



March 2019

milking TIMES

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table of contents

Developing Future Leaders	2
Dairy Farmer Day on the Hill	2
How the Treatment of Quota Sales Impact Your Farm	3
GOA Implements New Trucking Legislation	4
Investing in proAction®	5
Statistics	6-7
Production Update	8

Chairman's Message

Source: Tom Kootstra, Chairman

We were very fortunate to have had both the president and the CEO of Dairy Farmers of Canada (DFC) join us in November at our Annual General meeting to provide an update and overview of the future of DFC. DFC – 2.0 as it is affectionally called has been a work in progress and culminated with the adoption by the DFC Board of a new business plan and budget.

With the DFC Business Plan developed – with input from all provincial chairs and the full DFC Board – the focus of the 2019 DFC policy conference was more on looking to the future than developing the policies statements for today. In my mind, this was a refreshing change to have the DFC delegate body focusing on what we need for the future, hearing from industry leaders that challenged us rather than spending time debating workplan activities.

The DFC strategic plan has a focus on its core functions which includes for the most part, federal government relations, communications, international trade, marketing programs (our master brand), market intelligence, nutrition education and research, policy and economics, and production research. The strategic objectives will be reviewed and updated annually by the DFC Board with input from the provincial chairs. For 2019, there are four strategic objectives. The first is engaging Canadians which means increasing the understanding of and support for dairy farmers. The next is marketing to millennials, which is now the largest segment of the Canadian population, by building awareness and support

for the values of dairy. The third objective is building partnerships across the value chain to maximize the impact of partnerships to ensure they are in support of organizational objectives. The fourth priority is enhanced governance.

During the policy conference we heard from a four-member industry panel that provided insight into the dairy industry beyond 2030 and a second panel on leveraging the brand for success. I was encouraged with most of the messaging. I was especially encouraged that what others said supported the strategic direction of DFC. Some of the take home messages I heard included: millennials are the largest portion of the population and 90 per cent consume dairy and 70 per cent say it is good for them, the brand of the farmer, that processing companies and quality milk are intertwined, and dairy farmers are well respected. We need to let consumers know who dairy farmers are by using the many channels available to get our message out. Some of the other messages that resonated with me were innovation at the farm level equals higher quality components at a lower cost, dairy proteins are in high demand world-wide, veganism is on the rise because of animal care, environment and personal health. Our DFC strategic plan is addressing these issues and by association through our own business plan, so is Alberta Milk.

Are we on the right track I believe we are. We will continue to measure performance and evolve our plans.

our mission

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

Alberta Milk
1303 - 91 St SW
Edmonton, AB T6X 1H1
1-877-361-1231



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Developing Future Dairy Leaders

Source: Daria Taylor, Corporate Operations Manager

The Future Leaders Development Conference (FLDC) was created to provide dairy producers with the opportunity to learn more about the roles and responsibilities of being a director on a board prior to seeking election or appointment to a dairy industry board. This conference is also an excellent opportunity for future leaders in our industry to network with other future leaders across Canada.

Alberta Milk in conjunction with the BC Dairy Association (BCDA), Alberta Milk, SaskMilk, Dairy Farmers of Manitoba, Dairy Farmers of Ontario, CanWest DHI, WestGen, East Gen, Agrifoods, Valacta, and Gay Lea Foods host this annual event that brings up to 22 dairy producers together to learn about industry governance.

The Polar Vortex was not our friend but even with flight delays and airport and road closures, 15 up-and-coming leaders in the dairy industry met in Abbotsford for the three-day conference.

This year was extra special as for the first time an alumnus of the program, Sarah Sache (FLDC 2016), returned to speak on her experiences as a new board member of BCDA.

Alberta was fortunate to have five producers from Alberta attend this conference. If you see Gideon Stoutjesdyk, Tiestsa Huyzer, Joel Prins, Dustin Grisnich and Jan van de Brake ask them about the conference – maybe one day they will return to speak at the conference as well!

Dairy Farmer Day on the Hill

Source: Karlee Conway, Communications Specialist

Every February, dairy farmers across the country work together to lobby the federal government about issues effecting the industry. This year, we had eight Board members attend a record-breaking 16 meetings with MPs from across the province.

The focus this year was about the fall out of CUSMA and the Healthy Eating Strategy (Canada's Food Guide). Not only does this event ensure that elected officials hear our position on important topics, but it also allows us to refine our messaging to ensure it's best suited for their level of understanding or position.

We would like to extend our thanks to the attending directors that spent their day trudging through the slush on Parliament Hill to advocate for Alberta's dairy farmers, as well as the MPs that made time for our farmers.



Stuart Boeve and Martin Van Diemen pose with MP Rachel Harder



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How the Treatment of Quota Sales Impact Your Farm

Source: Stephen Latimer, CA, Senior Manager, Grant Thornton LLP

Treatment of quota sales prior to 2016 budget changes

Prior to January 1, 2017, sales of quotas used to be treated the same as any cumulative eligible capital (CEC) property; meaning, the proceeds would be used to reduce the pool, and any amount over the pool would be reduced by 50 percent and then taxed as income. The entire amount of quota a farm held was put into one large pool that any disposition would reduce. This typically meant that any partial disposition of quota would result in no immediate tax implications to the seller.

Subsequent to 2016 budget changes

After January 1, 2017, CEC no longer exists. The existing balance is now moved to a new class of depreciable property called **class 14.1**. Because any amounts that were in existence prior to this date would have been added to the pool at 75 percent, there are transitional rules to make sure that the balances in the CEC pools are transferred to class 14.1 and can be deducted so taxpayers end up in the same place.

Sale of quota

For dispositions of quota after the transition date, there is a reduction to the class 14.1 pool for the lesser of cost and proceeds and then a capital gain if the proceeds were larger than

the original cost. This doesn't change the treatment for the previous regime if the entire quota is disposed of. In this situation, the disposition will look at the total amount paid for the quota in the past and the reduction to the pool will be based on the lesser of cost or proceeds and the taxpayer will end up being taxable on 50 percent of the excess of proceeds over cost.

However, what if only a portion of the quota is sold?

Based on the new rules, Canada Revenue Agency (CRA) views quota as indistinguishable identical properties. This means that, when it is sold, any capital gains have to be reported on a unit-by-unit basis. The cost of each unit of quota must be calculated separately on a per-unit basis. As a result, almost any sale of quota will result in income, whereas previously, if you still had a balance in your CEC pool, there would be no income to report.

Conclusion

As mentioned above, these rule changes were effective as of January 1, 2017. So, if you want to sell quota for immediate cash flow, you may end up with less after-tax cash than you would have previously. If you are thinking about selling quota, please let your accountant know so they can give you the proper information to report it.



deadlines

quota transfers
March 18, 2019, at
4:30 p.m.

credit transfers
March 25, 2019, at
4:30 p.m.

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Are you ready to stand up for dairy in the next election?

Mark your calendar: March 13 at 10:30. Join us for a short webinar on tips on how to advocate for dairy during the next election. The session will include:

Elections 101

- Ways to connect with candidates in your riding
- How to effectively get your message out
- Understanding political jargon
- Q&A with one of Edmonton's leading government relations firms

Watch for more details on the Member's Only page or contact Karlee Conway at 780-577-3305 or kconway.albertamilk.com.





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GOA Implements New Trucking Legislation

Source: Alberta Milk staff (with notes from Alberta Canola)

The provincial government has approved new commercial trucking regulations as of March 1, 2019 which will consist of increased training and more standardized practices across the province.

Up until this point, Alberta has some of the most lenient commercial trucking standards for initial safety certificates and this is set to change to provide increased highway safety. In the wake of last year's Humboldt truck/bus accident, public scrutiny has been at the forefront for increased trucking regulation, namely stricter testing and training. Minimal and non-comprehensive training became evident when the Calgary-based driver had been on the job for less than one month prior to the accident. This issue comes from low requirements/standards associated with the licensing. In most provinces, including Saskatchewan and Alberta, the only requirement to drive a semi-trailer is passing written and road exams.

What are the new requirements?

Effective March 1, 2019, any person who wants to obtain a Class 1 or 2 driver's license must take the Mandatory Entry Level Training (MELT) Program. The MELT program will be a government standardized curriculum consisting of a mandated number of in-class, in-vehicle (in yard where vehicle is not moving), and on-road training.

The Alberta program will aim to enhance, regulate, and standardize a curriculum that will include skill-based in-class, in-yard, and in-vehicle training, as well as an improved Class 1 and 2 knowledge and road test. New carriers in Alberta will also be required to complete a mandatory course to gain a better understanding of how the rules work prior to commencing operations.

The MELT curriculum:

- 40.5 hours Classroom instruction
- 15.5 hours of in-yard instruction
- 57.0 hours of In-cab training
 - Actual drive –39.0 hours
 - Off-road maneuvers 18.0 hours

- 8.5 hours of air brake testing
- Total training hours – 113.0 or 121.5 with air brake training

How might these changes impact you?

The new provincial trucking regulations seem to fill a void in the current system of training, standards and licensing. However, it is likely that these changes will also impact dairy producers across the province. The impact may include:

Increased trucking rates- New training costs will be pushed down to the end user. Preliminary costs associated with the new training and standards range from \$6,000 - \$10,000. This will impact grain/feed/milk/cattle hauling costs for all producers.

No farm exemption - It appears there will be no exemption for farmers doing their own trucking. This will add to the on-farm costs of training yourself or your staff for a Class 1 license.

Timeliness/availability of trucks - The increasing industry-wide driver shortage is a definite reality. This, combined with the increased training and standards burden, will likely result in longer waits for custom trucking across the province.

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Investing in proAction®

Source: Alberta Milk, DFC and AAF

The Canadian Agricultural Partnership (CAP) is a five-year, \$3 billion federal-provincial-territorial investment in the agriculture, agri-food and agri-based products sector set to begin in April 2018, and is the successor of the 2013-18 Growing Forward 2 partnership.

One of the funding categories within CAP is the Agriculture and Food Sustainability Assurance Initiatives Program which will support industry associations, like Dairy Farmers of Canada (DFC) and Alberta Milk, assurance initiatives to develop and enhance sustainability certification or assurance systems to demonstrate to the public the quality, safety and sustainability of products produced by producers.

The Canadian dairy industry has received funding from two levels of government to support proAction practices and standards.

1. Agriculture and Agri-Food Canada (AAFC) Minister Lawrence MacAulay recently announced an investment of up to \$2.7 million to support DFC to enhance public trust in dairy production through the continuation and implementation of their quality assurance program, proAction®, as well as the pursuit of an industry environmental sustainability strategy.

Building on progress achieved to date with proAction, this investment will help DFC further develop and implement proAction, pursue stakeholder engagement, initiate an

industry environmental sustainability strategy, and implement a plan to communicate with stakeholders, customers, and consumers on DFC's quality assurance and sustainability activities.

2. At the provincial level, Alberta Milk has received a \$160,000 grant from CAP for a project to assist in the delivery of proAction and the Biosecurity module to all 506 dairy producers over the next two years. Alberta Milk will leverage this grant to accomplish the following project objectives:

- a. Provide education and awareness opportunities for Alberta dairy producers and industry partners (veterinarians, nutritionists, equipment and service providers, etc) on the proAction program requirements and timelines.
- b. facilitate the implementation of the proAction Biosecurity module requirements on individual Alberta dairy farms through benchmarking on-farm biosecurity practices.
- c. ensure consistent delivery and validation of the proAction requirements within Alberta and western Canada.
- d. provide learning and knowledge exchange opportunities on key proAction areas for Alberta dairy producers in cooperation with industry partners.
- e. support farmers with on-farm implementation by providing the necessary resources.

These new government funding initiatives will help equip Alberta's dairy producers with the necessary tools to ensure successful application of the proAction modules on farm.



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Dairy Production Statistics

Producer Pool Additions/Deductions January 2019		
	Additions (\$)	Deductions (\$)
Audit Adjustment	0.00	0.00
Bulk Tank Callibration	0.00	1,325.00
Discarded	0.00	24,855.57
PLR	25,806.61	159,512.47
Interest	29,758.49	0.00
Metering	62,326.44	0.00
Trucking	0.00	0.00
Violations	38,942.22	0.00
Average Deductions per Kg Total Solids		(\$0.0033)

Average Milk Prices	
Month	TPQ \$/hL
Jan 2019	83.72
Dec	84.36
Nov	82.56
Oct	83.26
Sep	79.77
Aug	77.55
July	77.44
June	75.34
May	76.58
April	77.54
Mar	77.05
Feb	75.03

Listed below are the Class 5 prices calculated by the Canadian Dairy Commission.

Class 5 Prices (\$/kg) March 2019			
Milk Class	Butterfat	Protein	Other Solids
Class 5a	7.3253	3.4974	0.8498
Class 5b	7.3253	2.2746	2.2746
Class 5c	7.0393	1.9337	1.9337
Class 5d	contract by contract price		
Class 4m	contract by contract price		

2018-19 Quota Exchange and Credit Deadlines		
Quota Transfer Deadline Date	Credit Transfer Deadline Date	Effective Date
Mar. 18, 2019	Mar. 25, 2019	Apr. 1, 2019
Apr. 16, 2019	Apr. 23, 2019	May 1, 2019
May 17, 2019	May 24, 2019	June 1, 2019
Jun. 17, 2019	Jun. 24, 2019	July 1, 2019
Jul. 17, 2019	Jul. 24, 2019	Aug. 1, 2019
Aug. 16, 2019	Aug. 23, 2019	Sep. 1, 2019
Sep. 16, 2019	Sep. 23, 2019	Oct. 1, 2019
Oct. 17, 2019	Oct. 24, 2019	Nov. 1, 2019
Nov. 18, 2019	Nov. 25, 2019	Dec. 1, 2019

Provincial Average Components January 2019	
Butterfat	4.1715 kg/hl
Protein	3.1839 kg/hl
Other Solids	5.8961 kg/hl

Provincial Milk Quality Averages		
Month	Bacteria Average (IBC)	Somatic Cell Count (SCC)
Jan. 2019	20,971	196,147

Dairy Production Statistics



Quota Exchange Daily Production Quota		
	Total Transferred	Clearing Price/kg
Mar 2019	119.97	\$39,125
Feb	146.90	\$40,040
Jan	175.74	\$39,900
Dec	85.75	\$39,105
Nov	121.93	\$38,865
Oct	121.00	\$39,100
Sep	69.30	\$39,500
Aug	56.20	\$40,980
July	77.50	\$41,020
June	60.64	\$41,000
May	88.63	\$40,375
Apr	193.08	\$39,675
Mar	51.09	\$38,130

Underproduction Credit Transfers		
Month	Kg	Price\$/eligible kg
Feb 2019	86,721.31	\$10.05
Jan	102,870.69	\$9.89
Dec	87,105.40	\$8.46
Nov	85,793.48	\$7.17
Oct	81,249.68	\$6.70
Sep	81,436.34	\$7.71
Aug	75,061.35	\$8.56
July	76,061.27	\$8.79
June	80,013.40	\$9.39
May	101,045.67	\$10.26
April	85,421.27	\$9.45
Mar	102,184.00	\$6.90
Feb	99,197.91	\$4.82

Quota and Milk Production Summary (BF kg)					
Month	December	January	February	March	April
Status	Official	Pre-Pooling	Projected	Projected	Projected
Alberta					
Butterfat Production (kg/day)	92,744	92,931	92,440	93,029	94,333
Provincial Quota (kg/day)	97,472	80,935	87,131	87,303	85,878
Producer Quota (kg/day)	89,942	89,938	93,539	93,539	93,539
Producer Quota + Incentive Credits (kg/day)	92,843	89,938	93,539	93,539	93,539
Cumulative Position (%)	-3.31%	-2.18%	-1.72%	-1.19%	-0.43%
Producer Position (Days)	-3.37	-2.41	-2.70	-2.94	-2.75
Provincial Position (Days)	-11.24	-8.95	-6.60	-4.56	-1.68
Penalty (kg)	0	0	0	0	0
Western Milk Pool					
Butterfat Production (kg/day)	269,181	271,154	271,547	271,888	272,017
Pool Quota (kg/day)	276,951	247,568	247,568	248,056	244,007
Cumulative Position (%)*	-3.04%	-0.96%	-0.96%	-0.18%	-0.71%
Penalty (kg)	0	0	0	0	0

*The Western Milk Pool's (WMP's) limits on production are +0.50% and -1.50% of the WMP's rolling 12-month quota.





services cont'd

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Find out about the Jersey Breed on JerseyWest's website at jerseycanada.com/jerseywest.

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Alberta Production and Quota Update

Source: Jonathan Ntoni, Policy Analyst

Production

Average daily production in January was 2.23 million litres, an increase of 22,934 litres (+1.04 per cent) over December. Butterfat production also rose by 187 kilograms per day (+0.20 per cent) in January relative to December.

Comparing on annual basis, there has been a +5.03 per cent growth in volume in the 12-month period ending January 2019 over the 12-month period ending January 2018; and +6.84 per cent growth in butterfat production for same period.

Quota

Under the new quota system, The WMP's rolling 12-month quota decreased by 0.14 per cent in December over November. Alberta's daily quota issuance rate at the producer level slightly increased under the new system from 99.16 per cent in November to 99.30 per cent in December 2018.

Incentive Days

There are no incentive days issued for the period of January to July 2019. Ten (10) flexible incentive days are in place for the period of August to December 2019 with a utilization limit of three days per month.

Provincial and Pools' Quota Utilization

Cumulative Quota Positions (CQP) as at the end of December 2018 were as follows:

MB	SK	AB	BC	WMP	P5	P10
-4.67%	-1.69%	-3.31%	-2.45%	-3.04%	-1.69%	-2.06%

The WMP under-produced its monthly CDC quota allotment by 240,790 kilograms of butterfat in December 2018.

Spring Producer Meetings

Save the Date

Spring Producer Meetings are just around the corner. This a great opportunity for you to hear about changes happening in the industry, any policy changes, election and most importantly, another opportunity for you to provide feedback on the direction of Alberta Milk.

Registration begins at 9:30 am and the meeting will begin at 10 AM and conclude around 3pm. Please watch your mailbox for further details.

April 9 - Coast Lethbridge Hotel & Conference Center (526 Mayor Magrath Drive South, Lethbridge)

April 10 - Red Deer – Black Knight Inn (2929- 50 Avenue, Red Deer)

April 11 - Westlock – Hazel Bluff Community Hall (AB-18, Westlock County)

April 12 - Leduc – Executive Royal Inn (8450 Sparrow Drive, Leduc)



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