



**Locally Grown.
Globally Preferred.**



2009 Annual Report
Manitoba Pork Council

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Manitoba Pork Council
28 Terracon Place
Winnipeg, MB R2J 4G7

(204) 237-7447
info@manitobapork.com
manitobapork.com

letter from the chairman

Last year at our annual meeting I stood before you and spoke of optimism for better times ahead. Little did I know that a storm called “swine flu” was brewing in Mexico. While we cannot blame all of the difficulty of 2009 on the pandemic and the intense media attention it brought to the pork industry, it certainly felt like a kick when we were already down.

I know the last year has been a financial and emotional challenge for many of you – to say the least. I want to assure you that the board of directors and employees of Manitoba Pork Council have been working harder than ever to help everyone get through it.

We have also made internal changes. MPC delegates voted in 2009 to reduce our total number of districts from 14 to 11. Beginning after our 2010 annual general meeting, we will have five geographic districts, two districts for Hutterite Brethren, a weanling producers district, and three production districts.

We have worked on advance payments, long-term loans, the Hog Farm Transition Program, employment standards, building codes, and the Livestock Manure and Mortalities Management Regulation, to name only a few.

But our focus has been on the many projects we do on your behalf. We have consulted with all levels of government on a range of issues to ensure that the hurt does not get worse for pork producers. We have worked on advance payments, long-term loans, the Hog Farm Transition Program, employment standards, building codes, and the Livestock Manure and Mortalities Management Regulation, to name only a few.

We are supporting the Canadian WTO challenge of Country of Origin Labelling in the United States, while at the same time maintaining positive relationships with our

counterparts in Iowa, Minnesota, North Dakota and other important pork-producing states. Our representatives also travelled to Japan, China and Hong Kong last year. Japan is the number one customer of Manitoba pork, but we never stop looking at ways to improve international trade.

Meanwhile, here at home, Manitoba Pork Council has been looking at ways to improve domestic consumption. Our participation in Pork Marketing Canada, and its “Buy Canadian Pork” campaign is just one example. The Pick Pork barbecue carts have also made pork on a bun the key ingredient to any successful fundraiser or customer appreciation event within 50 km of Winnipeg.

One of the next steps we've already begun is winning over Winnipeggers. In order to operate efficiently in Manitoba, pork producers need the support of the public in this province. We already know that Manitoba pork is *Locally Grown. Globally Preferred.* We need to share our story with others so that they will feel the same pride we do.

Karl Kynoch

KARL KYNOCH
CHAIRMAN
MANITOBA PORK COUNCIL



letter from the general manager

There is no doubt that 2009 was a difficult year for pork producers. Good producers were forced to leave the industry, while others managed to hold on by the skin of their teeth. Some even thrived despite the challenges. Manitoba Pork Council and its staff worked hard to get programs and services in place to help producers overcome some of the worst economic conditions in decades.

For the short term, board and staff worked closely with the Canadian Pork Council to develop and implement the two major federal assistance programs: the Hog Industry Loan Loss Reserve Program and the Hog Farm Transition Program. While not perfect, these did help a significant number of producers. Through our Manitoba Pork Credit Corporation we negotiated a stay of default on over \$60 million of Advance Payments Program loans with the federal government. We also set up a new creditor and new line of credit of \$40 million to come into effect in 2010. For immediate cash, we lobbied the provincial government to make an early Targeted Advance Payment under AgriStability for hog producers. Staff spent many days discussing options with producers trying to stabilize their financial situation. The stress level for many farm families was not easy to handle.

To ensure that the industry has a viable future, board and staff also focused on enhancing a number of existing programs.

The number of producers participating in the Canadian Quality Assurance (CQA) program declined slightly. However, the number of hogs being produced under CQA standards remained strong. Manitoba Hog Grading also continued to audit grading practices at Maple Leaf Foods in Brandon (including during the second shift) and Springhill Farms in Neepawa.

MPC cooperated with the Canadian Pork Council on finalizing the structure of PigTrace Canada, including signing a contract with Agri-Traçabilité International to implement the program. Ear tags for breeding animals was the first step.

With an eye on your bottom line, MPC worked with the Keystone Agricultural Producers to ensure that the provincial government considers the economic realities of the day before deciding to raise minimum wage or to make adjustments to programs governing agricultural employment practices.

Based on feedback from producers, staff drafted a sustainable development strategy and developed a clear set of policies to deal with environmental impact, business management, animal husbandry and social responsibility. This

plan will guide us through the next several years and provide focus for our efforts. Once it is finalized, we will publish the plan and distribute it to all Manitoba producers and the public. It will be made available at www.manitobapork.com, which received a much-needed redesign and relaunch last February.

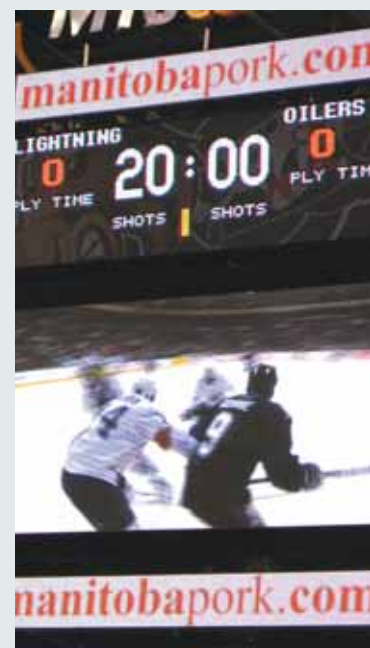
Our communication and consumer marketing tools continue to play an important role in the future of the pork industry. One of our most successful ventures has been the barbecue cart program, and in 2009 Manitobans consumed more than 28,000 servings of pork on a bun. We also concentrated our efforts on the sites of major sports events in the city of Winnipeg to maximize the return on investment. Did you know that in one shot, during a Goldeyes game, 14,248 eyeballs got to see MPC's positive messaging? Our domestic marketing efforts seem to be working – Nielsen data indicated that pork consumption in Manitoba and Saskatchewan rose by 11% in 2009.

I urge you to read the individual reports in this book. We need your feedback if Manitoba Pork Council is to be successful. With your support, we will continue to spread the word that right here in Manitoba we produce the world's favourite pork.



ANDREW DICKSON
GENERAL MANAGER
MANITOBA PORK COUNCIL





directors and delegates

DISTRICT 1

Karl Kynoch

Baldur – Director, Chairman
Steven Wallcraft, La Riviere
Edward Grenier, St. Leon
Martin Grenier, Notre Dame
Odiel Sanders, Altamont
Claude Poiron, Somerset

DISTRICT 2

Rick Prejet

Notre Dame de Lourdes - Director
Sean Tolton, Kenton
Don Neufeld, Kola
Dale McBurney, Souris

DISTRICT 3

Garry Tolton

Newdale - Director
Brad Rodgers, MacGregor
Martin Sharpe, Minnedosa
Wim Verbruggen, Rivers

DISTRICT 4

Bryan Ferriss

Bowsman - Director
Michael Slepicka, Minitonas
Henrik Thomsen, Roblin
Jonathan Boyko, Swan River

DISTRICT 5

Wendy Friesen

Lowe Farm - Director
Ernie Siemens, Morris
Jeroen Van Boekel, Stephenfield
Leonard Wiebe, Carman

DISTRICT 6

George Matheson

Stonewall - Director
Darvin Firman, Arborg
Danny Kleinsasser, Stony Mountain
Calvin Penner, Argyle
Basil Lewin, Argyle
Susanne Richter, Eriksdale

DISTRICT 7

Bill Vaags

Dugald - Director
Hubert Preun, St. Andrews
Craig Riese, Lockport
John Van Aert, East Selkirk
Dan Van Schepdael, East Selkirk
Volker Wyrich, Oakbank

DISTRICT 8

Ben Hofer

Rock Lake Colony - Director
Edwin Hofer, Miami Colony
Philip Hofer, James Valley Colony
Arnie Waldner, Milltown Colony
David Waldner, Norquay Colony
Mike Waldner, Cool Spring Colony

DISTRICT 9

Rick Bergmann

Steinbach - Director
Herb Lepp, Steinbach
Tom Leppelmann, Steinbach
Paul Loepky, Niverville
Marg Rempel, Ste. Anne

DISTRICT 10

James Hofer

Starlite Colony - Director
Peter Hofer, Skyview Colony

Joe Waldner, Sunnyside Colony
Levi Waldner, Trileaf Colony
Dave Wollman, Newhaven Colony
Martin Wollman, Springhill Colony

DISTRICT 11

Glen Gratton

Maple Leaf Agri-Farms - Director
Richard E. Bergmann
Dan Kraft
Neil Booth

DISTRICT 12

Clint Miller

The Puratone Corporation - Director
Wally Driedger
Paul Howarth
John Wieler
Lyle Loewen
Barry Tomiski

DISTRICT 13

Claude Vielfaure

Hytek Ltd. - Director
Carol Martens
Sheldon Stott
Guy Baudry
Denis Vielfaure
Dave Penner

DISTRICT 15 (WEANLING EXPORTERS)

Larry Friesen

Rivers - Director
Tim Hofer, Willow Creek Colony
Dan Klippenstein, Niverville
Leighton Siemens, Morris
Lorne Voth, Steinbach

delegates serving on committees

Danny Kleinsasser
DISTRICT 6
Public Relations Committee

Richard E. Bergmann
DISTRICT 11
Public Relations Committee

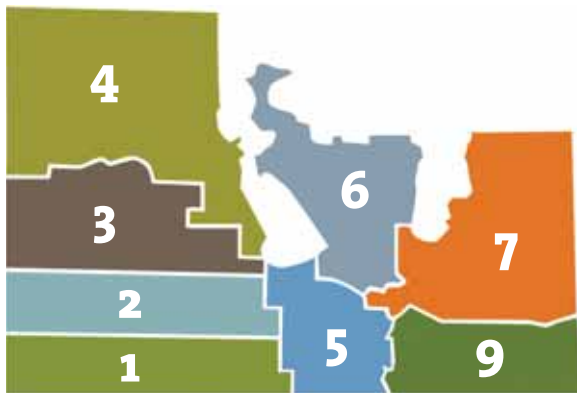
Carol Martens
DISTRICT 13
Industry Performance Committee

Marg Rempel
DISTRICT 9
Public Relations Committee

Dan Kraft
DISTRICT 11
Sustainable Development and
Research Committee

Sheldon Stott
DISTRICT 13
Sustainable Development and
Research Committee

Manitoba Pork Council Districts



Districts 1-7 & 9 – Geographic Districts

Districts 8 & 10 – Hutterite Brethren Districts

District 11 – Maple Leaf Agri-Farms

District 12 – The Puratone Corporation

District 13 – Hytek Ltd.

District 14 – N/A

District 15 – Weanling Exporters



District 2 Director Rick Prejet travelled to Japan with a Canadian pork industry delegation in 2009.

Board of Directors

Karl Kynoch

CHAIRMAN

DIRECTOR – DISTRICT 1

Chair, Industry Performance Committee
Director, Canadian Pork Council (CPC)
Member, CPC Animal Care Working Group
Member, CPC Trade Advocacy Working Group
Member, CPC Canadian Quality Assurance Advisory Committee
Member, CPC Canadian Quality Assurance Technical Working Group
Ex-Officio Member, Industry Intelligence Committee
Ex-Officio Member, Sustainable Development and Research Committee
Ex-Officio Member, Public Relations Committee

Bryan Ferriss

VICE-CHAIRMAN

DIRECTOR – DISTRICT 4

Chair, Industry Intelligence Committee
2nd Vice-Chair, Canadian Pork Council
Member, CPC Safety Nets Committee
Member, CPC Audit Committee
Member, Provincial Safety Nets Advisory Committee
Member, Swan River Watershed Conservation District

Wendy Friesen

EXECUTIVE MEMBER

DIRECTOR – DISTRICT 5

Chair, Public Relations Committee
Chair, Manitoba Farm Animal Council
Member, Winkler Aquifer Roundtable
Member, LaSalle River Watershed Planning Advisory Team

Rick Bergmann

EXECUTIVE MEMBER

DIRECTOR – DISTRICT 9

Chair, Sustainable Development and Research Committee



*BACKROW FROM LEFT: Clint Miller, Glen Gratton, Rick Prejet, George Matheson, Claude Vielfaure, James Hofer, Bryan Ferriss, Larry Friesen, Ben Hofer, Garry Tolton
FRONT FROM LEFT: Rick Bergmann, Wendy Friesen, Karl Kynoch, Bill Vaags*

Rick Prejet

DIRECTOR – DISTRICT 2

Member, Industry Performance Committee

Garry Tolton

DIRECTOR – DISTRICT 3

Member, Industry Performance Committee
Member, Sustainable Development and Research Committee
Director, Farm Stewardship Association of Manitoba
Member, Upper Assiniboine Watershed Planning Advisory Team

George Matheson

DIRECTOR – DISTRICT 6

Member, Public Relations Committee
Member, Industry Intelligence Committee
Member (alternate), Manitoba Farm Animal Council
Member, Provincial Agricultural Safety and Health Committee
Executive, Red Meats Representative, Keystone Agricultural Producers

Bill Vaags

DIRECTOR – DISTRICT 7

Member, Public Relations Committee
Director, Canada Pork International

Ben Hofer

DIRECTOR – DISTRICT 8

Member, Industry Performance Committee

James Hofer

DIRECTOR – DISTRICT 10

Member, Sustainable Development and Research Committee
Director, Manitoba Livestock Manure Management Initiative
Director, Manitoba Hog Grading Inc.

Glen Gratton

DIRECTOR – DISTRICT 11 (MAPLE LEAF AGRI-FARMS)

Member, Industry Intelligence Committee

Clint Miller

DIRECTOR – DISTRICT 12

(THE PURATONE CORPORATION)

Member, Industry Intelligence Committee

Claude Vielfaure

DIRECTOR – DISTRICT 13 (HYTEK LTD.)

Member, Industry Intelligence Committee
Director, Canadian Swine Health Board
Member, National Pork Value Chain Roundtable

Larry Friesen

DIRECTOR – DISTRICT 15

(WEANLING EXPORTERS DISTRICT)

Member, Industry Intelligence Committee

Manitoba Pork Council Staff

Andrew Dickson
General Manager

Julie Baird
Executive Assistant

Miles Beaudin
Manager, Quality Assurance
and Labour Programs

Kelly Funke
Manager, Communications
and Media Relations Programs

Cyndy Goos
Accountant

Laurel Lyons
BBQ Cart Coordinator/
Promotions Assistant

Miriam Manswell
Administrative Services

Susan Riese
Manager, Consumer Marketing
and Community Relations Programs

Mike Teillet
Manager, Sustainable
Development Programs

Arne Thorlacius
Industry Services Coordinator

Diane Williams
Front Desk Coordinator

Jeff Clark
Manager, National Traceability
Program, Canadian Pork Council

Jason Care
Auditor, Manitoba Hog Grading Inc.

Ron Marchenski
Program Manager, Manitoba Pork
Credit Corporation



FROM LEFT: Julie Baird, Kelly Funke, Cyndy Goos, Arne Thorlacius, Andrew Dickson, Mike Teillet, Miriam Manswell, Ron Marchenski, Miles Beaudin, Susan Riese, Diane Williams
MISSING: Jason Care, Jeff Clark, Laurel Lyons



Susan Riese, right, prepares for production on the set of Great Tastes of Manitoba.

Accomplishments

Financial aid

In 2009, government officials heard the call for financial help from Canadian pork producers. Manitoba did its part with a June 22 producer rally held in Morris, which drew participation from more than 700 producers and other industry participants, federal MPs, as well as the leaders of Manitoba's Liberal and Conservative parties. This followed pork barbecues held across the country in and around provincial legislatures in response to both financial woes and H1N1 Type A influenza.

On August 15, federal Minister of Agriculture Gerry Ritz announced a long-awaited aid package for hog producers. The package included: \$17 million for market research, promotion and access initiatives to find new customers for Canadian pork; a promise by the federal government to guarantee long-term loans to be provided by lending institutions, which became known as the Hog Industry Loan Loss Reserve Program; and the Hog Farm Transition Program, which promised to divert about \$75 million to help producers leave the industry.

By the end of 2009, Manitoba producers had submitted 32 successful bids to exit the industry, removing 22,394 sows, 36,020 weanlings and 34,506 market hogs from production. These successful bidders will receive \$10.5 million in total.

But Manitoba Pork Council also successfully secured a stay on loans under the Advance Payments Program worth \$60 million in western Canada. It also successfully lobbied the Manitoba government to request a Targeted Advance Payment from the federal government.

Increased pork consumption

Total fresh pork sales in Manitoba and Saskatchewan ending October 24, 2009 showed an 11% increase over the same period in 2008. That is nearly 11 million kg of pork. Total cured pork sales increased by 3%. Nationally, fresh pork sales increased by 4%, and cured pork sales decreased by 1%.

It was also a landmark year for MPC's Pick Pork Grill Team, which surpassed 250,000 servings of its famous pork on a bun on August 10, during the Pink Ribbon Ladies Golf Classic for Hope in Winnipeg. In 14 years, the Pick Pork Grill Team has

served its signature pork on a bun at 2,006 events within a 150-km radius of Winnipeg. The three-cart fleet has catered to events such as family reunions and customer appreciation days as well as charity events. In 2009, Pick Pork barbecues played a large role in MPC's sponsorship of the Canadian Cancer Society's Relay for Life and Winnipeg Harvest's Food Cycle 2009. The Grill Team has employed 58 young Manitobans over the years during the May-October barbecue season.

Funding for needle-free injectors

It became easier for Manitoba pork producers to improve food safety for processors and consumers as MPC received word that producers will be eligible for rebates of up to \$2,000 on the purchase of needle-free injectors for their farms under the federal-provincial Growing Forward Food Safety Program. By the end of 2009, 164 producers had applied to access the rebate, and Manitoba Agriculture, Food and Rural Initiatives had approved 144.

MPC worked closely with MAFRI through the Swine Steering Committee to identify funds for



Former Premier Gary Doer, right, helped Manitoba Pork Council Chairman Karl Kynoch, centre, and barbecue cart staff served pork on a bun at the Manitoba Legislature on May 11, 2009.

Manitoba Pork Council developed a new corporate display in December 2009, branded with its new tagline.



this project. It is meant to provide incentive for adoption of needle-free technology by Manitoba producers, who are known as leaders in the swine industry.

The funding is available to producers who have completed the Canadian Quality Assurance program and who follow the steps to apply.

Rebranding Manitoba Pork

Putting several years of adversarial relationships with government and urbanites behind the pork industry, Manitoba Pork Council began to rebuild bridges in 2009. One of the steps on the critical path to sustainability is to instill a sense of pride and ownership in the pork industry among all Manitobans.

As a first step, the MPC logo has undergone a subtle change. In the new version, the word Manitoba is bolded, rather than the word Pork. This emphasizes the idea that the pork industry really does belong to all of Manitoba.

Working with Edge Business Strategies, in 2009 MPC also adopted a new tagline to accompany the logo: *Locally Grown. Globally Preferred.* This builds upon the popularity of the "buy local" movement and reflects the true nature of the pork industry, which raises pigs locally for a worldwide market.

The new tagline is designed to instill pride in rural and urban Manitobans because many people not involved in the industry have no idea of the quality of Manitoba pigs and pork and do not understand that the pork industry plays a very important role in the provincial economy.

MPC also began work on an advertising campaign to support these messages that is rolling out in 2010.

Traceability developments

Canadian swine traceability took several steps toward giving the Canadian pork industry a competitive edge in 2009, as the Canadian Pork Council's National Traceability Program

Ear tags for breeding swine became available October 1, 2009.



Accomplishments

selected Agri-Traçabilité International (ATI) and Allflex Inc. as strategic partners to deliver the Canadian swine traceability program and was officially named PigTrace Canada (Porc Tracé Canada en français).

Jeff Clark, MPC's Manager of Industry Information Programs, took on the role of Manager of CPC's traceability program August 1 and moved swiftly to launch the official website www.pigtrace.ca.

Three years ago, Canadian producers began registering their premises and adopted the national slaughter tattoo numbering scheme as the first step toward tracing market hog movements. New ear tags became available to producers October 1, 2009 to build toward tracking breeding swine movements.

Traceability is intended to speed up the Canadian pork industry's return to normal trade following a major disease outbreak, and it will be critical to reducing the financial impact of a market disruption, loss of market share and trade barriers. The added security of a national traceability system could also boost the competitiveness of Canada's pork industry.

Governance

MPC completed the restructuring of its districts, and the slimmed down board and delegate structure comes into effect in April 2010. The Canadian Pork Council also adopted a smaller board for the first time. The CPC annual general meeting was replaced by a summit of stakeholders that took place in Ottawa in the fall. The focus of that summit was to look at how to restructure the industry to create more value for all partners in the supply chain.

Challenges

Economics

In early 2009, pork producers began to see improved prices on the horizon, but the strong prices they hoped for never materialized. Feed grain prices remained relatively high through the year, with feed barley not dropping much below \$150/tonne.

Meanwhile, fluctuating currency price frustrated pork producers further. The Canadian dollar dipped down slightly in the first half of 2009, but headed back toward parity in the fall.

Normal income support programs worked for some producers but were not a panacea. Income stabilization programs made for an unlevel playing field, as caps on payments seemed to penalize the larger, struggling producers, who received much less money per pig than smaller producers. The Hog Industry Loan Loss Reserve Program announced in August has been able to make up for that somewhat as there are no caps on loan amounts.

The Hog Farm Transition Program helped 32 Manitoba producers exit the industry by the end of 2009. According to Statistics Canada, Manitoba pork producers now number about 750.

Agriculture and Agri-Food Minister Gerry Ritz announced a federal aid package August 15, 2009 at Glenlea Research Station.



H1N1 Type A Influenza

In late April 2009, just as optimism was creeping back into the pork industry, worldwide media broke the news of an H1N1 Type A influenza outbreak in Mexico that was immediately dubbed "swine flu." The virus spread quickly among humans, and rumours—later scientifically refuted—were widely reported that the disease originated from pigs in a small Mexican town.

When the same virus was reported in a pig barn in Alberta,



Producers from across the province asked for help from the provincial and federal governments.

the Canadian media firestorm erupted. China, Russia and a number of other customers banned imports of Canadian and US pork. Pork producer organizations across the country assured consumers that pork was as safe as ever. Canadian politicians munched publically on pulled pork and pork on a bun, and domestic pork consumption remained strong.

However, the temporary loss of export markets and the furor over the continued use of the term "swine flu" by several media outlets created uncertainty about the industry and its future.



CBC Radio organized a pork barbecue outside its Winnipeg studios, attended by Manitoba Pork Council Chairman Karl Kynoch, left, during the H1N1 crisis.



More than 700 producers attended the rally in Morris on June 22, 2009.

COOL

Country of Origin Labelling (COOL) had its first full year in 2009, and the effects on Manitoba's hog industry are clear. Weanling/feeder shipments to the US dropped from 1.63 million in 2008 to 1.16 million in 2009. Slaughter hog shipments dropped from 1.07 million in 2008 to just 453,000 in 2009.

COOL sets out four categories for labelling pork (and other products): Category A is product of the United States; B is product of the US and another country; C is product of another country and the US; and D is product of another country alone (imported finished product).

Manitoba producers briefly held out hope that processors in the US would be able to interpret COOL rules liberally—to prevent having to segregate production lines—but early in 2009 US Secretary of Agriculture Tom Vilsack wrote a public letter directing processors to follow COOL labels to the letter. Late last year, Canada began putting together a trade challenge against the US to bring before the World Trade Organization. Manitoba Pork Council also continues to advocate for producers in the US through direct relationship building with US producers.

US pork in Canada

A good portion of the pork sold in Canadian stores is not a product of Canada. It has been said that up to 25% of it comes from the US, and this is a concern to Canadian producers who

Challenges

are trying to capitalize on “buy local” programs being encouraged by provincial governments.

The challenge for Manitoba Pork Council and its provincial counterparts is determining the most effective way to address the issue. Some of the US pork being exported to Canada may have originated as a weanling in Canada, and a portion of it may even have been exported as pork to the US, processed further, and only then sold back to Canada.

Tightening deadlines for environmental regs

While they continued to cope with tough economic conditions, Manitoba pork producers have also had to deal with tightening deadlines on several sections of the Livestock Manure and Mortalities Management Regulation (LMMMR). Originally, producers were given until 2015 and sometimes even longer to adjust to new rules, but the deadlines have been moved up to 2013.

In some cases, complying with these regulations will require significant investment in infrastructure, and it will be difficult for many struggling producers to meet the terms of the LMMMR. A ban on winter spreading of manure and limits on phosphorus will be particularly challenging. MPC continues to lobby the government for extensions because of the extraordinary economic circumstances facing producers.



A Manitoba Pork Council delegation attended the Minnesota Pork Congress in January 2009, where representatives met with hundreds of U.S. producers and key people in the U.S. pork industry.

PICTURED FROM LEFT: District 6 Director George Matheson, Kelly Funke, Andrew Dickson, Canadian Consul General Martin Loken, Karl Kynoch and Susan Riese.

Other Initiatives

Canadian Pork Council & Canada Pork International

Manitoba Pork Council contributed more than \$610,000 to Canadian Pork Council and Canada Pork International in 2009. CPC is the producers' voice in Ottawa. It has played an important role in lobbying the federal government and in developing the Hog Farm Transition Program, along with leading the hog industry in trade issues. CPC is also responsible for the Canadian Swine Health Board and PigTrace Canada.

CPI cultivates new international markets for Canadian pork. A delegation of 14 producers and provincial representatives, including Rick Prejet and Mike Teillet, travelled to Japan, China and Hong Kong August 26-September 7 to visit grocery stores and restaurants and to meet with meat managers, restaurant owners and meat trade journalists on behalf of CPI.

CQA and Animal Care Assessment

In 2009, 639 Manitoba pork producers participated in the Canadian Quality Assurance program. The Animal Care Assessment program expanded slightly, with a total of 111 farms participating.

MPC produced and distributed a new DVD called "Safe Injection Techniques," which demonstrates best practices for administering medication to various sizes of pigs and for using needle-free injections.

Human Resources and Training

With funding from MPC, Assiniboine Community College provided training for swine industry workers in 2009. Six students graduated from the *Pork Production Technician Apprenticeship* program, 208 people received hydrogen sulfide safety training, and 114 people received emergency first aid training. ACC also trained 120 people in the *Transport Quality Assurance* program.

Promotions

The MPC Grill Team and barbecue carts served up 225 barbecues and about 28,540 pork on a bun. This included sponsorship of Food Cycle 2009, which helped raise \$45,000 for Winnipeg Harvest and the Manitoba Association of Food Banks. The Grill Team worked five barbecues across the province during Ken Livingstone's May 22-June 7 fundraising cycle. The cart also became a fixture on the promenade outside the stadium before every Winnipeg Goldeyes home game.



The MPC Grill Team served pulled pork before the August 4 Winnipeg Goldeyes game.

MPC's Pork Sports program increased the pork presence at Goldeyes games and at the MTS Centre. MPC sponsored the August 4 Winnipeg Goldeyes game and served 500 pulled pork sandwiches, raising \$1,040 for the Goldeyes' Field of Dreams Foundation. A crowd of 7,124 baseball fans were exposed to positive messages about the pork industry. On New Year's Eve, 11,820 hockey fans attended the Manitoba Moose game, where they watched Manitoba pork advertising on the scoreclock and had the opportunity to snag one of 400 coveted stress pigs. MPC staff also sampled pulled pork sliders for game attendees in box seats. Throughout the 2009-2010 hockey season, the electronic billboard on the exterior of the MTS Centre has played Manitoba pork advertisements.

MPC's Susan Riese cooked up two episodes of the television show *Great Tastes of Manitoba*. "Simmer and Sizzle with Manitoba Pork" aired October 3 and "Revel in Ribs with Manitoba Pork" aired November 14, both on CTV.

MPC supplied 268 Hurry Hog in-ice decals to 54 different curling clubs around Manitoba for 2009-2010. The decals also adorned the ice during the Safeway Championship provincial men's curling playdowns in Selkirk February 18-22, where MPC was a platinum sponsor for the second year. MPC established a display as part of its sponsorship and gave away recipes and reusable grocery bags.

MPC distributed more than 56,000 of its lime-green reusable





Grade 4 students learn from Susan Riese, right, how pigs are raised during the Amazing Agriculture Adventure at Glenlea Research Station September 15-17, 2009.

grocery bags adorned with the MPC logo and website through grocery stores and butcher shops, farmers markets around Winnipeg, trade shows, sponsorships and other events. The bags became a hot item very quickly.

National pork promotion

Pork Marketing Canada, which is partially funded by MPC, launched its *Pork Fits* campaign in the spring, targeting a slightly younger group of women. The campaign included the website www.porkfits.com and used the services of "buzz agents," who are responsible for creating conversations about pork on the Internet.

The funding structure of PMC came into question in late 2009, but MPC continues to work with Alberta, Ontario and Saskatchewan on domestic promotion projects. PMC funded national promotion of a "Butcher Block Chop" by Sysco, which switched to Canadian product and projects a 145% increase in sales.

Public Relations

MPC launched the newly redesigned website www.manitobapork.com on February 17, 2009. It is organized in the following sections: The Pork Industry, Animal Care, Environment, In the Community, and Producer Services. The News section features the latest developments from MPC and the Canadian Pork Council, daily Farmscape news stories, and there is a section where producers can post classified ads and job postings. In the fall, MPC launched the next phase of its online communications with the first issue of *Chop Talk*, a biweekly e-newsletter.

MPC continued core sponsorship of Agriculture in the Classroom-Manitoba, providing funds for educational programs and pork sausages for "Made in Manitoba" breakfasts held at schools around the province. AITC's largest event, Amazing Agriculture Adventure, moved to Glenlea Research Station and Kelburn Farm, resulting in MPC having two stations devoted to teaching children about pigs and the pork industry, inside real working barns. At the annual meeting in April 2009 Kelly Funke was elected as a director of AITC.

MPC presented three Pork Industry Awards (formerly the Swine Stewardship Awards) during the 2009 Annual General

Other Initiatives

Meeting. Dr. Karin Wittenberg, Associate Dean, (Research), University of Manitoba Faculty of Agricultural and Food Sciences, received the Education Award. Farm Credit Canada received the Friend of the Industry Award, and David Rourke, owner of Hog Hill Farms in Minto, received the Innovation Award.

Sustainable Development

MPC contributed \$600,000 in support of leading edge research on livestock and the environment, animal health and animal care. It also set out a list of its top 10 research priorities:

- Analysis and techniques of converting current conventional barns to allow for some form of group housing, including stalls, transportation, and other animal welfare issues;
- Improved manure storage and treatment systems, including separation;
- Other nutrient management issues;
- Barn workplace issues (including air quality);
- Drugs (including antibiotics, needleless injection) and disease prevention;
- Odour reduction/mitigation and air quality issues;
- Feed improvement;
- Greenhouse gas reduction;
- Pathogens and heavy metals in manure and soil; and
- Water protection and usage/conservation.

US Trade Advocacy

MPC took its display to the Minnesota and Iowa Pork Congresses in January 2009. This was the fourth year MPC representatives were invited to speak to the Minnesota and Iowa boards of directors and the fourth year MPC met with key representatives of US farm organizations. MPC also attended the World Pork Expo in Des Moines, IA in June. Representatives of US producer associations attended MPC's annual meeting in April.

Auditors' Report

To the Members of Manitoba Pork Council:

We have audited the balance sheet of Manitoba Pork Council as at December 31, 2009 and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Canada,
February 26, 2010

Ernst + Young LLP

Chartered Accountants

Balance sheet

as at December 31

	2009	2008
	\$	\$
<i>[As restated - note 14]</i>		
ASSETS		
Current		
Cash	270,516	137,042
Short-term investments <i>[note 2]</i>	3,046,128	2,822,953
Accounts receivable <i>[notes 4, 7 and 8]</i>	939,672	659,735
Prepaid expenses	45,380	45,347
Total current assets	4,301,696	3,665,077
Capital assets, net <i>[note 3]</i>	242,416	215,550
Investment in joint venture <i>[note 4]</i>	29,810	28,818
	4,573,922	3,909,445

LIABILITIES AND NET ASSETS

Current

Accounts payable and accrued liabilities <i>[note 5]</i>	615,543	486,092
Commitments <i>[note 12]</i>		

Net assets

Invested in capital assets	242,416	215,550
Crisis Management Fund	300,000	—
Closure Fund	550,000	550,000
Unrestricted	2,865,963	2,657,803
Total net assets	3,958,379	3,423,353
	4,573,922	3,909,445

See accompanying notes

On behalf of the Board:


Director


Director

Statement of Changes in Net Assets

Year ended December 31

	Invested in capital assets \$	Crisis Management Fund \$	Closure Fund \$	Unrestricted \$	2009 Total \$
	<i>[note 1(b)(iii)]</i>				
Balance, January 1, 2008 as previously reported	292,108	150,000	550,000	2,719,858	3,711,966
Prior period adjustment <i>[note 14]</i>	—	—	—	(67,900)	(67,900)
Balance, January 1, 2008 as restated	292,108	150,000	550,000	2,651,958	3,644,066
Excess (shortfall) of revenue over expenses for the year	(107,660)	(150,000)	—	36,947	(220,713)
Transfer for capital purchases	31,102	—	—	(31,102)	—
Balance, December 31, 2008	215,550	—	550,000	2,657,803	3,423,353
Excess (shortfall) of revenue over expenses for the year	(91,662)	—	—	626,688	535,026
Transfer for capital purchases	118,528	—	—	(118,528)	—
Transfer to Crisis Management Fund	—	300,000	—	(300,000)	—
Balance, December 31, 2009	242,416	300,000	550,000	2,865,963	3,958,379

See accompanying notes

Statement of Revenue and Expenses

Year ended December 31

	2009	2008
	\$	\$
		<i>[As restated - note 14]</i>
REVENUE		
Market hog levy	3,841,838	3,426,090
Weanling levy	440,143	569,226
Breeding stock levy	2,365	2,260
Program	89,760	78,248
Investment and other <i>[notes 2 and 4]</i>	250,360	47,063
	4,624,466	4,122,887
EXPENSES		
Animal care	41,387	36,580
Community relations and sustainable development	42,597	86,473
Environmental stewardship	205,800	190,500
Food safety	38,698	36,741
Foreign animal disease readiness	14,578	15,392
Human resources and training	20,393	10,846
Industry association	616,459	615,243
Public affairs and producer relations	655,262	657,529
Quality assurance	10,582	60,539
Swine production research <i>[note 10]</i>	245,055	209,000
Trade advocacy	73,706	50,027
Workplace safety and health	38,326	32,735
	2,002,843	2,001,605
Administration expenses <i>[schedule]</i>	1,852,401	1,824,296
	3,855,244	3,825,901
Excess of revenue over expenses before the following	769,222	296,986
Trade challenge levy	27,320	3,776
	796,542	300,762
Share of excess (shortfall) of revenue over expenses of Manitoba Hog Grading Inc. <i>[note 4]</i>	992	(1,810)
	797,534	298,952
Glenlea Farm Education Centre funding <i>[note 9]</i>	(150,000)	(150,000)
	647,534	148,952
Amortization	(91,662)	(90,629)
Country of Origin Labelling campaign costs <i>[note 1[b][iii]]</i>	(20,846)	(279,036)
Excess (shortfall) of revenue over expenses for the year	535,026	(220,713)

See accompanying notes

Statement of Cash Flows

Year ended December 31

	2009 \$	2008 \$
		<i>[As restated - note 14]</i>
OPERATING ACTIVITIES		
Excess (shortfall) of revenue over expenses for the year	535,026	(220,713)
Add (deduct) items not involving cash		
Amortization	91,662	90,629
Write-off of website development costs	—	17,031
Share of shortfall (excess) of revenue over expenses of Manitoba Hog Grading Inc.	(992)	1,810
Change in fair value of short-term investments	(170,406)	89,095
	<u>455,290</u>	<u>(22,148)</u>
Net change in non-cash working capital balances related to operations	(150,519)	49,063
Cash provided by operating activities	<u>304,771</u>	<u>26,915</u>
INVESTING ACTIVITIES		
Purchase of short-term investments	(52,769)	(84,317)
Additions to capital assets	(118,528)	(31,102)
Cash used in investing activities	<u>(171,297)</u>	<u>(115,419)</u>
Net increase (decrease) in cash during the year	133,474	(88,504)
Cash, beginning of year	137,042	225,546
Cash, end of year	<u>270,516</u>	<u>137,042</u>

See accompanying notes

Schedule of Administration Expenses

Year ended December 31

	2009	2008
	\$	\$
		<i>[As restated - note 14]</i>
Bad debts	62,033	85,719
Board [note 6]	249,608	242,311
Business tax	2,976	2,976
Computer support	44,954	50,770
Conferences	3,288	3,878
Employee benefits [notes 1[g] and 11]	105,244	113,040
Employee training	5,880	3,517
Insurance	10,818	10,624
Maintenance	28,651	22,682
Meetings	175,777	124,108
Memberships and subscriptions	8,812	11,753
Miscellaneous	24,875	36,240
Office supplies	28,999	25,962
Postage	11,123	26,280
Professional fees	59,516	61,284
Rent/lease [notes 4, 8 and 12]	60,088	60,152
Salaries	856,872	852,596
Telephone	30,806	29,158
Travel	67,284	45,565
Utilities	14,797	15,681
	1,852,401	1,824,296

See accompanying notes

Notes to the Financial Statements

December 31, 2009

1. SIGNIFICANT ACCOUNTING POLICIES

[a] Operations of Manitoba Pork Council

Manitoba Pork Council [the "Council"] is the membership association of the Province of Manitoba's hog producers. The mission of the Council is to foster the sustainability and prosperity of the pork industry for the good of all hog farmers and all Manitobans.

The Council collects a \$0.80 [2008 - \$0.80] levy on market hogs produced and processed in Manitoba, including sows and boars. As well, a levy is collected on hogs involved in inter-provincial and export trade at \$0.80 [2008 - \$0.80] on market hogs, sows and boars and \$0.19 [2008 - \$0.19] on weanlings [hogs under 30 kgs]. The levy is subject to periodic review and approval by the Manitoba Farm Products Marketing Council. The levy is the major revenue source for the Council's operation.

A special trade challenge levy was imposed effective July 2004 through December 2005 which called for an additional \$0.50 levy per hog.

The Council is a not-for-profit organization and is not subject to tax under the provisions of the Income Tax Act (Canada).

[b] Revenue recognition

The Council follows the deferral method of accounting for revenue and its net assets. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Levy revenue is recognized in the year that hogs are processed or exported, provided collection of the levies is probable.

Interest revenue is recognized as earned.

Net assets are accounted for in the categories described below to recognize various restrictions imposed on the use of the Council's funds:

[i] *Invested in capital assets*

These net assets consist of the Council's investment in its capital assets.

[ii] *Crisis Management Fund*

The Crisis Management Fund was established to offset the unforeseen irregularity of levy revenue and address unforeseen emergencies. In 2007, the Council determined that \$150,000 of the Crisis Management Fund would be utilized with respect to the Country of Origin Labelling campaign costs. In 2008, the Council determined that the remaining \$150,000 of the Crisis Management Fund would be utilized with respect to the Country of Origin Labelling campaign costs. In 2009, the Council replenished the Crisis Management Fund to its original balance of \$300,000.

[iii] *Closure Fund*

The Closure Fund was established to allow the Council to meet all outstanding obligations in the event of a wind-up of operations.

[iv] *Unrestricted*

Unrestricted net assets are comprised of the net accumulated revenue and expenses of the general operations of the Council, less amounts transferred to the Crisis Management Fund and the Closure Fund and amounts transferred for capital purchases.

[c] Short-term investments and investment income

Publicly-traded securities [Canadian equities] are valued based on the latest bid prices and money market funds are valued based on reported unit values. Corporate and government fixed income bonds are valued based on reported unit values plus accrued income, which approximates fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Notes to the Financial Statements

December 31, 2009

Investment income, which consists of interest, dividends and realized and unrealized gains and losses, is included in investment and other revenue in the statement of revenue and expenses.

[d] Capital assets

Capital assets are stated at cost less accumulated amortization. Normal maintenance and repairs are expensed as incurred. Amortization is provided over the estimated useful lives of the assets as follows:

Leasehold improvements	10% straight-line
Furniture and equipment	20% - 30% declining balance
Computer equipment.....	30% declining balance and vehicle
Computer software	25% straight-line and website development

[e] Investments

Joint venture

The investment in Manitoba Hog Grading Inc. is a non-share joint venture interest. The investment is accounted for by the equity method. Under this method, the Council included in income its share of the excess (shortfall) of revenue over expenses of Manitoba Hog Grading Inc.

Controlled organizations

The results of the controlled organizations are not consolidated and are disclosed in the notes to the financial statements. Contributions made by the Council to these organizations are expensed as incurred.

[f] Program expenses

Program expenses are reported separately from program revenue. Some programs have related income from grants or industry contributions, which are recorded as revenue.

[g] Retirement allowances and pension costs and obligations

The Council provides retirement allowances and pension benefits to its employees.

Retirement allowances are provided to certain qualifying employees and are based on Manitoba Government Employees' Union guidelines. The benefits are provided under a final pay plan. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are actuarially determined using the projected benefit method and reflect management's best estimates of the length of service, salary increases and ages at which employees will retire. In addition, adjustments arising from plan amendments, changes in assumptions, and the actuarial present value of the accrued entitlement are being amortized to expenses on a straight line basis over the expected average remaining service life of the employee group. Actuarial gains and losses are recognized in income immediately.

Employees of the Council are provided pension benefits by the Civil Service Superannuation Fund [the "Fund"]. Under paragraph 6 of the Civil Service Superannuation Act, the Council is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund. The Council's contribution for the year was \$39,628 [2008 - \$38,965] and is included in employee benefits expense.

In addition, employees of the Council are entitled to enhanced pension benefits. A pension liability has been established for those employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund Plan. The Council's contribution for the year was approximately \$4,200 [2008 - \$4,200] and is included in the calculation of employee benefits expense. The cost is

Notes to the Financial Statements

December 31, 2009

actuarially determined using the projected benefit method and reflects management's best estimate of salary increase and the age at which the employee will retire.

[h] Financial instruments

Financial instruments include cash, short-term investments, accounts receivable, and accounts payable and accrued liabilities.

The Canadian Institute of Chartered Accountants ["CICA"] Handbook Section 3861, "Financial Instruments – Disclosure and Presentation" requires the Council to make the following classifications:

Cash and short-term investments are classified as assets "held for trading" and are measured at fair value. Gains and losses

resulting from the periodic revaluation are recorded in excess (shortfall) of revenue over expenses for the year;

Accounts receivable are classified as "loans and receivables" and are recorded at cost, which upon their initial measurement, is equal to their fair value. Subsequent measurements are recorded at amortized cost using the effective interest rate method; and

Accounts payable and accrued liabilities are classified as "other financial liabilities" and are recorded at amortized cost using the effective interest rate method.

2. SHORT-TERM INVESTMENTS

Short-term investments consist of the following:

	2009		2008	
	Fair value \$	Cost \$	Fair value \$	Cost \$
Money market funds	522,003	522,003	283,874	283,874
Government fixed income bonds of 4% to 5.7% maturing May 19, 2009 to June 18, 2029	744,136	720,742	810,378	808,421
Corporate fixed income bonds of 3.7% to 6.0% maturing July 27, 2009 to December 18, 2021	1,246,726	1,215,874	1,424,121	1,440,329
Equities, Canadian	533,263	509,920	304,580	383,146
	3,046,128	2,968,539	2,822,953	2,915,770

The Council is subject to market price risk and interest rate price risk with respect to its short-term investments portfolio. To manage these risks, the Council has estimated a target mix of investment types designed to achieve the optimal return within

reasonable risk tolerances. Unless otherwise stated, it is management's opinion that the Council is not exposed to significant currency or credit risks arising from its financial instruments.

Notes to the Financial Statements

December 31, 2009

3. CAPITAL ASSETS

Capital assets consist of the following:

	2009			2008		
	Cost \$	Accumulated amortization \$	Net book value \$	Cost \$	Accumulated amortization \$	Net book value \$
Leasehold improvements	408,118	394,428	13,690	408,118	353,616	54,502
Furniture and equipment	298,028	234,810	63,218	295,221	218,682	76,539
Computer equipment and vehicles	333,328	230,966	102,362	258,782	203,072	55,710
Computer software and website development	299,725	236,579	63,146	258,616	229,817	28,799
	1,339,199	1,096,783	242,416	1,220,737	1,005,187	215,550

4. INVESTMENT IN JOINT VENTURE

The Council has entered into a joint venture agreement with two Manitoba pork processors, which established Manitoba Hog Grading Inc. Manitoba Hog Grading Inc. is a not-for-profit entity which was established to perform audits on carcass

grading proficiency of federally inspected pork processing plants.

A financial summary of the Council's 50% interest in this entity as at December 31 and for the years then ended is as follows:

	2009 \$	2008 \$
Financial position		
Assets	34,322	35,054
Liabilities	4,512	6,236
Net assets	29,810	28,818
Results of operations		
Revenue	51,567	46,615
Expenses	50,575	48,425
Excess (shortfall) of revenue over expenses	992	(1,810)
Cash flows		
Cash provided by (used in) operating activities	(1,646)	4,578

At December 31, 2009, there was a balance of nil [2008 - \$6,046] owing from Manitoba Hog Grading Inc. to the Council. This amount was included in the Council's accounts receivable in the prior year.

The Council charged Manitoba Hog Grading Inc. \$1,800 [2008 -

\$1,800] for rent and \$4,800 [2008 - \$4,800] for administration at the exchange amount. The rental income is netted against rent/lease expense and the administration income is included in investment and other revenue.

Notes to the Financial Statements

December 31, 2009

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	2009	2008
	\$	\$
		<i>[As restated - note 14]</i>
Accounts payable	182,444	139,829
Accrued professional fees	21,600	42,850
Accrued salaries and vacation pay	132,505	91,040
Accrued retirement benefits	270,100	188,800
Goods and Services Tax payable	8,894	23,573
	<u>615,543</u>	<u>486,092</u>

6. BOARD MEMBERS' REMUNERATION AND DISBURSEMENTS

Board members' remuneration and disbursements consist of the following:

				2009	2008
	Days	Annual stipend and per diem \$	Expenses \$	Total \$	Total \$
District 1 [chairman]	116	26,002	38,948	64,950	73,747
District 2 [executive] [a]	37	8,685	13,992	22,677	20,992
District 3	42	8,300	14,981	23,281	19,678
District 4 [vice-chairman]	70	20,600	23,233	43,833	44,641
District 5 [executive]	46	14,000	5,033	19,033	20,980
District 6	44	8,900	6,085	14,985	13,871
District 7	33	6,500	887	7,387	6,223
District 8	13	2,600	2,175	4,775	2,216
District 9 [executive] [b]	49	12,982	7,470	20,452	6,331
District 10	41	8,200	4,360	12,560	16,326
District 11	12	—	100	100	5,031
District 12	9	1,800	695	2,495	2,863
District 13	18	3,600	1,769	5,369	3,715
District 15	16	3,200	4,511	7,711	5,697
	<u>546</u>	<u>125,369</u>	<u>124,239</u>	<u>249,608</u>	<u>242,311</u>

[a] Executive from January 1 to April 7

[b] Executive from April 8 to December 31

Notes to the Financial Statements

December 31, 2009

The Board consists of thirteen directors and a chairman. The chairman's remuneration is a combination of a \$13,200 annual stipend, plus a per diem. The per diem rate is \$220. Director per diem rate is \$200.

The vice-chairman receives an annual stipend of \$6,600 and executive members receive an annual stipend of \$4,400 in addition to per diems.

The executive committee is comprised of the chairman, vice-chairman and two executive members.

The schedule excludes \$35,993 [\$8,300 per diems] of expenses that were reimbursed by the Canadian Pork Council.

7. SWINE RESEARCH AND DEVELOPMENT CORPORATION

The Swine Research and Development Corporation ["SRDC"] was incorporated in 2006 and the Council is the sole shareholder. The SRDC is a not-for-profit, non-taxable organization and its undertakings are limited to providing or facilitating research or development initiatives of benefit to the breeding, raising or marketing of hogs, and to researching, investigating, gathering and distributing educational information on matters of interest to hog producers. In the event that the SRDC should at any time be wound up or dissolved, the remaining property and/or assets of the SRDC, after payment of all debts and liabilities, shall be distributed to the University of Manitoba, Faculty of Agricultural and Food Sciences for use in research relating to hogs by the Department of Animal Science. In 2005 and prior years, this entity was a consortium which had been established by the Council, the Government of Manitoba, and the University

of Manitoba, Faculty of Agricultural and Food Sciences. The operations were wound up on March 31, 2007 and the SRDC is in the process of settling its net assets.

In 2009, the Council did not contribute [2008 - nil] to the SRDC. At December 31, 2009, there was a balance of \$36,517 owing [2008 - \$36,517] from the SRDC to the Council. This amount is included in the Council's accounts receivable. On February 16, 2010, grant funds were received which paid off the debt to the Council in full.

The SRDC has not been consolidated in the Council's financial statements. Financial summaries of this unconsolidated entity as at December 31 and for the years then ended are as follows:

	2009	2008
	\$	\$
Financial position		
Total assets	13	13
Total liabilities	51,917	51,917
Net assets	(51,904)	(51,904)
Results of operations		
Total revenue	—	—
Total expenses	—	—
Shortfall of revenue over expenses	—	—

Notes to the Financial Statements

December 31, 2009

8. MANITOBA PORK CREDIT CORPORATION

Manitoba Pork Credit Corporation ["MPCC"] was incorporated on July 24, 2007 and has no authorized share capital.

MPCC's Board of Directors is the same as that of the Council. MPCC's undertakings are limited to conducting programs to assist hog producers in the production of hogs in Manitoba, the marketing of such hogs, and in stimulating, increasing and improving the economic well-being of the hog industry in Manitoba. In the event of the dissolution or wind-up of MPCC, the remaining property of MPCC, after payment of all debts and liabilities, shall be distributed to the Council or a similar not-for-profit organization in Manitoba.

At December 31, 2009, there was a balance of \$147,596 [2008 - \$233,969] owing from MPCC to the Council. This amount is included in the Council's accounts receivable.

MPCC has not been consolidated in the Council's financial statements.

Financial summaries of this unconsolidated entity as at December 31 and for the years then ended are as follows:

	2009 \$	2008 \$
Financial position		
Total assets	61,763,423	57,760,881
Total liabilities	61,915,920	57,924,346
Net assets	(152,497)	(163,465)
Results of operations		
Total revenue	748,599	69,867
Total expenses	737,568	208,269
Shortfall of revenue over expenses	11,031	(138,402)

MPCC opened a line of credit for \$150,000,000 with the Steinbach Credit Union, of which \$60,633,035 was utilized as at December 31, 2009 [2008 - \$57,687,274], in order to deliver the Advance Payments Program under the Agricultural Marketing Program Act of Canada to swine producers in Manitoba, Saskatchewan, Alberta and British Columbia. These advance payments are guaranteed in their entirety by the federal government of Canada.

On January 18, 2010, MPCC transferred \$34,592,379 of interest bearing loans and \$26,672,604 of interest free loans to the

Royal Bank of Canada. \$163,524 in default loans will remain at Steinbach Credit Union until such time they are paid.

During the year, the Council charged MPCC \$1,890 [2008 - \$1,800] for rent and \$5,040 [2008 - \$4,800] for administration at the exchange amount. The rental income is netted against rent/lease expense and the administration income is included in investment and other revenue.

Notes to the Financial Statements

December 31, 2009

9. GLENLEA FARM EDUCATION CENTRE

In 2006, the Council agreed to provide \$600,000, in the amount of \$200,000 per year commencing in 2007, to fund the Glenlea Farm Education Centre. In the event the Council does not possess the necessary funds to meet the obligation,

it may increase funding in a subsequent year. In 2009, the Council contributed \$150,000 [2008 - \$150,000]. Cumulative contributions totalling \$500,000 have been made to December 31, 2009.

10. UNIVERSITY OF MANITOBA ANIMAL SCIENCE DEPARTMENT

The Council agreed to provide a minimum of \$100,000 each year for three years to the University of Manitoba Animal Science Department. The agreement states that, in the event the Council does not possess the necessary funds to meet the obligation, the contribution may be deferred to a later

year. The agreement expired in 2008. In 2009, the Council contributed \$177,055 [2008 - \$159,000] which is included in swine production research expenses. In the future, the Council will continue to provide funding as long as it possesses the necessary cash flow.

11. RETIREMENT ALLOWANCES AND ENHANCED PENSION BENEFITS

The Council measures its accrued benefit obligation for each of the retirement allowances and enhanced pension benefits as at December 31 of each year.

The most recent retirement allowance actuarial valuation report

was at December 31, 2008 and the most recent enhanced pension benefits actuarial valuation report was at December 31, 2007. Actuarial valuations are required every three years.

[a] Information about the Council's retirement allowance plan is as follows:

	2009 \$	2008 \$
Accrued benefit obligation		
Balance, beginning of year	41,500	15,679
Current service cost	7,400	7,211
Interest cost	2,800	2,344
Experience loss and transitional adjustment	1,900	16,266
Balance, end of year	53,600	41,500

Notes to the Financial Statements

December 31, 2009

The Council's retirement allowance expense consists of the following:

	2009	2008
	\$	\$
Current service cost	7,400	7,211
Interest cost	2,800	2,344
Experience loss and transitional adjustment	1,900	16,266
Total retirement allowance expense [included in employee benefits expense]	12,100	25,821

The significant actuarial assumptions adopted in measuring the Council's retirement allowance obligation are as follows:

	2009	2008
	%	%
Benefit costs for the year ended December 31		
Discount rate	6.50	6.50
Rate of compensation increase	3.25	3.25

[b] Information about the Council's enhanced pension benefit plan is as follows:

	2009	2008
	\$	\$
Accrued benefit obligation		
Balance, beginning of year	126,300	67,900
Current service cost	2,100	2,100
Interest cost	4,900	4,800
Employer benefit payments	(4,200)	(4,200)
Experience (gain)/loss on triennial adjustment	59,400	55,700
Balance, end of year	188,500	126,300

[As restated - note 14]

Notes to the Financial Statements

December 31, 2009

The Council's enhanced pension expense consists of the following:

	2009	2008
	\$	\$
		<i>[As restated - note 14]</i>
Current service costs	2,100	2,100
Interest costs	4,900	4,800
Experience (gain)/loss on triennial adjustment	59,400	55,700
Employer benefit payments	(4,200)	(4,200)
Total enhanced pension expense (included in employee benefits expense)	62,200	58,400

The significant actuarial assumptions adopted in measuring the Council's pension obligations are as follows:

	2009	2008
	%	%
Benefit costs for the year ended December 31		
Discount rate	6.50	6.50
Rate of compensation increase	6.93	6.93

12. COMMITMENTS

The Council is committed, under operating leases, to future aggregate lease payments estimated to be as follows:

	\$
2010	69,145
2011	70,020
2012	72,633
2013	73,320
2014	15,275
	300,393

Lease commitments include a share of common area costs which approximate \$28,320 per year.

Notes to the Financial Statements

December 31, 2009

13. CAPITAL MANAGEMENT

In managing capital, the Council focuses on liquid resources available for operations. The Council's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. To offset the unforeseen irregularity of level revenue and address unforeseen emergencies, the Crisis Management Fund was established. In addition, the Closure Fund was established to allow the Council to meet all outstanding obligations in the event of a wind-up of operations. As at December 31, 2008, the Crisis Management Fund had all been used to address Country of Origin Labelling campaign costs, and accordingly Council earmarked \$300,000 of unrestricted funds to replenish the Fund during 2009. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at December 31, 2009, the Council has met its objective of having sufficient liquid resources to meet its current obligations.

14. PRIOR PERIOD ADJUSTMENT

The Council is obligated to pay enhanced pension benefits to its employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund Plan. In the prior year, an actuarial valuation for the enhanced pension benefits was not available and the pension liability could not be determined. In 2009, an actuarial valuation was performed and the prior periods have been restated to reflect the Council's calculated obligations. For the year ended December 31, 2008, the restatement resulted in an increase to employee benefits expense and accounts payable and accrued liabilities and a decrease in excess of revenue over expenses and net assets by \$58,400. The cumulative impact of the change as at December 31, 2007 was to increase accounts payable and accrued liabilities and decrease unrestricted net assets by \$67,900.