

healthy people 
healthy planet

GROWING THE FUTURE

Pulse Canada 

ANNUAL REPORT 2010-2011

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PULSE CANADA - AREAS OF FOCUS

Pulse Canada is the national association representing Canadian growers and exporters of pulse crops – peas, beans, lentils and chickpeas. Pulse Canada works to improve the profitability, and thus the viability, of the industry by enhancing value and reducing costs.

Pulse Canada works under the leadership and direction of five provincial grower associations (Alberta Pulse Growers, Manitoba Pulse Growers Association, Ontario Coloured Bean Growers Association, Ontario White Bean Producers and Saskatchewan Pulse Growers) and the Canadian Special Crops Association (CSCA).

Enhancing Value – Pulse Canada works to enhance value by developing new market opportunities for Canadian pulses. These efforts include market development, identifying new uses for peas, beans, lentils and chickpeas and fostering greater demand for pulses in all markets by promoting the value that pulses deliver, including health, nutritional and environmental benefits.

Reducing Costs – Pulse Canada strives to reduce costs for the pulse industry by working to create efficiencies in the marketing and transportation of pulse crops, and to ensure competitive access to crop protection products. Ensuring competitive access to international markets by addressing tariff barriers and other access issues is a key area of focus for the organization and its members.



Agriculture and Agri-Food Minister Gerry Ritz, Prime Minister Stephen Harper and International Trade Minister Peter Van Loan at the announcement of Canada-Morocco FTA negotiations featuring "pea pens" from Pulse Canada.



David Nobbs
Chair, Pulse Canada

On an annual basis, my life as a farmer revolves around successfully growing crops. I am also a proud member of the pulse trade that is interested in growing my business and my industry in a competitive marketplace.

Pulse Canada remains focused on work that will ensure the ongoing growth and success of the pulse industry. Together, farmers and the trade in Canada share an interest in “growing the future” where our efforts will help create a profitable crop option in Canada that captures the attention of Canadian farmers, the pulse trade, and consumers around the world.

As Chair of the Pulse Canada Board I am pleased to present the 2010-2011 Annual Report that highlights key accomplishments, and how they serve the interests of the pulse industry.

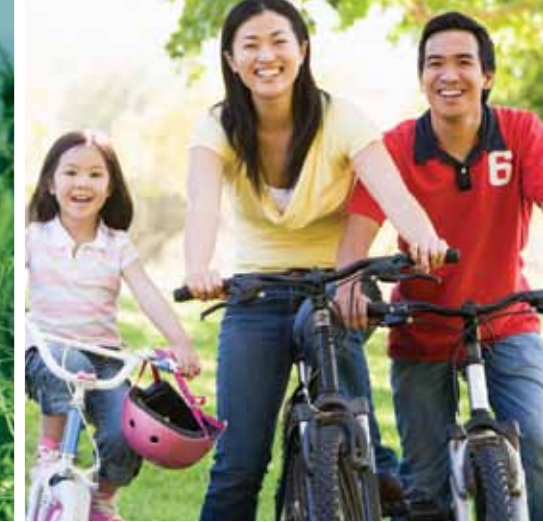
2010/2011 was an eventful year. Free trade negotiations were initiated with Morocco and India while negotiations with Colombia were ratified by the Canadian government. Transportation continued to be a major focus for the association as it works to improve the predictability of our transportation system. Webinars on health, nutrition and sustainability, as well as transportation-focused professional development sessions were organized for the trade.

Efforts to increase pulse utilization focused on outreach to food industry stakeholders with growing interest in the role that pulses can play in contributing to healthy people, and a healthy planet. To lay the groundwork for future marketing efforts, Pulse Canada also launched a process to identify the key health, nutrition and sustainability attributes that make up the “brand essence” of pulses. These are but a few examples of Pulse Canada’s efforts to reduce costs within the pulse sector, enhance the value of pulses, and when successful, “grow” the overall profitability for our industry.

Canada continues to be the world’s largest exporter of pulses. In 2010, Canadian pulse exports grew to nearly 4.3 million tonnes representing over \$2.1 billion. Over the last five years, export value has more than doubled and export quantities have grown by more than 30%.

Through its important funding partnerships with the Government of Canada, Pulse Canada is able to further its work in a number of key areas. 2010-2011 marked year one of a four-year partnership with Agriculture and Agri-Food Canada through the Agri-Flex program. These funds were directed toward market access, transportation, environmental sustainability, health and nutrition and functionality work. The AgriMarketing Program supports international market development initiatives.

Growing the pulse industry is a focus at Pulse Canada today and for the future. In my role as Chair, I see first-hand how working with partners across the value chain reduces costs on my farm, and enhances value for the Canadian pulse industry. As farmers and business owners, we will continue to face challenges as this growth occurs, and Pulse Canada will continue to build on the successes outlined in this report to grow a strong and sustainable future for the pulse industry, our stakeholders and consumers.



03

GROWING HEALTHY PEOPLE

As health professionals, the food industry, regulators and society at large increasingly recognize that dietary choices directly affect human health, there is enormous opportunity to boost the presence of healthy foods, like pulses, in the food system.

To help these groups draw the link between pulses and healthy outcomes, and to lay the groundwork for future marketing initiatives, Pulse Canada established a Nutrition & Health working group. These representatives from along the value chain bring expertise in breeding, pulse supply and processing, food manufacturing, dietetics and food regulations, reviewed nutrition and health research, as well as consumer and food industry market trends, to identify key nutrition and health attributes that contribute to the “brand essence” of pulses.

Identifying key nutrition attributes (fibre, protein and nutrient dense) and health attributes (heart health, weight management and diabetes prevention) for marketing purposes also establishes focus areas for research priorities that will guide future industry investments in research. These key messages will also capture the interest of food companies who can formulate with pulses to meet important nutritional thresholds such as “Very High Source of Fibre” or “Source of Protein” that are appealing to consumers. Building on these core attributes, Pulse Canada is working with all stakeholders to develop a more targeted marketing program for Canadian pulses.

Pulse Canada also continued its work to identify and fill research gaps. A major gap identified in 2010 was the lack of current and comprehensive data on pulses in the Canadian Nutrient File (CNF), Health Canada’s database of the nutritional composition of all foods. To fill this gap, Pulse Canada is overseeing a process to update the CNF with comprehensive data that will allow the industry to accurately communicate the nutritional composition of Canadian pulses to customers in Canada and around the world.



One of the most important pieces of information that will be updated in this process is data on Canadian pulse protein quality. Food manufacturers have indicated that this is an important criteria for the selection of ingredients for food formulations. As a result, an in vivo study was undertaken to update protein quality information on Canadian pulses. Preliminary results suggest the new data will ensure Canadian pulses are recognized as a good source of protein.

Work continued at Pulse Canada to identify options for nutrition labelling and health claims for pulses under Health Canada’s food regulations. A comprehensive review of labelling opportunities for pulse products in Canada was completed, and work to identify potential opportunities for a pulse based health claim in Canada continues.

Pulse Canada also oversaw the development and publication of a new recipe book “Pulses and the Gluten-Free Diet: Cooking with Beans, Peas, Lentils and Chickpeas”. The March launch included a dedicated, interactive web page, a media release featuring the support of the Canadian Celiac Association, and the distribution of 18,000 copies of the booklet to health professionals, dietitians and provincial grower groups. The resource booklet will be used as a tool to market pulses as an important option for the 1 in 133 people who suffer from Celiac disease.

Ensuring health professionals, regulators and the food industry understand and promote the association between pulse consumption and healthy living is key to growing demand and value for Canada’s pulse industry.

“The master levers of medical destiny are indeed **feet**, how we use them for physical activity, **forks**, our dietary choices, and **fingers**, which ought never to hold tobacco products.”

Dr David Katz, MD, MPH, FACPM, FACP, Director and co-founder of Yale University’s Prevention Research Center

80 percent

PEOPLE WHO DON’T SMOKE, EAT WELL AND CONTROL THEIR WEIGHT ARE 80% LESS LIKELY TO EXPERIENCE ANY CHRONIC DISEASE: HEART DISEASE, CANCER, STROKE.

04

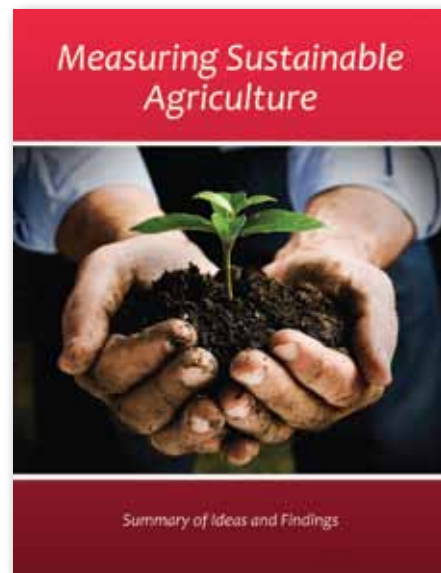
GROWING A HEALTHY PLANET

Food, retail and ingredient companies are looking for solutions to address growing consumer interest in the sustainability of food products. Primary agriculture is increasingly viewed as the component of the food value chain in which above-average performance can lead to the largest improvement in the sustainability of food products.

Pulses can provide these solutions. As the food industry searches to find the appropriate metrics and tools to measure sustainability in agriculture, Pulse Canada is following their path closely to see what is on the horizon, and is collaborating and partnering with key food sector players on projects that are of strong interest to the food industry.

In early 2011, Pulse Canada published a key market intelligence report on how the food industry is approaching agricultural sustainability. Based on 30+ interviews with key stakeholders, *Measuring Sustainable Agriculture* identified the food industry's top four priority areas for measuring sustainability: greenhouse gases and energy use, soil health, water and biodiversity. The report also identified the top three food industry coalitions worldwide with the strongest influence on how metrics will be used commercially, and showed that those coalitions are leading a major shift toward a small, harmonized set of evidence- and outcome-based measurements.

Based on this work, Pulse Canada began promoting key environmental sustainability messages that contribute to the "brand essence" of pulses. Drawing from scientific literature related to the food industry's priority areas, key messages address reduced energy/greenhouse gas attributes (pulses use half the nonrenewable energy inputs of other crops), as well as soil attributes (pulses reduce the environmental footprint of your grocery cart) and water attributes (pulses are efficient users of 'green' water). Identifying these key attributes for marketing purposes also helps identify knowledge gaps and guide future initiatives in marketing advances already made by growers in environmental sustainability.



“WE ESTIMATE THAT ENERGY USE IN OUR [AGRICULTURAL] SUPPLY CHAINS IS **TEN TIMES** GREATER THAN IN OUR MANUFACTURING.” *Sustainable Development Overview 2009, Unilever*

Pulse Canada also initiated specific, sustainability-focused collaborations with several food companies and other stakeholders throughout 2010-11. In addition to an ongoing Heinz carbon footprint project for navy beans, Pulse Canada initiated a pilot project to apply U.S.-based, commercially-focused Keystone sustainable agriculture indicators to peas, lentils, flax, oats, canola, and spring and winter wheat. The project includes Pulse Canada, General Mills, Ducks Unlimited and several Canadian commodity groups.

Pulse Canada is also participating in a Unilever pilot project to test on-farm carbon calculator tools. Other project partners include the Sustainable Food Lab, Pepsico, Marks & Spencer, Yara, Heineken, Costco, and Sysco.

Pulse Canada uses the outcomes from these projects to help tell the pulse 'sustainability story' in ways that customers recognize and understand. Along with these results, the first 30 peer-reviewed articles from the Canadian ag-science community have been selected to develop a web-based science resource library where the food industry and consumers can learn and discover about the sustainability benefits of pulse crops and the cropping systems in which they are grown.

Working with the food and retail industries to understand their sustainability priorities is helping to grow a healthy planet.

**187,000
cars**

PEER-REVIEWED RESEARCH HAS SHOWN THAT ADDING PEAS TO A FOUR-YEAR CROP ROTATION REDUCES GREENHOUSE GAS EMISSIONS BY 18%. THIS IS THE SAME AS REMOVING 187,000 CARS FROM THE ROAD.

05

GROWING THE FOOD VALUE CHAIN

Pulse Canada continues to broaden its outreach to the \$4 trillion global food manufacturing and foodservice sectors through direct meetings, new partnerships and special events. Greater integration of Canada's pulse industry into the food sector will grow future demand for Canadian pulses.

To help with these efforts, Pulse Canada implemented a new business contact management system to enable enhanced monitoring and coordination of contacts in the food sector. This system allows Pulse Canada to better target marketing and communications efforts to food sector stakeholders.

In April, Pulse Canada signed a Memorandum of Agreement with the Chinese Cereals and Oils Association (CCOA) to pursue new commercially-driven product development using pulses. This agreement brought together commercial food companies with researchers in Canada and China to identify and pursue the food product development opportunities with the greatest potential for commercialization.

This initiative leverages investments in health, nutrition, functionality and environmental sustainability research to create and implement a research strategy to use pulses in food products such as Chinese staple foods (noodles, steamed breads and dumplings), snack foods and meat products. Capturing even a small percentage of the estimated 70 million tonne flour market in China could result in large incremental increases in Canadian pulse exports to China.

The Pulse Flour Milling and Utilization project was launched in July. With funding from the Saskatchewan Pulse Growers,

Alberta Pulse Growers and the CSCA matched by government dollars at 25/75, this initiative is being carried out at the Canadian International Grains Institute and evaluates the impact of different milling processes on pulse flour quality and functionality. Flour streams will be tested for functional and nutritional attributes, and will be subsequently tested in various food products. This initiative will help establish new markets for pulse flours as ingredients in baked goods and other food applications.

In November, Pulse Canada partnered with Dutch-based Bridge2Food to organize the *Pulses & Health Conference* in Amsterdam. 30 different companies participated, including major multinational food companies such as Nestlé, Danone, Barilla and Heinz. Canada's pulse industry had a strong presence including representatives from Alberta Pulse Growers, Saskatchewan Pulse Growers and Manitoba Pulse Growers Association, as well as Canadian pulse processors who attended and participated in the program. The event demonstrated Canada's leadership role in the global pulse industry in the areas of production, supply, research and processing.

Pulse Canada and ConAgra Foods co-sponsored the *Gluten-free Foods: Opportunities and Challenges* symposium at the Institute of Food Technology (IFT) convention in Chicago in June. The symposium featured presentations about the characteristics and the important role of pulse ingredients in gluten-free foods. The event attracted an audience of 100 food industry representatives, research institutions, health

professionals and others interested in learning how pulses can cater to this growing market. Pulse Canada identified IFT as a strategic priority in 2010/11, given its reputation as the largest conference that brings together food scientists and manufacturers from around the world.

The *Pulse Ingredient Expo* held in Toronto in February brought together 140 representatives from the food manufacturing and foodservice industries to learn about the potential for pulse ingredients. The conference featured the latest research on health and sustainability attributes of pulses and how they can be used as ingredients to boost protein, fibre and nutrients in foods offering easy, cost-effective solutions. The conference included an Expo where food companies connected with Canada's major processors and suppliers of pulses and ingredients.

Together, this work is growing the profile of pulses among ingredient manufacturers, food processors and foodservice sectors.



“Nestlé already works with farmers in some countries. Linking them to the global farm-to-supermarket value chain can only improve the growers' wealth-creation potential.”

Report on Business Magazine, February 2011

\$4 trillion

THE SIZE OF THE GLOBAL FOOD MANUFACTURING AND FOODSERVICE SECTORS.

06

GROWING ACCESS TO WORLD MARKETS

Maintaining and enhancing access to markets is critical to the success of the Canadian pulse industry. In 2010-11 Pulse Canada developed an enhanced market access strategy, secured multi-year program funding and made significant progress on the most critical market access issues.

In 2010, Pulse Canada secured \$1.6 million in industry and government funding over four years to proactively address market access risk in the Canadian pulse and special crops sectors. This program reduces market access risks related to maximum limits for crop protection product residues, heavy metals and mycotoxins, reduces barriers for further processed pulse products such as flours, starches, proteins and fibres and will also develop country-specific market access strategies for the most critical markets.

In June, the Canada-Colombia agreement was approved by the Canadian government. Once ratified by the Colombian government, the agreement will eliminate import duties for peas, lentils and chickpeas and re-establish competitive, duty free access for an initial 4,000 tonnes of beans into Colombia, which will help rebuild market share lost in recent years due to a prohibitively high 60% import duty on beans. Pulse Canada appeared before House of Commons committees to speak in support of this agreement and worked with Members of Parliament to ensure all parties understood the commercial importance of a deal with Colombia.

In July, Pulse Canada laid the groundwork for the development of a technical agreement between Canada and India that could remove the need for Canada to certify pulse shipments as free from stem and bulb nematode. Following visits to farm and grain handling facilities, meetings with exporters and negotiations between government officials, most of which

were coordinated by Pulse Canada, Canadian and Indian officials came to an agreement that, if implemented, will eliminate tens of millions of dollars of additional risk and cost from the supply chain annually. This agreement builds on six years of work to remove a major market access barrier in place since 2004.

In November, free trade agreement (FTA) negotiations were also launched with India, Canada's largest market for pulses. Pulse Canada strongly supported the launch of these negotiations and has provided input to negotiators on tariff and non-tariff barriers to trade.

In January, China eliminated its maximum limit for selenium in imported foods. This announcement removed a major barrier for pulse exports that has been in place in Canada's third largest market. Since 2006, Pulse Canada has worked closely with the Canadian government, importers and Chinese officials



“LEFT UNCHECKED, THE U.S. [FREE TRADE] AGREEMENT WILL THREATEN MOROCCO’S COMPETITIVE ACCESS TO PREFERRED CANADIAN PRODUCT AND WILL THREATEN CANADIAN MARKET SHARE IN MOROCCO DUE TO TARIFF DISADVANTAGES FOR CANADIAN PRODUCT OF UP TO 50%.”

Pulse Canada's 2009 letter to the Department of Foreign Affairs and International Trade (DFAIT) regarding the importance of an FTA with Morocco.

to re-establish trade, to encourage China's Ministry of Health to undertake a risk assessment and to remove the maximum limit. The removal of this barrier eliminates a major constraint to expanding utilization of pulses in many products in China.

Major progress was also made towards an FTA with Morocco when negotiations were launched in January. Pulse Canada is one of the few groups that has advocated strongly for the launch of these negotiations since 2004. Pulse Canada participated in the mission to Morocco with the Prime Minister, Minister of International Trade Peter Van Loan and Minister of Agriculture and Agri-Food Gerry Ritz in January as well as an exploratory mission with Minister Ritz in 2009.

2010-2011 also saw progress in streamlining processes related to availability and use of crop protection products. Key regulatory changes were made that will increase the speed of introduction, and quantity of generic crop protection products launched in Canada. When combined with the joint reviews and harmonized labels for new crop protection products, and the “Growers Own Use Import” program, there has been tremendous progress in ensuring both timely access to new chemistry, and competitive pricing of existing crop protection products. Pulse Canada has been a driving force at the national level behind these changes.

Breaking down trade barriers and building new partnerships will continue to grow the pulse industry's access to world markets.

65 percent

65% OF PULSE EXPORTS GO TO CANADA'S FIVE LARGEST MARKETS – INDIA, TURKEY, CHINA, BANGLADESH AND THE UNITED ARAB EMIRATES.

07

GROWING TRANSPORTATION SOLUTIONS

Predictable transportation service and equipment supply are key to reducing costs for the pulse and special crops value chain. By encouraging process improvements and working to establish an enabling legislative environment, Pulse Canada is focused on delivering outcomes that will enhance the competitiveness of growers, processors and exporters.

This year marked the end of the first chapter in the most exhaustive review of rail freight service ever conducted in Canada. Pulse Canada appeared before the government-appointed Rail Freight Service Review Panel on five occasions to advance the interests of the Canadian pulse industry including comprehensive recommendations for the development of service level agreements between supply chain stakeholders.

Of the hundreds of recommendations filed in over 140 submissions to the Panel, the service level agreement concept was ultimately put forward by the Panel as a key solution to transportation challenges plaguing the Canadian supply chain.

In March, the Ministers of Agriculture and Agri-Food and Transport announced the government will take action above and beyond what the Panel recommended to address industry

concerns. The government committed to table new legislation giving shippers the right to a service agreement with the railways and provide a process to establish an agreement, should commercial negotiations fail.

As part of the effort to affect change, Pulse Canada took on a leadership role within the Coalition of Rail Shippers, a group comprised of shippers and organizations representing mining, forestry, chemicals, fertilizer, propane gas, automotive manufacturers, agriculture and retail sectors. By drafting Coalition positions, spearheading the development of a Service Review Forum and chairing a subcommittee on performance measurement, Pulse Canada established a reputation as a constructive leader within the shipping community.

This reputation was evident in meetings the organization held throughout the year with the Minister of State for Transport, opposition transportation critics, influential Members of Parliament from all parties and departmental staff from Transport Canada and Agriculture and Agri-Food Canada. The pulse industry has a credible voice in Ottawa at a time when critical decisions are being made regarding transportation policy.

“THE NATION THAT FINDS THE **BEST POLICIES** TO RESPOND TO TRANSPORTATION AS A SYSTEM MAY WELL BE THE ONE THAT DOES BEST IN THE COMPETITIVE INTERNATIONAL MARKETPLACE”.

*Kristine Burr, Assistant Deputy Minister, Transport Canada.
Quoted in Time for a New National Vision: Opportunities and Constraints for Canada in the Global Movement of Goods, June 2008*

Pulse Canada also expanded on its one-of-a-kind performance measurement initiative in 2010/11 that quantifies the level of service provided to the industry. This year the program recorded and tracked 2,260 car orders for the purpose of measuring order fulfillment and tracked 13,200 railcars and 930 containers for trip creation and transit time measurement purposes. With eight key shippers supplying data and more joining the program weekly, the pulse industry is leading the Canadian shipping community in establishing objective information about the performance of its supply chain.

Pulse Canada also held three meetings with the Transportation Technical Working Group; a problem solving forum for the pulse supply chain involving over 30 representatives from different companies. Among other results, these meetings have helped address challenges related to the supply of unclean equipment, advanced notification for changes to service plans, and the need for more responsiveness from railways including indentifying additional account representatives for shippers.

Working to improve service levels and the legislative environment will grow transportation solutions for the pulse industry.



“Pulse Canada proposes that the Panel recommend the establishment of service level agreements between Class 1 rail carriers and car load shippers, intermodal shippers and bulk/unit train shippers and other critical supply chain stakeholders such as transloaders and port authorities.”

Pulse Canada submission to the Rail Freight Service Review Panel, April 2010

“The Panel encourages the railways to negotiate service agreements at the request of stakeholders that have an operational or commercial relationship with them, including shippers, terminal operators and transloaders...”

Rail Freight Service Review Panel Final Report, March 2011

“...the government will go further than the Panel recommended and intends to proceed with tabling a bill giving shippers the right to a service agreement with the railways and provide a process to establish an agreement, should commercial negotiations fail.”

News Release – “Government of Canada Acts to Improve Rail Freight Supply Chain,” March 2011

Income Statement Forecasted year-end position based on Dec 31, 2010 Financial Statements

REVENUE

Industry Funding

Saskatchewan Pulse Growers	\$ 1,037,740
Alberta Pulse Growers	213,750
Canadian Special Crops Association	213,252
Manitoba Pulse Growers Association	80,000
Ontario Colored Bean Growers	20,000
Ontario Bean Producers Marketing Board	4,500

Pulse Value Chain Member Funding¹

140,360

Government Funding

Agri-Flexibility Funding	1,301,416
Bean Dessication Project	186,735
Pulse Milling Project	186,735
Agri-Marketing Funding	128,582
Ag Adaptation Council - Bean Dessication Project	40,975
	\$ 3,554,045

EXPENSES

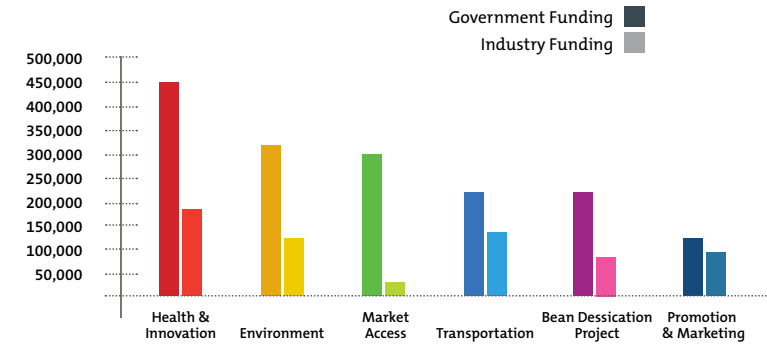
Health, Innovation & Commercialization	\$ 641,908
Environment	434,964
Transportation	363,784
Market Access	322,646
Bean Dessication Project	321,808
Pulse Milling Project	266,250
Promotion & Marketing	227,360
Administration	884,515
	\$ 3,463,235

¹ Includes funding from sources other than industry groups and government. This includes funds from CropLife for the environment project and \$72,000 for the bean desiccation project from industry sources.

Note: These numbers are based on a forecasted position. Pulse Canada's annual audit is completed by June, after which audited financial statements are available from the Pulse Canada office.

Cost Shared Funding By Program Area

2010-2011



Note: This graph only represents those areas with cost sharing. Industry funds administrative costs of \$884,515

Sources of Funding





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BOARD OF DIRECTORS 2010-11

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Canadian Special Crops Association
Ontario Bean Producers' Association
Saskatchewan Pulse Growers
Manitoba Pulse Growers Association
Alberta Pulse Growers
Canadian Special Crops Association

(Board composition by Association as of March 31, 2011)

Pulse Canada founding partners:

