

# YEAR IN REVIEW

2016–2017



# 2016-17 *At a Glance*

**520**  
DAIRY FARMS



**99%**

*of our Farmers*

**MET OR EXCEEDED**  
milk quality **standards**



**8.46%**

*of Canadian*  
milk production



*A record of*



**740,710,762**

**LITRES PRODUCED**



*Up to*

**63 MILK TRUCKS**

**ON THE ROAD**  
**EVERY DAY**

**103,000+**

*milk samples*

**WERE TESTED**



**22 schools**

*celebrated 30 years*

**ON CLUB MOO**

**\$77,175**

*worth of milk*

**DONATED TO**

those in need in Alberta



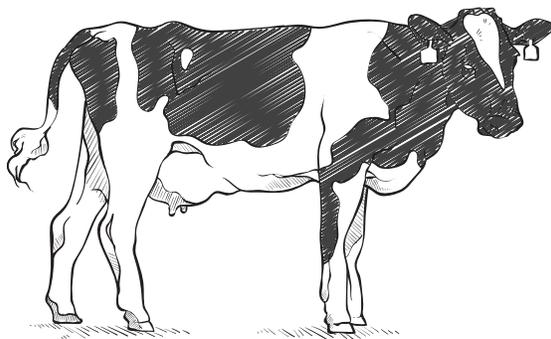
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## Our Mission

Alberta Milk leads Alberta's dairy industry. We support the effective operation and advocacy of the supply management system in a vibrant, sustainable and market-focused industry.

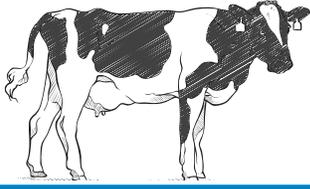
## Our Vision

Growing a vital, sustainable, and prosperous dairy industry.



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## Tom Kootstra Chairman's Message

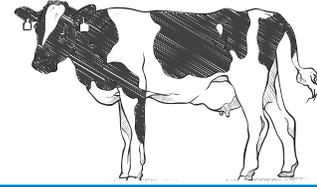
I first want to express my appreciation to the delegates and directors who elected me to return to the Board of Directors and as chairman. I am proud to once again serve the industry and represent Alberta Milk. The 2016-17 year was described as a year in transition for a lot of reasons. Our organization and industry continued to evolve and adapt to our changing environment and it's necessary that we progress along with it to continue to pursue and achieve our goals.



With sustained consumer preferences for natural dairy products such as butter, cream, yogurt and cheese, we continued to enjoy a growing market. In Alberta, there was a seven per cent quota increase and producers also had the opportunity to capitalize on 25 incentive days. Our total milk production for the year was 740.7 million litres compared to 725.0 million litres last year. The growth has been both a welcome and a challenge as we work to produce the milk required to meet the market demand. Both production and processing facilities are reaching their capacity and in turn, investments on farms and by processors are being planned.

Following the ratification of the Canada-European Union Comprehensive Economic Trade Agreement (CETA), the federal government announced the CETA Transition Program for Dairy. The program has two elements, the Dairy Farm Investment Program and the Dairy Processing Investment Program. Both programs were extremely welcome in an effort to help Canadian dairy farmers and the processing sector improve efficiency and productivity, as well as diversify their products to pursue new market opportunities.

To the many naysayers – namely in the media or economic institutions – that say supply management does not work, that it is not progressive and needs to be abolished, I say they have just not taken the time to really understand our industry. The innovation and the progressive changes that were implemented this year are far reaching and long lasting. For example, as of February 1, 2017, the agreement reached with processors on how to better utilize all components of milk was implemented. This change introduced a new class for ingredients and changes the long standing structural surplus removal programs administered by the Canadian



Dairy Commission. These are impressive accomplishments that will provide stability in our industry for years to come. And they build on the progress we've made since supply management was introduced 50 years ago.

Our strategic priority of advocating for our industry, supply management, and building consumer trust remains paramount for our organization. Alberta Milk, in partnership with the poultry industry, has actively pursued our government relations strategies. All targets have been met including hosting a reception with 39 MLAs where we were able to showcase our industries and gain their support for supply management. Producers also continued to advocate and build consumer trust. Over 1,200 people attended the two Breakfast on the Dairy Farm events held in central and southern Alberta. These events provide an on-farm experience to the general public and took over 100 volunteers to coordinate. It's events like this that help consumers understand what we do.

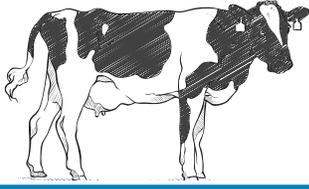
We continue to enhance our relationships and partnerships in the industry in order to advance our industry. These partnerships require trust and mutual respect and I believe that we have made major strides. The Western Milk Pool members have made great progress as we work collaboratively to deal with challenges and opportunities. We jointly worked to attract new processing by agreeing to a collaborative approach in providing milk allocations and transportation coordination. In January, Alberta Milk transferred our marketing and nutrition education activities to Dairy Farmers of Canada (DFC) to create greater efficiencies and increased value for the producer funded marketing and nutrition education activities. However, we were very concerned to learn in July that Dairy Farmers of Ontario was going in

the opposite direction when they announced they were withdrawing their funds from DFC for these very programs. We however remain committed to support the newly developed DFC master brand for dairy product promotion and marketing.

The call for a North American Free Trade Agreement (NAFTA) review initiated by the United States has caused considerable pressure on our industry. We feel that the changes needed in other areas of NAFTA can be achieved without having any negative impacts on us. We are very encouraged with the level of support the federal government has provided to us during the early stages of the negotiations.

This year, we welcomed three new directors to the Board. I want to express my appreciation to outgoing directors Allan Child, Albert Kamps, Wim Ruysch and Arnold Van Os. At the same time we welcomed Pieter Ijff, Stuart Boeve and Gert Schriver to the Board and we have valued their input throughout the year.

Thanking the many stakeholders, industry partners, fellow board members, our elected delegates and the staff at Alberta Milk never gets tiring for me. Without the dedication of hundreds across the dairy industry and within government, we would not be able to achieve all we have.



## Mike Southwood General Manager's Message

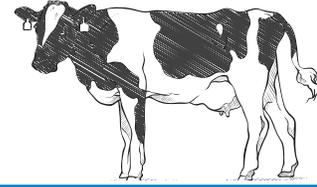
It has been amazing how much our organization has taken on this year to deliver the Board-approved business plan and to address new issues that have arisen throughout the year.

It was a year of transition for the administration of Alberta Milk. After long and extensive careers, two of our senior staff members entered retirement. I want to personally thank Katherine Loughlin, market development manager, for her over 35 years of dedicated service to the dairy producers in Alberta and to the dairy industry.



Katherine was the consummate professional and is missed by all that worked with her. She will long be remembered for her contributions to the industry and her leadership within Alberta Milk. Gerd Andres also retired. He served the industry through his involvement with the provincial government, the dairy control board and as the manager for policy and transportation. Gerd enjoyed his relationships with his counterparts across the industry and had a very good understanding and rapport with producers he worked with.

We also said goodbye to the marketing and nutrition education staff as we transferred those functions to Dairy Farmers of Canada (DFC) as of January 1. However, we are fortunate that the four nutrition staff and marketing coordinator continue to work out of the Alberta Milk office. While change of this magnitude is a challenge, the long-term opportunities for the Alberta-based nutrition and marketing professions to be fully integrated within the national team is very positive while still keeping a provincial presence. Our Alberta Milk-based team will unite our local initiatives with the DFC master brand. It did not take long for the creativity of our team to illustrate how provincially we were able to build on national initiatives. For example, this spring, as our Alberta based NHL teams entered the playoffs, our marketing and communications staff collaborated to raise funds for the Edmonton and Calgary food banks. Using the theme of the *Pour a Tall Cold One* national campaign, we created a campaign through social media where we were able to increase the awareness of milk and donate over \$4,000. All funds went towards dairy products, as they are scarce for the families that need these services.



The staff changes and transition to DFC resulted in a restructuring of Alberta Milk. The policy functions moved under the leadership of Denise Brattinga as she added to her role as manager of finance. Denise has been leading on the development of the National Ingredients Strategy, so this was a natural fit. We also used this opportunity to combine transportation and our member services functions in the new division: producer services. Combining milk quality, transportation and other farm-related services made a lot of sense and is managed by Mike Slomp. We also welcomed Daria Taylor to the management team as she assumed the management of the new corporate services division, a combination of our marketing activities, IT, and Board and delegate support. I want to thank the management team for their commitment to making this transition as seamless as possible.

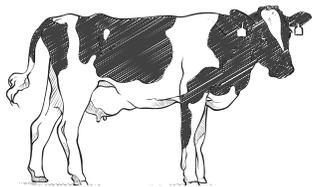
While the transition was ongoing, we also continued to work collaboratively with a number of industry partners and affiliates to advance many important files in the industry. Alberta Milk directors and staff continued to play a significant role in working with the other members of the AgCoalition to create an industry position to the government of Alberta as they advanced the *Enhanced Protection for Farm and Ranch Workers Act*. This has been a massive file but has really united all facets of agriculture on this topic. Our efforts to implement proAction® in step with the rest of the provincial boards has resulted in Alberta Milk taking a multi-pronged approach that involved workshops, on-farm training sessions, articles and printed resources. Our staff have worked with other industry stakeholders such as veterinarians and Holstein

Canada as we strived to ensure producers were ready for the animal care and traceability modules.

The National IT Aggregation initiative that has involved seven other provincial boards was refocused as we brought on a new project manager. We also developed an updated strategy that will now see the conclusion of this collaborative milk management software system launched by August 2018.

In April, the Agricultural Products Marketing Council initiated a review of the quota administrative policies of the supply managed commodities. The collaborative approach of this initiative was rewarding and our policies proved to be very much in line with the direction that has come out of this process.

As always, Alberta Milk is strengthened through the commitment of the delegates, Board of Directors and staff. None of the achievements that are recorded throughout this annual report would have been reached without the efforts of all.



# Producer Governance

Four new directors, Pieter Ijff, Stuart Boeve, Gert Schrijver and Tom Kootstra were elected to the Board. Albert Kamps, Wim Ruysch, Arnold Van Os all reached their mandatory stepdown provision after nine years on the Board. Allan Child elected to step down.

Alberta Milk is a producer-driven organization, whereas we receive our direction from our Board of Directors, whom are all licensed dairy farmers. Our Board of Directors (Board) is comprised of 11 elected producers from across the province.

Our province is divided into three regions: north, central, and south, and each region has a committee. On average, the region committees met three times this year and are an essential conduit of information to Alberta Milk and to the Alberta Milk Board.

Alberta Milk welcomed four new delegates this year: Miranda Verhoef and Wim Vande Brake in the Central Region and John Van Driesten and Gerrit Haarman in the South Region. These new delegates participated in the new delegate orientation session shortly after being elected. The orientation program provides an overview of Alberta Milk's operations and the issues that are being addressed at the provincial, regional, and national levels. Thank you to outgoing delegates Gerald Weiss (south), Rien Meinen (central), Cornel van't Klooster (central) and Allan Child (north) for their commitment to the industry.

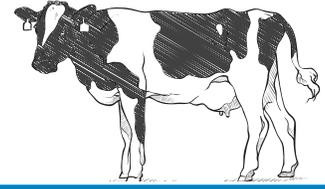
All delegates participated in the annual Delegate Workshop in February. This event provides the opportunity for delegates to learn about and provide feedback on key industry matters. This year's workshop focused on the details around the National Ingredients Strategy, industry advocacy and Alberta Milk's role in education and extension: antimicrobial resistance, updates on the Healthy Dairy Herd Initiative and proAction®.

## REVIEWS AND APPEALS

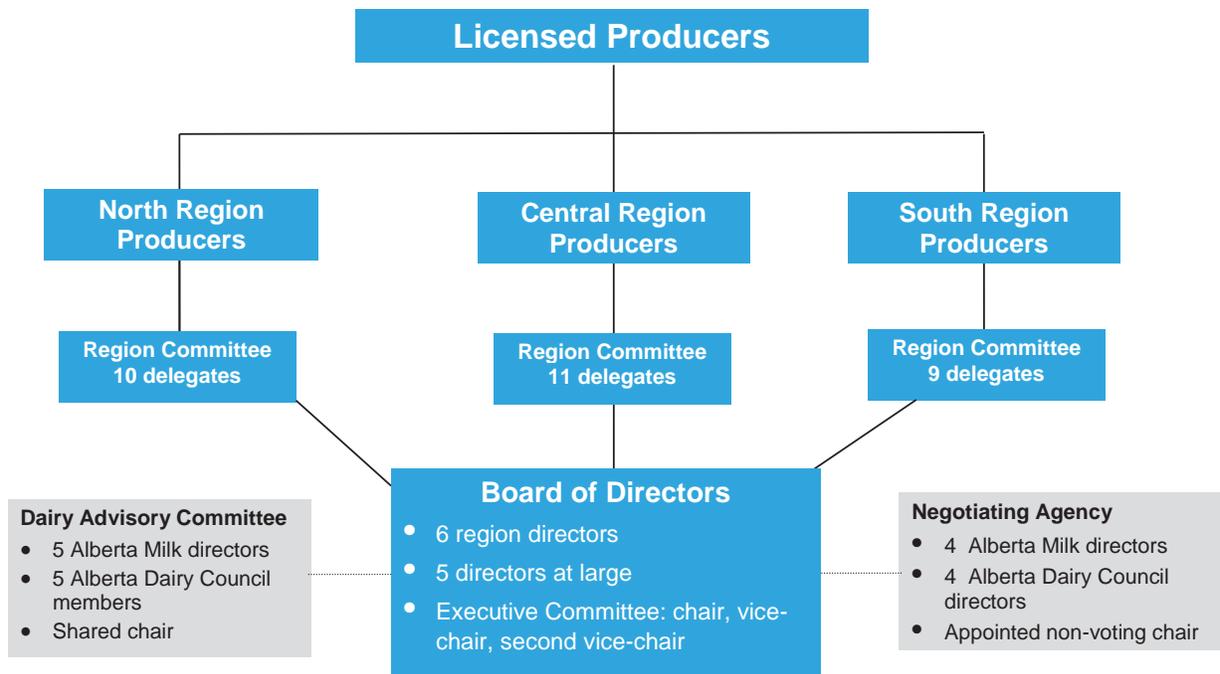
A review may be requested by a person affected by any decision of the Board and they can ultimately appeal to an Appeal Tribunal, as defined in the *Marketing of Agricultural Products Act*.

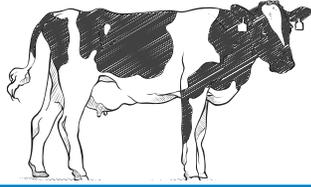
The Board held one review this year. A producer requested the Board reconsider their freezing point violation which was denied.





From left: Lorrie Jespersen, Martin Van Diemen, Stuart Boeve, Tom Kootstra, Gert Schrijver, Gezinus Martens, Pieter Ijff, Conrad Van Hierden, Jim Towle, Klaas Vander Veen, Heini Hehli





# Alberta Milk Committees

## Delegates by Region

### North

Alain Lavoie  
 Arnold Van Os  
 Bart Bikker  
 Gezinus Martens  
 Greg Debbink  
 John Wurz  
 Lorrie Jespersen  
 Tim Hofstra  
 Tom Kootstra  
 Wim Ruysch

### Central

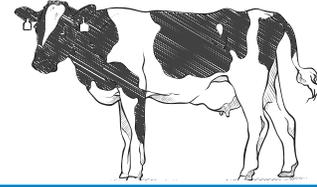
Albert Kamps  
 Alfons Ten Brummelhuis  
 Gert Schrijver  
 Heini Hehli  
 Jim Towle  
 JP Brouwer  
 Miranda Verhoef  
 Pieter Ijff  
 Tietsia Huyzer  
 Willem Vanderlinde  
 Wim van de Brake

### South

Brian Stoutjesdyk  
 Bill Van Rootselaar  
 Conrad Van Hierden  
 Gerrit Haarman  
 John Van Driesten  
 Klaas Vander Veen  
 Martin Van Diemen  
 Michael Vanden Dool  
 Stuart Boeve

Committees	Directors	Delegates
Executive	Tom Kootstra, Heini Hehli, Gezinus Martens	
Animal Health and Environment	Gert Schrijver, Lorrie Jespersen, Martin Van Diemen	Tim Hofstra, John Wurz, Miranda Verhoef, Wim van de Brake
Corporate Affairs	Klaas Vander Veen, Heini Hehli	Michael Vanden Dool, Albert Kamps, Bill Van Rootselaar
Dairy Advisory	Tom Kootstra, Heini Hehli, Gezinus Martens, Klaas Vander Veen, Conrad Van Hierden	
Dairy Farmers of Canada	Tom Kootstra, Heini Hehli, Gezinus Martens, Klaas Vander Veen, Jim Towle, Martin Van Diemen	
DFC Board Member	Klaas Vander Veen	
BalanceCo	Heini Hehli	
Finance	Stuart Boeve, Gezinus Martens	Alain Lavoie, Tietsia Huyzer, Albert Kamps
Market Development	Pieter Ijff, Klaas Vander Veen	Bart Bikker, Arnold Van Os, Miranda Verhoef
Milk Quality, Component and Measurement	Conrad Van Hierden, Pieter Ijff	Brian Stoutjesdyk, Greg Debbink, Alfons Ten Brummelhuis, John Van Driesten
Research and Extension	Gert Schrijver, Gezinus Martens	JP Brouwer, Gerrit Haarman, Greg Debbink, Mike Vanden Dool, Brian Stoutjesdyk
Transportation	Stuart Boeve, Heini Hehli	Willem Vanderlinde, Albert Kamps, Wim Ruysch

# Human Resources



*BL- Bill Beisal, Cristin Vollrath, Morgan Hobin, Sheldon Appleyard, Mike Slomp, Kelsie Gilks, Kelly Mauthe, Jonathan Ntoni  
ML - Daria Taylor, Linda Likar, Kathy Searle, Helen Gu, Denise Brattinga, Kathleen Heath  
FL - Cndy Thorvaldson, Heather Gillis, Shelley Rietveld, Audrey Kirtzinger, Karlee Conway, Darlene Crenshaw, Kim Skolarchuk  
Missing - Mike Southwood, Jodi Flaig, Colinda Hunter, Lee Finell, Jaclyn Chute, Charmaine Blatz, Jim Eisen*

We want Alberta Milk to be a great place to work and creating a positive culture among staff is a priority for management. In the past year, staff celebrated many accomplishments and navigated a variety of changes. The Board recognized staff's length of service milestones with Alberta Milk:

15 years – Denise Brattinga, Bill Beisal, Darlene Crenshaw

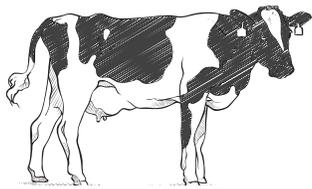
10 years – Linda Likar

Katherine Loughlin, Manager of Market Development retired after 35 years with the dairy industry and Gerd Andres, Manager of Policy and Transportation retired after working with Alberta Milk for 8 years. We thank them for their years of service and wish them the best in retirement.

As well, this past year also brought a few significant changes to staff. With the move of

some of the marketing and nutrition resources to Dairy Farmers of Canada (DFC), five staff members also transitioned there as well. Bethany Milligan moved over to DFC's marketing department, Cindy Thorvaldson became the assistant director of nutrition for Alberta, and Alberta Milk's three registered dietitians, Lee Finell, Colinda Hunter and Jaclyn Chute, now report directly to Cindy and continue to work on nutrition education programs in the province. Cory Peterson also resigned and we welcomed Helen Gu to fill the role as financial analyst.

Providing staff with continual learning opportunities is more than just offering individual courses or conferences that enhance their knowledge in their particular field; we also provide Lunch 'N' Learns through our Work On Wellness (WOW) Program. This year, we undertook a year-long team performance training program that qualified for a \$44,000 Alberta-Canada Job Grant.



# Milk Production

The volume of milk, butterfat density, and total kilograms of butterfat produced in Alberta were, again, the highest in history, making this year another banner year for dairy production in Alberta.

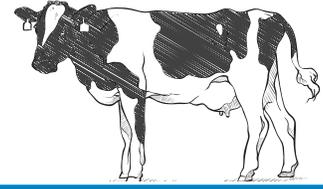
Alberta's 520 dairy producers shipped 740,710,762 litres of milk, representing 8.46 per cent of Canadian milk production. The average butterfat (BF) content of this milk was the highest on record at 4.0360 kg/hl, surpassing the previous record high of 4.0072 kg/hl in 2015-16. Because of this record high butterfat density and strong milk volume, Alberta produced a total of 29,894,836 kg of butterfat.

Alberta did not incur any over-production penalties or lose any production opportunities in 2016-17. Over and underproduction penalties were suspended by the Canadian Dairy Commission (CDC) to allow for enough milk supply to meet the ever-growing Canadian demand. As a result of the unprecedented growth in demand, especially in butterfat, Alberta consistently under-produced its monthly provincial quota allotment for the dairy year despite the significant increases (seven per cent) in producer quota issuance combined with many incentive days granted by the Alberta Milk Board. Collectively, members of the Eastern Milk Pool (P5) ended the dairy year with +3.09 per cent over-production while and Western Milk Pool (WMP) under-produced its allotted quota by -4.87 per cent.

Alberta also achieved production of Solids Non-Fat (SNF) to butterfat well below its provincial SNF/BF ratio limit of 2.4167, by producing 2.2416. The improvement in Alberta's SNF/BF ratio (i.e., -0.90 per cent) over last year's (2.2619) was mainly due to higher average butterfat densities shipped this year, relative to last year. The WMP's collective SNF production this year resulted in an SNF/BF ratio of 2.2537 compared to the pool's limit of 2.4030.

## TOTAL PRODUCTION QUOTA AND UNDERPRODUCTION CREDITS

Alberta's provincial Total Production Quota (TPQ) was 31,157,339 kg of butterfat, an increase of 7.93 per cent from the 2015-16 level of 28,868,940 kg of butterfat. There were four TPQ issuance adjustments for producers, a 1.50 per cent increase each on September 1, 2016 and January 1, 2017 and two per cent increase each on February 1, and March 1, 2017. These TPQ issuance adjustments were issued in response to a need to rebuild Canadian butter stocks as well as growth in Total Butterfat Requirements which directly result in the quantity of TPQ that Alberta receives.



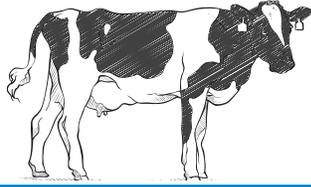
The total amount of TPQ transferred via the quota exchange was 1,341.14 kg/day, while the total amount of TPQ transferred via private transfers was 510.77 kg/day, resulting in 25.56 kg/day of that TPQ being surrendered to Alberta Milk. There was also 844,349.78 kg of underproduction credits transferred between producers.

### INCENTIVE DAYS

A total of 25 incentive days were issued. Except for January, April and May 2017 (whose issued incentive days were one, three, three days respectively), all other months had two incentive days in place per month. The robust increases in TPQ issuance and unusual schedule of incentive days were in response to rapidly increasing demand for butterfat, contributing to the fastest growth in Market Sharing Quota in recent years. The Alberta Milk Board also issued five incentive days per month for organic producers from July to December 2016. Additionally, they received 15 incentive days per month from January to July, in accordance with organic milk demand and projected growth of the organic market.

### 2016-17 EQUALIZATION STATISTICS BY CLASS

Class	Volume (L)	Value \$
Class 1	360,117,035	356,837,015
Class 2	21,403,427	31,743,069
Class 3	120,218,387	89,943,410
Class 4	86,472,274	82,076,133
Class 4a (1), 5, 7, meter shrink	152,499,639	41,870,968
<b>Total</b>	<b>740,710,762</b>	<b>602,470,595</b>



## NEW ENTRANT ASSISTANCE PROGRAM

The goal of Alberta Milk's New Entrant Assistance Program (NEAP) is to assist passionate, knowledgeable individuals and families who want to start a dairy farm by alleviating some of the start-up costs of dairy farming. The program strives to accomplish this goal by loaning a small amount of the province's Total Production Quota (TPQ) to up to two successful applicants each year to assist them in establishing a viable dairy farm.

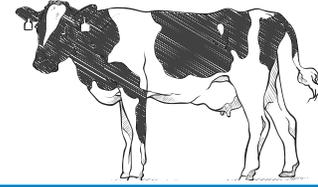
Alberta Milk's NEAP provided a 2:1 ratio of loaned to owned quota each year. The maximum TPQ loan a successful new entrant may receive from Alberta Milk is 25 kg/day and is provided for up to 10 years. Eight applications were received in 2017 and two applicants were accepted into the program. The 2017 New Entrants were:

- Casey and Janine Tilma of Pickardville Municipality
- Dylan and Nichole Wintjes of Penhold Municipality

## MILK PRODUCTION AND PAYMENT STATISTICS/INFORMATION

Year	2015-16	2016-17
Provincial Butterfat (kg/hl)	4.0072	4.0360
Provincial Protein (kg/hl)	3.3202	3.3149
Provincial OS (kg/hl)	5.7438	5.7322
Pool Deductions (\$/kg)	(\$0.0006)	(\$0.0045)
Producer Butterfat Price (\$/kg)	\$11.65	\$11.93
Producer PR Price (\$/kg)	\$3.92	\$3.59
Producer LOS Price (\$/kg)	\$3.42	\$3.42
Average Milk Price	\$79.33	\$79.67
Total Milk Revenue	\$575,971,850	\$589,284,548
Milk Quality Bonus	\$1,392,802	\$1,341,393
Environment Funding (\$)	\$1,006,762	\$1,020,259
<b>Total Producer Revenue</b>	<b>\$577,535,115</b>	<b>\$591,646,200</b>

# Canadian Milk Supply



The Canadian Milk Supply Management Committee (CMSMC) is a national advisory body to the Canadian Dairy Commission (CDC), consisting of 10 voting provinces that makes decisions on industrial production, quota, pricing of milk and policy/program enhancements that expands the use of milk in dairy products. A technical secretariat, made up of member organizations from across Canada supports the CMSMC and the CDC in policy development and economic analysis.

CMSMC approved the CDC's refund of \$5.944 million, to which Alberta producers received \$430,652. In addition, the CMSMC maintained a five per cent growth allowance (GA) effective August 1, 2017. Two per cent of the GA is permanent while the remaining three per cent is temporary until July 31, 2018. Over and under quota penalties are still suspended by the CDC until July 31, 2018 in efforts to allow enough production to serve the growing market.

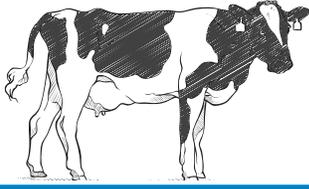
Canadian Butterfat Requirements were 249.39 million kg of butterfat (BF) and Alberta's share was 18.94 million kg for the period. The annual Cost of Production budget was \$629,746. CDC contributed \$200,000 to the budget and the provinces contributed the balance. Alberta's contribution was \$52,154, representing our share of total quota (i.e., 8.7582 per cent).

The Western Milk Pool (WMP) and the Eastern Milk Pool (P5) approved a CDC support price increase for skim milk powder and butter effective September 1, 2016. This adjustment in support price resulted in a 2.76 per cent overall increase in producer revenue from milk processed into yogurt, ice cream, cheese and butter. The overall impact on producer blend revenue was approximately \$1.13/hL on all milk. In addition, the CMSMC, P5 and WMP approved

the adoption of the National Pricing Formula for milk sold in Classes 1 to 4. Under this scheme, adjustments to milk prices will comprise 50 per cent of Cost of Production as established by the CDC and 50 per cent based on changes in the Consumer Price Index. Upon implementation, the National Pricing Formula resulted in adjustments of \$0.0446/kg decrease (0.4109 per cent decrease) in the price of SNF in classes 1-4 effective February 1, 2017.

The CMSMC approved the extension of the Class 4(m) Liquid MPC and Skim Milk program until April 30, 2017 to facilitate transition to the National Ingredients Strategy. The Strategy is predicated on the creation of a competitively-priced ingredients class – Class 7 – for milk components, milk products and dairy ingredients for utilization in the production and processing of milk and dairy products. As well, it's for utilization and sale beyond the primary dairy processing industry to other markets in the food and food service industries and animal feed industries. The committee adopted the Dairy Product Billing ratios as approved by the pools for use in the Harmonized Billing Mechanism.

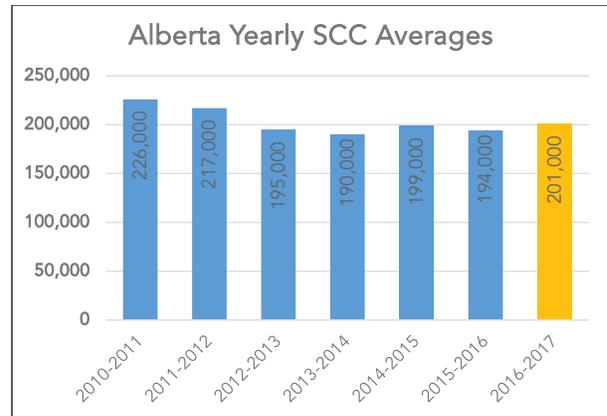
Last but not the least, the CMSMC approved a decision to ensure that the proper regulatory framework is in place at the national and provincial levels, to give CDC and provincial auditors the authority needed to audit and apply the Harmonized Billing Mechanism conditions on milk buyers and non-milk buyers. The CMSMC activity was very busy this year with two additional special meetings (a total of six meetings for the year). These meetings were required to ensure full implementation of the NIS was achieved.



# Milk Quality

## MILK QUALITY

Raw milk is tested for four criteria on a regular basis to measure milk quality. These are bacteria, somatic cells, freezing point and inhibitors. More than 99 per cent of our producers met the provincial standard for milk quality in 2016-17. Producers had some production challenges with overall milk quality dipping slightly compared to previous years. As a result, most of our milk quality statistics are marginally below last year's levels (see table below). The biggest impact on milk quality was an increase in somatic cell counts and an increase in the number of positive inhibitors, although small increases were also seen with freezing points and bacteria tests.

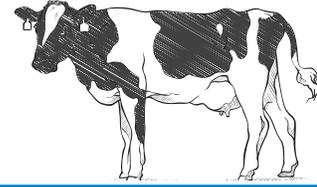


Milk Quality Parameter	% of producers meeting the provincial requirements for raw milk quality*	
	2015-2016	2016-2017 (*)
Bacteria	99.16	99.01
Somatic Cells	99.06	99.01 (-0.15)
Freezing Point	99.86	98.28 (-0.78)
Inhibitors	99.98	99.31 (-0.67)

\*difference from last year

Occasionally, milk quality dips below the provincial requirements. When this happens, producers incur financial penalties. This past year, a total of 225 penalties were applied to 125 producers which was an increase from last year.

Top Ten Farms for Milk Quality in Alberta	
Hutterian Brethren of Thompson	South
H & J Leusink Dairy Ltd.	South
Helmus, Marinus and Alja	North
GDL Farms Ltd.	South
Pelchat, Fernand or Carol-Lynn	North
Deerfield Hutterian Brethren	South
Fenske, Ken	North
Roseglen Hutterian Brethren	South
Sylvanside Dairy Ltd.	Central
Hutterian Brethren Church of Pine Haven	North



### SOMATIC CELL COUNTS

Somatic cell counts (SCC) is used as an indicator of milk quality and correlates well to higher quality dairy products. Following the regulatory change to a maximum of 400,000 cells/ml in 2012, Alberta producers have consistently produced superior quality milk. While the 2016-17 provincial average of 201,000 cells/ml last year was higher than the past few years, it was still lower than provincial averages pre-2012.

### MILK MEASUREMENT

The on-farm Bulk Milk Tank Calibration Program calibrates all new tanks as required and re-calibrates existing tanks every five years.

Staff routinely monitor the two processing plants that are part of the Metering and Proportional Sampling program. This equipment is checked three times a year by Weights and Measures Canada representatives for accuracy and compliance.

### CELEBRATING EXCELLENCE IN MILK QUALITY

Our provincial milk quality award is awarded to the farm with the highest quality milk in all of Alberta. Congratulations to Hutterian Brethren Thompson for receiving the 2016-17 provincial milk quality award!

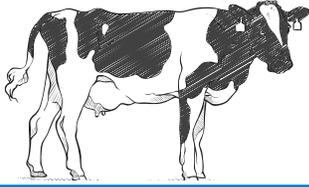
Alberta Milk has two programs (see table below) for rewarding excellence in milk quality, the milk quality bonus and the milk quality award.

### MILK SAMPLING

Producers' commitment to excellent quality milk is supported by an extensive raw milk testing program that saw producers submit more than 103,000 samples for testing over the past 12 months. Test results are the basis of producer milk quality bonus programs, awards and penalties. Producers rely on a number of industry partners including the milk hauling companies, dairy processors, couriers and the Central Milk Testing lab to collect and deliver samples for testing in a timely and controlled manner.

### MILK QUALITY AWARDS AND MILK QUALITY BONUS PARAMETERS

Milk Quality Parameter	Milk Quality Bonus	Milk Quality Award
Bacteria	Average of 30,000 cells/ml or less	Average of 15,000 cells/ml or less
Somatic Cell Counts	Average of 250,000 cells/ml or less	Average of 200,000 cells/ml or less
Freezing Point	At or under -0.525H	At or under -0.530H
Inhibitors	No positive inhibitors	No positive inhibitors
Results	This year on average 69% of producers qualified for the monthly milk quality bonus  (high of 74%, low of 59%).	This year 117 producers (23%) qualified for the annual quality award.



# Transportation

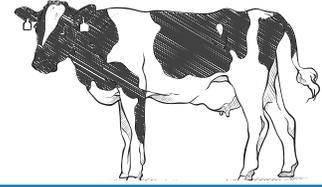
Milk production has continued to steadily rise over the past year in response to the increases to quota and additional incentive days. For the first time in our provincial history, Alberta's average daily volume topped over 2.1 million liters in May. The continued increases in milk production brought challenges to maintain efficiencies within the transportation system.

Alberta Milk staff interact daily with the provincial milk haulers and dairy processors as well as our Western Milk Pool (WMP) partners to ensure the most cost-effective transportation of milk supply within the province and across the west. The WMP continued to collaborate on milk movement between provinces. For the first time in years, Alberta moved raw milk to both Saskatchewan and British Columbia.

Some key transportation statistics include:

- The number of milk trucks on the road each day has increased from 60 to 63 (58 to 60 in 2015-16).
- The number of two-day routes has increased from 154 to 162 (144 to 154 in 2015-16), with an average of 155 routes (the average was 148 in 2015-16).
- The average route volume has varied from 25,079 liters up to 26,886, with an average of 26,088 compared to 26,759 in 2015-16. Based on a legal volume capacity of 28,500 litres trailers have been operating at 91.5 per cent as compared to 93.9 per cent in 2015-16 efficiency.



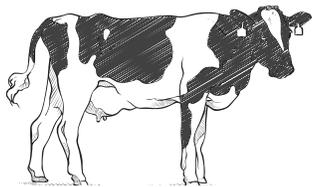


## TRANSPORTATION ADVISORY COMMITTEE

The Transportation Advisory Committee and staff worked on several policies and issues affecting the transportation of raw milk including:

- The *Hauler Allocation Policy*. This review confirmed that any one transporter is limited to hauling 25 per cent of the total Alberta production.
- A review of the transportation rates for the *Transportation Hauler Formula for Hauler Pay* for two separate years; September 1, 2016 to July 31, 2017 (11 months) and also for August 1, 2017 to July 31, 2018 (normal 12 months). For both timeframes, the committee reviewed the rates and forwarded recommendations to the Alberta Milk Board for consideration.
- Alberta Milk and several other provinces worked with a consulting firm to begin delivery of new hand-held devices to modernize our milk pickup and delivery data collection. Complete delivery of the new devices to all milk haulers will occur in the upcoming year.





## Western Milk Pool

The Western Milk Pool (WMP) is an agreement among the four western provinces, with shared policies and programs. Governance of the WMP is the responsibility of the WMP Coordinating Committee (WMPCC). The WMPCC is supported by a members committee, made up of executive members from each province and a technical and sub-technical committee of staff from each of the western provinces. The members and technical committees are forums where economic analysis and policy recommendations are developed for WMPCC consideration. The key outcomes of the WMPCC focused around financial implications and the National Ingredients Strategy (NIS).

Specifically, the WMPCC agreed that costs exceeding the \$861,000 cap to limit Newfoundland and Labrador's (NL) exposure to special classes, Class 3(d) and marketing initiatives were shared between the P5 and WMP, according to shares of monthly industrial production. These costs will then be shared between the provinces according to total in-quota sales. These costs continue to be shared if the agreement is renewed by the P5 and NL.

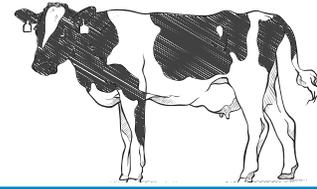
The WMP provinces agreed to extend the sharing of revenue-losses and additional costs resulting from milk receiving special treatment in the WMP until July 31, 2017. Also, the WMPCC adopted the National Pricing Formula as approved by the Canadian Milk Supply Management Committee.

To support the full implementation of the NIS, the WMPCC approved the terms of reference establishing a working group for the implementation of the National Ingredients Strategy (WGINIS). The WGINIS is a national committee that is also supported by the P5 Pool. The working group developed a number of criteria required for the implementation of the NIS.

Additionally, there is a desire to monitor and measure the impacts of the NIS as it is shared and implemented nationally. The NIS agreement came into effect February 1, 2017, once the administrative program was established by the 10 provinces.



# Animal Care



Alberta Milk and its many industry partners continued the commitment to develop new programs and support existing programs to assist producers in maintaining healthy dairy herds.

## LAMENESS REDUCTION INITIATIVE

One of the new programs, the Lameness Reduction Initiative (LRI), was launched early 2017 and has been off to a great start. As trusted partners in dairy cattle health management, veterinarians received orientation to the LRI and then delivered lameness risk assessments across the province. The delivery often began with on-farm workshops which focused on sharing current information on lameness challenges, identifying potential causes, and sharing opportunities for a variety of effective management strategies.

## EMERGENCY PREPAREDNESS

The focus of biosecurity efforts this past year has been on emergency preparedness for disease outbreaks. Alberta Milk, along with Alberta Beef and Alberta Pork, participated in an emergency management planning project. These efforts build on projects that have been completed in other livestock sectors in Alberta and across Canada, and is particularly timely given the Bovine *Tuberculosis* (bTB) event that transpired in Alberta over the last year. Key takeaways from the bTB event are the importance of biosecurity and traceability at both the industry and individual producer levels (eg: premise ID, animal ID and movement reporting). The Canadian Cattle Identification Agency has been an important partner in assisting Alberta dairy producers to understand and access the traceability system.

## JOHNE'S DISEASE INITIATIVE

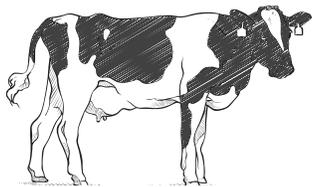
Alberta Milk reviewed with our partners how best to offer ongoing support for the Alberta Johne's Disease Initiative and committed to develop sustainable delivery platforms for existing and future programs to support Alberta dairy producers in their continued drive for success.

## ALBERTA FARM ANIMAL CARE

As the collaborative effort and voice of animal care in Alberta, Alberta Farm Animal Care (AFAC) facilitated discussions on livestock and poultry housing, antimicrobial resistance, and consumer interaction. These discussions were supported through the new structure of AFAC and the generation of a council which includes participation from all members bringing a real grassroots producer perspective to those discussions. Alberta Milk contributes to AFAC financially and through board leadership.



AFAC's Cattle Benchmarking project, which evaluated and recorded the condition of cattle arriving at auction markets and abattoirs, completed its data collection phase. The project is a collaborative effort of AFAC and all Alberta dairy and beef cattle producers. AFAC has begun the evaluation of the collected data and looks forward to working with its project supporters and members to deliver information and tools to support animal care in the future.



# proAction®

proAction® continued to take shape across Canada and Alberta Milk was very active in its design, testing, training and delivery with our producers. We accomplished that through regional workshops, articles in the MilkingTimes, on-farm sessions, and one-on-one producer discussions. proAction is evolving regularly with soft roll-outs of new modules, allowing producers an in-depth look at what is coming down the pipeline.

## PILOT PROJECT

Mock validations for the national proAction Integrated Pilot Project were conducted with 25 Alberta producers over a three-week period in March. Their feedback along with the feedback from the other provinces was collected and analyzed by Dairy Farmers of Canada (DFC). These comments identified areas for improvement with the objective of streamlining the delivery of the program to producers.

## FOOD SAFETY MODULE

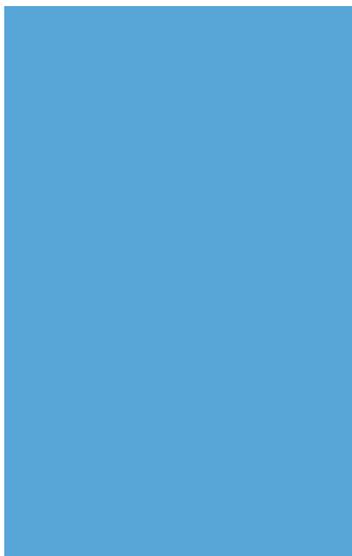
The Milk Quality module of proAction is transitioned from our provincial Milk, Grade & Price Program and the Food Safety module (formerly CQM) has been monitored through on-farm validations and self-declarations over the last few years. More recently, producers received training on standard operating procedures (SOP's) and time to adjust management practices.

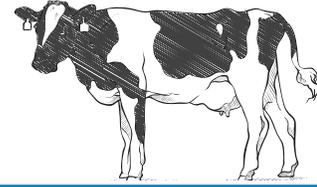
## ANIMAL CARE MODULE

Animal care is practiced daily on Alberta's dairy farms and it is widely known that dairy producers are committed to providing outstanding care for their cattle. The goal of validating animal care is to provide recognition to producers that are doing an excellent job and to encourage them to strive for continual improvement. On-farm animal assessments through Holstein Canada began and the raw data is being collated and used for the purpose of developing a national benchmark. Producers will be able to use these benchmarks as a tool to gauge their individual farm improvement on the parameters of herd lameness, body condition, hock, neck and knee lesions and determine where they rank yearly in comparison to other dairy producers on a national basis. To date, 176 producers have been assessed.

## LIVESTOCK TRACEABILITY MODULE

The foundation of the Livestock Traceability Module is to help producers and the dairy industry prepare for, manage and reduce the impact of an animal disease outbreak. It is also an opportunity to assist





with food safety, animal care and emergency management. For our industry in particular, proAction sees traceability as:

- Playing a critical role in maintaining the trust of our consumers
- Being increasingly important for many countries to which we export animals and genetics
- Including Government, farmers and other industry stakeholders (processors, transporters, etc.) to ensure that we can rapidly trace back any issue that may need to be addressed such as in the recent bovine tuberculosis case in southern Alberta.

Alberta Milk has partnered closely with Alberta Agriculture and Forestry through the use of the Canadian Cattle Identification Agency's Mobile Field Representatives (MFR). Through this relationship, producers have been encouraged to use their local representative to help address the Traceability module requirements of recording and reporting. These MFRs hosted workshops across the province and worked one-on-one with producers to set up accounts and enter animal information. Alberta dairy producers are fortunate for this resource as no other province has access to it.

## MOCK VALIDATIONS

Mock validations for the Animal Care and Traceability modules have been offered to producers as another opportunity to prepare for their inclusion in full validations beginning September 2017. These mock validations are being completed by either the validator at the time of the CQM validation or by an Alberta Milk contractor and will continue until all producers have been visited.

## BIOSECURITY MODULE

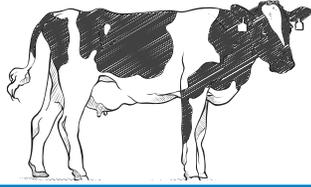
Management of biosecurity hazards is a continuous practice on the modern day dairy in Alberta. It is essential to monitor these risks as they have an impact on the health of dairy animals and the production of safe and high-quality dairy products. The development of the biosecurity module has been completed and included feedback from the dairy producers and validators that took part in the mock validations and through the national proAction committee discussions. Much of the work Alberta Milk has done in regards to the Alberta Johne's Disease Initiative was reflected in the development of this module.

Looking forward, the producer training phase will run from September 2017 to August 2019 focussing on the requirements relating to cattle health management; cattle additions and movement; and personnel, visitors, vehicle and equipment.

## ENVIRONMENT MODULE

The provincial Environmental Farm Plan is the base level of expectation for this module. However, the Environment Module continues to be under development, with producer training to begin in September 2019 and full validations starting September 2021.





# Dairy Research

Following the Government of Alberta's changes to its research funding structure and process, Alberta Milk has worked closely with Alberta Agriculture and Forestry (AAF) to identify dairy research priorities and ensure continued funding support for dairy research in Alberta. Working through the longstanding Agriculture Funding Consortium (AFC), our Research and Extension Advisory Committee has maintained a successful partnership in reviewing and supporting research proposals in an efficient and effective manner. AFC includes representation from multiple crop and livestock commodity groups, research funders, and AAF.

At the national level, Dairy Farmers of Canada (DFC) launched the Canadian Dairy Research Council (CDRC). Its mandate is to guide and support the overall development and implementation of activities relating to human nutrition and dairy production research based on a national strategy for research and knowledge transfer.

In an effort to support the efficiency of research funding, Alberta Milk has endorsed research and knowledge transfer priorities based on DFC's National Dairy Research Strategy. The new research priorities are: dairy farm efficiency and sustainability, animal health and welfare, and milk composition, quality and safety.

Alberta Milk worked with the CDRC and the Dairy Research and Extension Consortium of Alberta (DRECA) partnership, comprised of Alberta Agriculture and Forestry, Alberta Milk and the universities of Alberta and Calgary to encourage collaboration among partners in dairy research and its extension to producers across the province and throughout western Canada. Over the last year, the partners have been working diligently to review and revise the

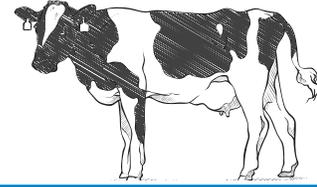
delivery methods of research results, knowledge and skills to meet the changing needs of dairy producers. This included specific efforts with our colleagues of the western milk producer organizations to strategically review research investments, leverage funding and return the investment in a meaningful manner to dairy producers through shared extension efforts and activities.

We worked through DRECA to deliver numerous producer extension activities, including the 2017 Managing People, Production and Performance Workshops and assistance in preparing for the annual DRECA Forum.

## LAKELAND COLLEGE DAIRY CENTRE

The summer of 2017 saw the completion of the state-of-the-art dairy facility and teaching centre at Lakeland College. Alberta Milk's producer representatives actively participated in the building planning process and are looking forward to full engagement with the college on new educational initiatives including specific short courses for dairy producers, their employees and service providers. Alberta Milk supported this project by providing a quota lease for the expanded production as part of the new dairy facility.

# Farm Safety



Farm safety is a high priority area for Alberta Milk and its members. We are an active participant in the AgCoalition, a group based on a common industry goal to foster a culture of farm safety in Alberta.



Since its creation, the AgCoalition has effectively brought together more than thirty Alberta farm groups in response to the new farm safety legislation: *The Enhanced Protection for Farm and Ranch Workers Act*. The AgCoalition sees itself as a lobby group and is also viewed and respected by the provincial government as such. It has served the industry well in its capacity as a political lobby group.

Examples of the AgCoalition work include:

- Meeting directly with government officials to review the impact of the new act on the farm community
- Participating in the government's six consultation tables regarding the farm safety legislation
- Investing in the considerable background work to address the associated regulations such as Employment Standards (ES), Labour Relations (LR) and Occupational Health and Safety (OHS). The ES and LR regulations are now in place while the OHS regulations (which will be the most comprehensive) are still a work in progress.

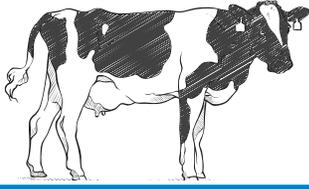
## AGSAFE ALBERTA SOCIETY

The AgCoalition is committed to farm safety. That commitment is reinforced with the creation of a new society which will focus only on raising awareness and providing education and training on farm safety across Alberta.

The society has been named AgSafe Alberta Society (ASAS). An interim board of directors has signed the initial paperwork and a generic template of bylaws has been compiled. Alberta Milk has appointed Martin Van Diemen to the ASAS board.

While lobbying will continue to be the role for the AgCoalition, the ASAS is intended to address farm safety only and does not engage in any political lobbying.

ASAS's business plan builds substantially on the work already being done by the crop and livestock group. This industry group is developing resource material such as check lists, work books and videos for farm safety training. The work already completed by this group will be transferred to the ASAS.



# Environment

The new Climate Leadership Plan (CLP) introduced by the Government of Alberta (GOA) was likely the most significant change in the environmental landscape for the province and for agriculture specifically. Alberta Milk and other agricultural commodity groups participated in a GOA consultation process to better understand the intent of the CLP and to provide feedback to the GOA regarding the likely impact of this on the crop and livestock sectors specifically and the agriculture industry. The consultation process was summarized in the GOA's Climate Leadership Plan Agri-Industry Workshop Implementation Insights Report.

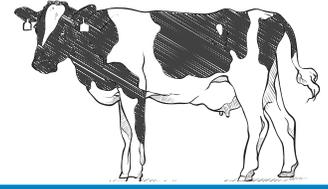
## INTENSIVE LIVESTOCK WORKING GROUP

We actively supported and participated in all Intensive Livestock Working Group (ILWG) activities. Through this alliance, the livestock groups work together on issues of mutual interest such as:

- *Bow River Phosphorus Management Plan* - a plan to address sources of phosphorus in the middle reach of the Bow River
- *Sub Basin Phosphorus Pilot Project* - a long term project to help producers in Alberta manage phosphorus on their lands. A risk tool is being piloted in two watersheds: Acme Creek (a tributary of the Kneehill Creek near Acme) and Tindastoll Creek (near Markerville).
- *Rural Infrastructure Revenue Deficit* – certain municipalities have experienced financial difficulty in maintaining their roads and bridges leading to load restrictions, detours and in at least one case additional taxes for the intensive livestock producers. This issue may open

up discussions regarding the *Municipal Government Act* and how agricultural land is assessed and taxed in the future.

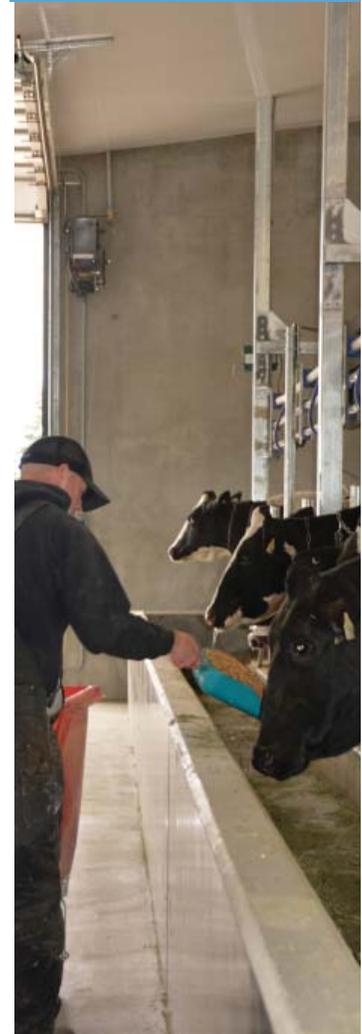
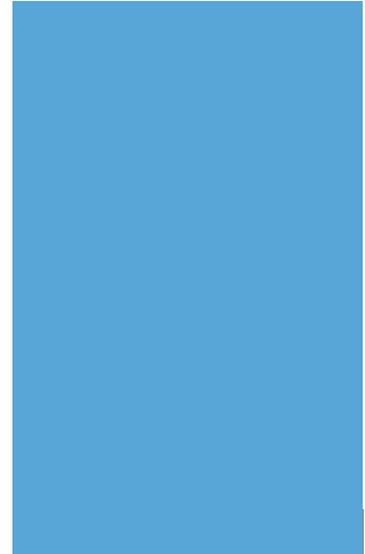
- *Municipal Road Restrictions on Manure Hauling* – a few municipalities are enforcing road weight restrictions regarding liquid manure wagons. We are working with the provincial government and other industry partners to achieve solutions that will address the impact of agricultural equipment on rural infrastructure.
- *Manure Management Record Keeping* - the livestock industry and the provincial government are collaborating on the creation a phone app which will keep records for manure management. This is in response to the *Agricultural Operations Practices Act* which directs livestock producers to keep manure management records.
- *Farm Safety* – the ILWG members worked productively with the crop sector representatives to ensure progress in developing farm safety extension and education resources for farm and ranch families across the province under the Alberta AgSafe banner.
- *Ag Plastics* – the challenge with handling/ recycling agriculture plastics continues: including baler twine, net wrap, silage plastic and grain bags. Farmers, local counties and the provincial government are beginning to work together towards a solution for all of agriculture.

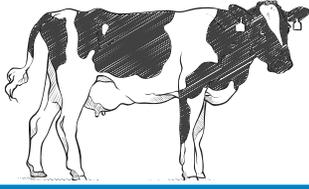


## AGRI - ENVIRONMENT PARTNERSHIP OF ALBERTA

The Agri Environment Partnership of Alberta (AEPA) continues to serve as a valuable forum for the crop and livestock producers to work collaboratively with the three levels of government as well as non-government organizations (NGO) to encourage dialogue and understanding of new and emerging environmental issues for the purpose of developing knowledge and specific commodity group input into government policies and program design.

The Natural Resources Conservation Board meets regularly with the livestock sector and NGOs through its Policy Advisory Group (PAG). PAG is a valuable mechanism for dialogue on potential industry challenges regarding *Agricultural Operations Practices Act* .





# Producer Engagement

## Email Distribution List

This new tool was created to provide our members with more timely information to their inbox. Launched in early 2017, our email distribution list was able to inform our members and stakeholders about changes to their quota to producer workshops to urging them to take action on changes to Canada's Food Guide. The open rate of each of our e-blasts beats the industry standard by 30 per cent. Our newsletter, *MilkingTimes*, is also distributed electronically monthly as well.

Our farmers are the soul of our organization. Communicating and engaging them is critical to understanding achieving our vision and mission. As their needs and ways they communicate evolves, Alberta Milk re-shapes how we engage our farmers.

### ANNUAL GENERAL MEETING AND DAIRY CONFERENCE

The 2016 Alberta Milk Annual General Meeting and Dairy Conference was held November 22-24 in Calgary where we hosted over 260 participants. The event featured a balance of educational presentations, chances to discuss policies and issues, and ample networking opportunities. During the producer-only session, Alberta Milk directors facilitated round table discussions on a number of topics, including issues that the industry expects to face over the next few years.

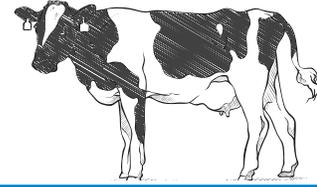
The plenary session featured two keynote speakers. Peter Chapman spoke about the retail sector and specifically about getting more dairy into a shopping cart, while Gord Winkel's message was focused on making sure that agriculture is prepared for the challenges ahead. Three concurrent sessions were: Animal Rights Activism, Understanding Traditional and Social Media, and Workplace Safety.

### PRODUCER MEETINGS

Alberta Milk hosts annual producer meetings across the province in the spring and fall to provide producers and industry stakeholders with the most current information on production and quota management, and updates on key topics the organization is addressing.

The Fall Producer Meetings saw approximately 460 participants. About 44 per cent of our farms were represented. Updates were provided on trade, the National Ingredients Strategy, and changes coming to the Alberta Milk Marketing Regulation.

The spring meetings were also well attended with over 40 per cent of farms in attendance. Updates were provided on trade, Dairy Farmers of Canada's activities, proAction®, National Ingredients Strategy and an industry update. Peter Woloshyn presented an update on the Natural Resource Conservation Board permit process which was well received.



## DAIRY INDUSTRY ACHIEVEMENT AWARD

John and Bill Bocock were the 2016 recipients of the Dairy Industry Achievement Award. Through the Award, Alberta Milk seeks to convey the respect that Alberta's dairy producers hold for the people and organizations that work so hard often to the detriment of their own personal farms to help sustain and grow our industry.

John and Bill are trendsetters whose dairy careers have spanned decades. They have gone to great lengths to protect their community and land so it can serve not themselves, but future generations of farmers—by selflessly donating 777 acres of land to the University of Alberta, to create the St. Albert Research Station for the Faculty of Agriculture, Life and Environmental Sciences. This Faculty explores the linkage between agricultural practices and greenhouse gas emissions, water management, soil erosion and sustainable crop development. In turn, the high-profile Bocock Chair in Agriculture and Environment was created, to oversee research activities. This is in addition to their already long list of accomplishments.

## RECOGNITION OF SERVICE AWARD

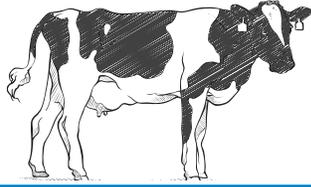
The Recognition of Service award is a way to recognize people who have committed themselves to the provincial dairy industry. It is open to producers, processors, academics and members of government agencies or industries affiliated with dairy in Alberta. Mike Pearson was awarded the inaugural award.

As former corporate affairs manager for the Agricultural Products Marketing Council, Mike Pearson has played a pivotal role in the dairy industry's development and its relationship with government. His knowledge of marketing regulations at both the provincial and federal level was extremely valuable to the dairy industry during Alberta Milk's transition to a marketing board in 2002.

Mike's assistance to Alberta Milk did not end with the transition in 2002, he continued to provide sage advice and assistance to Alberta Milk, with drafting, amending or interpreting the regulations under which Alberta Milk operates.



*Tim Hofstra (right) presents the Dairy Industry Achievement Award to the Bocock brothers.*



## MEMBER'S ONLY WEBSITE

The Member's Only website is a secure website for producers only. Last year proved the value of having a site where producers can see information about their quota, but also have quick access to forms, information and events. They can also reference key messages on issues that challenge our industry, such as supply management and international trade negotiations.

## DOCUMENT SHARING SITE

The new Document Sharing site was launched in January to help our elected producers have better access to current information from their computer or smart phone. Using SharePoint, this new site was a upgraded from the previous one by including a calendar of meetings and events, as well as contact information for all delegates.

## SPONSORSHIP

Alberta Milk continued to sponsor dairy farming events across the province from 4-H achievement days to dairy shows. A staple of our organization is to ensure that those dairy events continue to thrive and grow and we are proud to showcase our industry and to be a part of events across Alberta.

## FUTURE LEADERS DEVELOPMENT CONFERENCE

The second annual Future Leaders Development Conference was held in Winnipeg in January 2017. Twenty dairy farmers came together from British Columbia, Alberta, Saskatchewan, Manitoba, and Ontario to participate in the three-day development course that provided resources to assist them in understanding board governance, grow their leadership skills, and

network with producers from other provinces. Six producers from Alberta attended including two of our current delegates. This program is funded by BC Dairy Association, Alberta Milk, SaskMilk, Dairy Farmers of Manitoba, CanWest DHI and WestGen.



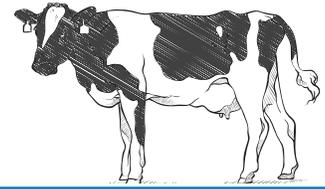
Attendees of the 2016-17 Future Leaders Development Conference.

## DAIRY FARMERS OF CANADA AGM

Alberta Milk hosted the 2017 Dairy Farmers of Canada (DFC) annual general meeting in Edmonton, July 16-19, 2017. The theme of the AGM was *Building a Sustainable Dairy Industry*.

We were pleased to host over 350 participants and to showcase Alberta and the dairy industry. We were able to provide a great showing of dairy products, toured a diverse range of dairy farms and visited local attractions. We were honoured that our Minister of Agriculture and Forestry the Honourable O'Neil Carlier brought greetings and showed his and the Government of Alberta's support of our industry and supply management.

# Alberta Milk Scholarship



The Alberta Milk Scholarship was created to help sustain the dairy industry as it encourages students who study dairy or a related agriculture discipline that furthers the dairy industry. Alberta Milk invests in the potential of youth by offering scholarships that reward youth for their community contributions and ability to build sustainability in the dairy industry and, at the same time, create self-esteem and fuel success.

## RECIPIENTS

**Shelby Devet** (K-Vet Holsteins Ltd, Ponoka). Shelby is in her third year at the University of Saskatchewan working towards her Bachelor of Science in Agribusiness. She is still active in 4H and is a certified Dairy Technician through the Green Certificate program. She is interested in the marketing and awareness of where our milk comes from and upon completion of her degree, feels that this is an area she'd like to pursue.

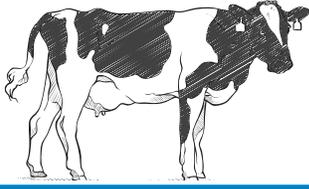
**Miriam ter Borgh** (Ter Borgh Dairy Ltd, Calmar). Miriam is in her second year at the University of Saskatchewan studying agriculture and bioresources, majoring in animal science. Miriam was involved in 4H for six years. Her goal is to become a dairy nutritionist and help farmers continue to do what they love doing most: producing milk.

**Jaime Hummel** (Marylander Holsteins Inc, Picture Butte). Jaime is a fourth year student attending the University of Lethbridge working on her Bachelor of Arts/Education. As a teacher, Jaime plans on teaching children where their food comes from and the hard work that is put into every food product. Jaime was actively involved in 4H before attending university.

**Michael Ijff** (Yff Dairy Ltd, Innisfail). Michael is in his first year of Animal Science Technology at Lakeland College. He intends to return to the dairy farm upon completion of his courses.

Alberta Milk offers at least one \$1,000 scholarship to a student in any year of study at an officially recognized post-secondary institution. The applicants are evaluated on an essay about how they plan to benefit the future of Alberta's dairy industry, as well as scholastic achievement, leadership skills, community involvement, 4-H, and work experience.





# Agriculture Education



Dairy farmer Conrad Van Hierden connects with consumers at the Calgary Stampede.

We are invested in teaching urban Albertans about modern dairy farming and where their food comes from.

## EVENTS

We had 36 producers request items to use at their farm, as they welcomed children and adults to tour and teach them about our industry. In addition to these on farm tours, Alberta Milk staff attended four agriculture events across the province: Amazing Agriculture in Edmonton,

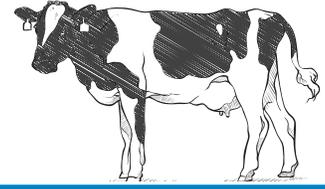
Aggie Days Calgary, Aggie Days Lethbridge, and the Calgary Stampede. Thank you to all of our producers who came out to these events with the Journey of Milk booth to share their knowledge and answer consumer questions.

## CLASSROOM AGRICULTURE PROGRAM

Alberta Milk continues to work closely with the Classroom Agriculture Program (CAP) to ensure Grade 4 students have an opportunity to interact with farmers or an agriculture representative in Alberta classrooms.

- Total classes that received presentations: 1,017
- Total students that receive presentations: 23,053
- Number of schools reached: 553

The Milk and Cookie Shack continued at the Calgary Stampede, with cookie donation from Dare foods, and we donated \$13,175 in proceeds to the Calgary Interfaith Food Bank.



## ASK A DAIRY FARMER

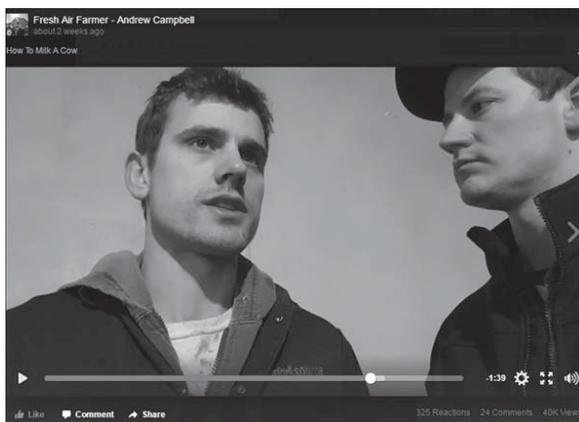
The Ask a Dairy Farmer feature on our website, [albertamilk.com](http://albertamilk.com), continues to be a solution to the curious minds of consumers. This last year we answered dozens of questions from milk quality to locating specific varieties of dairy products. We use multiple platforms to promote this feature, but took centre stage in the consumer issue of *GrainsWest*. This issue is distributed with *The Tomato* in Edmonton and in *The City Palate* in Calgary.

## A SEAT AT OUR TABLE

We sponsored and participated in this event hosted at Willow Lane Barn near Olds to bridge the gap between consumers and producers over dinner. It brought together 150 of the up-and-comers, the established, the industry leaders, the fifth generations and the never-set-foot-on-a-farm to talk about food over a five course meal. It literally put farmers next to consumers and each got to hear their story.

## DINNER STARTS HERE

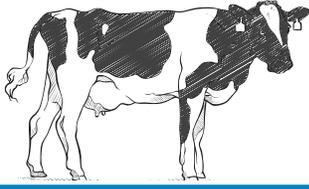
Andrew Campbell, a social media guru, dairy farmer and owner of Fresh Air Media made videos every week of the year about a different type of farming. He visited the Ter Bough family farm to shoot his video on dairy farming and the family walked him through what a day in a life of a dairy farmer is like.



*The Ter Bough farm was featured in Dinner Starts Here.*

Breakfast on the Dairy Farm was a huge hit again this year, with two events held in central Alberta at Boom Holstein and southern Alberta at Van den Pol Dairy. Combined, the two events saw over 1,200 attendees with the support of over 100 volunteers.





# Consumer Outreach

## LOCAL CONSUMER SPONSORSHIPS

Sponsoring events is a great opportunity to ensure that dairy products remain at the top of mind for Albertans. In 2016-17, we had an extensive reach into the homes, rinks, events, tournaments and much more to bring more awareness to dairy.

Our chocolate milk messaging at rinks throughout Alberta was revamped this year. The new boards were used in 43 rinks across Alberta.

Alberta Milk participated in six Taste Alberta events in which we had the opportunity to reach out to consumers and food bloggers and let them know about the opportunities of eating local. These events were: Christmas in November, Cultivating Connections reception, Prairie on a Plate, Porkapalooza, and a Food Tour of Morinville Colony.

Through our promotion crew, we interacted with consumers and provided milk samples. We attended 29 events reaching 38,000 participants. Some of these events were: International Children's Festival, Sport Check Mother's Day Run, Stollery Fun Run, Bust a Move, Youth Emergency Shelter, and Blitz Snowshoe Run.

We also focused on sport sponsorships throughout the province with milk at provincial tournaments including hockey and ringette. Additionally, Alberta Milk supported five Go Girl event through chocolate milk and giveaways. These events teach girls about the importance of physical activity and proper nutrition.

## ALBERTA SCHOOLS' ATHLETIC ASSOCIATION

Alberta Schools' Athletic Association (ASAA) and Alberta Milk partnered again this year to offer the ASAA-Alberta Milk scholarship and each winner received \$1,000 to put towards their post-secondary. Karley Dieken of Vermillion and Mitchell Zoratti of Pincher Creek were the 2016-17 recipients. Both are now attending Olds College.

## CLUB MOO

In 2016-17, 313 schools participated in Club Moo. Barriers continue to be present, but we are working to find solutions and encourage schools to continue participating, or join for their first time.

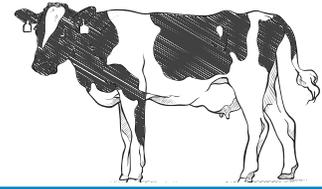
22 schools are celebrating 30 years on Club Moo

This year, we also provided \$60,000 towards three feeding programs within Calgary and Edmonton- Youth Empowerment Support Services (YESS), E4C, and Brown Bagging for Calgary's Kids (BB4CK) with grants to put towards ensuring their participants had access to dairy products. Our funding helped thousands of children in need get proper nutrition.

## MERCHANDISE AND INCENTIVES

A variety of logoed merchandise and incentives were produced for Alberta Milk producers and consumers. All products are available for online ordering at albertamilk.com which has made it easier for both consumers and producers to order their desired items. In addition to online, we also set up at the annual general meeting for ordering.

# Milk West Wrap-Up



Elke Kusler of Foothills, was the winner of the Milk Mooves You promotion.

## MILK MOOVES YOU PROMOTION

This on-package promotion generated over 800,000 entries in western Canada, 305,000 of which were from Alberta. Over 27 million marked cartons and jugs of white and chocolate milk were in market from three processors, Saputo, Parmalat and Agropur. The prizes were a 1-2017 Honda Ridgeline EX-L, a 1-2017 Honda Fit SE and 400 McCafe gift cards. In addition, 500,000 free McCafe Lattes, cappuccino or other specialty coffee beverage made with freshly steamed milk were given as a gift with entry. This year, the winner of the 2017 Ridgeline was Elke Kusler from Foothills, AB.

## MILK REWARDS

The high school Milk Rewards program was active in 263 high schools and 46 post-secondary schools across Alberta. The program ran from September 26 to December 2, 2016 and rewarded a game card to each person who purchased milk. Prizing included free milk, plus points that could be accumulated and used to redeem a prize of their choice such as Herschel pack backs, Fitbits and 32" Sony TV's.

## CHOCOLATE MILK

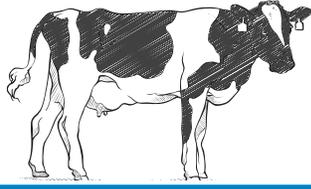
As part of Milk West, The Powered by Chocolate campaign, *Adopt a New Routine*, ran in the west until December 31, 2016 with digital components.

## YOUTH CAMPAIGN

April 2017 saw the finale of Snack Time, the animated video campaign targeting youth. In total 80 episodes were aired from the launch in July 2014 to end of July 2017.

## MILK WEST SPONSORSHIPS

*Powered by Chocolate Milk Recovery Camp*, sponsored four events, the Warrior X Challenge, World Triathlon, Spartan Race Red Deer, and World Triathlon in Edmonton, reaching over 22,000 engagements. *Powered by Chocolate Milk Recovery Crew* attended nine events reaching 4,750 engagements with 3,600 samples of chocolate milk given out.



# Dairy Farmers of Canada Marketing

Alberta Milk transitioned the fluid milk activities and nutrition education programming to Dairy Farmers of Canada (DFC) on January 1, 2017.

## FLUID MILK MARKETING

*The Milk Glass*, a transitional campaign which pitched a new invention, a glass specifically made for drinking milk ran in the fall. The campaign was popular and the milk glasses that were available were out of stock the first day, indicating the effective reach of this campaign.

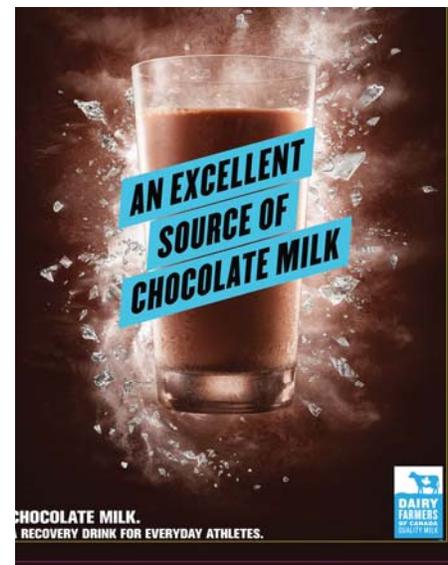
In February, the *Pour a Tall Cold One* campaign launched with the communication objective to make males 35-49 and females 35-49 appreciate milk again by portraying it as being desired and craved in a new light. There were two versions: hockey ran from February 13 to April 9 and softball from July 3 to August 27. This comprehensive campaign had digital, out-of-home, and in-store contest elements. Testing results showed the campaign scored in the top 11 to 30 per cent of all commercials for awareness and reach.

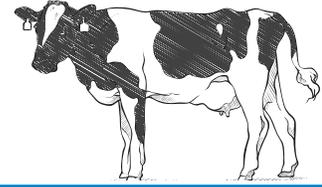
## CHOCOLATE MILK

A chocolate milk digital (gym) and transit shelter campaign, targeted at the 35-49 year old active male and female, ran two flights from May 1 to 28. The objective was to communicate that chocolate milk is the perfect beverage to recover with after physically intense or prolonged activity.

## MASTERBRAND

Dairy Farmers of Canada launched the new logo





and brand identity which was developed to both represent the corporate organization and be the face to the consumer. The new brand was designed to inspire and bring together all producers and stakeholders in the dairy industry across Canada. For consumers, the new logo will make it easy to identify products made with quality Canadian milk and to support our farmers. Unique and engaging TV commercials brought the message to consumers with in-store merchandising that highlighted products made with Canadian Milk. Tracking results found the campaign scored in the top 11 to 30 per cent (very good) of all commercials in spend, awareness and reach.

## CHEESE

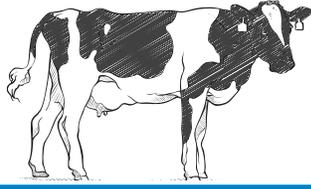
In the spring, DFC introduced the integrated



cheese campaign: Canadian cheese. Crafted with Creativity.

New trade laws will make imported cheese more accessible to the Canadian consumer, so it was important to establish Canadian cheese as a global competitor and an indulgence worth sharing. With a millennial target in mind, DFC created a narrative that separates Canadian cheese from imported, European cheese, that being our creativity. Mia & Morton, a short animated, digital film that chronicles the journey of a young, Canadian cheese-maker as she learns the craft and begins to express herself despite her traditional father. Mia & Morton was distributed online as a YouTube pre-roll video, and through targeted Facebook advertisements. The campaign included 15 and six second videos, a website, out-of-home advertisements, national retailer and influencer programs in addition to a 13 stop National Cheese trailer tour. The trailer was at Taste of Edmonton where 3,455 cheese samples were distributed and over 2,600 grilled cheeses were enjoyed.





# Dairy Farmers of Canada Nutrition

Educating consumers about the benefits of dairy products are a vital part of what we do. We focus on education in schools and connecting with health educators to help share our messages.

## EDUCATOR PROGRAMS

**Power to Play (kindergarten to Grade 3):** This school year 159 teachers attended workshops in schools and at Teachers Conventions. As well, a total of four sessions were given to 100 student teachers at the University of Alberta and Mount Royal University.

**Power4Bones (Grade 5):** We reached 98 per cent of capacity with 467 classrooms registered for the program. Feedback from teachers and students remained positive. Extensive program revisions were completed for the 2017-18 school year, and progress continues to be made on updating the program to be touchscreen compatible.

**Power to be Me (Grade 7-9):** This year 82 teachers registered for the program and created 172 classes. This means 1,130 students enrolled in the program



**Power Up! with Milk and Eggs:** Sessions were offered at the Career and Technology Studies Conference in Canmore and the Palliser Teachers' Convention in Calgary for the foods studies program. The sessions went over very well and we reached 20 teachers. Overall, 135 teacher guides (76 downloads, 59 hard copies) and 1,018 student workbooks (51 downloads, 967 hard copies) were distributed.

**Smoothie Power:** Teachers who use Alberta Milk/Dairy Farmers of Canada (DFC) programs and resources entered to win a smoothie kit for their

classroom. We had 10 winners in the fall and 19 winners in the spring. This program will not be continued in 2017-18.

**School Newsletter:** Three issues of Healthy Eating for Your Classroom were sent to teachers subscribed. The newsletter highlights our school programs, Pinterest pages and activities to help teachers teach nutrition in the classroom. Unfortunately, our subscriptions decreased due to new Canadian Anti-Spam legislation in January 2017 that made it necessary for teachers to re-subscribe.

**Working with Alberta Education:** A DFC dietitian was invited to present to the Expert Working Groups with Alberta Education on the importance of continuing to include nutrition education in the curriculum. The group was impressed with the fact our programs allow teachers to meet outcomes from other subject areas while teaching nutrition. DFC subsequently participated in two focus groups to give feedback on the draft wellness curriculum.

**Teacher Conventions:** Dairy Farmers of Canada's dietitians partnered with Alberta Milk and hosted an interactive booth at two teacher conventions: north central and Edmonton. Alberta Milk promoted their school milk programs and Moo2You and DFC promoted our nutrition education programs and the Smoothie Power Contest. Over 400 teachers visited the booths.

## HEALTH PROFESSIONAL PROGRAMS

**Nutrition File Seminar:** The 2017 event was titled Hot Topics: By Request. We examined hot topics and outstanding speakers, requested by our participants. Topics included: the microbiome, sport nutrition, dietary fats and interpersonal skills. The program reached 300+ health professionals and educators, and 200+ nutrition

students. The program generated overall positive feedback. According to the participant evaluations, the program learning objectives were met, the speakers were overwhelmingly rated as good or excellent, and participant expectations were met. In 2018 we will celebrate our 20 year anniversary of the program.



Nutrition File for Health Educators newsletter: Four issues of the e-newsletter were published and distributed to 600+ subscribers. Viewing rates were very high at over 50 per cent and our reach was greatly extended by subscribers forwarding on the newsletter to their colleagues.

Nutrition Resources: Our 2017 resource catalogue was developed and distributed to over 5,000 health professionals and educators. We also promoted our free nutrition education resources through our e-newsletter and over 260,000 individual pieces were ordered.

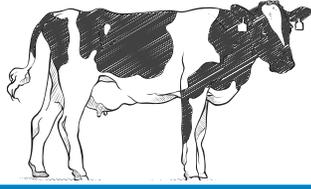
Nourish Move Thrive: Fitness leaders continue to connect with us online. We had 239 subscribers to the website blogs (release two blogs per month). We also had 860 likes on our Facebook page, a 21 per cent increase since August 2016. Fitness leaders can order free nutrition education resources from the online store. A number of print resources were revised this year such as *Smoothies* and *The Hunger Scale*, and two new resources were developed called *Eating Well During Pregnancy* and *Healthy*

*Eating Tips to Help New Moms Thrive*. Over 32,000 single print resources were distributed this year. In March, we did research on the Nourish Move Thrive (NMT) program. Over half of fitness leaders agreed that the nutrition resources from NMT contributed either a great deal or somewhat to their ability to share nutrition information with class participants. The annual Alberta Fitness Leadership Certification Association, Fit Rendezvous Conference in May was a success. Fifty-five fitness leaders attended our nutrition session. We also had a display featuring our nutrition resources and sponsored dairy products at an energy break. During the year we delivered nine in-person sessions to fitness leaders at recertification courses, trainer workshops and through the NMT continuing education course.



## DIGITAL ACTIVITIES

Collaborating with Local Dietitians: Building relationships with registered dietitians in Alberta is mutually beneficial. For DFC, we are fortunate that it helps to establish a local presence, amplifies our messages and increases our credibility. We work with Albertan dietitians in the digital world in a variety of ways such as on the Easy. Tasty. Healthy., and Nourish Move Thrive blogs, digital campaigns that include dairy farm tours and recipe features, and sponsorship of dairy-related media segments.



# Digital and Media Communications

The media is an effective tool to reach large audiences. The 2016-17 year was our biggest year in media. The backlash following President Trump's comments about the Canadian dairy industry had all our major media outlets wanting our perspective.

We also facilitated many interviews with the Western Producer, Alberta Farmer Express and various other newspaper and radio shows.

## PRESS RELEASES

Alberta Milk distributed a variety of press releases this year. They varied from the Dairy Industry Achievement Winner, New Entrant Assistant Program, a response to President Trump's comments, and the new leadership on our Board. Additionally, we have a staff member that is a director on the Alberta Farm Writer's Association that helps improve our relationship with the media.



*Dairy farmer Jeff Nonay poses on the cover of the Edmonton Journal.*

## WEBSITE

In October, we consolidated [moreaboutmilk.com](http://moreaboutmilk.com) into [albertamilk.com](http://albertamilk.com) to provide a more cohesive digital footprint.

## SOCIAL MEDIA

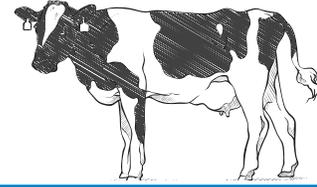
With the transition of many of the marketing team to DFC, the social media was also transitioning. However, we saw nearly 15 per cent increase in engagement and followers on both Twitter and Facebook. We hosted various campaigns targeted at specific audiences around Nutrition Month and World Milk Day/Dairy Month. Our most successful campaign, Pour a Tall Cold One, connected Alberta Milk with the NHL playoffs as both Alberta teams were competing this year.

For every retweet our image got, we donated one serving of milk to someone in need. We also donated one month's cost of milk for one person in need to the Calgary or Edmonton food banks for every goal scored by an Alberta team during the playoffs.



This campaign received over 1,600 retweets on Twitter and we donated over \$4,000 to the food banks.

# Government Relations



The 2016-17 year proved to be a challenge on the government relations front. Both provincially and federally presented obstacles, but throughout these hard times illustrated the tenacity of dairy farmers and their ability to unite and succeed.

## PROVINCIAL

The New Democratic Party fundamentally supports supply management and there was support from MLAs to learn about our marketing system. This was illustrated at an event hosted with Alberta Supply Management (SM5) in November where we saw nearly 40 MLAs come and show their support for our industries. We continued these relationships during meetings with rural caucus, MLA Cortes-Vargas, and MLA Littlewood. In partnership with SM5, we also met with MP Sohi and MP Boissonnault.

We continued our annual sponsorship of the Premier's Breakfasts in Calgary and Edmonton, which we were able to connect directly with Premier Notely and many lead officials.

## NATIONAL

Once again, we participated in DFC's annual lobby day in February. We met with a record number of MPs in Ottawa to discuss supply management, sugar tax and the Trans-Pacific Partnership. Agriculture Minister MacCauley also publically stated his support for supply management by stating that "Canada's supply management system is a model for the world."

The whole industry was watching the Conservative Party of Canada's election of a new leader. The dairy industry had concerns over the election of Maxime Bernier whom vowed to dismantle supply management. However, farmers united and Andrew Scheer, who is a supporter of left supply management, narrowly on the vote.

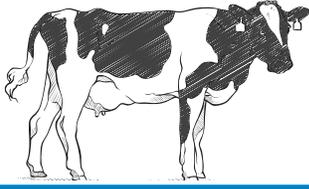
As part of the Liberal Government's Healthy Eating Strategy, they proposed changes to three things that will impact the dairy industry: front of pack labelling where they proposed having icons on the front of "unhealthy food" which included some dairy products, a sugar tax, as well as an overhaul of Canada's Food Guide where they want to reduce the prominence of dairy as a staple for Canadians. In response, all provinces helped launch a campaign to bring more awareness to this issue as the year came to a close in hopes that MPs will rethink these proposed changes.

## INTERNATIONAL

President Trump announced that the USA would be withdrawing from the North American Free Trade Agreement (NAFTA) and stated he had his eye on accessing the dairy market in Canada. DFC and Alberta Milk reiterated the value of supply management for our country and provided the government negotiation team with valuable input into the consultations.

As a fallout from the completion of the Comprehensive European Trade Agreement (CETA), the Canadian government announced a five-year transitional funding to compensate dairy farmers for the additional five per cent of European cheese that would soon access our market. Alberta Milk facilitated that information to our producers to ensure they would have the best chance at receiving funding to modernize their operations.

The year finished with the introduction of a new tax proposal from the Liberals that would look at taking funds from farmers' pockets. We started working with the Canadian Federation of Agriculture to bring a larger crowd of support from all facets of agriculture as this issue pushes into 2017-18.



# Preparing for the Future

In accordance with the *Alberta Milk Operational Guidelines and Governance*, the Alberta Milk Board of Directors develops the strategic plan which sets the organization's direction.

During the annual strategic planning process the Board adopted revised Vision and Mission statements.

## VISION:

Growing a sustainable dairy industry by being a trusted source of quality milk.

## MISSION:

Alberta Milk partners with industry stakeholders to support an effective supply management system in a growing, sustainable and market-focused industry.

## STRATEGIC PRIORITIES

Based on a thorough environmental scan of the issues facing and opportunities for the dairy industry Alberta Milk has developed the following five strategic priorities.

- We will effectively advocate for supply management.
- We will be a trusted partner working with other dairy industry organizations and agriculture groups on common concerns and opportunities.
- We will encourage industry investment to stimulate sustainable growth.
- We will think, decide and execute as a western region.
- We will ensure effective and efficient operations and maintain the regulatory environment that meets the needs of our members.

Targeted specific actions are also developed to advance these priorities. A key factor is the measurement of success. Alberta Milk strives to meet the following accountabilities.

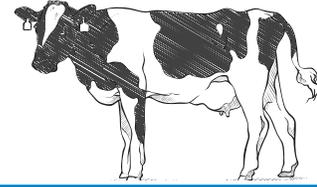
- Strong stakeholder support for supply management.
- Strong public trust for the dairy industry.
- A growing, sustainable dairy industry.
- Effectively leveraging relationships in addressing mutual interests.
- Identified strategies are developed and executed as a western region.
- Building strong governance through delegates' and Board members' leadership, knowledge and engagement.

## RISK PREVENTION

During the business planning process, management and the Board performed an environmental scan to identify significant risks and opportunities that the organization will face in the upcoming year. The process includes risk identification, evaluation of risk probability, and definition of risk mitigation strategies and measures. The five areas of risk include:

1. Strategic risk – failure to implement or develop strategy
2. Financial risk – liquidity, investment, theft
3. Organizational risk – leadership depth and quality, management capacity
4. Operational risk – capacity constraints, quality, membership satisfaction
5. External risk – structural change, disasters, government support/change

# Management Discussions and Analysis



## HOW ARE WE ENSURING ACCURATE FINANCIALS?

Alberta Milk's management team is responsible for our financial statements and all information in this annual report. The statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations. These statements have been audited using generally accepted auditing standards. Schedule 1, which provides reporting of our statement of operations in accordance with our business plan and budget, is considered unaudited as the firm was not engaged to conduct an audit review of budget figures. Financial information presented elsewhere in this report is consistent with the statements provided.

In discharging its responsibility for financial reporting, management maintains and relies on financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. These controls and practices ensure the orderly conduct of business, the accuracy of accounting records, the timely preparation of reliable financial information, and the adherence to board policies and statutory requirements.

Accountability systems are adopted and approved as a key component of Alberta Milk's Business Plan. The Board receives a report on the operations of the organization at each Board meeting, a comprehensive review of operations at mid-year and a summary of operations at year-end. The Finance Committee oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. In support of this responsibility, the committee reviews quarterly financial statements and oversees the annual

financial audit and the development with the budget, prior to their presentation to the Board. The Board's auditors have free access to the Finance Committee to discuss the results of their work and to express their concerns and opinions.

The following discussion and analysis of the operating results and financial position of Alberta Milk, for the year ending July 31, 2017, should be read in conjunction with the financial statements.

Actual revenues were higher than budgeted by \$41,509,779, resulting from higher restricted revenues (revenues resulting from the operation of various producer payment pools). These accounted for \$41,172,469, due to higher than anticipated milk volumes of greater than 14 million litres. This increased milk volume also resulted in higher board assessment fees of \$411,519 however milk transportation revenue was slightly under budget by \$192,384 due to greater efficiencies.

Expenses were higher than budget by \$40,054,049. Producer payment pool expenditures exceeded budget by \$41,314,336. The costs of operating the milk transportation pool and quota management operations were within budget. Marketing activities were under budget by \$790,745 associated with the timing of transition to Dairy Farmers of Canada in January, 2017. Our member services activities were also under budget \$440,829 due to a delayed funding of a net zero grant and reduced costs associated with proAction activities.



# Independent Auditor's Report

To the Board of Directors of Alberta Milk

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We have audited the accompanying financial statements of Alberta Milk, which comprise the statement of financial position as at July 31, 2017 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparations and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, these financial statements present fairly, in all material respects, the financial position of Alberta Milk as at July 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Camrose, Canada

October 20, 2017

A stylized, handwritten-style signature of "Grant Thornton LLP" in a dark grey or black ink.

Chartered Professional Accountants

**ALBERTA MILK**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED JULY 31, 2017**

	Quota Exchange	MNE	Scholarship	Research	Other	2017 Total	2016 Total
<b>REVENUES:</b>							
Assessments:							
Administrative	\$ -	\$ -	\$ -	\$ -	\$ 3,703,569	\$ 3,703,569	\$ 3,625,233
Class 1 Market Recovery	-	-	-	-	1,678,559	1,678,559	1,763,439
Marketing, Nutrition, Education (MNE)	-	11,110,677	-	-	-	11,110,677	10,875,667
Research	-	-	-	370,357	-	370,357	362,523
Restricted Revenue - Equalization	-	-	-	-	607,726,404	607,726,404	588,474,095
Hauling Fees	-	-	-	-	27,074,836	27,074,836	26,418,853
Interest Revenue	-	-	2,344	-	147,982	150,326	83,344
Grant Revenue (Note 6)	-	31,680	-	-	644,811	676,491	264,228
Processor Audit Recovery	-	-	-	-	131,659	131,659	129,872
Quota Lease	-	-	-	608,268	-	608,268	600,875
Quota Exchange Sales	52,049,961	-	-	-	-	52,049,961	41,953,106
Other Income	-	25,596	-	710	529,711	556,017	463,661
<b>Total Revenues</b>	<b>52,049,961</b>	<b>11,167,953</b>	<b>2,344</b>	<b>979,335</b>	<b>641,637,531</b>	<b>705,837,124</b>	<b>675,014,896</b>
<b>EXPENSES:</b>							
Salaries and Contract Services	-	554,538	-	46,920	3,092,183	3,693,641	4,059,661
Director and Delegate per diems	-	6,356	-	18,964	355,790	381,110	411,861
Travel	-	34,915	-	21,656	465,822	522,393	670,119
Office	-	462,159	-	1,921	859,226	1,323,306	1,333,562
Data Processing	-	-	-	-	720,279	720,279	683,873
Meeting Costs	-	20,187	-	2,537	410,406	433,130	308,630
Professional Fees	-	1,801	-	-	216,276	218,077	181,367
Communications	-	6,236	-	-	6,518	12,754	15,685
Advertising	-	8,909,476	-	-	83,660	8,993,136	8,396,824
Project Costs	-	-	-	-	-	-	13,528
Hauling Fees (Note 10)	-	-	-	-	27,074,836	27,074,836	26,418,853
Research	-	10,828	-	137,025	-	147,853	137,164
Sponsorships	-	517,424	4,000	-	44,507	565,931	318,215
Grants	-	17,710	-	900,370	33,500	951,580	1,106,953
Quota Exchange Purchases	52,049,961	-	-	-	-	52,049,961	41,953,105
Restricted Expenses - Equalization	-	-	-	-	607,726,404	607,726,404	588,474,095
Amortization/Write Offs	-	29,306	-	-	372,387	401,693	343,621
<b>Total Expenses</b>	<b>52,049,961</b>	<b>10,570,936</b>	<b>4,000</b>	<b>1,129,393</b>	<b>641,461,794</b>	<b>705,216,084</b>	<b>674,827,116</b>
<b>EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR</b>	<b>\$ -</b>	<b>\$ 597,017</b>	<b>\$ (1,656)</b>	<b>\$ (150,058)</b>	<b>\$ 175,737</b>	<b>\$ 621,040</b>	<b>\$ 187,780</b>

See accompanying notes and schedules to the financial statements.

**ALBERTA MILK**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JULY 31, 2017**

	2017	2016
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and investments (Note 3)	\$ 12,558,526	\$ 12,404,862
Due from processors, producers and others	26,253,092	27,784,430
Accounts receivable	3,477,410	2,205,051
Inventories	70,991	-
Prepaid expenses	335,155	624,771
<b>Total current assets</b>	<b>42,695,174</b>	<b>43,019,114</b>
<b>CAPITAL ASSETS</b> (Note 4)	<b>2,358,496</b>	<b>2,220,229</b>
<b>TOTAL</b>	<b>\$ 45,053,670</b>	<b>\$ 45,239,343</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 4,679,591	\$ 2,102,882
Deferred contributions (Note 5)	28,749,888	30,519,641
Deferred grants (Note 6)	386,237	396,907
Current portion of long term debt (Note 7)	-	60,000
<b>Total current liabilities</b>	<b>33,815,716</b>	<b>33,079,430</b>
<b>NET ASSETS:</b>		
Invested in capital assets	2,358,497	2,160,229
Internally restricted:		
<i>Marketing</i>	2,985,952	4,088,935
<i>Research</i>	479,331	537,391
<i>Scholarship</i>	126,391	128,047
<i>Quota exchange</i> (Note 12)	997,721	997,721
Unrestricted	4,290,062	4,247,590
<b>Total net assets</b>	<b>11,237,954</b>	<b>12,159,913</b>
<b>TOTAL</b>	<b>\$ 45,053,670</b>	<b>\$ 45,239,343</b>

Commitments (Note 9)

APPROVED ON BEHALF OF THE BOARD:




See accompanying notes and schedules to the financial statements.

# ALBERTA MILK

## STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED JULY 31, 2017

	<i>Internally Restricted</i>						<b>2017 Total</b>	2016 Total
	Quota Exchange	Marketing	Scholarship	Research	Unrestricted	Invested in Capital Assets		
BALANCE AT BEGINNING OF THE YEAR	\$ 997,721	\$ 4,088,935	\$ 128,047	\$ 537,391	\$ 4,247,590	\$ 2,160,230	<b>\$ 12,159,914</b>	\$ 15,273,134
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	-	597,017	(1,656)	(150,058)	175,737	-	<b>621,040</b>	187,780
ADMINISTRATION COSTS TRANSFERRED (Note 13)	-	-	-	91,998	(91,998)	-	-	-
PURCHASE OF CAPITAL ASSETS	-	-	-	-	(539,960)	539,960	-	-
AMORTIZATION OF CAPITAL ASSETS	-	-	-	-	401,693	(401,693)	-	-
DEBT REPAYMENT	-	-	-	-	(60,000)	60,000	-	-
TRANSFER OF NET ASSETS	-	(1,700,000)	-	-	-	-	<b>(1,700,000)</b>	(3,000,000)
PENSION REMEASUREMENT LOSS (Note 11)	-	-	-	-	157,000	-	<b>157,000</b>	(301,000)
<b>BALANCE AT END OF THE YEAR</b>	<b>\$ 997,721</b>	<b>\$ 2,985,952</b>	<b>\$ 126,391</b>	<b>\$ 479,331</b>	<b>\$ 4,290,062</b>	<b>\$ 2,358,497</b>	<b>\$ 11,237,954</b>	<b>\$ 12,159,914</b>

See accompanying notes and schedules to the financial statements.

# ALBERTA MILK

## STATEMENT OF CASH FLOW

FOR THE YEAR ENDED JULY 31, 2017

	2017	2016
<b>CASH PROVIDED BY (USED FOR):</b>		
<b>OPERATING ACTIVITIES:</b>		
Excess of revenues over expenses from operations for the year	\$ 621,040	\$ 187,780
Items not affecting cash flow:		
Amortization of capital assets	401,693	343,621
Gain (loss) on pension	157,000	(301,000)
	<b>1,179,733</b>	<b>230,401</b>
Changes in non-cash working capital items:		
Due from processors, producers, and others	1,531,338	(2,386,826)
Accounts receivable	(1,272,359)	(83,432)
Prepaid expenses	289,615	(66,347)
Inventories	(70,991)	84,521
Accounts payable and accrued liabilities	2,576,711	(544,984)
Deferred contributions	(1,769,752)	708,930
Deferred grants	(10,671)	(17,155)
Net cash from (to) operating activities	<b>2,453,624</b>	<b>(2,074,892)</b>
<b>FINANCING ACTIVITIES:</b>		
Loan repayments	(60,000)	(90,000)
Transfer of Net Assets	(1,700,000)	-
Net cash to financing activities	<b>(1,760,000)</b>	<b>(90,000)</b>
<b>INVESTING ACTIVITIES:</b>		
Purchases of capital assets	(540,500)	(409,827)
Proceeds on sale of capital assets	540	100
Net cash to investing activities	<b>(539,960)</b>	<b>(409,727)</b>
INCREASE (DECREASE) IN CASH AND INVESTMENTS FOR THE YEAR	<b>153,664</b>	<b>(2,574,619)</b>
CASH AND INVESTMENTS AT BEGINNING OF THE YEAR	<b>12,404,862</b>	<b>14,979,481</b>
<b>CASH AND INVESTMENTS AT END OF THE YEAR</b>	<b>\$ 12,558,526</b>	<b>\$ 12,404,862</b>

See accompanying notes and schedules to the financial statements.

# ALBERTA MILK

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2017

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### 1. AUTHORITY AND PURPOSE OF THE BOARD:

Alberta Milk ("the Board") is a non-profit organization established on August 1, 2002 through the approval of the Alberta Milk Plan Regulation under the authority of the Marketing of Agricultural Products Act of Alberta. Alberta Milk is subject to supervision by the Alberta Agricultural Marketing Council, which is appointed by the Government of Alberta, for supervisory and enforcement purposes in respect of Alberta producer boards and marketing commissions. Pursuant to Section 149(1)(e) of the Income Tax Act Alberta Milk is exempt from income tax.

The Board's purpose is to promote the viability and sustainability of the Alberta Dairy Industry through programs, policies and services.

### 2. SIGNIFICANT ACCOUNTING POLICIES:

#### Basis of presentation

The Board has prepared these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

#### Revenue Recognition

Alberta Milk follows the deferral method of accounting for contributions.

Funds collected in the operation of price equalization pools or under various agreements are restricted contributions subject to externally imposed stipulations that specify the purpose for which the funds are to be used. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. These revenue sources include restricted revenue - equalization, hauling fees and quota exchange sales. Grant revenue which include restricted contributions received for future expenses is deferred until the expenses are incurred. Assessment revenue, processor audit recovery and other income is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Interest revenue is recognized as revenue when earned.

#### Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and other institutions, money market funds, mutual funds and term deposits with maturities of three months or less, or able to be cashed on demand.

#### Inventories

Inventories consisting of clothing and other merchandise are carried at the lower of cost and current replacement value with cost determined using the first-in, first-out method.

# ALBERTA MILK

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2017

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### 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*:

#### Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided using the declining balance method over the estimated useful life of the assets at the following annual rates:

Office furniture and equipment	20%
Computer hardware and equipment	20-30%
Display booth and tent	20%
Software development	30%
Vehicles	30%
Buildings	5%
Consumer displays	5 yrs straight-line

When a capital asset no longer has any long-term service potential to the Board, the excess of its carrying amount over any residual value is recognized as an expense in the statement of operations.

#### Employee Future Benefits

For the Board's defined benefit pension plan, the defined benefit obligation is determined using the most recent actuarial valuation report prepared for funding purposes.

Plan assets are measured at fair value.

The Board recognizes the plan's funded surplus, which is the net amount of the defined benefit obligation and the fair value of plan assets, on the statement of financial position.

Actuarial gains and losses and past service costs are included in the cost of the plan for the year in the statement of operations.

The Board only recognizes a defined benefit asset on the statement of financial position to the extent it is expected to be recoverable. A valuation allowance is recognized for any excess of the adjusted benefit asset over the amount expected to be recoverable as pension re-measurement directly in the statement of change in net assets.

#### Due from Processors, Producers and Others

Section 29(6) of the Alberta Milk Marketing Regulation allows the Board to "set out all amounts payable among processors, producers and Alberta Milk ... and pay the net amounts." As a result, amounts due from processors, producers and others were netted against amounts owing to processors, producers and others.

# ALBERTA MILK

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2017

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### 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*:

#### Financial Instruments

##### *Initial measurement*

The Board's financial instruments are measured at fair value when issued or acquired. For financial instruments subsequently measured at cost or amortized cost, fair value is adjusted by the amount of the related financing fees and transaction costs. Transaction costs and financing fees relating to financial instruments that are measured subsequently at fair value are recognized in operations in the year in which they are incurred.

##### *Subsequent measurement*

At each reporting date, the Board measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for equities quoted in an active market, which must be measured at fair value. The Board has also irrevocably elected to measure its investments in bonds at fair value. All changes in fair value of the Board's investments in equities quoted in an active market and in bonds are recorded in the statement of operations. The financial instruments measured at amortized cost are cash, due from processors, producers and others, accounts receivable, accounts payable and accrued liabilities and long-term debt.

For financial assets measured at cost or amortized cost, the Board regularly assesses whether there are any indications of impairment. If there is an indication of impairment, and the Board determines that there is a significant adverse change in the expected timing or amount of future cash flows from the financial asset, it recognizes an impairment loss in the statement of operations. Any reversals of previously recognized impairment losses are recognized in operations in the year the reversal occurs.

#### Use of Estimates

Management reviews the carrying amount of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

The estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known.

Items subject to significant management estimates include allowance for uncollectible accounts receivable, amortization of capital assets, valuation of employee future benefits, and valuation of contingencies.

# ALBERTA MILK

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2017

### 3. CASH AND INVESTMENTS:

	2017	2016
Cash and cash equivalents	\$ 9,398,108	\$ 9,327,089
Fixed income	1,516,275	2,003,469
Equities quoted in an active market	1,410,592	946,259
Mutual funds quoted in an active market	233,550	128,045
	<b>\$ 12,558,525</b>	<b>\$ 12,404,862</b>

Interest income includes the following:

	2017	2016
Net increase in fair value of investments	\$ 28,112	\$ 27,145
Interest earned on scholarship investments	2,343	4,552
Interest earned on pooling funds	117,004	93,323
Interest and dividends earned on corporate funds	119,870	51,647
Interest rebated to producers	(117,004)	(93,323)
	<b>\$ 150,325</b>	<b>\$ 83,344</b>

### 4. CAPITAL ASSETS:

	2017		2016	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Display booth and tent	\$ 91,404	\$ 77,255	\$ 14,149	\$ 17,686
Office furniture and equipment	352,854	296,964	55,890	69,047
Consumer display	235,159	166,778	68,381	-
Computer hardware	1,318,822	1,009,928	308,894	104,882
Computer software	1,393,950	1,012,353	381,597	437,563
Vehicles	39,070	35,788	3,282	4,689
Building	2,107,443	966,315	1,141,128	1,201,187
Land	385,175	-	385,175	385,175
Total	<b>\$ 5,923,877</b>	<b>\$ 3,565,381</b>	<b>\$ 2,358,496</b>	<b>\$ 2,220,229</b>

# ALBERTA MILK

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2017

### 5. DEFERRED CONTRIBUTIONS:

Deferred contributions represent unspent resources externally restricted for price equalization.

	2017	2016
Contributions received	\$ 605,956,651	\$ 592,183,026
Transferred to revenue	(607,726,404)	(588,474,095)
Increase (decrease) during the year	(1,769,753)	3,708,931
Deferred contributions at beginning of year	30,519,641	26,810,710
Deferred contributions at end of year	\$ 28,749,888	\$ 30,519,641

Under Section 29 of the Alberta Milk Marketing Regulation, the Board operates a price equalization pool whereby all revenues generated from the processing and sale of milk within Alberta are shared by all Alberta producers in accordance with their quota holdings. The Board, acting as agents to processors, performs the administrative responsibility for payment to Alberta dairy producers. This payment represents each producer's share of the pool less associated marketing expenses.

The Board has an arrangement with the signatories of the National Milk Marketing Plan. This arrangement provides for the pooling of revenues from sales of milk components in special classes of milk used to service domestic and external markets. The Special Class Pool is administered by the Canadian Dairy Commission (CDC). Based on each province's monthly special class sales, the CDC will either distribute revenue or require a contribution to the national revenue pool.

Effective March 1, 1997, four provinces (Alberta, British Columbia, Saskatchewan, and Manitoba) and the Canadian Dairy Commission entered into the Western Milk Pooling Agreement. The purpose of the agreement was to extend the pooling arrangements within each of the provinces so that all milk revenue is pooled among producers in all four provinces, as if the western provinces constituted a single market. Based on each province's monthly sales, the CDC either distributed revenue or required a contribution to the Western Milk Pool.

### 6. DEFERRED GRANTS:

Deferred grants represent unspent resources consisting of the following:

	2017	2016
Contributions received	\$ 665,821	\$ 247,074
Recognized as revenue	(676,491)	(264,229)
Decrease during the year	(10,670)	(17,155)
Deferred contributions at beginning of year	396,907	414,062
Deferred contributions at end of year	\$ 386,237	\$ 396,907

# ALBERTA MILK

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2017

7. LONG-TERM DEBT:	2017	2016
Mortgage payable - bearing interest at prime minus 0.25%, 2.45% as of July 31, 2015 repayable in monthly principal installments of \$7,500 plus interest, maturing December 2017. Secured by the land and building with a net carrying amount of \$1,586,361.	\$ -	\$ 60,000
Less portion due within one year	-	60,000
<b>Total long-term debt</b>	<b>\$ -</b>	<b>\$ -</b>

### 8. ASSESSMENT REVENUE:

The Board collected the following producer assessments during the year:

	2017	2016
Administrative	<b>\$0.50/hl</b>	\$0.50/hl
Marketing, Nutrition, Education	<b>\$1.50/hl</b>	\$1.50/hl
Research	<b>\$0.05/hl</b>	\$0.05/hl
Hauling	<b>\$3.09/hl</b>	\$3.09/hl
Hauling yard charge per pickup	<b>\$21.82</b>	\$21.82

### 9. COMMITMENTS:

The Board rents office equipment under long-term operating leases. Future minimum annual lease payments are as follows:

2018	\$ 23,480
2019	23,480
2020	21,380
<b>Total</b>	<b>\$ 68,340</b>

# ALBERTA MILK

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2017

### 9. COMMITMENTS (continued):

The Board has made the following commitments to the Dairy Farmers of Canada:

(a) \$1.36 per hectolitre on milk produced during the year.

In January, 2017 Alberta Milk transferred our marketing and nutrition education activities to Dairy Farmers of Canada to create greater efficiencies and increased value for the producer funded marketing and nutrition education activities. In previous years Alberta Milk disclosed commitments for media purchases. Effective January 2017 this commitment is the responsibility of Dairy Farmers of Canada. In recognition of this change in responsibility Alberta Milk transferred \$1,700,000 of net assets to Dairy Farmers of Canada during the year.

(b) membership fees of \$270,508.

The Board has committed \$468,631 under contractual agreements for database development in association with a National Information Technology Aggregation project over the next year.

The Board has a funding commitment to several universities for academic advisor positions in the amount of \$560,000 to be disbursed in annual installments over a five year period.

### 10. HAULING FEES :

	2017	2016
Paid by producers	\$ 25,626,082	\$ 24,612,880
Processor recoveries	1,448,754	1,805,973
Total for the year	\$ 27,074,836	\$ 26,418,853
Cost per hectolitre	\$ 3.66	\$ 3.83

Producers were assessed a volume fee of \$23,251,201 (2016 - \$22,227,639) as well as \$2,374,881 (2016 - \$2,385,241) in yard stop charges. A surplus of \$1,635,508 (2016 - \$1,266,656) resulted from a lower intra-provincial milk transportation costs than anticipated. This surplus will be used to offset next year's producer assessments.

### 11. PENSIONS:

Effective January 1, 2007 the Alberta Milk Employees' Pension Plan ("the Plan") was established on behalf of employees of Alberta Milk. Prior to January 1, 2007 certain members had accumulated retirement benefits under the Western Canadian Dairy Herd Improvement Services Association Employees Pension Plan ("the Predecessor Plan"). As of January 1, 2007 the Predecessor Plan benefits for such members, and the liability thereof, have been transferred to the Plan and shall be paid in accordance with the terms of the Plan. The Plan is a defined benefit plan and specifies the amount of the retirement benefit to be received based on the length of service and final average earnings. The most recent funding recommendation for the Plan was completed as at December 31, 2015 and has been updated for current assumptions in the actuarial report dated September 6, 2017.

# ALBERTA MILK

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2017

### 11. PENSIONS *(continued)*:

	<b>2017</b>	<b>2016</b>
<b>Accrued benefit obligation</b>		
Balance at beginning of year	\$ 3,730,000	\$ 3,214,000
Current service cost	254,000	280,000
Interest cost	197,000	196,000
Expected benefits paid	(464,000)	(171,000)
Actuarial loss (gain)	-	211,000
<b>Accrued benefit obligation (ABO) at end of year</b>	<b>\$ 3,717,000</b>	<b>\$ 3,730,000</b>
<b>Plan assets</b>		
Fair value at beginning of year	\$ 4,390,000	\$ 4,028,000
Actual return on plan assets	382,000	148,000
Employer contributions	155,000	254,000
Employees' contributions	113,000	131,000
Actual benefits paid	(464,000)	(171,000)
<b>Fair value at end of year</b>	<b>\$ 4,576,000</b>	<b>\$ 4,390,000</b>
<b>Reconciliation of funded status</b>		
Accrued benefit obligation - end of year	\$ (3,717,000)	\$ (3,730,000)
Fair value of plan assets - end of year	4,576,000	4,390,000
<b>Funded status - plan surplus</b>	<b>\$ 859,000</b>	<b>\$ 660,000</b>
<b>Accrued benefit obligation not funded</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net benefit plan cost</b>		
Current service cost (employer portion)	\$ 141,000	\$ 149,000
Interest cost	197,000	196,000
Expected return on plan assets	(225,000)	(238,000)
Amortization of net actuarial loss	(157,000)	301,000
<b>Net benefit plan cost</b>	<b>\$ (44,000)</b>	<b>\$ 408,000</b>
<b>Losses in year - to be recognized in net assets</b>		
Actuarial asset experience gain (loss)	\$ 157,000	\$ (90,000)
Actuarial (loss) on ABO	-	(211,000)
<b>Losses in year</b>	<b>\$ 157,000</b>	<b>\$ (301,000)</b>

# ALBERTA MILK

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2017

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11. PENSIONS (continued):

	2017	2016
<b>Actuarial Assumptions</b>		
Discount rate - beginning of year	5.25%	5.75%
Discount rate - end of year	5.25%	5.25%
Expected return on plan assets	5.25%	5.75%
Rate of compensation increase - beginning of year	3.75%	4.00%
Rate of compensation increase - end of year	3.75%	3.75%
Inflation rate - beginning of year	2.25%	2.50%
Inflation rate - end of year	2.25%	2.25%
<b>Distribution of the total market value of the fund by major asset category</b>		
Canadian equities	27.9%	31.9%
International equities	14.4%	14.6%
U.S. equities	15.7%	16.1%
Debt securities	38.1%	35.7%
Cash and other	3.9%	1.7%
Total	100.0%	100.00%

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# ALBERTA MILK

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2017

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### 12. QUOTA EXCHANGE:

The Board operated a quota exchange each month. Producers submit bids to purchase quota or offers to sell quota. The exchange cleared each month at the level where volumes offered for sales and volumes requested to purchase are the smallest.

### 13. INTERFUND TRANSFERS:

The research and marketing producer assessments rates per hectolitre are authorized by the *Alberta Milk Marketing Regulation* and as such, any associated net assets have been set aside by the Board as internally restricted net assets to be used to fund future marketing and research activities. The Board has also set aside internally restricted net assets for the operation of the quota exchange. These net assets result from previous cash surpluses generated from the operation of the quota exchange and are to be used to manage any potential risk associated with a producer non payment for quota purchases. The Scholarship internally restricted net assets are to be used to provide future scholarships to post secondary students in support of the dairy industry.

In 2017, the Board transferred \$91,998 from the Unrestricted net assets into the Research net assets to cover administration costs.

### 14. FINANCIAL INSTRUMENT RISKS:

The Board's main financial instrument risk exposure is detailed as follows:

#### *Credit risk*

The Board has determined that the financial assets with credit risk exposure are accounts receivable and due from processors, producers and others since failure of any of these parties to fulfil their obligations could result in significant financial loss for the Board. There was no significant change in exposure from the prior year.

#### *Interest rate risk*

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Board is exposed to interest rate risk with respect to investments in bonds; however the Board has determined that it is not exposed to a significant amount of interest rate risk. There was no significant change in exposure from the prior year.

#### *Other price risk*

The Board is exposed to other price risk on its investments in equities quoted in an active market since changes in market prices could result in changes in the fair value of these investments. There was no significant change in exposure from the prior year.

#### *Liquidity risk*

The Board's liquidity risk represents the risk that the Board could encounter difficulty in meeting obligations associated with its financial liabilities. The Board, is therefore, exposed to liquidity risk with respect to its accounts payable and accrued liabilities and mortgage payable. There was no significant change in exposure from the prior year.

## ALBERTA MILK

## SCHEDULE OF REVENUE AND EXPENSES BY GOAL

FOR THE YEAR ENDED JULY 31, 2017

	2017 (unaudited)	Budget (unaudited)	2016 (unaudited)
<b>REVENUES:</b>			
Administrative Assessment	\$ 3,703,569	\$ 3,631,756	\$ 3,625,233
Class 1 Market Recovery	1,678,559	1,561,443	1,763,439
MNE Assessment	11,110,677	10,895,268	10,875,667
Research Assessment	370,357	363,176	362,523
Hauling Fees	27,074,836	27,267,220	26,418,853
Restricted Revenue - Equalization	607,726,404	566,553,935	588,474,095
Interest Revenue	150,325	142,290	83,344
Grant Revenue	676,491	625,592	264,228
Sponsorship Revenue	91,089	98,052	41,692
Program Revenue	206,922	225,892	154,364
Processor Audit Recovery	131,659	120,000	129,872
Quota Lease	608,268	587,000	600,875
Other Income	258,007	205,760	267,605
<b>TOTAL REVENUES</b>	<b>653,787,163</b>	<b>612,277,384</b>	<b>633,061,790</b>
<b>EXPENSES BY GOAL/PROGRAM</b> (Schedule II)	<b>653,166,123</b>	<b>613,112,074</b>	<b>632,874,010</b>
<b>EXCESS OF REVENUE OVER EXPENSES BEFORE QUOTA EXCHANGE</b>	<b>621,040</b>	<b>(834,690)</b>	<b>187,780</b>
<b>QUOTA EXCHANGE:</b>			
Sales and interest revenue	52,049,961	48,000,000	41,953,106
Purchases of quota	52,049,961	48,000,000	41,953,106
Net quota exchange	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR</b>	<b>\$ 621,040</b>	<b>\$ (834,690)</b>	<b>\$ 187,780</b>

## ALBERTA MILK

## SCHEDULE OF EXPENSES BY GOAL

FOR THE YEAR ENDED JULY 31, 2017

	2017 (unaudited)	Budget (unaudited)	2016 (unaudited)
<b>EXPENSES BY GOAL/PROGRAM:</b>			
<b><i>Adequate supply of dairy products:</i></b>			
Manage Alberta Milk Supply	\$ 213,356	\$ 205,194	\$ 245,833
Manage an effective quota system	27,496,798	27,550,445	26,821,984
<b><i>Policy Development:</i></b>			
Work with stakeholders	738,597	795,212	589,406
Improve industry competitiveness	165,099	191,369	197,869
Health and Welfare of dairy industry	216,771	210,560	150,713
Sustainable environmental practices	66,864	242,580	26,242
Member Services	388,790	425,572	438,344
ProAction	169,066	320,723	146,416
<b><i>Increase dairy product consumption:</i></b>			
Increase milk consumption in adult women	7,642,123	5,390,700	5,455,183
Increase milk consumption in youth	2,057,799	4,404,771	3,966,727
Work with health educators	272,328	407,569	491,814
New Product Development	76,109	110,000	111,709
<b><i>Promote and participate in research:</i></b>			
Maximize research funding	91,997	117,770	71,014
Dairy research to benefit dairy farmers	1,037,395	899,400	1,030,813
<b><i>Manage fiscal and human resources:</i></b>			
Administer regulations	6,844	27,000	28,760
Manage financial and human resources	653,710	785,736	596,608
Accurate producer payment	608,123,271	566,808,935	588,800,337
Corporate costs	2,718,494	3,228,423	2,762,587
Develop and attract delegates/directors	52,901	43,000	77,493
<b><i>Communicate with members, stakeholders and consumers:</i></b>			
Stakeholder Communication	450,644	452,883	462,010
Extention and Communication	188,299	286,507	159,932
Create visual awareness	338,868	207,725	242,216
<b>Total Expenses</b>	<b>\$ 653,166,123</b>	<b>\$ 613,112,074</b>	<b>\$ 632,874,010</b>



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