Winter Wheat Producers Commission  
Canadian Canola Growers Association  
Canadian Wheat Board (Producer Board Rep)  
National Farmers Union  
Saskatchewan Flax Development Commission  
Western Canadian Wheat Growers Association  
Wild Rose Agricultural Producers



**From left to right, back to front:**

**Mel Stickland**, Western Barley Growers Association - Red Deer, AB | **Don Dewar**, Keystone Agricultural Producers - Dauphin, MB  
**Garry Smolik**, BC Grain Producers Association - Dawson Creek, BC | **Larry Littman**, Canadian Seed Growers Association, Saltcoats, SK  
**Steve Morgan Jones**, Agriculture & Agri-Food Canada - Lethbridge, AB | **Peter Pepneck**, Alberta Soft Wheat Producers Commission - Vauxhall, AB | **Bob Anderson**, Prairie Oat Growers Association - Dugald, MB | **Barb Podhorodeski**, Western Pulse Growers Association - Shipman, SK | **Jim Thorson**, Agricultural Producers Association of Saskatchewan - Penzance, SK | **Wayne Bacon**, Canadian Canola Growers Association - Kinistino, SK | **Brian Otto**, Alberta Winter Wheat Producers Commission - Warner, AB | **Bill Gehl**, National Farmers Union - Regina, SK | **Keith Degenhardt**, **CHAIR**, Wild Rose Agricultural Producers - Hughenden, AB | **Dave Sefton**, **VICE-CHAIR**, Saskatchewan Flax Development Commission - Broadview, SK | **Rob Pettinger**, Agricore United - Elgin, MB (no longer a member organization or Board representative)

**Missing from photo:**

**Allen Oberg**, Canadian Wheat Board - Forestburg, AB | **Kevin Bender**, Western Canadian Wheat Growers Association - Bentley, AB

# Wheat Check-off

**Wheat Check-off Rate:** \$0.30 per metric tonne (less than one cent on a bushel of wheat).

**Current Collection:** The wheat check-off is currently collected on wheat sold in Manitoba, Saskatchewan, Alberta and the BC Peace region through the Canadian Wheat Board. It should be noted that WGRF has no ties to the CWB other than utilizing their final payments as a cost effective collection mechanism.

**Check-off Funded Research:** The dollars invested into the check-off are used to fund variety development through public breeding programs across Western Canada. Most of the varieties that are released today were developed because of farmer support through WGRF's check-off.

**Supported Research Programs:** WGRF invests money in public wheat breeding programs through Agriculture and Agri-Food Canada, University of Saskatchewan, University of Alberta, University of Manitoba and Alberta Agriculture & Rural Development.

**Annual Funding:** Over \$3 million per year is invested in wheat breeding research. This amount comes from producers through the check-off and from the royalties received on certain varieties (which WGRF reinvests directly back into research).

**Government Matching:** Every dollar invested in the Wheat Check-off is matched or doubled by government funds. WGRF works hard to leverage each farmer dollar to get the most benefit possible.

## Wheat Technical Advisory Committee:

**Brian Otto**, Farmer and WGRF Board representative, **CHAIR**

**Gordon Carson**, Canadian National Millers Association

**Ron DePauw**, Agriculture & Agri-Food Canada

**Bill Toews**, Canadian Wheat Board

**Nancy Edwards**, Grains Research Lab, Canadian Grain Commission

**Pierre Hucl**, Crop Development Centre, U of S

**Graham Worden**, Canadian Wheat Board

**Peter Pepneck**, Farmer and WGRF Board representative

**Bill Gehl**, Farmer and WGRF Board representative

**Garry Smolik**, Farmer and WGRF Board representative

**Keith Degenhardt**, Farmer and WGRF Board representative, Ex-officio

## WGRF Supported Wheat Varieties - a full list is available at [www.westerngrains.com](http://www.westerngrains.com)

**2007 CDC Ptarmigan** (CWGP) Developed by: U of S CDC | Distributed by: Western Ag

**Goodeve** (CWRS) Developed by: AAFC Swift Current | Distributed by: FarmPure

**Sadash** (CWSWS) Developed by: AAFC Lerthbridge | Distributed by: SeCan

**Unity** (CWRS) Developed by: AAFC Winnipeg | Distributed by: SeCan

**Waskada** (CWRS) Developed by: AAFC Winnipeg | Distributed by: SeCan

**2006 Alvena** (CWRS) Developed by: AAFC Swift Current | Distributed by: SeCan

**Kanata** (CWHW) Developed by: AAFC Winnipeg | Distributed by: FarmPure

**Kane** (CWRS) Developed by: AAFC Winnipeg | Distributed by: SeCan

**Snowwhite475** (CWHW) Developed by: AAFC Swift Current | Distributed by: FarmPure

**Snowwhite476** (CWHW) Developed by: AAFC Swift Current | Distributed by: FarmPure

# Barley Check-off

**Barley Check-off Rate:** \$0.50 per metric tonne (about one cent on a bushel of barley).

**Current Collection:** The Barley Check-off is currently collected on barley sold in Manitoba, Saskatchewan and BC Peace region through the Canadian Wheat Board. It should be noted that WGRF has no ties to the CWB other than utilizing their final payments as a cost effective collection mechanism.

**Check-off Funded Research:** The dollars invested into the check-off are used to fund barley variety development through public breeding programs mainly in Saskatchewan and Manitoba.

**Supported Research Programs:** WGRF supports part of the barley breeding programs at Agriculture and Agri-Food Canada in Brandon, MB, and the Crop Development Centre at the University of Saskatchewan in Saskatoon, SK.

**Annual Funding:** Over \$600,000 per year is invested in barley breeding research. This amount comes from producers through the check-off and from the royalties received on certain varieties (which WGRF reinvests directly back into research).

**Government Matching:** Every dollar invested in the Barley Check-off is matched or doubled by government funds. WGRF works hard to leverage each farmer dollar to get the most benefit possible.

## **Barley Technical Advisory Committee:**

**Wayne Bacon**, Farmer and WGRF Board representative, **CHAIR**

**Erin Armstrong**, Brewing and Malting Barley Research Institute

**Michael Brophy**, Canadian Wheat Board

**Michael Edney**, Grains Research Lab, Canadian Grain Commission

**Bill Legge**, Agriculture & Agri-Food Canada

**James Chatenay**, Canadian Wheat Board

**Brian Rossnagel**, Crop Development Centre, U of S

**Larry Littman**, Farmer and WGRF Board representative

**Dave Sefton**, Farmer and WGRF Board representative

**Mel Stickland**, Farmer and WGRF Board representative

**Keith Degenhardt**, Farmer and WGRF Board representative, Ex-officio

## **WGRF Supported Barley Varieties - a full list is available at [www.westerngrains.com](http://www.westerngrains.com)**

**2007 CDC Mindon** (Feed) Developed by: U of S CDC | Distributed by: SeCan

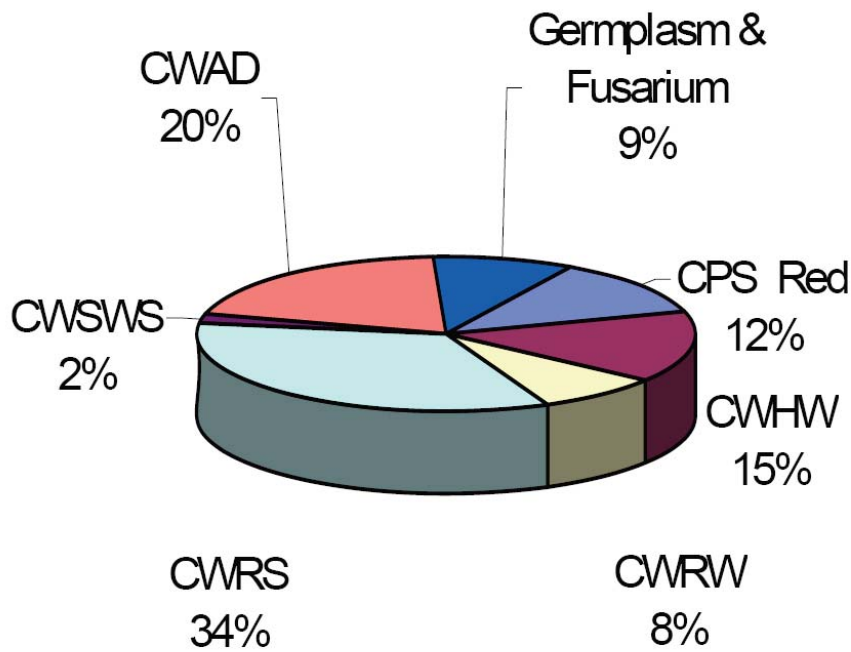
**CDC Lophy-I** (Feed) Developed by: U of S CDC | Distributed by: FarmPure

**2006 Millhouse** (Baking Barley) Developed by: AAFC Brandon | Distributed by: FarmPure

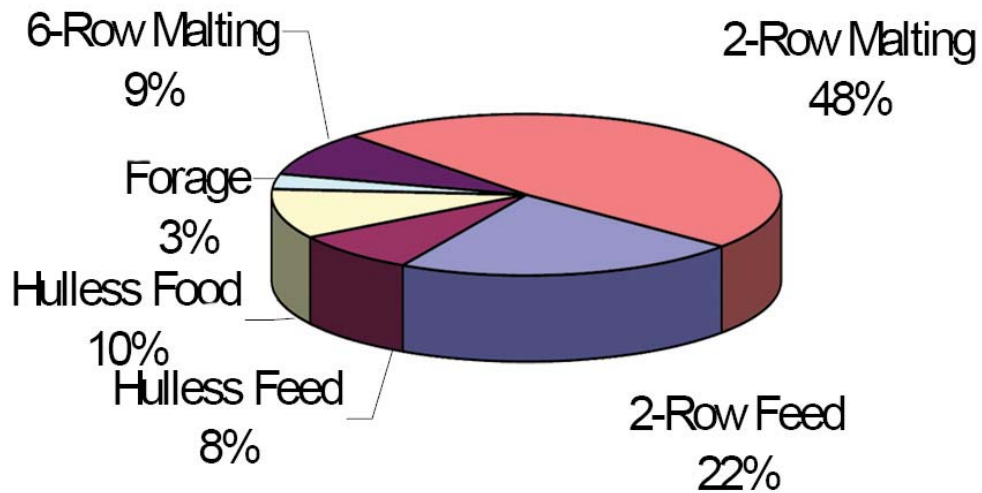
**CDC Coalition** (Feed) Developed by: U of S CDC | Distributed by: Canterra

**Binscarth** (Forage) Developed by: AAFC Brandon | Distributed by: Wagon Wheel Seeds

# Check-off Allocations



## Wheat Funding Breakdown



## Barley Funding Breakdown

# Endowment Fund

**New Crop Knowledge and Technology:** In today's world of mega research funds, the Endowment Fund is a relatively small funding source, but its long-term productivity is remarkable - over \$19 million in support to over 200 crop research projects since its inception. That has resulted in a large reservoir of crop knowledge, technology and innovation. The Fund fills an important niche, often supporting research that may not otherwise receive adequate funding.

**How the Endowment Fund Works:** The principal of the Endowment Fund is invested and only the interest is used to fund a wide variety of crop research, *across all crop types*. Organizing the fund in this way looks to the future and long-term stability of crop research in Western Canada. Annual earnings are invested into research for the benefit of western Canadian farmers.

**Endowment Fund Advisory Committee:** Endowment Fund Advisory Committee is comprised of half WGRF members and half representatives from industry and the research community. The advisory committee's role is to advise and make recommendations to the Board regarding research project funding.

The committee is made up of the following members:

**Dave Sefton**, Farmer and WGRF Board representative, **CHAIR**

**Jeff Stewart**, Agriculture & Agri-Food Canada

**Rick Holm**, University of Saskatchewan

**Mike McAvoy**, Saskatchewan Agriculture, Food and Rural Revitalization

**Karin Wittenberg**, Agricultural & Food Sciences Research, U of M

**Dean Spaner**, Dept of Agricultural, Food and Nutritional Science, U of A

**Don Dewar**, Farmer and WGRF Board representative

**Barb Podhorodeski**, Farmer and WGRF Board representative

**Jim Thorson**, Farmer and WGRF Board representative

**Keith Degenhardt**, Farmer and WGRF Board representative, Ex-officio

## Endowment Funded Projects | 2005-2008

| Time Frame | Researcher        | Organization Name    | Research Project Name   | Amount     |
|------------|-------------------|----------------------|---|------------|
| 2008-2010  | James D. Procnier | AAFC, Winnipeg       | Unraveling KVD using RIDT   | \$ 120,000 |
| 2008-2010  | Curtis Pozniak    | U of S, CDC          | Designer Wheat for the Biofuels Industry                                      | \$ 139,623 |
| 2008-2010  | Dean Spaner       | U of A, AFNS         | The Genetics of Early Maturity in Canadian Spring Wheat                       | \$ 103,500 |
| 2008-2010  | Owen Olfert       | AAFC, Saskatoon      | Coordinated Monitoring and Forecasting for Field Crop Insect Pests            | \$ 30,000  |
| 2007-2009  | Kelly Turkington  | AAFC, Lacombe        | Genetic Changes in the Canadian Fusarium Head Blight Population               | \$ 112,767 |
| 2006-2008  | Roger Rimmer      | AAFC, Saskatoon      | Identifying Gene Lines to Pathotypes of Leptosphaeria Maculans                | \$ 75,000  |
| 2005-2007  | Margaret Gruber   | AAFC, Saskatoon      | Flea Beetle and Drought Resistance in Canola                                  | \$ 79,450  |
| 2005-2007  | Andy Tekauz       | AAFC, Winnipeg       | Identifying and Incorporating Resistance to Fusarium Head Blight in Oats      | \$ 127,500 |
| 2005-2007  | Curtis Pozniak    | CDC, U of S          | Genetics and Genomics of Yellow Pigment Content in Durum Wheat                | \$ 121,500 |
| 2005-2007  | Richard Gray      | Ag Economics, U of S | Intellectual Property Rights and the Future of Public Crop Breeding in Canada | \$ 60,000  |

Information on the more than 200 Endowment Fund projects supported over the last 25 years are available on the WGRF website at [www.westerngrains.com](http://www.westerngrains.com).



# Endowment Fund con't

## Railway Revenue Cap

In 2000, the Federal Government named the WGRF as the organization that would receive funds that were deemed to be in excess of the set revenue cap that governs each of the Canadian railways.

Excess funds, plus a penalty of 5%, are invested into WGRF's Endowment Fund that supports research across all crop types for the benefit of western Canadian farmers.

A complete history of the funds WGRF has received through the revenue cap is as follows:

**2003-04 crop year** - Canadian Pacific Railway (CP) exceeded revenue cap by \$321,912

**2004-05 crop year** - Canadian National Railway (CN) exceeded revenue cap by \$118,714

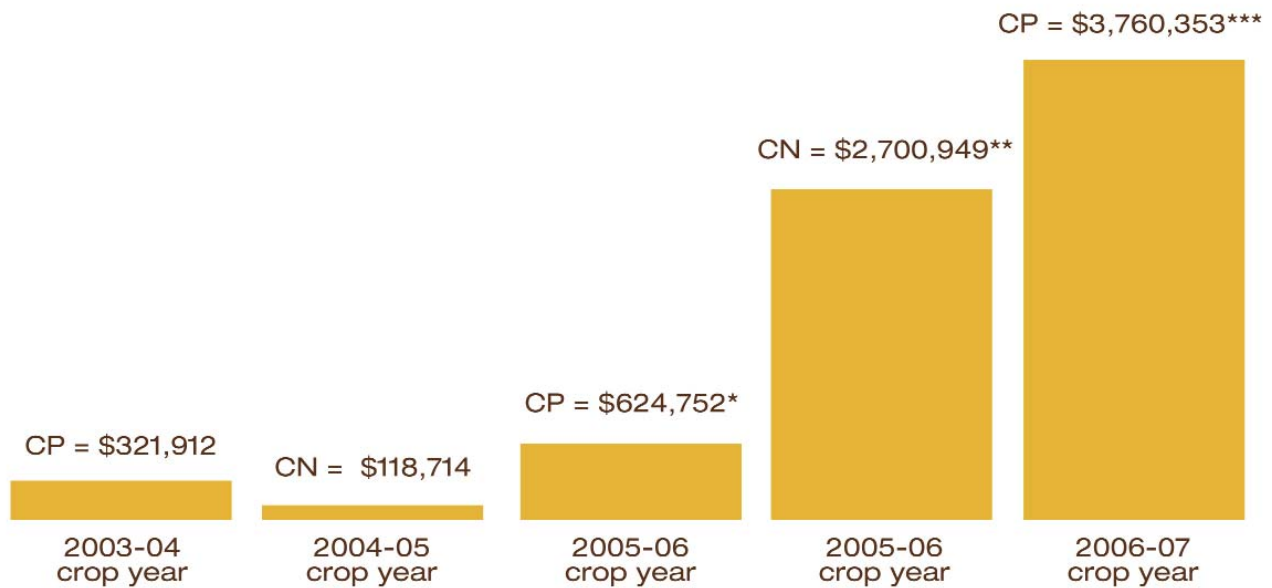
**2005-06 crop year** - CP was ruled to have exceeded the revenue cap by \$1,495,535 but appealed this ruling with the Canadian Transportation Agency (CTA) who ruled in favour of CP and directed the WGRF to return nearly \$871,000 back to CP.

- CN was also ruled to be over the revenue cap in this crop year in the amount of \$2,700,949. They also appealed part of this amount saying that the ruling was \$522,383 too high. At year's end a ruling had not yet been made regarding CN's appeal.

**2006-07 crop year** - CP was ruled to have exceeded the revenue cap by \$3,760,353. These dollars are appealable, however at year's end WGRF received no notification as to CP's plans to appeal.

- It is important to note that payment from CP will not be received by WGRF until January 2008 and as such it will not be recorded in the 2007 financial summary.

## Revenue Cap Overages Invested back into Agriculture



\*the figure listed is the amount after the appeal was deducted \*\*appeal pending \*\*\* amount appealable

# Financial Highlights

As a farmer funded and directed organization, WGRF is committed to transparency in all areas of the organization, including the reporting of its financial position, operating results and cash flows.

PricewaterhouseCoopers LLP annually audits WGRF's financial statements, including the notes to the financial statements. The Financial Summary, as provided by management and included in this report, portrays the summarized financial position of the WGRF. It highlights the operating fund revenues, expenditures and net revenue over expenditures in each the Endowment Operating fund, Wheat Operating fund and Barley Operating fund over a period of five years. The Financial Summary has been reviewed and approved by WGRF's Board of Directors.

Should you wish to obtain the complete set of financial statements for the year ended December 31, 2007, along with the auditor's report, please contact our office at (306) 975-0060.

To aid your reading of the Financial Summary on the next page below are a few notes to ensure accuracy when interpreting the data. If you require more information, please contact our office at the number listed above.

## Under the heading Equity

- The category **Capital** represents the original dollars that were transferred by the federal government from the discontinued Prairie Farm Assistance Act into an Endowment Fund. This was the base that the WGRF was founded.
- **Endowment** shows the year end balance of interest earned on the principal dollars listed under Capital, as well as income from the excess dollars and penalties received from the railway revenue cap. The federal government developed the revenue cap under the Canadian Transportation Act in 2000. A cap was set, and if exceeded by the railroads the excess dollars and a penalty fee was invested with the WGRF. This was developed in an attempt to keep the railroads honest and direct the excess money back to farmers of Western Canada through crop research. A full listing of revenue cap penalties paid to the WGRF are listed on page 9 of this report. It is important to note that payment from CP for exceeding the revenue cap in the 2006-07 crop year will not be received by WGRF until January 2008, and as such, will not be recorded in the 2007 Financial Summary.
- **Wheat** represents the wheat reserve or contingency, plus funds in the wheat operating account at year end.
- **Barley** represents the barley reserve or contingency, plus funds in the barley operating account at year end.
- The WGRF has made substantial progress in replenishing the Wheat Reserve account since 2004. This has been achieved through prudent fiscal control and investment strategies. The replenishment of the Barley Reserve account is occurring through recent reductions of short-term funding commitments and the per tonne increase of the barley check-off.

## Under the column 2004

- Wheat and barley revenues in 2004 were unusually low. No final payments for most wheat (except durum) were sent to farmers during this period, and therefore no check-off was collected by the WGRF. Final payments for barley were made in 2004, but poor conditions reduced marketing, resulting in lower check-off revenue.



**WESTERN GRAINS RESEARCH FOUNDATION  
FINANCIAL SUMMARY  
DECEMBER 31**

|                                 | 2007              | 2006              | 2005              | 2004               | 2003              |
|---------------------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
| <b>ASSETS</b>                   |                   |                   |                   |                    |                   |
| Cash and other                  | 2,756,040         | 2,601,073         | 3,142,305         | 329,434            | 783,029           |
| Investments                     | 21,211,372        | 13,675,303        | 11,512,023        | 14,526,592         | 17,331,520        |
|                                 | <u>23,967,412</u> | <u>16,276,376</u> | <u>14,654,328</u> | <u>14,856,026</u>  | <u>18,114,549</u> |
| <b>LIABILITIES</b>              |                   |                   |                   |                    |                   |
| Cash advances                   | -                 | -                 | -                 | 740,898            | 960,754           |
| Accounts & grants payable       | 1,503,397         | 663,119           | 31,955            | 32,892             | 15,526            |
|                                 | <u>1,503,397</u>  | <u>663,119</u>    | <u>31,955</u>     | <u>773,790</u>     | <u>976,280</u>    |
| <b>EQUITY</b>                   |                   |                   |                   |                    |                   |
| Capital                         | 9,066,972         | 9,066,972         | 9,066,972         | 9,066,972          | 9,066,972         |
| Endowment                       | 4,779,474         | 877,907           | 294,546           | 37,303             | 151,505           |
| Wheat                           | 7,598,373         | 4,930,753         | 4,489,265         | 4,252,038          | 6,647,506         |
| Barley                          | 1,019,196         | 737,625           | 771,590           | 725,923            | 1,272,286         |
|                                 | <u>22,464,015</u> | <u>15,613,257</u> | <u>14,622,373</u> | <u>14,082,236</u>  | <u>17,138,269</u> |
|                                 | <u>23,967,412</u> | <u>16,276,376</u> | <u>14,654,328</u> | <u>14,856,026</u>  | <u>18,114,549</u> |
| <b>ENDOWMENT FUND Operating</b> |                   |                   |                   |                    |                   |
| Revenue                         | 4,227,504         | 907,251           | 648,057           | 319,115            | 383,339           |
| Expenditures                    |                   |                   |                   |                    |                   |
| Research funding                | 197,689           | 261,350           | 330,000           | 394,505            | 534,780           |
| Operating                       | 58,053            | 62,540            | 60,814            | 38,812             | 45,979            |
|                                 | <u>255,742</u>    | <u>323,890</u>    | <u>390,814</u>    | <u>433,317</u>     | <u>580,759</u>    |
| Net                             | <u>3,971,762</u>  | <u>583,361</u>    | <u>257,243</u>    | <u>(114,202)</u>   | <u>(197,420)</u>  |
| <b>WHEAT FUND Operating</b>     |                   |                   |                   |                    |                   |
| Revenue                         | 5,834,575         | 3,782,664         | 3,509,931         | 1,104,313          | 3,351,117         |
| Expenditures                    |                   |                   |                   |                    |                   |
| Research funding                | 3,010,000         | 3,010,000         | 2,995,200         | 3,118,520          | 3,089,094         |
| Reserve allocation              |                   |                   | -                 | -                  | -                 |
| Royalties                       | 327,619           | 210,337           | 165,066           | 417,729            | 437,731           |
| Operating                       | 283,824           | 298,182           | 297,847           | 238,573            | 287,835           |
|                                 | <u>3,621,443</u>  | <u>3,518,519</u>  | <u>3,458,113</u>  | <u>3,774,822</u>   | <u>3,814,660</u>  |
| Net                             | <u>2,213,132</u>  | <u>264,145</u>    | <u>51,818</u>     | <u>(2,670,509)</u> | <u>(463,543)</u>  |
| <b>BARLEY FUND Operating</b>    |                   |                   |                   |                    |                   |
| Revenue                         | 940,985           | 648,301           | 776,299           | 262,049            | 560,601           |
| Expenditures                    |                   |                   |                   |                    |                   |
| Research funding                | 609,600           | 606,661           | 679,000           | 699,963            | 704,093           |
| Royalties                       | 36,896            | 47,599            | 28,394            | 45,112             | 19,198            |
| Operating                       | 73,290            | 73,540            | 73,133            | 126,273            | 122,563           |
|                                 | <u>719,786</u>    | <u>727,800</u>    | <u>780,527</u>    | <u>871,348</u>     | <u>845,854</u>    |
| Net                             | <u>221,199</u>    | <u>(79,499)</u>   | <u>(4,228)</u>    | <u>(609,299)</u>   | <u>(285,253)</u>  |
| <b>COMBINED FUNDS Operating</b> |                   |                   |                   |                    |                   |
| Revenue                         | 11,003,064        | 5,338,216         | 4,934,287         | 1,685,477          | 4,295,057         |
| Expenditures                    |                   |                   |                   |                    |                   |
| Research funding                | 3,817,289         | 3,878,011         | 4,004,200         | 4,212,988          | 4,327,967         |
| Royalties                       | 364,515           | 257,936           | 193,460           | 462,841            | 456,929           |
| Operating                       | 415,167           | 434,262           | 431,794           | 403,658            | 456,377           |
|                                 | <u>4,596,971</u>  | <u>4,570,209</u>  | <u>4,629,454</u>  | <u>5,079,487</u>   | <u>5,241,273</u>  |
| Net                             | <u>6,406,093</u>  | <u>768,007</u>    | <u>304,833</u>    | <u>(3,394,010)</u> | <u>(946,216)</u>  |



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