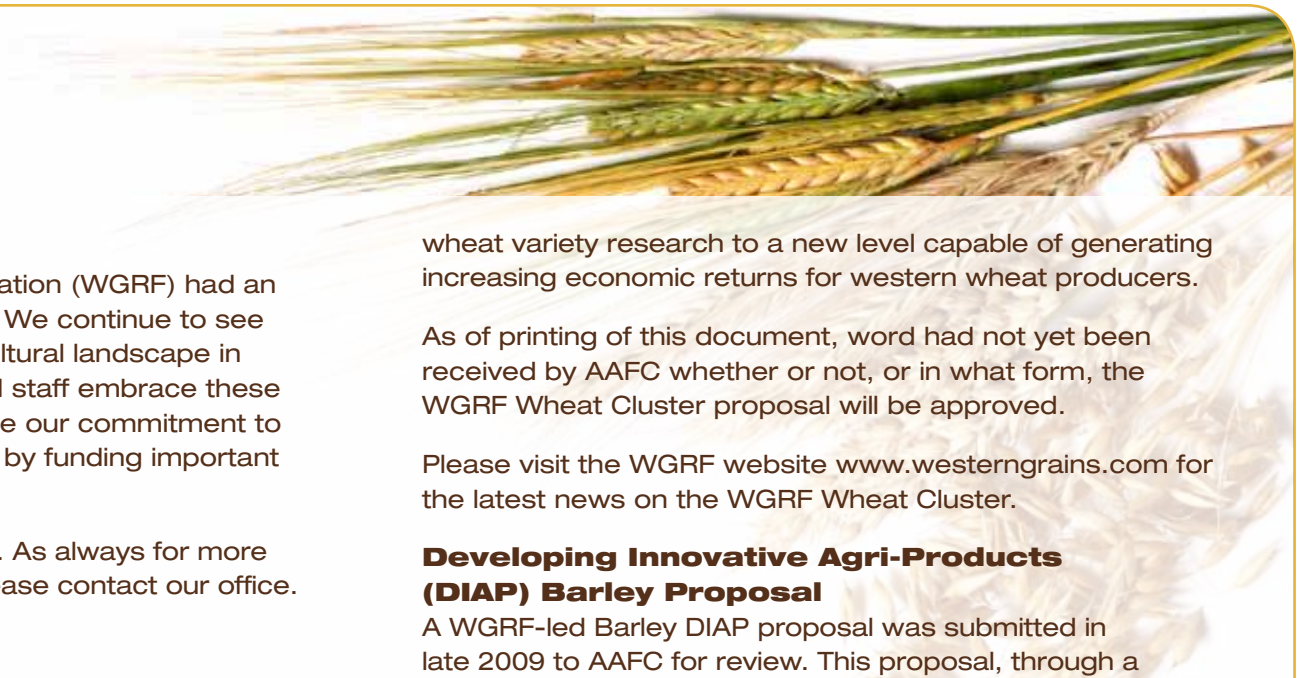




Western Grains Research Foundation  
**Annual Report 2009**





## **A Year in Review**

The Western Grains Research Foundation (WGRF) had an exciting and successful year in 2009. We continue to see many changes that impact the agricultural landscape in the coming years, and our Board and staff embrace these changes as an opportunity to increase our commitment to helping western Canadian producers by funding important crop research.

Below are a few highlights from 2009. As always for more information on any of these topics please contact our office.

## **Opt-out Numbers**

The wheat and barley check-offs are the mainstay of WGRF's revenues and are used to support wheat and barley variety development.

The producer opt-out numbers for 2009 continue to show strong producer support for the WGRF. For the last 5 years producer opt-outs have been between 5-8%. Producers who choose to opt-out of the check-offs can do so, but over 90% of producers choose to leave their money with WGRF to help fund future wheat and barley varieties.

## **Canadian Agri-Science Clusters Initiative**

### **WGRF Wheat Cluster**

A WGRF-led Wheat Cluster proposal was almost complete by 2009 year-end for submission to Agriculture Agri-Food Canada (AAFC) for review in early 2010. Under the Wheat Cluster proposal, AAFC and WGRF would fund additional wheat breeding research activities in a number of areas through collaborative efforts of AAFC, three prairie universities and the WGRF. The overall WGRF goal is to take

wheat variety research to a new level capable of generating increasing economic returns for western wheat producers.

As of printing of this document, word had not yet been received by AAFC whether or not, or in what form, the WGRF Wheat Cluster proposal will be approved.

Please visit the WGRF website [www.westerngrains.com](http://www.westerngrains.com) for the latest news on the WGRF Wheat Cluster.

### **Developing Innovative Agri-Products (DIAP) Barley Proposal**

A WGRF-led Barley DIAP proposal was submitted in late 2009 to AAFC for review. This proposal, through a partnership of several funding agencies, is targeted at establishing a foundation for value-added barley including malt products, functional foods, feed and bio-based products. Proposed research activity includes both breeding and agronomy research. As of April 6, 2010 WGRF was awaiting a decision by AAFC on the Barley DIAP proposal.

Please visit the WGRF website [www.westerngrains.com](http://www.westerngrains.com) for the latest news on the WGRF Barley DIAP.

## **Broadening the Check-off**

The Western Grains Research Foundation (WGRF) is pursuing broadening its research check-off on wheat and barley. With the growing use of barley for the domestic livestock industry and with the growing use of wheat for the production of ethanol, the research check-off is leaving out a growing percentage of western Canadian wheat and barley production.

Presently WGRF is stretching the check-off dollars collected on export grains to fund research for domestic

industrial uses such as ethanol, as well as for our livestock industries. To adequately fund plant breeding for those uses, we need to collect a check-off on those uses.

Since its inception more than 15 years ago, the WGRF check-off has been deducted from final payments issued by the Canadian Wheat Board for wheat (including durum) and barley.

While the current WGRF cereal check-off is making real progress there are some challenges. Currently there is no mechanism in place to collect a check-off on grain sold to the feed or ethanol market. A portion of both the wheat and barley check-off research is focused on non-food use of the crop but is not supported with any financial assistance from the feed or ethanol markets. An expanded check-off would help to generate revenue to fund variety research specific to ethanol and feed grains.

WGRF has been meeting with government departments and agencies to determine what can be done under the current legislative frameworks. WGRF will continue meeting with interested parties in 2010 to discuss how to best advance this initiative.

## **WGRF Endowment Fund**

In December of 2009 the WGRF Board held strategic planning sessions to discuss and plan for the future of the WGRF Endowment Fund. Monies charged by the railways for grain movement that exceed the federal rail revenue cap are paid into the WGRF Endowment Fund. About \$70 million was received by WGRF for the 2007-08 crop year in relation to the hopper car maintenance portion of the revenue cap formula. This one-time boost in resources will increase the Endowment funds available for research by 4

to 5 times in the coming years. This increase impacts the way WGRF funds research and is why the Board found it imperative to sit down and discuss the goals and direction of the Endowment Fund. As well as a general updating of Fund policy, the WGRF Board emerged with two major decisions made in relation to: (1) general spending policy and (2) a new directed research initiative.

### **Spending Policy**

The WGRF Board wants to ensure there exists strong ongoing support to crop research well into the future. As a result, general WGRF policy will be to invest hopper car maintenance monies, along with the rest of the Endowment Fund, and generally spend only the earnings on the Fund investments to support research. However, if beneficial projects are identified, WGRF will consider spending a limited portion of the Endowment Fund principal to support these projects. In the event principal is spent, the intent will be to replace that principal over time.

### **Directed-Research Initiative**

A key change to Endowment Fund Policy is the adoption of a new method for allocating a portion of the Endowment Fund. The current Letter of Intent (LOI) process has been in place for some time and will continue. However, a new process will be added alongside the LOI process and will see WGRF becoming more directive with respect to the research it funds. After receiving input from stakeholders, WGRF will identify specific areas of research that are required from a producer perspective. A Request for Proposal (RFP) will then be issued inviting researchers to submit proposals to conduct the research. The first RFP will be issued in 2010.

An updated WGRF Endowment Fund policy as well as



information on the Directed Research Program is posted on the WGRF website [www.westerngrains.com](http://www.westerngrains.com)

### **Provincial Registration Trials Website**

This project was initiated by ARECA (Agricultural Research and Extension Council of Alberta), as part of a grant funded by ACAAF / AAFC. The Western Grains Research Foundation has provided special grant funding and leadership.

The overall goal of this project is to have a website that allows farmers to compare varieties head-to-head with results for their farm. This website will give farmers online access to Post-registration Variety data from all of the western Canadian provinces. The results are available in a standardized form so that farmers and other key audiences can use this data in making educated variety decisions.

This project was started in 2008 and continues to grow. The website was made available to producers on April 3, 2009. This project is still in the developmental phase, but WGRF feels this project can offer a real benefit to producers in Western Canada and we are really proud to be a part of it. This website can be found at [www.pvttrials.com](http://www.pvttrials.com). We invite you to explore the website and offer feedback.

### **Seed of the Year**

Seed of the Year West was proud to announce Harrington barley, as the winner of the 2009

Seed of the Year West Award. Congratulations to Bryan Harvey and Brian Rosnagel and the research team at the University of Saskatchewan responsible for Harrington. Harrington was the first high enzyme, rapid modification two-row malting barley bred in Canada. Harrington was

released in 1981, with the first certified seed sold in 1983, rapidly taking over the Canadian acreage. WGRF is very proud to be part of this program. Part of the western award is a scholarship for \$4000 that is awarded to a student enrolled in a western Canadian university and currently completing a Masters or Ph.D in plant breeding or genetics.

This year's scholarship winner was Lasantha Ubayasena from the U of S. Mr Ubayasena's excellent academic record, his experience in both molecular and conventional plant breeding and his involvement in assisting fellow graduate students made Lasantha Ubayasena a very deserving recipient.

For more information on the Seed of the Year program or to nominate a candidate please visit [www.seedoftheyear.ca/west](http://www.seedoftheyear.ca/west)

### **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 percentages for producers who contributed to the Wheat and Barley Check-off (administered by the Western Grains Research Foundation) in 2009 are 83% for wheat and 76% for barley.

More information about the SR&ED tax credit can be found on WGRF's website [www.westerngrains.com](http://www.westerngrains.com)

### **Wheat Midge Tolerant Varieties**

These varieties were developed by AAFC wheat breeders

in Winnipeg and Swift Current using funds from AAFC, the Western Grains Research Foundation check-off program and variety distributors.

New midge tolerant wheat varieties are now commercially available. These new midge tolerant varieties offer large savings for prairie wheat growers since they will reduce downgrading and yield losses caused by wheat midge.

These varieties provide wheat growers with more flexibility in crop rotations and seeding dates, and also enable a significant drop in the use of insecticides, the traditional means of dealing with wheat midge.

The midge tolerance originates from a single gene - Sm1. Using traditional plant breeding techniques, Agriculture & Agri-Food Canada (AAFC) wheat breeders moved this gene into four spring wheat varieties that also boast superior yield and agronomic traits:

AC(r) Unity VB | Distributed by: SeCan

AC(r) Goodeve VB | Distributed by: Alliance Seed Corporation

AC(r) Glencross VB | Distributed by: Faurschou Farms

AC(r) Fieldstar VB | Distributed by: SeCan (available 2011)

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 were introduced to prolong the life of midge tolerance for the varieties developed by AAFC in the form of an interspersed refuge (varietal blend).

This is the first time a refuge (varietal blend) 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 damaging effects of wheat midge in a proactive way, and could potentially extend the effective life of the midge tolerance from an estimated 10 years to 90 years or longer.

A website [www.midgetolerantwheat.ca](http://www.midgetolerantwheat.ca) has been developed to serve as a central holding place for the technical information related to this new technology. The site is a resource for farmers, seed growers and media.

The midge tolerant wheat media campaign for 2009-2010 includes both print and digital advertisements in an 80:20 split. The print campaign is comprised of a series of two creative concepts to communicate the role and importance of the refuge system and the stewardship agreement in preserving midge tolerant wheat. The media plan includes a total of 24 print ad throughout October to mid-March, when farmers are making their cereal seed planting decisions. A total of eight publications were used including the provincial seed guides.

An online midge tolerant wheat retailer training program was also launched in 2009. Upon completing both quizzes to 100%, users will receive an automatic email confirmation along with an automatically generated Midge Tolerant Wheat Authorized Retailer Number. Retailers must reference this number on their Midge Tolerant Wheat Retailer Agreement

For more information on midge tolerant wheat please visit [www.midgetolerantwheat.ca](http://www.midgetolerantwheat.ca)



## Executive Director's Message

All of us at WGRF would like to congratulate and thank the producers in Western Canada that continually support the wheat and barley check-offs. Your financial contribution to agriculture research in Western Canada is vital to the continued success of public plant breeding in Canada. The research you help fund generates many of the top wheat and barley varieties harvested every year. WGRF strives to make sure that every check-off dollar received is invested in crop research that generates great returns for all Western Producers.

WGRF was started in 1981 by farmers and 29 years later we are proud to still be farmer funded and farmer directed. We would like to thank our dedicated Board Members who volunteer their time to ensure that farmers continually have a voice in the research you fund.

We would also like to thank our great staff and our research partners for their inspired work.

By bringing the spending power of all farmers in Western Canada together we maximize the returns we see in breeding research. We look forward to another very successful and productive year at WGRF and meeting all of the challenges and opportunities that present themselves in the coming months. We are here to work hard to help farmers be successful within their profession.

Thank you for your continued support,

Keith Degenhardt, Chairman of the Board

Terry Scott, Acting Executive Director

## 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, 2009

The Board that over-see's WGRF is comprised of 16 diverse individuals who provide well-rounded representation of the crop production sector in Western Canada. Made up of mainly farmers and one representative from Agriculture and Agri-Food Canada, they each member represents a different agricultural organization within Western Canada. In 2009 WGRF Board members and their respective organizations included:

**Dr. Keith Degenhardt**, Chairman  
Wild Rose Agricultural Producers

**Dave Sefton, Vice-Chair**  
Saskatchewan Flax Development Commission

**Greg Marshall**  
Agricultural Producers Association of Saskatchewan

**Dr. Stephen Morgan Jones**  
Agriculture & Agri-Food Canada (non-voting)

**Peter Pepneck**  
Alberta Soft Wheat Producers Commission

**Brian Otto**  
Alberta Winter Wheat Producers Commission

**Martin Moore**  
BC Grain Producers Association

**Wayne Bacon**  
Canadian Canola Growers Association

**Larry Littman**  
Canadian Seed Growers Association

**Cam Goff**  
Canadian Wheat Board (Producer Board Rep)

**Don Dewar**  
Keystone Agricultural Producers

**Bill Gehl**  
National Farmers Union

**Bob Anderson**  
Prairie Oat Growers Association

**Mel Stickland**  
Western Barley Growers Association

**Gerrid Gust**  
Western Canadian Wheat Growers Association

**Barbara Podhorodeski**  
Western Pulse Growers Association

## 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 (CWB). It should be noted that WGRF is completely separate to the CWB. The CWB final producer payment system serves only as a cost effective collection mechanism for the wheat and barley check-offs.

**Check-off Funded Research:** The check-off dollars are used to fund variety development through public breeding programs across Western Canada. Most of the varieties grown on farms today were developed in large part 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

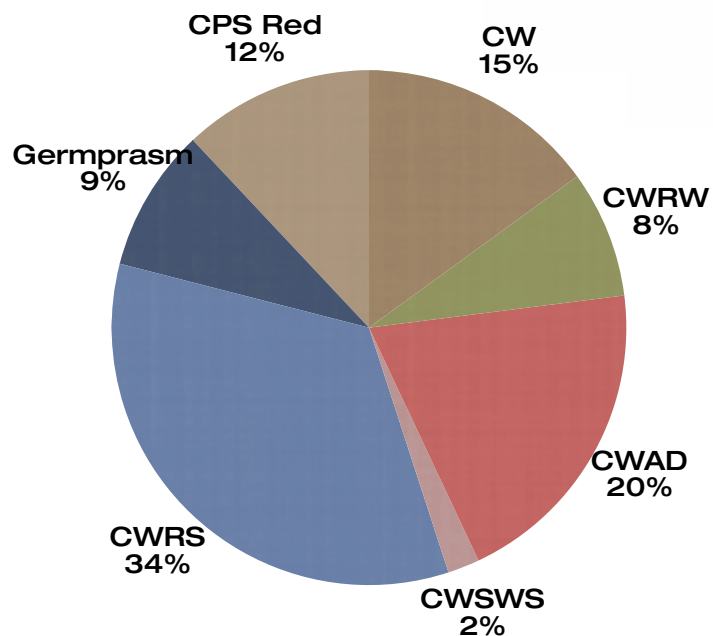


and Alberta Agriculture & Rural Development.

**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 check-off dollar invested by the WGRF in wheat breeding leverages up to twice as much in government research funding. WGRF works hard to leverage each farmer dollar to get the most benefit possible.

### Wheat Check-off Allocation Wheat Funding Breakdown



### 2009 Wheat Technical Advisory Committee:

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

**Gordon Carson**, Canadian National Millers Association

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

**Bill Woods**, Canadian Wheat Board, Board of Directors

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

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

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

**Martin Moore**, Farmer and WGRF Board representative

**Jim Gowans**, Alberta Pork, Feed Industry

**Paolo Santangelo**, P & H Milling Group

**Graham Worden**, Canadian Wheat Board

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

### Wheat Varieties

Below is a list of the wheat varieties registered in 2009 and 2008. A full list of all the WGRF supported wheat varieties can be found at [www.westerngrains.com](http://www.westerngrains.com)

#### 2009

**Enterprise** (Durum) Developed by: AAFC Swift Current | Distributed by: Canterra

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

**Muchmore** (CWRS) Developed by: AAFC Swift Current |

Distributed by: FarmPure Genetics

**AC™ Shaw** (CWRS) Developed by: AAFC Winnipeg I

Distributed by: SeCan

### 2008

**AC Minnedosa** (Hard White Spring) Developed by: AAFC Winnipeg I Distributed by: SeCan

**AC® Stettler** (CWRS) Developed by: AAFC Swift Current I Distributed by: SeCan

**Brigade** (Durum) Developed by: AAFC Lethbridge I

**CDC Verona** (Durum) Developed by: U of S CDC I Distributed by: Paterson Grain

**Broadview** (Hard Red Winter) Developed by: AAFC Lethbridge

## 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.

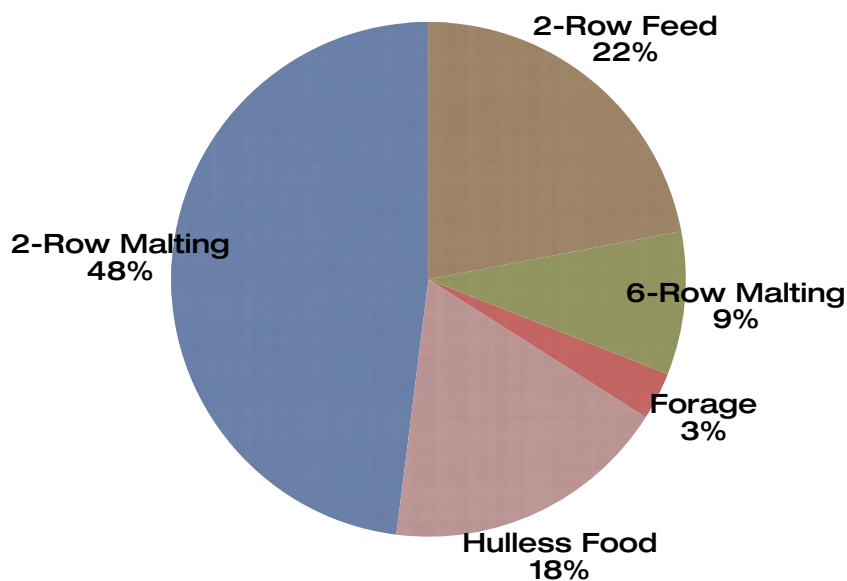
**Supported Research Programs:** WGRF supports barley breeding programs at Agriculture and Agri-Food

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 check-off dollar invested by WGRF in barley research levers up to twice as much in government funds. WGRF works hard to leverage each farmer dollar to get the most benefit possible.

## Barley Check-off Allocation Barley Funding Breakdown





## 2009 Barley Technical Advisory Committee:

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

**Michael Brophy**, The Brewing and Malting Barley  
Research Institute

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

**Jim Gowans**, Alberta Pork, Feed Industry

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

**Dr. Yueshu Li**, Canadian Malting Barley Technical Centre  
(CMBTC)

**Doug Munro**, Canadian Wheat Board

**Dr. 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

**Kyle Korneychuk**, Canadian Wheat Board, Board of  
Directors

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

## Barley Varieties

Below is a list of the barley varieties registered in 2009 and 2008. A full list of WGRF supported barley varieties can be found at [www.westerngrains.com](http://www.westerngrains.com)

### 2009

**AC™ Major** (Two-Row malting) Developed by: AAFC  
Brandon | Distributed by: Viterra

**HB705** Developed by: AAFC Brandon | Distributed by:  
Alliance Seed Corporation

### 2008

**CDC Landis** (Two-Row malting) Developed by: U of S  
CDC | Distributed by: SeCan

**CDC Meredith** (Two-Row malting) Developed by: U of S  
CDC | Distributed by: SeCan

**AC™ Norman** (Two-Row malting) Developed by: AAFC  
Brandon/U of S CDC | Distributed by: FarmPure Genetics

**CDC Austenson** (Two-Row Feed) Developed by: U of S  
CDC | Distributed by: SeCan

**CDC Carter** (Two-Row, Hulless, Feed) Developed by: U of  
S CDC | Distributed by: SeCan

## WGRF Endowment Fund

In 1981, \$9 million was transferred from a discontinued emergency program under the Prairie Farm Assistance Act, becoming the base of the Endowment Fund. The principal of the Endowment Fund is invested and the earnings are used to fund a wide variety of crop research. Organizing the fund in this way looks to the future and long-term stability of crop research in Western Canada. To date, the Endowment Fund has supported a wealth of innovation across Western Canada and provided over \$19 million in funding for over 200 projects across a number of different crop types.

In 2000, the Federal Government named WGRF under the Canada Transportation Act as the organization to receive funds that are deemed to be in excess of the grain freight revenue cap that governs each of the Canadian

railways. Excess railway freight charges, plus a penalty, are transferred into WGRF's Endowment Fund. By funding a variety of research projects on all types of crops, the money benefits all crop producers in the Prairie region.

About \$70 million was received by WGRF for the 2007-08 crop year in relation to the hopper car maintenance portion of the revenue cap formula. This one-time increase in resources available to the Endowment Fund significantly increases the funds available to WGRF to support research in the coming years. A key change to Endowment Fund Policy in 2010 will be the addition of a new process for allocating a portion of the Endowment Fund. The current Letter of Intent (LOI) process, which has been in place for some time, will continue. However, a new process will be added alongside the LOI process and will see WGRF becoming more directive with respect to the research it funds. After receiving input of stakeholders, WGRF will identify specific areas of research that are required from a producer perspective. A Request for proposals (RFP) will then be issued inviting researchers to submit proposals to conduct the research.

**How the Endowment Fund Works:** The principal of the Endowment Fund is invested and generally only the interest earned 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:** The 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.

**2009 Endowment Fund Advisory Committee members:**

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

**Dr. George Clayton**, Agriculture & Agri-Food Canada

**Rick Holm**, University of Saskatchewan

**Pam DeRocquigny**, Manitoba Agriculture Food & Rural Initiatives (MAFRI)

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

**Dr. Dean Spaner**, Department of Agricultural, Food and Nutritional Science, U of A

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

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

**Bob Anderson**, Farmer and WGRF Board representative

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

Information on the more than 200 Endowment Fund projects supported over the last 25 years as well as details on the new WGRF Directed Research Program are available on the WGRF website. For the most up-to date information on the WGRF Endowment Fund, its policy and programs please visit our website [www.westergrains.com](http://www.westergrains.com) and click on Endowment Fund.



## Endowment Funded Projects Approved in 2009

### **Protecting Canadian Farmers from the Threat of Ug99**

**Lead Researcher:** Curtis Pozniak, University of Saskatchewan - Crop Development Centre

**Funding:** \$163,470

**Years:** 2010-2012

**Goal:** To develop DNA markers for existing and novel sources of resistance to Ug99 in durum and bread wheat.

### **Rust Resistance Genetic Resources for the Canadian Wheat Industry**

**Lead Researcher:** Curtis Pozniak, University of Saskatchewan - Crop Development Centre

**Funding:** \$14,100

**Years:** 2010-2011

**Goal:** To publish a monograph on rust resistance genes in wheat and make this resource available to wheat breeders for effective deployment into commercial bread wheat and durum varieties.

### **Proposal for Investigating Optimal Commercialization Relationships in Crop Breeding**

**Lead Researcher:** Richard Gray, University of Saskatchewan - Policy Business & Economics

**Funding:** \$ 78,178

**Years:** 2010-2011

**Goal:** To examine the relationships and systems of commercialization that exist among crop breeders, private research investors (e.g. producer groups), and seed companies in OECD countries, and to determine the applicability of these models to the Canadian system of crop research. A consideration of policies for funding crop research in Canada will provide policy-makers and producer groups with information required to facilitate a competitive crop breeding sector in Canada.

**Net Blotch:** Variability in Relation to Virulence, Resistance and Fungicide Sensitivity

**Lead Researcher:** Kelly Turkington, AAFC - Lacombe Research Centre

**Funding:** \$ 279,000

**Years:** 2010-2013

**Goal:** To conduct a prairie-wide assessment of the current status of the pathogens that cause netted and spotted net blotch of barley to determine: 1) their variability in pathogenicity, virulence, and molecular characteristics (e.g. form, asexual versus sexual reproduction, mating type, recombination); 2) ability to overcome currently-used sources of resistance; and 3) any variation in the sensitivity of representative pathogen forms and isolates to the fungicides registered to manage net blotch.

### **Reducing Overlooked Losses in Wheat: a Novel Approach to Control Leaf Spot Diseases**

**Lead Researcher:** Jeannie Gilbert, AAFC - Cereal Research Centre

**Funding:** \$ 60,000

**Years:** 2010-2012

**Goal:** To deliver adapted, high quality spring wheat germplasm that combines resistance to pathogens causing leaf spot diseases (tan spot, stagonospora glume blotch, septoria tritici blotch, and spot blotch) while retaining resistance to predominant races of leaf and stem rust, Fusarium graminearum, and wheat streak mosaic virus (WSMV).

#### **Biological Control of Root Maggots in Canola**

**Lead Researcher:** Neil Holliday, University of Manitoba  
- Department of Entomology

**Funding:** \$60,000

**Years:** 2010-2012

**Goal:** This program is aimed at reducing root maggot damage to prairie canola to below economic levels by introducing a biological control agent of root maggots from Europe. The control agent shows promise of being effective in spring-seeded canola in Prairie conditions. The project will generate data on risks to non-target organisms of introducing the agent. These data are essential inputs that government regulators require to decide whether to grant permission to introduce the agent.

### **Railway Revenue Cap**

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

Excess freight revenue, plus a penalty, is 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 Federal Court of Appeal (FCA) 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 this ruling and the FCA directed the WGRF to return nearly \$123,000 back to CN.

**2006-07 crop year** - CP was ruled to have exceeded the revenue cap by \$3,760,353. The Federal Court of Appeal ruled the amounts collected by CP from the failure of shippers to meet the 24-hour unloading condition under its MCB Incentive program are not to be included in CP's revenue under the Revenue Cap Program for crop year 2006-2007 reducing the initial excess amount from \$3,760,353 to \$3,364,591. As a result WGRF returned \$395,762 to CP.

**\*2007-08 crop year** - CN was ruled to have exceeded the revenue cap by \$25,961,880 while CPR's was \$33,806,200 above its revenue cap. These overages plus a fifteen-percent penalty of \$3,894,282 for CN and \$5,070,930 for CPR was paid to the WGRF.

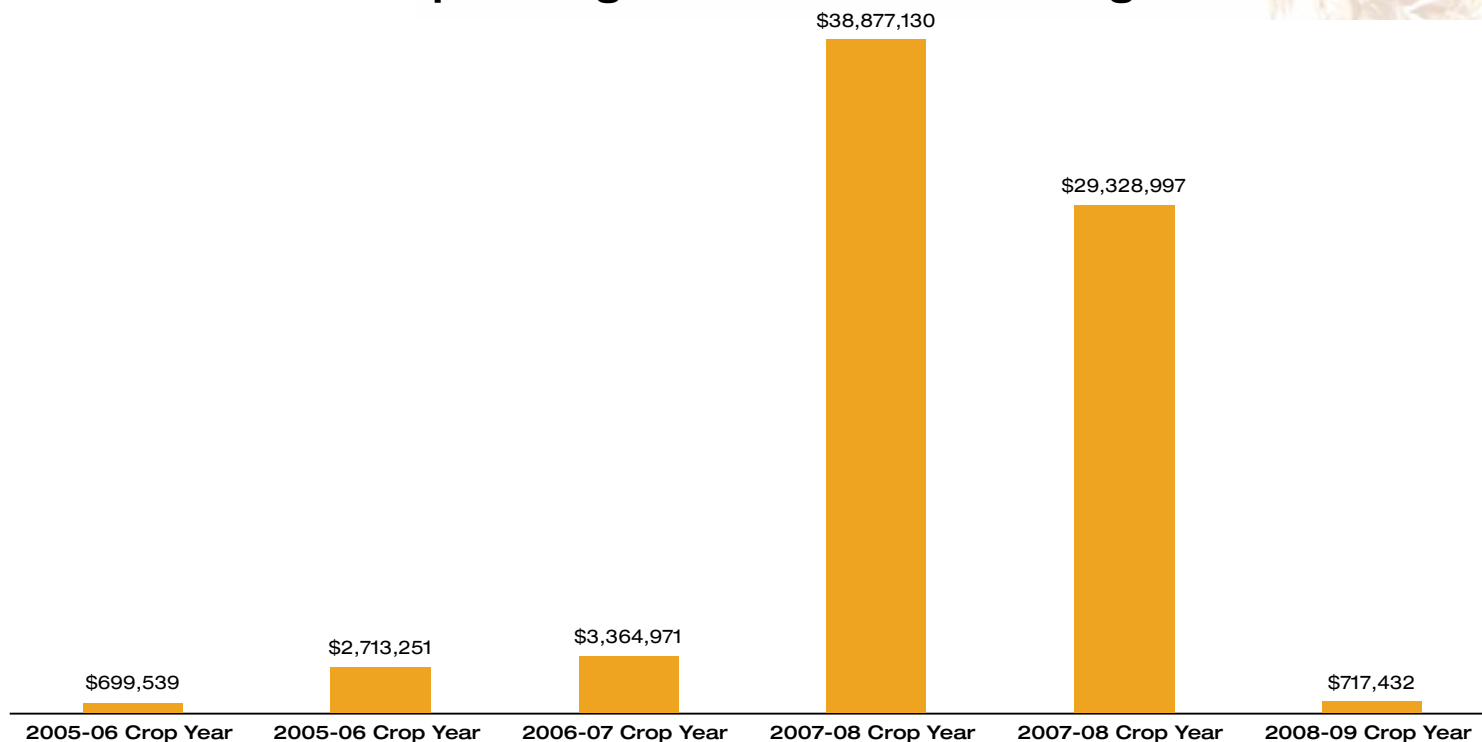
The overages is explained by the ruling relating to the hopper car maintenance component of the railway revenue cap formula. A subsequent ruling by the Canadian Transport Agency (CTA) directed that WGRF return \$527,165 to CN for the 2007-08 crop year.

*\*This is the largest amount that any railway has exceeded its revenue cap. These large overages reflect the actual costs incurred by CN and CPR for the maintenance of grain hopper cars and reduces the historical maintenance costs that were "embedded" in the revenue caps.*

**2008-09 crop year** - CN was ruled to have exceeded its revenue cap by \$683,269 while CP was below its revenue cap by \$1,149,665. The CN overages (\$683,269) plus a five percent penalty of \$34,163 were paid to WGRF making for the total of \$717,432.

The graph below shows the net revenue (after appeal rulings) that WGRF has received on account of the railway revenue cap formula. This revenue is available for investment back into agriculture.

### Revenue Cap Overages Invested Back Into Agriculture



\*Previous amount retained by WGRF: 2004-05 crop year CN= \$118,714

\*\*Previous amounts retained by WGRF: 2003-2004 crop year CN= \$321,912

## 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. 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 audited financial statements have been reviewed and approved at the WGRF Annual Meeting.

Should you wish to obtain the complete set of financial statements for the year ended December 31, 2009, 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 explanatory notes. 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 emergency program under the Prairie Farm Assistance Act as an endowment. This was the base on which 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 railway charges and penalties

received under the federal railway revenue cap for prairie grains.

A full listing of revenue cap dollars paid to the WGRF is listed on page 9 of this report.

**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



## Western Grains Research Foundation Financial Summary, December 31

	2009	2008	2007	2006	2005
<b>ASSETS</b>					
Cash and other	2,675,714	5,882,142	2,756,040	2,601,073	3,142,305
Investments	95,352,417	21,937,564	21,211,372	13,675,303	11,512,023
	98,028,131	27,819,706	23,967,412	16,276,376	14,654,328
<b>LIABILITIES</b>					
Accounts & grants payable	1,175,744	42,452	1,503,397	663,119	31,955
<b>EQUITY</b>					
Capital	9,066,972	9,066,972	9,066,972	9,066,972	9,066,972
Endowment	74,634,886	7,379,529	4,779,474	877,907	294,546
Wheat	11,575,191	10,221,842	7,598,373	4,930,753	4,489,265
Barley	1,575,338	1,108,911	1,019,196	737,625	771,590
	96,852,387	27,777,254	22,464,015	15,613,257	14,622,373
	98,028,131	27,819,706	23,967,412	16,276,376	14,654,328
<b>ENDOWMENT FUND</b>					
<b>Operating</b>					
Revenue	65,616,719	3,854,733	4,227,504	907,251	648,057
Expenditures					
Research funding	334,352	193,177	197,689	261,350	330,000
Operating	108,382	68,064	58,053	62,540	60,814
	442,734	261,241	255,742	323,890	390,814
Net	65,173,985	3,593,492	3,971,762	583,361	257,243
<b>WHEAT FUND Operating</b>					
Revenue	4,603,482	6,170,276	5,834,575	3,782,664	3,509,931
Expenditures					

	2009	2008	2007	2006	2005
Research funding	3,010,000	3,010,000	3,010,000	3,010,000	2,995,200
Royalties	67,839	486,786	327,619	210,337	165,066
Operating	532,099	431,437	283,824	298,182	297,847
	3,609,938	3,928,223	3,621,443	3,518,519	3,458,113
Net	993,544	2,242,053	2,213,132	264,145	51,818
<b>BARLEY FUND Operating</b>					
Revenue	1,017,654	759,946	940,985	648,301	776,299
Expenditures					
Research funding	450,000	601,810	609,600	606,661	679,000
Royalties	13,053	42,649	36,896	47,599	28,394
Operating	134,374	83,265	73,290	73,540	73,133
	597,427	727,724	719,786	727,800	780,527
Net	420,227	32,222	221,199	(79,499)	(4,228)
<b>COMBINED FUNDS Operating</b>					
Revenue	71,237,855	10,784,955	11,003,064	5,338,216	4,934,287
Expenditures					
Research funding	3,794,352	3,804,987	3,817,289	3,878,011	4,004,200
Royalties	80,892	529,435	364,515	257,936	193,460
Operating	774,855	582,766	415,167	434,262	431,794
	4,650,099	4,917,188	4,596,971	4,570,209	4,629,454
Net	66,587,756	5,867,767	6,406,093	768,007	304,833





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