



YEAR IN REVIEW
2014-15



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TOM KOOTSTRA
Chairman of the Board

CHAIRMAN'S MESSAGE

Having joined the Board as a director in November of 2006, I have reached a milestone in that after nine years on the Board, seven years as an executive committee member and two years as chairman, I now face a mandatory step-down. It has been a rewarding, challenging and extremely educational experience. I have learned a lot about our industry and about the people in it. This last year, as you will read throughout our 2014-15 annual report, has been very challenging. I am pleased to report that having adopted key strategic priorities, the Board of Alberta Milk diligently addressed the challenges and opportunities we had.

Much of what we have accomplished was done in collaboration with our industry partners, stakeholders and government officials. We seemed to be faced with never ending pressure from the media to change or

abolish supply management. These challenges were wrought with misinformation, misconceptions and false expectations. International trade discussions have been the driving force for the criticisms of our industry. The Trans-Pacific Partnership remains as the key international trade negotiation. In July, it was believed that the ministerial conference would lead to a conclusion of the discussions. While much progress was made, a number of key issues were not resolved, one being agriculture, so the negotiations continue. The final details of the Comprehensive Economic and Trade Agreement (CETA) with the European Union are still being finalized as the agreement is drafted and translated. The complete impact can only be measured once the agreement is fully ratified. Meanwhile, the WTO negotiations continue to stall and there is little progress to report. We have to wonder if the bi-lateral and



multi-lateral agreements have taken away from the WTO negotiations or are they a result of the lack of progress being made on the world trade front.

We worked diligently with the other Alberta Supply Management members (poultry and egg sectors) in our government relations efforts. First with the change in leadership within the Conservative Party of Alberta, then followed by the provincial election that saw the New Democrats take the reins in Alberta. The critical job ahead of us is to build a relationship with the new Government and for the new administration to have an understanding of our industry's opportunities and challenges. I must thank the department of Agriculture and Forestry for their continued support. The department, the Agricultural Products Marketing Council, and the Alberta Livestock and Meat Agency remain committed to our industry and are actively supportive of our strategic growth.

We have adopted a new dairy animal care policy and worked with the other livestock groups in Alberta to assess and address farm safety in Alberta. This is an initiative to maintain consumer trust in our farming practices but equally as important simply because it is the right thing to do. Sustaining our social license to operate is fundamental to our future.

Our efforts to implement a New Market Environment for the Canadian Dairy Industry gained momentum this year with the engagement of the processing sector. While the discussions with them have taken longer to initiate than I would have envisioned, I am pleased that the negotiations are happening. We need to act fast or I

believe others will act for us and that is not in the best interest of the industry as a whole.

We conducted two external reviews this year: a review of the transportation of raw milk and one on our communications activities. The recommendations presented are starting to be addressed. While details of the reviews are documented elsewhere in this report, I am convinced that the recommendations will help Alberta Milk move forward and strengthen our organization.

“I am pleased to report that having adopted key strategic priorities, the Board of Alberta Milk diligently addressed the challenges and opportunities ahead.”

The engagement of the participants in our second Next Generation Forum left me excited about the future. Nearly fifty young dairy producers had the opportunity to learn more about the industry and provide feedback to Alberta Milk on the issues and opportunities we have. I trust that they will stay engaged and provide strong leadership for the organization in the future.

Let me conclude with a heartfelt thank you to my fellow directors, industry leaders from across Canada, and the staff for their dedication, passion and commitment to the betterment of our industry.

OUR COMMITMENT TO PRODUCER GOVERNANCE

The Board regularly assesses Alberta Milk's business strategy through monthly updates from management as well as mid and year-end reviews. This past year, the Board also completed a risk assessment specifically to review, question and challenge different elements of our strategy.

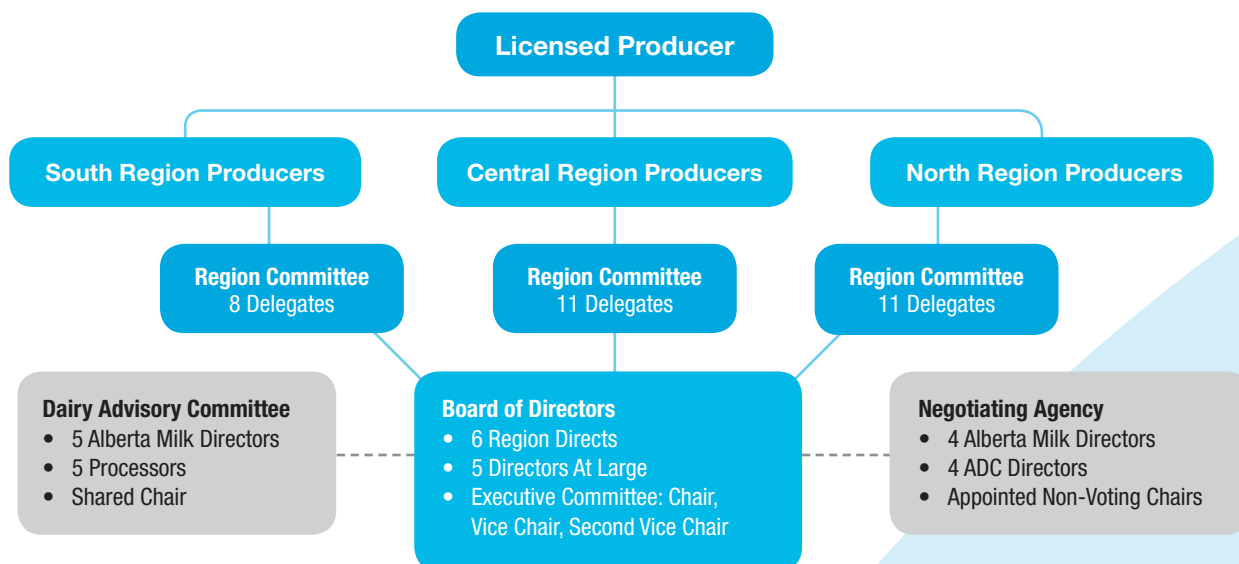
The region committees are instrumental in providing input into issues the Board is addressing. On average, the region committees meet four times yearly and are an essential conduit of information to Alberta Milk and to the Alberta Milk Board.

Bernie Grutterink, (Central Region) stepped down as delegate this year. In turn, Alberta Milk welcomed two new delegates: John Wurz in the North Region and Rien Meinen in the Central Region. These new delegates all participated in the new delegate orientation program

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.

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 updates on the proAction® Initiative and the Lakeland College proposal. Gilles Froment, from the Canadian Dairy Commission (CDC), presented information on CDC strategies on industry development and Caroline Emond, the CEO of Dairy Farmers of Canada (DFC), provided an update on DFC activities. Delegates also participated in a communications working session presented by ENSight Canada. The session concluded with an overview of the Plant of Last Resort agreement and milk movement in the Western Milk Pool.

GOVERNANCE STRUCTURE





Board of Directors

Sitting L - R: Martin Van Diemen; Tom Kootstra, chairman; Jim Towle; Wim Ruysch;
 Standing L - R: Lorrie Jespersen; Gezinus Martens; Arnold Van Os; Albert Kamps, vice chair; Albert De Boer;
 Heini Hehli; second vice chair; Klass Vander Veen

2014-15 DELEGATES BY REGION

NORTH REGION

Alain Lavoie
 Tim Hofstra
 Arnold Van Os
 Tom Kootstra
 Albert De Boer
 Wim Ruysch
 Bart Bikker
 Allan Child
 Lorrie Jespersen
 Gezinus Martens
 John Wurz



CENTRAL REGION

Jim Towle
 Albert Kamps
 JP Brouwer
 Dineke Philipsen
 Willem Vanderlinde
 Pieter Ijff
 Alfons Ten Brummelhuis
 Rien Meinen
 Heini Hehli
 Gert Schrijver
 Cornelis van't Klooster



SOUTH REGION

Michael Vanden Dool
 Bill Van Rootselaar
 Martin Van Diemen
 Stuart Boeve
 Conrad Van Hierden
 Klaas Vander Veen
 Gerald Weiss
 Brian Stoutjesdyk



2014-15 ALBERTA MILK COMMITTEES

Committees	Directors	Delegates
Animal Health & Environment Committee	Heini Hehli, Lorrie Jespersen, Martin Van Diemen	Allan Child, Tim Hofstra, John Wurz, Gert Schrijver
External Associations:		
Agri –Environmental Partnership	Lorrie Jespersen	Allan Child
Alberta Beef Producers	Lorrie Jespersen	
Alberta Farm Animal Care	Martin Van Diemen	Gert Schrijver
Intensive Livestock Working Group	Martin Van Diemen	
Policy Advisory Group	Martin Van Diemen	
Biosecurity Champions		John Wurz
Alberta Farmed Animal Health and Welfare Strategic Framework		Tim Hofstra
Healthy Dairy Herds	Heini Hehli, Tim Hofstra, Allan Child	
BSE Working Group	John Wurz	
proAction Advisory Committee	Martin Van Diemen	
proAction Biosecurity Working Group	Heini Hehli	
Corporate Affairs Committee	Klaas Vander Veen, Albert Kamps	Bill Van Rootselaar, Dineke Philipsen, Michael Vanden Dool
Dairy Advisory Committee	Tom Kootstra, Albert Kamps, Heini Hehli, Jim Towle, Arnold Van Os	
Dairy Farmers of Canada	Tom Kootstra, Albert Kamps, Heini Hehli, Albert De Boer, Arnold Van Os, Klaas Vander Veen	
DFC Board Member	Albert De Boer	
BalanceCo	Albert Kamps	
Finance Committee	Jim Towle	Alain Lavoie, Conrad Van Hierden, Gerald Weiss
Market Development Advisory Committee	Arnold Van Os, Albert De Boer	Bart Bikker, Alfons Ten Brummelhuis, JP Brouwer
External Associations:		
Strategic Milk Alliance	Arnold Van Os, Albert De Boer	
Western Milk Marketing Partnership	Arnold Van Os, Albert De Boer	
Milk Quality, Component and Measurement Advisory Committee	Klaas Vander Veen, Martin Van Diemen	Brian Stoutjesdyk, Tim Hofstra, Rien Meinen, Peter Ijff
Can West DHI Board	Wim van de Brake (Alberta representative)	
Research & Extension Advisory Committee	Wim Ruysch, Gezinus Martens	Dineke Philipsen, Gert Schrijver, Pieter Ijff, Conrad Van Hierden
Transportation Advisory Committee	Klaas Vander Veen, Wim Ruysch	Willem Vanderline, Cornel van't Klooster, Stuart Boeve

Committees	Directors	Delegates
External Associations		
Canadian Bovine Mastitis Research Network		Dineke Philipsen
DRECA Partnership Committee		Dineke Philipsen, Mike Slomp (staff)
Farm Management Advisory Committee (DRTC)	Pieter Ijff, Wim Ruysch	
Western Canadian Dairy Seminar (WCDS)	Gezinus Martens, Pieter Ijff	
Extension and Technology Transfer Advisory Team	Dineke Philipsen, Wim Ruysch	
Funding Consortium (unofficial sub-committee)	Pieter Ijff, Gert Schrijver	





MIKE SOUTHWOOD
General Manager

GENERAL MANAGER'S REPORT

I am pleased to provide a snapshot of the progress Alberta Milk has made over the last year. The 2014-15 year challenged our organization to seek new opportunities in the face of obstacles and I feel confident that our decisions reflect the best interests of dairy producers in Alberta.

Receiving timely and relevant information is important for our members and is a core function of Alberta Milk. As an organization, we continually strive to ensure that members have the information and tools they need to assist them in managing their farms, advocating for the industry and understanding the issues and challenges that we face. In August, we implemented a new service that provides producers with the option to receive their latest milk test results by email. We also added two new webpages on our member's only website that serve to improve viewing milk test results. Fax or email alerts for

producers that may have a milk quality issue were also added to help ensure that corrective actions can be taken in a timely manner. Updates such as this assist farmers to produce the highest quality milk.

Tools to help producers advocate for the industry were also developed and distributed to assist with messaging about our industry during the 2015 Alberta provincial election. The election resulted in a complete change in government and as a result, we continue to develop communications materials to help producers build new relationships and ensure that our industry is understood and supported by the new faces in the Government of Alberta. Additional resources were provided by both Alberta Milk and Dairy Farmers of Canada to address misinformation in the media during the Trans-Pacific Partnership trade negotiations.



I would like to thank and acknowledge all the 53 volunteer producers coordinated by the East of Olds Dairy Study Group and the Southern Alberta Holstein Club who successfully hosted their third Breakfast on the Dairy Farm this June. This event aims to battle the misconceptions about dairy farming. We also thank the dairy producers that opened up their farms to the public during Open Farm Days. This two-day event gives Albertans an opportunity to experience farm life and understand where their food comes from. Events like these go a long way in showcasing our industry to consumers.

“As an organization, we continually strive to ensure that members have the information and tools they need to assist them in managing their farms, advocating for their industry and understanding the issues and challenges we face.”

Two resolutions from the 2014 annual general meeting resulted in the implementation of a new producer service and changes to our New Entrant Assistance Program. Alberta Milk investigated and developed the methodology that will authorize the settlement of underproduction credit transfers through the producer pay process. This initiative is on a voluntary basis when mutually agreed upon between both transacting producers. To enhance the sustainability of our industry, modifications were made to the New Entrant Assistance Program to provide those that qualify a better opportunity to succeed. As a result, the amount of quota loaned was increased from 15 kg/day to 25 kg/day, and is now provided at a 2:1 ratio of loaned to owned quota,

and the duration of the quota loan has also been extended from seven to 10 years.

To further enhance the development of young producers and farm workers, Alberta Milk has partnered with Lakeland College by providing the use of up to 120 kg of total production quota. This will greatly assist the College with their proposed expansion that will enhance their ability to provide practical training for future employees.

Accelerating the development of the outstanding elements under the proAction® Initiative was supported by all Dairy Farmers of Canada (DFC) members. The parameters for the animal welfare assessment module, biosecurity and the environment were adopted at the 2015 DFC AGM. As part of the development of the animal welfare module, 15 Alberta dairy farms took part in the pilot project. The results from this will greatly aid in the development of the module. The results were also shared with producers to increase the awareness of this element of proAction.

Club Moo celebrated its 30th anniversary having begun in 1985. Six of the original nine elementary schools across the province are still Club Moo members. To celebrate, Alberta Milk sponsored a milk and cookie day for these schools! This past year, we had 341 schools on the program, reaching over 65,000 students in the province. As well, our team of nutrition educators launched two new school programs. Power to Be Me, our new junior high nutrition program was adopted by 69 teachers thereby reaching over 1,000 junior high students. The Milk Slam program was also introduced in 278 Alberta high school, college and university cafeterias resulting in 5,200 students entering this promotion. These programs are in addition to the host of agricultural events, festivals and in-store promotions that see us reach thousands of consumers each year.

All of these successes are a testament to the commitment the staff at Alberta Milk have to the dairy industry and our membership.



Daria Taylor



Sheldon Appleyard



Linda Mielke



Dongwei Tao

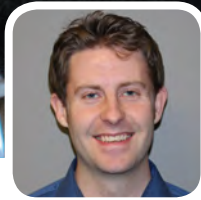
OUR COMMITMENT TO STAFF

Creating a positive culture among staff is a priority for Alberta Milk. In the past year, staff celebrated many accomplishments and navigated a variety of changes. We recognized three staff member's length of service milestones with our organization: 10 years – Melinda Falkenberg-Poetz; five years – Kim Skolarchuk and Mike Slomp.

As well, this past year also brought few changes to staff. Ben Scarbeau and Shawn Fonseca left the IT department and Sheldon Appleyard joined our team. In the Marketing, Nutrition and Education department, Melinda Falkenberg-Poetz resigned and Kelsie Gilks joined as the school and agriculture program coordinator.

Providing staff with continual learning opportunities is more than just offering staff with individual courses or conferences that enhance their knowledge in their particular field. Through our Lunch 'N' Learns and Work On Wellness Program, we provided two sessions on financial planning. Additionally, our office provided the opportunity for team members to interact in a social environment that improved workplace relationships and team productivity. At this event, we showcased each department and individual staff roles to demonstrate how we all work together to accomplish the Alberta Milk Business Plan. Partnered with summer barbeques, our Christmas party and a celebratory pizza party hosted by Dairy Farmers of Canada to mark Domino's Pizza using only 100 per cent Canadian milk, we strive to build a positive community within the Alberta Milk staff.





Forrest Evans



Gerd Andres

OUR COMMITMENT TO RELIABLE DAIRY PRODUCTION

MILK PRODUCTION

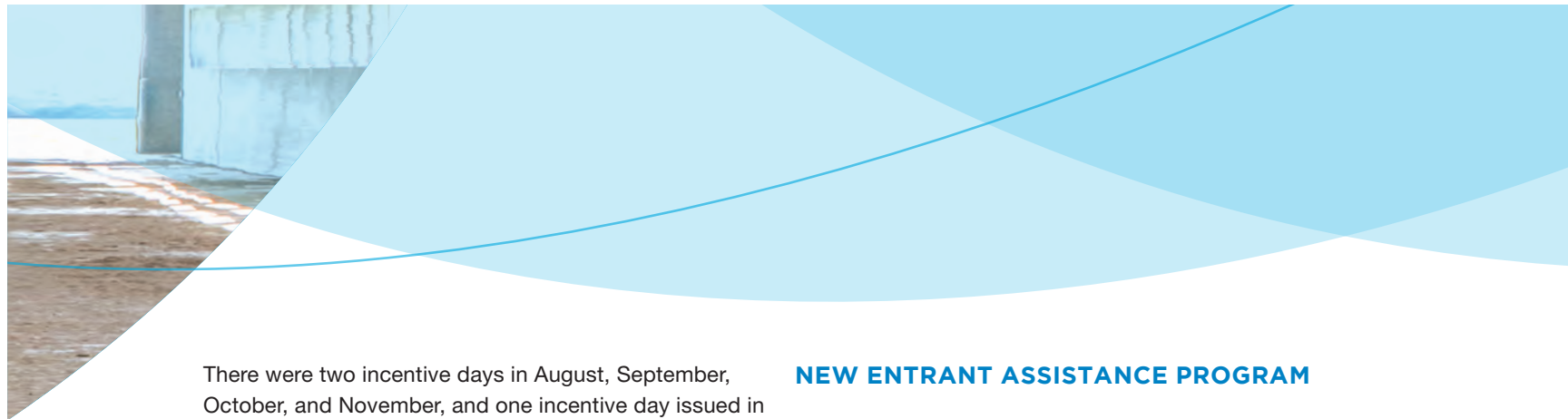
In 2014-15, Alberta's 540 dairy producers shipped 689,862,228 litres of milk, representing 8.57 per cent of Canadian milk production. The average butterfat content of this milk was the highest on record at 4.001 kg/hl, surpassing the previous record high 3.958 kg/hl in 2013-14. Because of this record high butterfat density and strong milk volume, Alberta produced a total of 27,604,584 kg of butterfat this past year. The volume of milk, butterfat density, and total kilograms of butterfat produced in Alberta in 2014-15 were the highest in history, making this a banner year for dairy production in Alberta.

Despite record high production, Alberta lost some production opportunity in September, October, November, and December, amounting to a total of 246,635 kg of butterfat that Alberta missed out on producing in 2014-15. Alberta remained at or below its 1.50 per cent lower flexibility limit for only those four months, and remained within its flexibility limits the rest of the year. Every other Western Milk Pool province

exceeded its lower flexibility limit in October, November, and December, while Manitoba also exceeded it in September. This resulted in a lost production opportunity for the Western Milk Pool (WMP) as a whole of 709,180 kg of butterfat. No provinces in the WMP paid any penalties due to overproduction this year.

TOTAL PRODUCTION QUOTA AND UNDERPRODUCTION CREDITS

Alberta's 2014-15 provincial Total Production Quota (TPQ) was 27,641,687 kg of butterfat, an increase of 4.54 per cent from the 2013-14 level of 26,441,215 kg of butterfat. There were four TPQ issuance adjustments for producers in 2014-15, a two per cent increase on September 1, a 1.50 per cent increase on November 1, a one per cent increase on March 1, and a one per cent increase on July 1. These TPQ issuance adjustments were issued in response to demand in the fluid and industrial dairy product markets, which directly result in the quantity of Fluid Quota and Market Sharing Quota that Alberta receives.



There were two incentive days in August, September, October, and November, and one incentive day issued in each of December, January, and February. The robust increases in TPQ issuance and unusual schedule of incentive days were in response to rapidly increasing demand for dairy products in 2014-15, particularly in industrial dairy product markets. Alberta Milk also added 10 incentive days a month for organic producers starting in January and continuing through the end of 2015 to support the growth of organic production until additional farms are transitioned to organic production.

The total amount of TPQ transferred via the quota exchange in 2014-15 was 1252.68 kg/day, while the total amount of TPQ transferred via private transfers was 447.90 kg/day, resulting in 22.39 kg/day of that TPQ being surrendered to Alberta Milk. There was also 935,712 kg of underproduction credits transferred between producers in 2014-15.

SOLIDS NON-FAT (SNF/BF) BUTTERFAT RATIO LIMITS

The record high butterfat density this year resulted in Alberta comfortably achieving production of SNF below its provincial SNF/BF Ratio Limit. Alberta's provincial SNF/BF Ratio Limit was 2.4030, and Alberta produced a ratio of 2.2555 this year. This was the second lowest SNF/BF ratio in the WMP behind Saskatchewan, and helped the WMP provinces meet their collective pool limit of 2.4030, with production this year in the WMP resulting in a ratio of 2.2844.

The number of producers who exceeded the producer SNF/BF Ratio Limit of 2.4167 in 2014-15 was 26, as listed in the following table.

2014-15 Producer SNF/BF Ratio	Exceeded Limit	Did Not Exceed Limit
2.4167	26	514

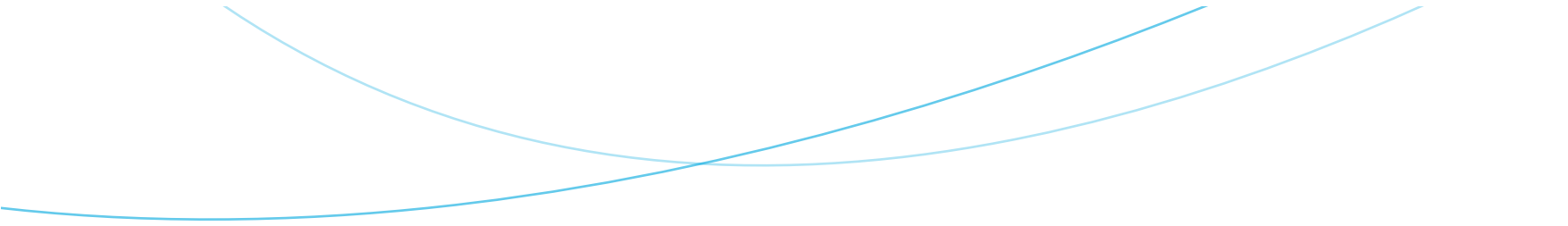
NEW ENTRANT ASSISTANCE PROGRAM

The goal of Alberta Milk's New Entrant Assistance program is to assist passionate, knowledgeable individuals and families who want to start a dairy farm by alleviating some the start-up costs of dairy farming. This program strives to accomplish this goal by loaning a small amount of the province's Total Production Quota to successful applicants to assist them in establishing a viable dairy farm. The New Entrant Assistance Program was revised significantly this past year. The quota loan is now provided at a 2:1 ratio of loaned to owned quota, allows a maximum loan of 25 kg/day of TPQ, and is provided for up to 10 years. In the fifth year of the New Entrant Assistance Program, five applications were received and one applicant was accepted into the program.

P10 NEW MARKET ENVIRONMENT

The New Market Environment for the Canadian Dairy Industry is a producer developed proposal on options to modernize the Canadian dairy industry or more specifically a proposal that provides options to address key issues facing producers and processors. In response to the producer proposal in January, the processing sector presented their counter proposal the National Dairy Processor Proposal for a Modernized Canadian Dairy System. This proposal was developed by a special working group the National Dairy Processor Working Group on Modernization.

Having both the producers and the processors committed to discussing the solutions to move the industry forward, a negotiating team consisting of 10 representatives from the producer organizations and Dairy Farmers of Canada and the processing sector has been struck. A mutually agreed upon facilitator has been hired to assist the negotiations. Key principles of the negotiations are nothing is agreed until everything is agreed, WTO trade compliant, and the supply management system is to be preserved. Technical analysis will be provided by the National Market Intelligence Committee on which Alberta Milk has a technical member.



The negotiations have started and we are optimistic that a conclusion will be reached this upcoming year.

CANADIAN MILK SUPPLY MANAGEMENT COMMITTEE

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, quotas, 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 CDC in policy development and economic analysis.

CMSMC approved the CDC's refund of \$27.388 million, to which Alberta's producers received \$1.866 million. Additionally, the CMSMC agreed to increase the growth allowance (GA) from one to two per cent. As a result of this increase, the two pools (P5 and WMP) will no longer move milk between the pools if an imbalance in processing occurs. There was approximately 3.9 million litres of milk moved from Manitoba (WMP obligation) to Ontario at a national pooled cost of over \$700,000, because of last years' Class 2a and 3a growth-on-demand shared on 10/90.

The CDC implemented two new programs this year – Storage Assistance for Cheese (SAC) and Butter eligibility for Dairy Innovation Program (DIP). The SAC program covers cheese storage costs to manufacturers for six months due to high surplus milk production. Butter currently is not eligible for DIP. Due to modern technology, there is potential for growth in special butter products, thus the inclusion in DIP where price reduction is also available.

In 2013-14, CMSMC moved forward with the CDC Planned Cheese Export Program within the planned export limits that is based on sharing of credits and revenue. This past year, CMSMC modified the program to include all dairy products for export. The reason for expanding the export program is that currently there is fluid milk being exported and CDC sees the potential to also export other dairy products, in addition to cheese.

The annual Cost of Production budget was \$591,900. CDC contributed \$200,000 to the budget and the provinces contributed the balance. Alberta contribution was \$48,685.

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.

This year, the WMP finalized the pooling of all fluid add-ons. Pooling of the environment compliance program started in August 2014 and the inhibitor pre-screening started on May 1, 2015. The quality bonus program, milk metering/shrink program and the administrative add-on were implemented last year.

The WMP supported additional actions regarding skim milk costs over and above the Plant of Last Resort Agreement. The reason for this approval was that the processing landscape in the WMP changed significantly due to plant closures. At times there was over 800,000 litres of milk coming weekly from Manitoba to Saskatoon. This resulted in a cascading effective of milk moving from Saskatoon to Alberta and then milk from Alberta moving to Abbotsford, BC. The cost to Alberta producers for this WMP milk movement was over \$1 million.

Due to increase in the GA, the WMP needed to amend its one per cent growth allowance policy and seek new applications for that milk. Several processors in the West thus received additional or new milk. In March 2015, the P5 (eastern Canada) and WMP agreed to an industrial milk price adjustment (decrease) that reflected their respective pool conditions on components.

HARMONIZED MILK CLASSIFICATION SYSTEM

Class	Dollars Per Standard Hectolitre	Definition of Eligible Products
Class 1(a)	\$95.11	Fluid Milk - Skim, 1%, 2%, 3.25%, Egg Nog
Class 1(b)	\$94.31	Cream - 10%, 18%, 35%
Class 1(b1)	\$46.35	Cream - Used in Fresh Baked Goods
Class 1(c)	-	Innovative Fluid Milk Products
Class 1(d)	\$83.35	Fluid Milk Sold in Canada, Outside Provinces
Class 2(a)	\$81.03	Yogurts
Class 2(b)	\$81.00	Sour Cream, Ice Cream
Class 3(a)	\$78.74	All Cheeses Except Those in Classes 3(b), 3(c), and 3(d)
Class 3(b)	\$77.44	Cheddar, Cream Cheese, Cheese Mixes
Class 3(c)	\$78.69	Asiago, Colby, Feta, Gouda, Havarti, Swiss, Mozzarella
Class 3(d)	\$67.14	Mozzarella - Used on Fresh Pizza
Class 4(a)	\$77.15	Butter, Milk Powder, Concentrated Milk
Class 4(a1)	\$51.28	Non-Standardized Cheese Products
Class 4(b)	\$77.65	Concentrated Milk
Class 4(c)	\$65.76	Innovative Industrial Milk Products
Class 4(d)	\$78.52	Inventories
Class 4(m)	\$8.03	Marginal Markets
Class 5(a)	\$49.77	Cheese Used in Further Processing
Class 5(b)	\$46.95	Other Dairy Products Used in Further Processing
Class 5(c)	\$34.26	Dairy Products Used in the Confectionery Sector
Class 5(d)	\$28.85	Planned Exports

All Values are for the 2014-15 Fiscal Year for the Western Milk Pool Provinces





Kelly Mauthe



Jim Eisen

Congratulations to the
2014-15 Provincial Milk
Quality Award winner:
Sylvanside Dairy.

OUR COMMITMENT TO MILK QUALITY

Alberta producers continue to show a commitment to safe and high quality milk production. Alberta Milk has two programs to assist and recognize producers for their excellent efforts: the monthly milk quality bonus and the annual Provincial Milk Quality Award.

MONTHLY MILK QUALITY BONUS

Every month producers who meet the milk quality bonus standards receive a monetary bonus. In 2014-15, just over 71 per cent of our producers met the standards every month.

PROVINCIAL MILK QUALITY AWARD

Congratulations to the 2014-15 Provincial Annual Milk Quality Award winner: Sylvanside Dairy.

A total of 156 producers (29 per cent) qualified for the award this year. In order to qualify, their milk must meet the demanding milk quality parameters.

Milk Quality Parameter	Milk Quality Bonus	Milk Quality Award
Bacteria	An average of 30,000 cells/ml or less	An average of 15,000 cells/ml or less
Somatic Cell Counts	An average of 250,000 cells/ml or less	An 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

- In the top ten ranking farms, there is: one from the North region, three from Central, and six from the South region
- Three per cent of qualifiers have an automatic milking system
- Hutterite colonies comprise 37 per cent of qualifiers

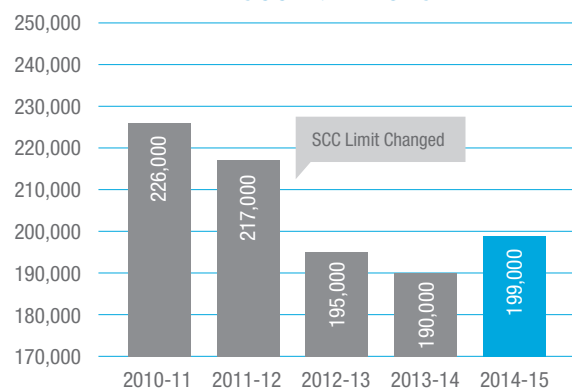
Top 5 Ranking Farms in Milk Quality in Alberta		
1	SYLVANSIDE DAIRY LTD.	Central
2	CAYLEY HBC	South
3	THOMPSON HBC	South
4	WINTERING HILLS HBC	South
5	TEN BRUMMELHUIS DAIRY LTD.	Central

SOMATIC CELL COUNT

The number of somatic cells in milk, referred to as the somatic cell count or SCC, is used throughout the world as an indicator of milk quality. This was the third straight year that saw the Alberta provincial bulk tank SCC average below 200,000 cells/ml and continues the trend to lower SCC's following the regulatory change to 400,000 cells/ml across Canada in August of 2012.

Monthly monitoring continues to show that bulk tank SCCs peak during summer (June through September) when higher temperatures and humidity provide conditions more favorable for bacterial growth. In 2014-15, Alberta monthly average SCCs were highest during August (223,000 cells/mL) and lowest in January (187,000 cells/mL).

ALBERTA YEARLY SCC AVERAGES



MILK MEASUREMENT

Accuracy in milk measurement is also a priority for Alberta Milk. The on-farm Bulk Milk Tank Calibration Program calibrates all new tanks as required and re-calibrates existing tanks every five years. This past year, Alberta Milk extended its contract with International Dairy Calibrations Alberta Ltd. for another five-year term.

AMENDMENT IN SOMATIC CELL COUNT PENALTIES

The Milk Grade and Price Program provides for warnings, pay statement deductions, and licence suspensions and cancellations when a producer's milk quality does not meet regulatory standards. Each year, a few producers accumulate enough SCC violations each year that result in suspensions/cancellations for reaching SCC Grade Level 6, 7 or 8.

The policy amendment approved by the Board in 2014 and adopted into regulations in 2015 (pending) is to adopt a more strict suspension criterion that involves a minimum cessation of milk shipments for a period of time.

SCC Grade 6: automatic six day shutoff plus a 15 per cent penalty

SCC Grade 7: automatic 12 day shutoff plus a 15 per cent penalty

SCC Grade 8: cancellation plus a 15 per cent penalty

This proposed policy change carries on the escalating effect of the penalty program. A producer at a suspension level has previously had five months of penalties (SCC average over 400,000 cells/ml) before getting to the suspension level. Staff at Alberta Milk are in constant contact with a producer that reaches these levels thus there is ample warning given before an automatic suspension at Grade 6. Producers who are shutoff will not be able to accumulate underproduction credits for the time they are not shipping.



Bill Beisal



John Mann



Heather Gillis

OUR COMMITMENT TO THE TRANSPORTATION OF RAW MILK

Transportation remains an important part of Alberta Milk's operations. The increase in milk production this past year has been a challenge to maintain efficiencies within the transportation system. The trucks on the road each day have increased from 57 up to 58 (with a yearly value average of 58). The number of routes these trucks pick up every two days has increased from 139 up to 145 with a yearly average of 142. The monthly average route volume has varied from 25,960 up to 27,396, which means the trailers have been operating at 93 per cent efficiency.

Another challenge within the transportation system has been the activity of the processing plants within the Western Milk Pool (WMP). In past years, milk was always shuffled from the west to the east, however, for most of this year milk has been shuffled from the east to the west. This change in the direction of milk movement, coupled with the WMP plant shutdowns for maintenance and renovations, has effected the dispatching of load destinations in Alberta.

These load destinations affect the daily hours and kilometers of each route. For example, a route based in central Alberta can be dispatched to plants in Edmonton, Red Deer, Calgary, Lethbridge, Glenwood, and Saskatoon. The further it travels the higher the hours and kilometers. Thus, the daily average kilometers for each route per month have varied from 20,881 up to 22,851 with a yearly average of 21,740. The average route kilometers for each month have varied from 292 up to 326 with a yearly average of 307.

TRANSPORTATION ADVISORY COMMITTEE

The Transportation Advisory Committee (TAC) continues to work on policies and issues affecting the

transportation of raw milk. This past year, the Committee completed a revision to the Extra Pick Up (EPU) policy and the revision was approved by the Board and will start August 1, 2015. This policy deals with producer pickups that are outside of the normal every two day pickup schedule. The main revision was to go to a flat rate fee charge to all producers receiving EPU and eliminate the mileage charges for EPU. If the EPU is because the bulk milk tank capacity is inadequate and it's being used for volume management, then the flat rate fee will apply for a minimum of two months. The Committee is continuing to review and work on the EPU policy with the goal of combining it with the Dual Tank policy.

The Committee was also involved with the review of the transportation formula that was commissioned by the Board. The Committee helped in the selection of the consulting company and putting forth a recommendation to the Board. The consultant reported that the formula is valid and it does what it was designed to do. The elements of the new costing model are consistent with what would be expected by industry best practices. The reality is that the new formula is now more closely tied to labour costs and fuel use/costs than in the past. It was suggested to adjust four variables. When the adjustments are made the total cost per km would decline by \$.14 which is approximately five per cent lower than the unadjusted result. The TAC reviewed the consultant's final report and made recommendations to the Board. The results of the review will be implemented in 2015-16.

As well, Alberta Milk wrapped another five tankers bring the total to 31 milk tankers on routes across the province. These wrapped tankers provide a vibrant and eye catching way of identifying trucks carrying fresh milk from Alberta farms.



Mike Slomp



Jodi Flaig

OUR COMMITMENT TO MAINTAINING TRUST

Animal care is critically important for our farmers, but also for our consumers. Alberta Milk has many priorities and initiatives to ensure we meet, exceed and move the welfare of dairy animals forward.

PROACTION®



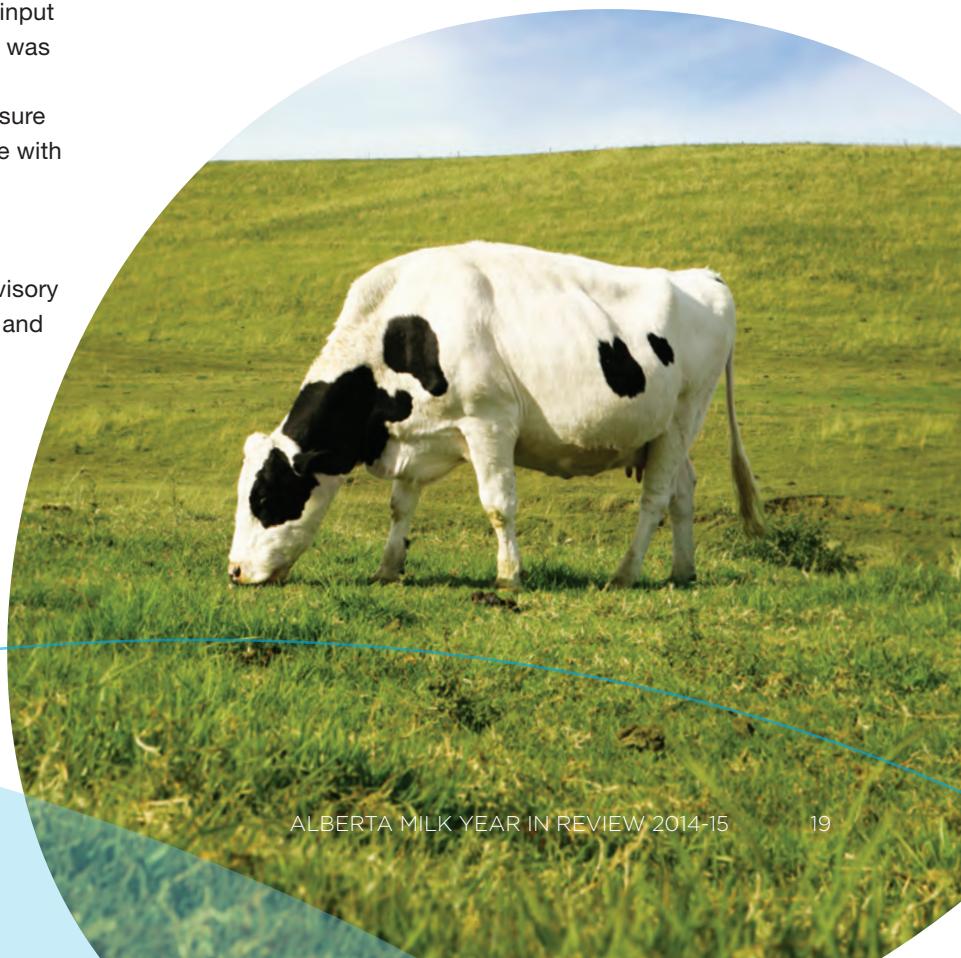
proAction was initiated to show how farmers responsibly produce milk. Through the program, farmers offer proof to

customers that they work to ensure milk quality and safety, and to continually improve animal health and welfare as well as environmental stewardship. The design and development of proAction has been a productive challenge over the last year as each of the remaining four modules have come together. The input from the producer representatives across Canada was essential to the success in developing meaningful content and critically analyzing the modules to ensure they were in-line with the principles of the initiative with the first one being: proAction will be designed by farmers for farmers.

Alberta Milk's Animal Health and Environment Advisory Committee has actively participated in the review and discussion of all material and helped to provide feedback and suggestions.

proAction Traceability Module

Building on existing and anticipated legislation, many of the requirements for this module were known early on in its development. Alberta Milk took advantage of this opportunity and worked with the national traceability module coordinator, Mélissa Lalonde, Alberta Agriculture and Forestry Field Office Administrators and Canadian Cattle Identification Agency mobile field representatives. All attended the Alberta Milk booth during the 2015 Western Canadian Dairy Seminar and the four Alberta Milk Spring Producer Meetings to answer any producer questions or assist with obtaining a Premise Identification Number. Based on these conversations, Alberta dairy producers should be commended for their traceability efforts to date.



proAction Animal Care Module

As a follow-up to the initial animal care assessment pilot project in 2013-14, a second pilot project was delivered in late fall 2014 and early winter 2015. Fifteen Alberta dairy farms participated in the second pilot project offering their time, access to their farms, voluntary participation of their veterinarians and providing that all important feedback. In completing the animal care assessment, three areas are measured: body condition scoring, injury (neck, knee and hock) and lameness. Results of the assessments from the 15 farms would indicate that research and extension has been focused in the right area – hoof health and digital dermatitis.

The proAction traceability and animal care modules have just entered a two-year education and awareness phase in every province across Canada prior to their first validation in September 2017.

proAction Biosecurity Module

Biosecurity is becoming increasingly important to the Canadian dairy sector. The emergence of cattle diseases around the world and even close to home in recent years has had a major impact on the cattle industry and serves as a warning sign of the need for a national approach to cattle biosecurity in Canada. On-farm biosecurity risk management practices such as those implemented through the successful Alberta Johne's Disease Initiative will lead to healthier animals and improved animal welfare and also help to minimize or prevent the introduction of infectious disease agents which could have an adverse effect on the dairy industry. This module is scheduled for pilot testing in each of the provinces in the near future.



ALBERTA FARM ANIMAL CARE



The Alberta Farm Animal Care (AFAC) launched a two-year Cattle Benchmarking project in spring 2015. It is supported by Agriculture and Agri-Food Canada, Alberta Agriculture and Forestry, Alberta Auction Markets Association, Alberta Beef Producers, Alberta (and National) Cattle Feeders Association, Alberta Milk, Canadian Cattleman's Association and the University of Calgary. The project will evaluate and record the condition of cattle arriving at auction markets and abattoirs. This data will be evaluated to determine root causes of unfit and compromised cattle arriving at these locations and help the industry to focus its communication and suggest changes as may be needed.

AFAC also coordinated and facilitated the Compromised Cattle Roundtable with representatives from all parties involved in the Cattle Benchmarking project as well as Cargill, JBS, independent auction markets and livestock transport companies. The roundtable was essential in bringing all involved parties together to share their concerns, frustrations and solutions as market cattle welfare remains an immediate topic of interest.

At the request of producers and industry, AFAC published the second edition of the *Humane Handling Guidelines: Standards for the Transport of Unfit Cull Animal*. The guidelines are an easy reference when making transport decisions and available for producers, transporters, auction markets, abattoirs and compliance agents.

HEALTHY DAIRY HERDS

The 2014-15 year saw the Alberta Johne's Disease Initiative fully transition into the Healthy Dairy Herds (HDH). HDH, as the name implies, will work on multiple health issues challenging Alberta dairy producers. The health issues as selected by the producer and industry representatives on the HDH committee include: digital dermatitis, leucosis, BVD and Johne's disease. The University of Calgary remains actively engaged in the initiative bringing research findings to producers and taking producer questions and concerns to the research leaders in the area of infectious diseases.

In parallel to the work of Healthy Dairy Herds, Alberta Milk and other livestock industry partners including Alberta Agriculture and Forestry, have invested time in being prepared to address potential rare disease issues which could have grave consequences for the livestock sector (eg: Foot and Mouth, BSE, etc). Over the past year, Alberta Milk participated in two livestock disease emergency response consultations and simulations. Each of these opportunities allowed Alberta Milk to refine and build on its existing plan and to strengthen relationships with government and producer groups, relationships that will be invaluable in the time of a livestock disease crisis.

OUR COMMITMENT TO ADVANCING RESEARCH

Alberta Milk was successful in leveraging funding for six production research projects in 2014-15. The projects funded were undertaken by Alberta Agriculture and Forestry and the universities of Alberta and Calgary and focussed on calf health, digital dermatitis, feed efficiency, leucosis and reproductive genetics and management.

The success of bringing these projects to action was initiated by the Research and Extension Advisory Committee's (REAC) second annual research presentation meeting. At this event, Alberta Milk invited researchers to present their project proposals. This was a great opportunity for REAC to preview dairy-related project proposals and to engage the researchers in a discussion of their proposal. These discussions were beneficial to ensure the proposals were in line with Alberta Milk's research priorities and also addressed current dairy producer needs including on-farm implementation. Proposals were also expected to display collaboration with other researchers. This preview also provided the opportunity for productive dialogue which led to project modifications or consideration of additional funding sources. All of this activity yielded an increased funding leverage ratio on Alberta Milk's research assessment funds.

A total of 14 project proposals from the universities of Alberta, British Columbia, Calgary, Saskatchewan as well as Alberta Agriculture and Forestry and Agriculture and Agri-Food Canada were presented to REAC.

DAIRY RESEARCH AND EXTENSION CONSORTIUM OF ALBERTA

Through the Dairy Research and Extension Consortium of Alberta (DRECA), Alberta Milk delivered numerous producer extension activities including the 2015 Transition Cow Management Workshops, research summaries, Dairy Club and the DRECA Forum. The DRECA partnership, comprised of Alberta Agriculture and Forestry, Alberta Milk and the universities of Alberta and Calgary, encourages collaboration among partners in dairy research and its extension to producers.

Alberta Milk experienced a record attendance of 250 at the 2015 Transition Cow Management workshops. Feedback from the workshop attendees indicated the value of this year's workshop series was based on the selection of speakers which included subject matter experts, a practicing dairy veterinarian who shared her experience working with producers directly and a dairy producer who demonstrated the implementation of transition cow management on his farm. The workshop also highlighted the importance of building connections with dairy industry service providers.

Alberta Milk was the host of the annual two-day DRECA Forum: "From Concept to Action" in June 2015. There were a total of 54 participants from Alberta Agriculture and Forestry, University of Alberta, University of Calgary Faculty of Veterinary Medicine, University of Saskatchewan, Alberta Milk, BC Milk Producers, Dairy Farmers of Manitoba and several Alberta dairy veterinarians and nutritionists. The relationships built and strengthened through the Forum will help to stimulate collaboration among researchers and producers resulting in new knowledge and technology transfer to our producers and industry service providers.

OUR COMMITMENT TO THE ENVIRONMENT

Dairy producers interact with the environment every day. From ensuring clean and safe water for their family and the animals in the herd to handling manure for proper storage or timely application as a nutrient on their land, farmers are committed to the environment at a personal level. We support dairy producers through our involvement with the following activities:

AGRI-ENVIRONMENTAL PARTNERSHIP OF ALBERTA (AEPA)

This is a network comprised of three levels of government and over twenty farm groups working together to study provincial environmental issues to generate good information flow leading to policy input. By working together, the crop and livestock commodity groups can learn about and respond to emerging issues in a more timely and effective matter.

NATURAL RESOURCES CONSERVATION BOARD (NRCB)

The NRCB administers the *Agricultural Operations Practices Act* which is the regulatory mechanism to ensure environmental protection. We are active participants in the NRCB's Policy Advisory Group and provide regular feedback on behalf of our dairy producer members.

INTENSIVE LIVESTOCK WORKING GROUP (ILWG)

The ILWG is an important group that works on behalf of the eight livestock and poultry groups in the province to

address specific on-the-ground challenges such as developing manure phosphorus management tools, participating in the *Municipal Government Act* review (including the challenge of increasing taxation revenue to help counties to maintain their ageing roads and bridges) and providing input into the Land Use Framework process.

Dairy producers are already doing a lot to reduce greenhouse gas emissions through the use of efficient production methods so they are able to produce the same quantity or even more milk with fewer cows.

PROACTION®

The proAction environment module will be built on a solid foundation of an Environmental Farm Plan (EFP) on every dairy farm across Canada by 2021. Alberta Milk has been actively involved in the design of this module. EFPs are an excellent and popular management tool to assess environmental risk factors and many dairy producers across Canada already use EFPs as a critical element in their farm's environmental management system.





Shelley Rietveld



Kim Skolarchuk

OUR COMMITMENT TO PRODUCER ENGAGEMENT

ANNUAL GENERAL MEETING AND DAIRY CONFERENCE

Alberta Milk's 2014 Annual General Meeting and Dairy Conference was held from November 18-20 at the Sheraton Cavalier Hotel in Calgary. Over 250 producers and industry stakeholders attended the conference, which explored the theme Exploring Tomorrow.

Jim Bottomley, one of the keynote speakers noted that innovation is the next economic era. Just as the technology era transformed the way manufacturing happened, the innovation era will change the speed of new innovation. There will need to be more profound collaboration and a better benefit embedded in the product.

Grant Ainsley, the author of *The Honest Spin Doctor*, provided his insight into dealing with the messages about our industry, our farming practices and the perception that leaves with the consumer. You can't control what happens: you can only control your reactions to it. He encouraged everyone that runs a business, including your farm, to have a social media

policy so that you and all your staff know the parameters of what to message and what a message may mean to someone that is not as close to the dairy industry.

The concurrent sessions focused on the benefits of supply management, research, and generic marketing. Wendy Holm, an economist and journalist, provided a compelling story on the value of supply management for the Canadian dairy industry. She was also very passionate about the need for the industry to have advocates for what we do, how we do it and the fact that it provides economic development in Canada.

The presentation in the research section clearly demonstrated that we have first-class research resources in Alberta. We are fortunate to have such a positive working relationship with both the University of Alberta and the University of Calgary. Strengthened by our four-party Dairy Research and Extension Consortium of Alberta agreement between the two universities, Alberta Agriculture and Forestry and ourselves, we are well positioned to ensure there is a great return on investment made by producers toward research.

DAIRY INDUSTRY ACHIEVEMENT AWARD

This award celebrates individuals or organizations who have distinguished themselves through their substantial contributions to the leadership and development of Alberta's dairy industry. Bill Feenstra was awarded the 2014 Dairy Industry Achievement Award. Bill owned and operated South Glen Dairy farm east of Olds and has been actively involved with dairy industry for over 20 years.



Bill Feenstra (middle)
2014 Dairy Industry
Achievement Award
Recipient

Bill began as a member of the Red Deer local and on the board of the Alberta Milk Producers Society (AMPS). He was chairman of AMPS since 1999 and served as the first chairman of Alberta Milk (as a marketing board) from 2002-09. He was instrumental in the development of many key policies, programs and changes in the dairy industry. Some highlights include the implementation of the Canadian Quality Milk program, the creation of the Western Milk Pool and his commitment to protecting the interests of Alberta's dairy farmers. Most notably, he was a leader in the creation of Alberta Milk as a marketing board and helped facilitate the move to a single total production quota.

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 and the work being done.

A total of 265 participants attended the Spring Producer Meetings and 380 participants attended the Fall Producer Meetings. At the spring meetings, an update was provided on trade, the milk transportation formula review and changes to the New Entrant Assistance Program. At the fall meetings, specific feedback was sought on: the administration of quota credit transfers in Alberta; the dairy animal care policy and the Lakeland College Expansion. We also received information on how to communicate with producers better through the surveys many producers participated in. The suggestions made were used to strengthen our communications to producers.

NEXT GENERATION FORUM

Our second Next Generation Forum welcomed about 50 young Albertan dairy farmers to learn more about the industry and leadership. The event addressed governance, supply management, welfare and animal care, succession planning, and quota 101, and we brought in Andrew Campbell to talk about how to speak up and advocate for the industry. Sami-Jo Small spoke about her experience playing for the Canadian women's hockey team



at the Olympics and the importance of being part of a team. Each session garnered lots of conversation and dialog from the attendees. We were all impressed with the amount of questions and engagement from attendees and the evaluations rated the event positively.

LAKELAND COLLEGE

Alberta Milk worked closely with Lakeland College over the past year on plans for a new and expanded dairy operation at the College. Lakeland College is committed to enhancing the dairy course curriculum for its current two-year diploma program, to creating new dairy short courses for future dairy farm worker training and industry workshops across the province. This commitment from the College is in response to Alberta Milk's offer for the college to use up to 120 kg of TPQ for the expanded dairy operation.



Karlee Conway

OUR COMMITMENT TO SHARING OUR STORIES

The trend of consumers wanting to know more about where their food comes from continues to grow. Alberta Milk has many strategies to help share the important roles that dairy farmers have.

One way we do that is through the media. This approach helps us exponentially grow our audience to people that we potentially couldn't have reached before. On September 17, Breakfast Television was hosted on the Ridder farm east of Olds. They did a four-segment feature about life on the dairy farm, the 100% Canadian Milk symbol, and milk quality as part of a DFC initiative across Canada. Berend and his family did an excellent job of sharing positive messages. A follow-up interview was done by the *Western Producer* newspaper.

We also distributed several media releases on various topics such as the Dairy Industry Achievement Award, Alberta Milk's dairy conference, and our nutrition initiatives. Other times, the media would come to us when they ran stories about proAction®, manure as bedding, milk quality awards and supply management. For all these stories, we ensure what we are saying is factual, current and the spokesperson is well prepared. We also sponsor and attend events that help build our relationship with journalists, such as the Alberta Farm Writers Association.

Protecting our reputation is also something that we prioritize. We accomplished this through a variety of ways, but a lot takes place in the media. We reacted to inaccurate stories surrounding supply management and were well prepared for the anniversary of the Mercy for



Animals video that was released in June 2014 that received a lot of attention. Another way we battle misinformation is through our Ask a Dairy Farmer feature on our website, albertamilk.com.

We also share our stories through events. You can learn more about events we attend in our marketing section, but we also host them. For example, we had five dairies participate in Open Farm Days where they welcome the public to tour their operation. As well, the third annual Breakfast on the Dairy Farm took place at Wouter's Dairy in central Alberta this year. This event is coordinated by the East of Olds Dairy Study Group and the Southern Alberta Holstein Club and countless volunteers is a morning event where they welcomed a record amount of visitors to enjoy a hot breakfast and learn about where their milk comes from.

Alberta Milk continued its membership in the Classroom Agriculture Program, which finds volunteers to visit Grade 4 classrooms and speak to students about farming. Producers also stepped up and over 90 farm tours were conducted this year by producers opening their farms to visits from local school classrooms.

We had the opportunity to help support DFC with their video series on the economic benefits of dairy farming in Canada. Alberta's video surrounded the second generation on the farm by featuring Jake Vermeer from Vermeer Dairy near Camrose. The minute and a half video profiles Jake's passion for being on the farm and how they support local jobs.





OUR COMMITMENT TO SUPPLY MANAGEMENT

OUR COMMITMENT TO WORKING WITH GOVERNMENT

We value the relationships we have with the government and this past year saw a historical change to a New Democratic Party government in our province. We put strong emphasis on seeking support for supply management as it's commonly misunderstood.

PROVINCIAL

Alberta Milk continued its relationship with the other supply managed sectors in our partnership called Alberta Supply Management (SM5). The SM5 was active this year and adaptable to the change in government.

Some activities consisted of connecting with the Alberta Liberal Party to clarify facts after they released a policy pursuing the elimination of supply management in Alberta. We also had attendees at both the Edmonton and Calgary Premier's Dinners and continued our sponsorship at the Premier's breakfasts. A highlight of the year was hosting a meeting with then Premier Jim Prentice and the majority of caucus in the winter of 2014. During the meeting, he reiterated his support for supply management and our three producer attendees were able to share some current issues of topics of concern with them.

The SM5 also launched a quarterly e-news update for MLAs and select Government staff. These e-blasts are part of our cohesive strategy to ensure there is support



for our marketing system in Alberta, as well as to further build relationships with elected officials.

Alberta Milk and the other provincial commodity groups have been working directly with the provincial government to consider the next steps to increase farm safety education and awareness. We believe the critical component to improving farm safety is the development and delivery of education/training programs, not legislation or regulation. While there are numerous independent programs to promote safety on Alberta's farms and ranches for a number of years, there is a need to coordinate these efforts to improve awareness. As well, there is a growing expectation that farms and ranches will need to take a more intentional and structured approach to addressing safety on their operation.

Five of our dairy producers are participating in a FarmSafe Plan pilot project which is intended to test the practicality and value of the plan for producers. The plan, designed and delivered by Alberta Agriculture and Forestry, focuses on identifying the unique safety risk factors on a dairy farm and then designing suitable actions / responses to address those risks.

NATIONAL

In support of DFC, we have been actively monitoring and lobbying three major trade negotiations, The World Trade Organization (WTO) discussions, the implement of the Comprehensive Economic Trade Agreement (CETA)

and the Trans-Pacific Partnership (TPP). The WTO has virtually stalled and little progress has been made in finalizing an agreement known as the Doha round. The CETA agreement reached in 2014 is still being finalized. It is expected that the final agreement will not be ready for implementation before 2017.

The TPP has been the most active this year. A Ministerial meeting held in late July was expected to reach an agreement. All members were optimistic that an agreement could be reached. While progress was made on some of the outstanding issues namely geographic indicators, environment, investment, and government procurement other items were not resolved. The outstanding issues include intellectual property, state trading enterprises, market access, financial services and legal issues.

While there was strong pressure on Canada to open up the market for dairy and poultry, the Canadian government has stood fast in their defence of supply management. There is still some hope that a deal will be reached this year although the window of opportunity is limited due to the presidential elections in the USA.

Alberta Milk worked with Dairy Farmers of Canada to complete their government relations activities including sending several Board members to Ottawa to lobby Members of Parliament for the annual Lobby Day. Full detail of national lobbying activities can be found in the Dairy Farmers of Canada annual report.



Katherine Loughlin



Colinda Hunter



Cindy Thorvaldson



Jaclyn Chute



Bethany Milligan



Melinda
Falkenberg-Poetz



Lee Finell



Charmaine Blatz



Kathy Searle

OUR COMMITMENT TO MARKETING AND NUTRITION EDUCATION

In 2014-15, the Marketing, Nutrition and Education department delivered positive messages to Alberta consumers via advertising, promotions, sponsorships, and education programs. We were active across the province using a combination of marketing communications, nutrition education programs and other tools to draw attention to milk and milk products. In addition to our activities, Dairy Farmers of Canada delivered programs focused on increasing cheese appreciation and consumption and improving the image of dairy farmers and Canadian milk.

The Strategic Milk Alliance, a collaboration between western provinces, through Milk West, and Dairy Farmers of Canada, launched the second year of its national English Canada campaign. This campaign, titled *Milk Every Moment* (MEM) included three new

television commercials and an extensive digital and social media program.

The MEM campaign specifically targets mothers with children. Its main objective is to remind consumers about the enjoyment of drinking milk with their favourite foods, and to rekindle the emotional connection adults have with milk. The campaign positioning is: *Milk is the perfect sidekick – some pairings are just meant to be. Grab it. Drink it. Enjoy it.*

The campaign's television commercials comprise a series of vignettes featuring children doing what children often do: silly, spontaneous, and funny things. The commercial closes with the message: *Not everything we did when we were kids made sense, but drinking milk did and still does.*

Research shows the most effective advertising campaigns are ones that can connect with consumers on an emotional level versus a rational one. Tracking research revealed that this campaign does trigger a nostalgic feeling that reignites the pleasure associated with milk.

This campaign was aired on traditional media (television, outdoor, and print advertising) along with online activities, and was enhanced with retail promotions and experiential activities to build campaign awareness.

MILK WEST PROMOTIONAL ACTIVITIES

Our collaboration with DFC on the MEM campaign has created efficiencies, which allowed Milk West to support several west-only initiatives during 2014-15.

In the west, we continued to use the *MilkMobile* to help bring the MEM campaign alive for consumers. The *MilkMobile* is a customized milk truck driven by “Bob the Milk Man” and “Jane the Milk Woman”. The *MilkMobile* attended 28 Alberta community events for a total of 41 days. This increased our total exposure to Albertans by nine events from the previous year. The team distributed over 17,000 single serving milks and 15,867 posters and visitors were encouraged to upload the photos to Twitter or Instagram.



Our new winter activation used a life sized Snow Globe to attract and interact with visitors at eight winter festivals over 13 days throughout the province. The activation team distributed 9,976 hot chocolate milk and had 4,107 participants interact with the Snow Globe.

Milk West continued to use the *Powered by Chocolate Milk* (PBCM) theme in our marketing campaign across Western Canada. The intent is to make athletes more aware of chocolate milk’s post-workout recovery benefits.

A year-round social media campaign spread the word about chocolate milk’s benefits via brand ambassadors who already understand the benefits of chocolate milk post workout.

This spring, Milk West also introduced the PBCM Recovery Crew at fourteen high profile Alberta athletic events reaching almost 14,000 people. Recovery Crew team members interact with athletes, reminded them that chocolate milk is an excellent sport recovery beverage and provided themed merchandise.

During the summer, PBCM featured a Contenders Lounge at extreme athletic events. This interactive workout area was for athletes attending outdoor challenges where they could warm up in advance of their event, then recover and be rewarded with chocolate milk afterwards. The Contenders Lounge was experienced by Albertans competing in the Spartan

Races in Edmonton, Calgary and Red Deer. As well, the PBCM team provided almost 20,000 cartons or bottles of chocolate milk to participants at these events.

Support for our *MilkMobile* and *Powered by Chocolate Milk* events from Saputo and Agropur in the form of single serve milk donations was very much appreciated.

For a second straight year, Milk West introduced Milk MOOVes You – an on-package consumer contest. Consumers across the western provinces who purchased specially marked packages of milk, could enter the contest online for their chance to win the grand prize of a 2016 Fiat® 500X Crossover. This year's contest received 345,000 entries! The lucky winner was from Saskatoon, Saskatchewan.

Milk West continued to air our popular youth campaign Snack Time. The Snack Time web series consists of 38 episodes (and growing!) and introduces teens to a carton of milk named Carlton, his sidekick Chip – a chocolate chip cookie, and a cast of quirky friends who all happen to be snacks that taste great with milk. The online campaign has been very popular and our YouTube community grew to almost 19,000 subscribers!



From January 12 to March 27, 2015 the Milk Slam promotion ran in 258 Alberta high School and 20 post-secondary school cafeterias. The theme was “Milk Sounds Better than Ever” and prizing included a trip to Los Angeles to attend a concert, regional concert tickets, music downloads and free milk. The Alberta part of this Milk West promotion garnered over 5200 registrants and 23,403 contest entries.

ALBERTA MILK PROGRAM ACTIVITIES



Club Moo, our elementary school milk program, was active in 341 elementary schools this year. Club Moo

also celebrated its 30th Anniversary with 85 schools reaching significant milestones, including nine that celebrated 30 years. As well, we continued our support of Breakfast for Learning Alberta, in order to ensure that children participating in the program would receive dairy products with their breakfast.

Alberta Milk continued to support the Alberta Schools Athletic Association (ASAA) as a senior partner. This support provided Alberta Milk with access to championship tournaments across the province and allowed an opportunity to interact directly with student athletes. As well, we continued to work with ASAA on the Milk Every Moment scholarship. This scholarship is funded through an endowment that was established twenty years ago. The 2014 ASAA Scholarship was awarded at the Alberta Milk AGM to two students – Nicole Freeman and Jonathan Allan.

Staff attended one consumer event, the Mom and Tots show in Edmonton where we provided 2,000 families with positive milk messaging. In addition, we assisted local organizers with support for 34 events in communities across the province, and posted advertising in 31 rural ice rinks across Alberta.

The Nutrition File Seminar titled Food Integrity II: Looking to the Future reached 250 health professionals and educators and 80 nutrition students with overall positive feedback from participants. This seminar allowed us to share new information on topics such as modern agriculture, sustainability, and biotechnology and food waste, all areas of interest to the health community.



Four issues of the *Nutrition File for Health Educators* (NFFHE) newsletter were published and distributed to over 750 subscribers. Open rates were very high at nearly 50 per cent and our reach was greatly extended by subscribers forwarding on the newsletter to their colleagues. As well, subscribers to our online Nutrition File Network increased this year. We now regularly reach 776 health educators with news and program updates.

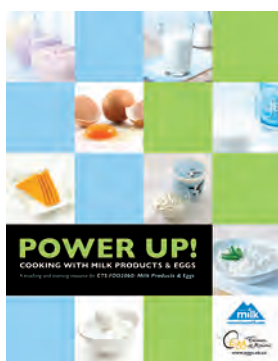
Two dairy farm tours for registered dietitians were organized in the fall; one near Olds to capture those from the Calgary area and one near Camrose to capture those from the Edmonton area. In total, 23 dietitians attended and provided very positive feedback for the event. These activities are important to help dietitians understand current farming practices and the standards and controls that are in place for dairy production.



Alberta Milk dietitians continue to be active on Twitter (@NutritionFile). We have 446 followers. This year we had 40.5K impressions (# of times users saw the tweets). The most popular tweets related to our dairy farm tour for dietitians, the DFC sustainability awards, an article on food waste, as well as one on the lack of evidence for the Paleo diet.

Nourish Move Thrive, the nutrition education program for Alberta fitness leaders, reached fitness leaders through their annual conference, courses, professional magazine and monthly electronic updates sent from Alberta Fitness Leadership Certification Association. Our annual research shows that the program helps fitness leaders to share credible nutrition information. A number of new resources were developed: *Eat Right for Your 40s & 50s*, *Eat Right for 60s & Beyond*, *Master the Art of Meal Planning*, *What's in Your Grocery Cart?*, *Your Best Breakfast*, and a weekly meal planner and grocery list. These resources are appreciated by fitness leaders who distribute them to their class participants.





Power to Play, our nutrition education program for kindergarten to Grade 3 students reached 176 teachers while Power4Bones, our Grade 5 program, had 467 classrooms registered this year. Alberta Milk launched our new junior high nutrition program, Power 2B Me and

met with 112 teachers through our workshops at teachers conventions. Teachers that registered for the program created classes for 1,000 students. Power Up! sessions were offered to 39 teachers at two teachers' conventions this year. This new program targets high school food studies teachers, and feedback indicated they loved the hands-on format of the workshop. The website housing the resources had 401 unique page views following the workshops.



Feedback from teachers who use Alberta Milk nutrition programs remains incredibly positive. We introduced a new program this year to reward those teachers that introduce an Alberta Milk nutrition program to their classroom. Smoothie Power, is a reward program that provided 12 winning teachers with a smoothie kit

(blender, measuring tools, age appropriate recipe booklets, and a grocery gift card) so they can prepare smoothies in their classroom. Teachers who received the kit raved about the prize and shared creative ways they used their kits within the classroom.

Moreaboutmilk.com showed a steady increase in visitors this year and continued to be used as a hub to access resources and programs. Nutrition education resources continue to be in demand by educators and health professionals. Our catalogue was widely distributed and our new online store made it easy for users to order the resources that were appropriate for their audiences. Three new resources were added to our collection this year: *5 Steps to a Smarter Smoothie* (a smoothie infographic), *More About Milk* (a milk nutrients infographic) and a fact sheet called *Build a Better Breakfast*.





Once again this year we distributed the annual milk calendar to Albertans. Over 7,000 copies were sent out prior to the end of December.

During the year, Alberta Milk continued to work on the natural versus

industrial trans-fat issue. In collaboration with university researchers and Dairy Farmers of Canada (DFC), we met with Health Canada officials in Ottawa to share the science of natural trans fats and to air concerns about the positioning of natural trans fats on the proposed nutrition label. The meeting was very positive and productive.

Alberta Milk once again partnered with DFC to bring attention to Nutrition Month. We distributed 1,070 poster kits and 600 additional posters to health educators, dietitians and teachers. The campaign's theme, Eating 9 to 5, Make it and Take it, encouraged Canadians to eat healthfully in a variety of settings by giving them tips, suggestions and recipes.

Alberta Milk continues to be an active partner in Taste Alberta, the group that focuses on helping Albertans to choose locally grown, produced and processed foods. Taste Alberta continued its partnership with Post Media, with the Gastropost feature running every week in the food section of the *Edmonton Journal* and *Calgary Herald*. Dairy has been well represented with several food missions focused on milk, yogurt, ice cream and

cheese. As well, we've had several excellent editorial pieces written about the dairy industry.

Alberta Milk hosted three dietetic interns and one human ecology practicum student this year. All worked on projects that met their competencies and benefited Alberta Milk such as writing blogs, writing articles, reviewing resources and comparing milk to its alternatives. All provided excellent feedback on their placements.



As of July 25, 2015, retail milk sales across Canada decreased by one per cent and Western Canada saw a decrease of 0.4 per cent compared to the same 52 week period the previous year. A reduction in cross-border shopping in British Columbia, strong promotional activities and stable pricing could be key contributors to this improvement. Western retail cream sales increased by 3.25 per cent in the 52 weeks ending July 25, 2015.

Alberta Milk attended four agricultural events with the Journey of Milk dairy exhibit: Calgary Stampede, Aggie Days Calgary, Lethbridge Aggie Days and Red Deer Westerner Days. These events allowed Alberta Milk to interact with over 20,000 students and families. We continued with the Milk and Cookie Shack at the Calgary Stampede and generated proceeds of \$14,000 for the Calgary Interfaith Foodbank.

OUR COMMITMENT TO 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.

Based on a thorough environmental scan of the issues facing and opportunities for the dairy industry, Alberta Milk has developed the following three-to-five year strategic priorities:

1. We will maintain consumer trust in our farming practices and dairy products that will sustain our Social License to Operate.
2. We will build positive relationships with our partners and stakeholders that reflect our predefined value statements with the goal to identify where we can better coordinate and collaborate our activities.
3. We will further develop a New Market Environment for the Canadian Dairy Industry.
4. We are committed to a communication and extension strategy to enhance our communications with producers, stakeholders and client audiences.
5. We will collaborate in a greater number of marketing and nutrition program activities within Milk West.
6. We will actively pursue and monitor our ongoing operations and maintain the regulatory and marketing environment that meets the needs of our members.

MANAGING RISK

This year, the Board also completed a risk assessment specifically to review, question and challenge different elements of our strategy. There were a total of 24 potential risks identified in five categories. A 'risk' is identified as "anything that impacts the Alberta Milk's ability to meet its objectives and preserve its reputation".

The five categories are:

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

Generally, the risks identified have been and are being addressed and monitored by Alberta Milk. Increased emphasis in the 2015-16 business plan is being placed on processor's failure to pay, social licence to operate, communications strategies with all members and stakeholders, and attracting delegates and directors. A three-year budget was also developed to help the Board manage any the financial implications.





Denise Brattinga



Kathleen Heath



Cory Peterson



Cristin Vollrath



Darlene Crenshaw

OUR COMMITMENT TO ACCURATE FINANCIALS


MANAGEMENT DISCUSSIONS AND ANALYSIS

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 had been audited using generally accepted auditing standards. Schedules 1 and 2, which provide reporting of our statement of operations in accordance with our business plan and budget, are 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 the 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 the budget at mid-year and quarterly thereafter, and is responsible for overseeing 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, 2015 should be read in conjunction with the financial statements.

Actual revenues were higher than budgeted by \$36,779,726, resulting from higher restricted revenues, (revenues resulting from the operation of various producer payment pools). These accounted for \$34,114,216 due to higher than anticipated milk volumes of greater than 15 million litres. This increased milk volume also resulted in higher than anticipated milk hauling revenue of \$2,330,839 and higher board assessment fees of \$339,532.

Expenses were higher than budgeted by \$34,652,051. Producer payment pool expenditures exceeded the budget by \$34,176,305. The costs of operating the milk transportation pool were over budget \$2,567,204 due to increased milk volumes. General operating expenditures were below budget by \$2,051,457, partially due to reduced costs associated with a national database development project that was delayed (\$869,357). Other under expenditures resulted from planned activities that did not proceed while awaiting national coordination of proAction® program development. Several school milk programs were under budget due to lower school enrollment.

RISK PREVENTION

Each year, the management and Board perform an environmental scan to identify significant risks and opportunities that the organization will face in the upcoming year and develops a business plan and risk register to mitigate risks and maximize on potential opportunities. The process includes risk identification, evaluation of risk probability and definition of risk mitigation strategies and measures. More information on this process can be found in the *Commitment to the Future* section.

INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

We have audited the accompanying financial statements of Alberta Milk, which comprise the statement of financial position as at July 31, 2015 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.

Auditors' 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 auditors' 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 preparation 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, 2015 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.

Grant Thornton LLP

Chartered Professional Accountants, Chartered Accountants

Camrose, Canada
October 23, 2015

ALBERTA MILK

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED JULY 31, 2015

	Quota Exchange	MNE	Scholarship	Research	Other	2015 Total	2014 Total
REVENUES:							
Assessments:							
Administrative	\$ -	\$ -	\$ -	\$ -	\$ 3,449,328	\$ 3,449,328	\$ 2,880,748
Class 1 Market Recovery	-	-	-	-	1,693,966	1,693,966	1,912,133
Marketing, Nutrition, Education (MNE)	-	10,347,859	-	-	-	10,347,859	9,820,748
Research	-	-	-	344,933	-	344,933	327,359
Restricted Revenue - Equalization	-	-	-	-	573,454,575	573,454,575	557,684,222
Hauling Fees	-	-	-	-	25,023,620	25,023,620	22,456,416
Interest Revenue	-	-	6,728	-	267,391	274,119	276,214
Grant Revenue	-	189,653	-	77,239	297,012	563,904	842,822
Processor Audit Recovery	-	-	-	-	117,124	117,124	112,810
Quota Lease	-	-	-	525,946	-	525,946	524,079
Quota Exchange Sales	46,895,736	-	-	-	-	46,895,736	63,133,454
Other Income	-	74,980	-	-	420,065	495,045	356,625
Total Revenues	46,895,736	10,612,492	6,728	948,118	604,723,081	663,186,155	660,327,630

EXPENSES:							
Salaries and contract services	-	967,387	-	36,237	3,104,572	4,108,196	4,284,276
Director and Delegate per diems	-	8,686	-	13,564	325,791	348,041	343,519
Travel	-	85,564	-	10,826	472,032	568,422	514,145
Office	-	402,335	-	-	825,600	1,227,935	1,334,428
Data Processing	-	-	-	-	298,844	298,844	450,019
Meeting Costs	-	49,910	-	1,739	192,446	244,095	245,940
Professional Fees	-	3,998	-	-	140,943	144,941	157,604
Communications	-	15,301	-	-	1,240	16,541	14,306
Advertising	-	8,507,682	-	-	3,859	8,511,541	7,391,176
Project Costs	-	69,969	-	-	2,861	72,830	-
Hauling Fees (Note 10)	-	-	-	-	25,023,620	25,023,620	22,456,416
Research	-	202,218	-	389	-	202,607	150,055
Sponsorships	-	258,258	2,000	1,750	50,417	312,425	290,235
Grants	-	16,000	-	989,467	31,970	1,037,437	1,409,275
Quota Exchange Purchases	46,895,736	-	-	-	-	46,895,736	63,135,734
Restricted Expenses - Equalization	-	-	-	-	573,454,575	573,454,575	557,684,222
Amortization/Write Offs	-	27,494	-	-	157,370	184,864	203,084
Total Expenses	46,895,736	10,614,802	2,000	1,053,972	604,086,140	662,652,650	660,064,434

EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR

	\$ -	\$ (2,310)	\$ 4,728	\$ (105,854)	\$ 636,941	\$ 533,505	\$ 263,196
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See accompanying notes and schedules to the financial statements.

ALBERTA MILK
STATEMENT OF FINANCIAL POSITION
AS AT JULY 31, 2015

	2015	2014
ASSETS		
CURRENT ASSETS:		
Cash and investments (Note 3)	\$ 14,979,481	\$ 17,259,298
Due from processors, producers and others	25,397,604	27,437,923
Accounts receivable	2,121,619	1,357,331
Inventories	84,521	79,001
Prepaid expenses	558,423	337,399
Total current assets	43,141,648	46,470,952
CAPITAL ASSETS (Note 4)	2,154,124	2,054,998
TOTAL	\$ 45,295,772	\$ 48,525,950
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 2,647,868	\$ 2,961,621
Deferred contributions (Note 5)	26,810,710	29,820,153
Deferred grants (Note 6)	414,062	725,547
Current portion of long term debt	90,000	90,000
Total current liabilities	29,962,640	33,597,321
LONG TERM DEBT (Note 7)	60,000	150,000
NET ASSETS:		
Invested in capital assets	2,004,124	1,814,979
Internally restricted:		
Marketing	3,659,644	3,661,954
Research	603,039	644,388
Scholarship	125,495	120,767
Quota exchange (Note 12)	3,997,721	3,997,723
Unrestricted	4,883,109	4,538,818
Total net assets	15,273,132	14,778,629
TOTAL	\$ 45,295,772	\$ 48,525,950

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, 2015

	Quota Exchange	Internally Restricted				Unrestricted	Invested in Capital Assets	2015 Total	2014 Total
		Marketing	Scholarship	Research					
BALANCE AT BEGINNING OF THE YEAR	\$ 3,997,721	\$ 3,661,954	\$ 120,767	\$ 644,388	\$ 4,538,818	\$ 1,814,979	\$ 14,778,627	\$ 14,189,431	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	-	(2,310)	4,728	(105,854)	636,941	-	533,505	263,196	
ADMINISTRATION COSTS TRANSFERRED (Note 13)	-	-	-	64,505	(64,505)	-	-	-	
PURCHASE OF CAPITAL ASSETS	-	-	-	-	(284,350)	284,350	-	-	
AMORTIZATION OF CAPITAL ASSETS	-	-	-	-	185,205	(185,205)	-	-	
DEBT REPAYMENT	-	-	-	-	(90,000)	90,000	-	-	
PENSION REMEASUREMENT GAIN/(LOSS) (Note 11)	-	-	-	-	(39,000)	-	(39,000)	326,000	
BALANCE AT END OF THE YEAR	\$ 3,997,721	\$ 3,659,644	\$ 125,495	\$ 603,039	\$ 4,883,109	\$ 2,004,124	\$ 15,273,132	\$ 14,778,627	

See accompanying notes and schedules to the financial statements.

ALBERTA MILK

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED JULY 31, 2015

	2015	2014
CASH PROVIDED BY (USED FOR):		
OPERATING ACTIVITIES:		
Excess of revenues over expenses from operations for the year	\$ 533,505	\$ 263,196
Items not affecting cash flow:		
Amortization of capital assets	184,864	203,084
Gain (loss) on pension	(39,000)	326,000
	679,369	792,280
Changes in non-cash working capital items:		
Due from processors, producers, and others	2,040,318	(4,888,044)
Accounts receivable	(764,288)	(960,543)
Prepaid expenses	(221,025)	44,270
Inventories	(5,520)	(15,984)
Accounts payable and accrued liabilities	(313,753)	(7,205,786)
Deferred contributions	(3,009,443)	(1,500,917)
Deferred grants	(311,485)	576,864
Net cash to operating activities	(1,905,827)	(13,157,860)
FINANCING ACTIVITIES:		
Loan repayments	(90,000)	(90,000)
INVESTING ACTIVITIES:		
Purchases of capital assets	(284,350)	(15,303)
Proceeds on sale of capital assets	360	202
Net cash to investing activities	(283,990)	(15,101)
DECREASE IN CASH AND INVESTMENTS FOR THE YEAR	(2,279,817)	(13,262,961)
CASH AND INVESTMENTS AT BEGINNING OF THE YEAR	17,259,298	30,522,259
CASH AND INVESTMENTS AT END OF THE YEAR	\$ 14,979,481	\$ 17,259,298

See accompanying notes and schedules to the financial statements.

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2015

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.

Inventories

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

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2015

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.

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.

Lease Obligations

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefit and risks incidental to the ownership of the property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the asset's fair value at the beginning of the lease. All other leases are accounted for as operating leases wherein payments are expensed as incurred.

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2015

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, inventory obsolescence, amortization of capital assets, valuation of employee future benefits, and valuation of contingencies.

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2015

3. CASH AND INVESTMENTS:

	2015	2014
Cash and cash equivalents	\$ 11,873,068	\$ 14,379,163
Fixed income	2,008,169	1,889,975
Equities quoted in an active market	972,750	866,394
Mutual funds quoted in an active market	125,494	123,766
	\$ 14,979,481	\$ 17,259,298

Interest income includes the following:

	2015	2014
Net increase in fair value of investments	\$ 189,997	\$ 60,141
Interest earned on scholarship investments	6,728	3,305
Interest earned on pooling funds	125,238	148,881
Interest and dividends earned on corporate funds	77,394	212,768
Interest rebated to producers	(125,238)	(148,881)
	\$ 274,119	\$ 276,214

Included in office expense is \$5,501 (2014 - \$7,942) of interest on long term debt.

4. CAPITAL ASSETS:

			2015	2014
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Display booth and tent	\$ 91,404	\$ 69,296	\$ 22,108	\$ 27,634
Office furniture and equipment	349,219	302,828	46,391	57,990
Consumer display	137,472	109,977	27,495	54,989
Computer hardware	972,794	846,033	126,761	110,898
Computer software	936,372	661,284	275,088	77,789
Vehicles	39,070	32,372	6,698	9,568
Building	2,107,443	843,035	1,264,408	1,330,955
Land	385,175	-	385,175	385,175
Total	\$ 5,018,949	\$ 2,864,825	\$ 2,154,124	\$ 2,054,998

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2015

5. DEFERRED CONTRIBUTIONS:

Deferred contributions represent unspent resources externally restricted for price equalization.

	2015	2014
Contributions received	\$ 570,445,132	\$ 556,183,305
Transferred to revenue	(573,454,575)	(557,684,222)
Increase (decrease) during the year	(3,009,443)	(1,500,917)
Deferred contributions at beginning of year	29,820,153	31,321,070
Deferred contributions at end of year	\$ 26,810,710	\$ 29,820,153

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:

	2015	2014
Contributions received	\$ 252,418	\$ 1,419,686
Recognized as revenue	(563,903)	(842,822)
Increase (decrease) during the year	(311,485)	576,864
Deferred contributions at beginning of year	725,547	148,683
Deferred contributions at end of year	\$ 414,062	\$ 725,547

ALBERTA MILK
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2015

7. LONG-TERM DEBT:

	2015	2014
Mortgage payable - bearing interest at prime minus 0.25%, 2.45% as of July 31, 2015 (2014 - 2.75%), repayable in monthly principal installments of \$7,500 (2014 - \$7,500) plus interest, maturing December 2020. Secured by the land and building with a net carrying amount of \$1,649,583.	\$ 150,000	\$ 240,000
Less portion due within one year	90,000	90,000
Total long-term debt	\$ 60,000	\$ 150,000

Principal repayments on long-term debt due in each of the next five years are as follows:

2016	\$ 90,000
2017	60,000
Total repayments	\$ 150,000

8. ASSESSMENT REVENUE:

The Board collected the following producer assessments during the year:

	2015	2014
Administrative	\$0.50/hl	\$0.44/hl
Marketing, Nutrition, Education	\$1.50/hl	\$1.50/hl
Research	\$0.05/hl	\$0.05/hl
Hauling	\$3.05/hl	\$2.60/hl
Hauling yard charge per pickup	\$21.56	\$21.35

9. COMMITMENTS:

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

2016	\$ 7,227
2017	4,200
2018	4,200
2019	4,200
2020	1,050
Total	\$ 20,877

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2015

9. COMMITMENTS (continued):

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

- (a) \$1.17 per hectolitre on milk produced that is deemed industrial milk;
- (b) \$1.17 per hectolitre on the Board's share of the Western Pool's skim off production based on data supplied by the Canadian Dairy Commission;
- (c) membership fees of \$255,965.

In addition the Board has committed under contractual agreements for media purchases in association with Strategic Milk Alliance and the Milk West Marketing Partnership. The Board's share of the commitment over the next year is \$416,638 as at July 31, 2015.

The Board has committed \$536,578 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 \$880,517 to be disbursed in annual installments over a five year period.

10. HAULING FEES :

	2015	2014
Paid by producers	\$ 24,781,627	\$ 22,246,881
Processor recoveries	241,993	209,535
Total for the year	\$ 25,023,620	\$ 22,456,416
Cost per hectolitre	\$ 3.63	\$ 3.43

Producers were assessed a volume fee of \$22,495,780 (2014 - \$17,324,589) as well as \$2,285,847 (2014 - \$2,286,568) in yard stop charges. A deficit of \$97,978 (2014 - surplus of \$588,193) in primary hauling fees resulted from a planned draw down of previous surpluses. This deficit will be recovered in next year's producer assessments. Secondary hauling fees (2014 - \$2,635,724) were incorporated into producer volume fee and yard stop fees in 2015.

Producers were also responsible for inter-provincial milk movement costs. Alberta's share of these costs of \$1,431,676 (2014 - \$352,896) were deducted from inter-provincial cash transfers.

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, 2012 and has been updated for current assumptions in the actuarial report dated September 3, 2015.

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2015

11. PENSIONS *(continued)*:

In fiscal 2014 Alberta Milk early adopted CPA Handbook Section 3463 Reporting Employee Future Benefits by Not-for-Profit Organizations. This standard was applied retrospectively and replaced CPA Handbook Section 3461 Employee Future Benefits. Under the new standard the Plan surplus or deficit is the difference between the accrued benefit obligation and the fair value of plan assets at the end of each year, with no consideration of the deferral and amortization of gains and losses over time.

	2015	2014
Accrued benefit obligation		
Balance at beginning of year	\$ 2,791,000	\$ 2,387,000
Current service cost	270,000	274,000
Interest cost	175,000	152,000
Expected benefits paid	(22,000)	(22,000)
Accrued benefit obligation (ABO) at end of year	\$ 3,214,000	\$ 2,791,000
Plan assets		
Fair value at beginning of year	\$ 3,522,000	\$ 2,667,000
Actual return on plan assets	173,000	490,000
Employer contributions	239,000	264,000
Employees' contributions	116,000	123,000
Actual benefits paid	(22,000)	(22,000)
Fair value at end of year	\$ 4,028,000	\$ 3,522,000
Reconciliation of funded status		
Accrued benefit obligation - end of year	\$ (3,214,000)	\$ (2,791,000)
Fair value of plan assets - end of year	4,028,000	3,522,000
Funded status - plan surplus (deficit)	\$ 814,000	\$ 731,000
Accrued benefit obligation not funded	\$ -	\$ -
Net benefit plan cost		
Current service cost (employer portion)	\$ 154,000	\$ 151,000
Interest cost	175,000	152,000
Expected return on plan assets	(212,000)	(164,000)
Net benefit plan cost (income)	\$ 117,000	\$ 139,000
Gains and (losses) in year - to be recognized in net assets		
Actuarial asset experience (loss) gain	\$ (39,000)	\$ 326,000
Gain and (losses) in year	\$ (39,000)	\$ 326,000

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2015

11. PENSIONS *(continued)*:

	2015	2014
Actuarial Assumptions		
Discount rate - beginning of year	5.75%	5.75%
Discount rate - end of year	5.75%	5.75%
Expected return on plan assets	5.75%	5.75%
Rate of compensation increase - beginning of year	4.00%	4.00%
Rate of compensation increase - end of year	4.00%	4.00%
Inflation rate - beginning of year	2.50%	2.50%
Inflation rate - end of year	2.50%	2.50%
Distribution of the total market value of the fund by major asset category		
Canadian equities	30.7%	33.8%
International equities	15.7%	14.3%
U.S. equities	16.4%	16.3%
Debt securities	35.2%	34.3%
Cash and other	2.0%	1.3%
Total	100.0%	100.00%

ALBERTA MILK

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2015

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 2015, the Board transferred \$64,505 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 and its mortgage payable; 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, 2015**

	2015 (unaudited)	Budget (unaudited)	2014 (unaudited)
REVENUES:			
Administrative Assessment	\$ 3,449,328	\$ 3,370,877	\$ 2,880,748
Class 1 Market Recovery	1,693,966	1,675,957	1,912,133
MNE Assessment	10,347,859	10,112,632	9,820,748
Research Assessment	344,933	337,088	327,359
Hauling Fees	25,023,620	22,692,781	22,456,416
Restricted Revenue - Equalization	573,454,575	539,340,359	557,684,222
Interest Revenue	274,119	216,701	276,214
Grant Revenue	563,903	758,920	842,822
Processor Audit Recovery	117,124	106,760	112,810
Quota Lease	525,946	530,606	524,079
Other Income	495,046	368,012	356,625
TOTAL REVENUES	616,290,419	579,510,693	597,194,176
EXPENSES BY GOAL/PROGRAM (Schedule II)	615,756,914	581,104,863	596,928,700
EXCESS OF REVENUE OVER EXPENSES BEFORE QUOTA EXCHANGE	533,505	(1,594,170)	265,476
QUOTA EXCHANGE:			
Sales and interest revenue	46,895,736	66,000,000	63,133,454
Purchases of quota	46,895,736	66,000,000	63,135,734
Net quota exchange	-	-	(2,280)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	\$ 533,505	\$ (1,594,170)	\$ 263,196

ALBERTA MILK
SCHEDULE OF EXPENSES BY GOAL
FOR THE YEAR ENDED JULY 31, 2015

	2015 (unaudited)	Budget (unaudited)	2014 (unaudited)
EXPENSES BY GOAL/PROGRAM:			
<i>Adequate supply of dairy products:</i>			
Manage Alberta Milk Supply	\$ 160,827	\$ 207,175	\$ 186,643
Manage an effective quota system	25,459,313	23,098,601	22,929,835
<i>Policy Development:</i>			
Work with stakeholders	497,240	518,759	524,473
Improve industry competitiveness	199,552	187,308	217,177
Health and Welfare of dairy industry	141,945	469,060	341,736
Sustainable environmental practices	20,943	70,840	25,181
Member Services	402,938	411,613	444,935
ProAction	90,435	81,370	-
<i>Increase dairy product consumption:</i>			
Increase milk consumption in adult women	5,178,606	5,199,777	5,027,329
Increase milk consumption in youth	4,251,973	4,353,805	3,543,556
Work with health educators	590,580	691,590	774,037
New Product Development	99,136	115,000	147,943
<i>Promote and participate in research:</i>			
Maximize research funding	61,979	120,575	84,807
Dairy research to benefit dairy farmers	991,993	1,000,556	1,194,211
<i>Manage fiscal and human resources:</i>			
Administer regulations	17,886	45,000	25,135
Manage financial and human resources	3,037,259	4,138,488	2,897,864
Accurate producer payment	573,761,384	539,585,079	557,958,125
<i>Communicate with members, stakeholders and consumers:</i>			
Stakeholder Communication	352,141	363,801	382,259
Extension and Communication	207,573	269,241	-
Create visual awareness	233,211	177,225	223,454
Total Expenses	\$ 615,756,914	\$ 581,104,863	\$ 596,928,700