

ANNUAL REPORT 2015-16





WHO IS ALBERTA MILK?

VISION

Growing a vital, sustainable, and prosperous dairy industry.

MISSION

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

HOW WE ARE FUNDED

Alberta Milk is funded by producers through three mandatory membership assessments: marketing, nutrition and education; research; and administration. The marketing, nutrition and education assessment is \$1.50/hL. The research assessment is \$0.05/hL and is designated for scientific research funding only. The transportation pool is operated on a cost-recovery basis, with all producers sharing equally in the cost of operating the pool. The organization works to leverage other funding for specific activities, particularly in the areas of research, new initiatives, and nutrition education.

- The volume of milk, butterfat density, and total kilograms of butterfat produced in Alberta in 2015-16 were the highest in history.

Record: Alberta dairy farmers shipped 725,043,666 litres of milk (8.69 per cent of Canada's production)

Record: Butterfat content of this milk was 4.0072 kh/hl

Record: A total of 29,053,873 kg of butterfat was produced

- 22 processors
- 60 trucks on the road each day with each carrying about 26,759 L of raw milk
- 530 producers
- Over 14,000 consumers visited our Milk & Cookie shack at the Calgary Stampede. The sale of a carton of milk and two cookies for a toonie resulted in Alberta Milk donating \$17,710 to the Calgary Interfaith Food Bank.



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CHAIRMAN'S MESSAGE

ALBERT KAMPS, CHAIRMAN OF THE BOARD

On behalf of the Alberta Milk Board of Directors, I am pleased to present the 2015-2016 annual report. Serving as chairman for the past year has given me an even greater appreciation for just how dynamic the dairy industry is and how the challenges we face continue to evolve our industry. I have also grown to appreciate the ability of our organization, in cooperation with our national organization and all of our partners and affiliates, to tackle these challenges. Despite that, a number of challenges we faced this year have been outside of our control, as they are external to Alberta Milk. Yet we were able to adapt and address them, demonstrating the leadership, partnerships and resources we have in the industry.

In July, we reached a successful conclusion to the negotiations with the processing sector on a comprehensive agreement that has the potential to change and strengthen our industry. The agreement includes the creation of an ingredient strategy. The vision of this agreement is of a flexible, market responsive policy framework that supports growth in markets for dairy products and ingredients, while maintaining the core features of supply management. The ratification of the agreement is underway, with an expected implementation date of November 1, 2016.

“In July, we reached a successful conclusion to the negotiations with the processing sector on a comprehensive agreement that has the potential to change and strengthen our industry.”



International trade continues to demand our attention. With the Comprehensive Economic and Trade Agreement (CETA) nearing the implementation date, we are closely monitoring the impact that the recent Brexit decision may have on the agreement. The Trans-Pacific Partnership Agreement (TPP) has been approved by the federal government and now needs to be ratified by all member countries. The Canadian government is seeking input from Canadians and industries affected. The dairy industry in Canada is active in providing input and as dairy farmers across Canada will be impacted by both CETA and TPP, it is essential for the mitigation package that was developed by the previous federal government to be adopted.

The introduction of Bill 6, now known as the *Enhanced Protection for Farm and Ranch Workers Act*, immediately changed the approach the agricultural industry and government were taking to address farm safety. We were working with the Government of Alberta (GoA) on an approach that consisted of risk assessment, extension and education. The passing of Bill 6 in December 2015 changed the approach to one of a legislative nature. As a result, we are working to help ensure the regulations that will follow recognize the uniqueness of the agriculture community. Alberta Milk has been active in the establishment of the AgCoalition – a broad-based industry coalition with the objective of having primary agriculture provide unified input to the GoA on farm safety, workers compensation and employment standards, and labour relations. The GoA also established six technical working groups to

consult on the development of employment standards regulations, occupational health and safety (OHS) standards, and labour relations legislation. We have taken an active role in both approaches and expect that the GoA will release its report from the working groups by the end of 2016.

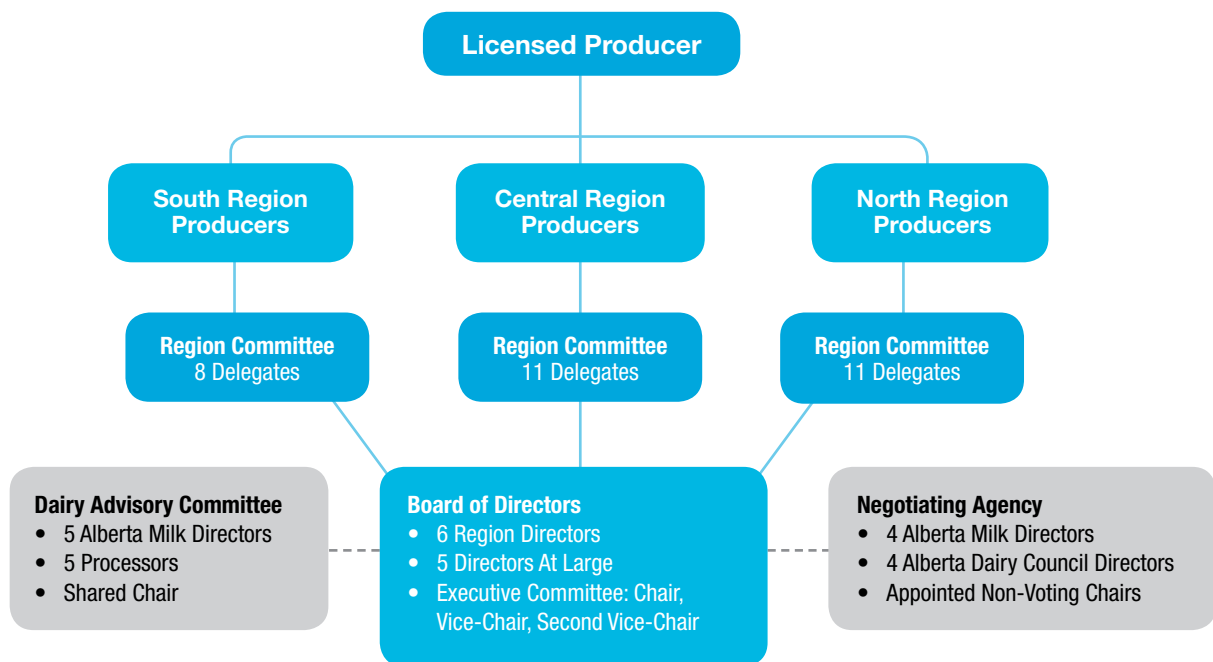
In support of the new marketing direction of Dairy Farmers of Canada (DFC), Alberta Milk has made the decision to amalgamate our resources. Effective January 1, 2017, Alberta Milk will transfer funds for fluid milk and other programs to DFC. In the same manner and timeframe, we will also combine our nutrition education programs, resources, and staff with DFC. It has long been the goal of Alberta Milk to harmonize our programs nationally to gain efficiencies through increased collaboration. We will at the same time ensure that we retain a strong provincial presence in Alberta to educate consumers on dairy farming and the value of dairy products.

Having joined the Board in November 2007, I have now reached my stepdown. As I prepare to leave, it is comforting to know that there is a depth of experience and a passion among the board members that will serve us well into the future. I want to thank my family for their support, and my peers for their guidance, common commitment and words of encouragement, as well as the staff at Alberta Milk for their dedication to producers and the industry.



Board of Directors, L-R: Klaas Vander Veen, Martin Van Diemen, Gezinus Martens, Jim Towle, Allan Child, Albert Kamps, Arnold Van Os, Conrad Van Hierden, Wim Ruysch, Lorrie Jespersen, Heini Hehli

Producer Governance Chart





HOW DID WE SUPPORT PRODUCER GOVERNANCE?

The Board regularly assesses Alberta Milk's business strategy through monthly updates from management, as well as mid and year-end reviews.

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

Alberta Milk welcomed two new delegates this year: Greg Debbink in the North Region and Tietsia Huyzer in the Central Region, who replaced outgoing delegates Albert De Boer and Dineke Philipsen respectively.

These new delegates participated in the new delegate orientation session shortly after being elected. The orientation program provides an overview of Alberta Milk's operations and the issues that are being addressed at the provincial, regional, and national levels.

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 governance with a full day session from Jim Brown with teambuilding service STRIVE! Additionally, Isabelle Bouchard, Director of Communications & Government Relations for Dairy Farmers of Canada, provided an update on TPP and the P10 negotiations. The Honourable Oneil Carlier, Minister of Agriculture and Forestry, presented an update from the government and Kent Erickson, of the AgCoalition, provided an update on the farm safety initiative.

Two new directors, Conrad Van Hierden and Allan Child, joined the Board, replacing Tom Kootstra and Albert De Boer. Tom Kootstra, after nine years on the Board, had reached his mandatory stepdown provision, and Albert De Boer elected to stepdown.

DELEGATES BY REGION

NORTH REGION

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



CENTRAL REGION

Jim Towle
Albert Kamps
JP Brouwer
Tietsia Huyzer
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



REVIEWS AND APPEALS

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

The Board held four reviews this year. Two were requests to reconsider somatic cell count penalties; one was a request for reimbursement of incentive days and/or quota increase, and another was a request to waive an underproduction penalty. All of these requests were denied by the Board.

In early 2015, a producer requested full reimbursement for the costs associated with the installation of a buffer tank as required under Directive No. 2014-010 Buffer Milk Tank Requirement. As the policy was clear that the cost of the buffer tank was the requirement of the producer,

the Board denied the request. The producer then appealed this decision to the Appeal Tribunal and the hearing was held on November 27, 2015.

The Appeal Tribunal confirmed the decision of the Board. The cost of the Appeal Tribunal is shared with the Applicant and Alberta Milk. Alberta Milk also had legal fees and staff time dedicated to this appeal.

The Appeal Tribunal did provide comments related to the process used to develop the policy and implement it. It was recommended that, given the limited number of individuals directly affected, more two-way communication might have been helpful. Alberta Milk has always supported strong two-way communications and will consider enhanced dialogue with affected parties in its future development of policies.



2015-16 ALBERTA MILK COMMITTEES

Board of Directors	Central Region North Region South Region Directors at large	Jim Towle, Heini Hehli Wim Ruysch, Arnold Van Os Martin Van Diemen, Klaas Vander Veen Albert Kamps, Lorrie Jespersen, Gezinus Martens, Conrad Van Hierden, Allan Child
Executive Committee		Albert Kamps, chairman Heini Hehli, vice chair Jim Towle, second vice chair

COMMITTEES	DIRECTORS	DELEGATES
Animal Health & Environment Advisory Committee	Heini Hehli, Lorrie Jespersen, Martin Van Diemen	John Wurz, Gert Schrijver, Rien Meinen, Tim Hofstra
Corporate Affairs Committee	Klaas Vander Veen, Allan Child	Bill Van Rootselaar, Michael Vanden Dool, Tom Kootstra
Dairy Advisory Committee	Albert Kamps, Heini Hehli, Jim Towle, Klaas Vander Veen, Conrad Van Hierden	
Dairy Farmers of Canada	Albert Kamps, Heini Hehli, Jim Towle, Arnold Van Os, Klaas Vander Veen, Conrad Van Hierden	
DFC Board Member	Klaas Vander Veen	
BalanceCo	Heini Hehli	
Finance Committee	Jim Towle, Gezinus Martens	Gerald Weiss, Alain Lavoie, Tietsia Huyzer
Market Development Advisory Committee	Arnold Van Os, Klaas Vander Veen	Bart Bikker, Alfons Ten Brummelhuis, Tom Kootstra
Milk Quality, Component and Measurement Advisory Committee	Klaas Vander Veen, Allan Child	Brian Stoutjesdyk, Greg Debbink, Rien Meinen, Peter Ijff
Research & Extension Advisory Committee	Wim Ruysch, Gezinus Martens	JP Brouwer, Greg Debbink, Gert Schrijver, Pieter Ijff
Transportation Advisory Committee	Klaas Vander Veen, Wim Ruysch	Willem Vanderlinde, Tom Kootstra, Stuart Boeve



GENERAL MANAGER'S MESSAGE

MIKE SOUTHWOOD

Decisions have been made this year, at the national and provincial level, which will change the face of our organization and industry going forward.

The staff profile at Alberta Milk will change considerably as a result of the announcement to consolidate the marketing and nutrition education functions of Alberta Milk with Dairy Farmers of Canada, and given that two long-term members of the leadership team, Katherine Loughlin and Gerd Andres, have made the decision to

retire by the end of 2016. The finalization of the industry-developed ingredient strategy will offer new opportunities for processing capacity, innovation, and to stabilize producer revenue. Further development of the new milk management system, which is being developed in cooperation with seven other provincial milk marketing boards, will enhance many of the administrative functions within Alberta Milk and ultimately provide enhanced services and functions for producers.



Our consumer advocacy and education activities were strengthened with the increasing support from producers. Once again, the Breakfast on the Dairy Farm event was held in central Alberta near Red Deer. In support of this producer-driven event, Alberta Milk provided the *Race the Farmer* interactive cow milking display. This event attracted over 500 attendees and approximately 65 volunteers. A total of 35 dietitians and health educators attended two dairy farm tours, organized by our nutrition educators to showcase farm practices. As well, Alberta Open Farm Days, organized by Alberta Agriculture and Forestry, saw four northern and central Alberta dairy farms host tours in August 2015. Finally, five agricultural events featured our full *Journey of Milk* exhibit. These events provided us with the opportunity to interact with over 21,000 Alberta students and families.

We continue to strengthen our relationships with industry partners and service providers to enhance our services to our members. As we continue to develop and implement proAction® modules, we are engaging with veterinarians, feed companies, Alberta Farm Animal Care Association, and the Alberta Veterinary Medicine Association, as a means to support the delivery of the animal care and traceability modules.

Our research partnerships with the provincial government and universities of Alberta and Calgary, continues to be robust and mutually beneficial for both researchers and producers. Alberta Milk's financial assistance provides the necessary industry support required to leverage

government research funding. The input from producers, through our Research and Extension Advisory Committee, ensures research is relevant to the needs of the industry. Alberta Milk was concerned with the announcement that the Alberta Livestock and Meat Agency (ALMA) would be dissolved and the research functions it provided would be rolled into the operations of the department of Agriculture and Forestry. We have had a very positive relationship with ALMA and benefitted from research and industry development funding. We have been assured that this support will continue with the change in administration.

Consumer demand for dairy products was very positive again this year. As a result milk production was strong in Alberta. A total of 725,043,666 litres of milk with a record high butterfat density of 4.0072 kg/hl was shipped by Alberta dairy producers. It is also very rewarding that producers continually strive to produce the highest quality milk. The provincial average for somatic cell counts, a key measurement of milk quality was the second lowest on record.

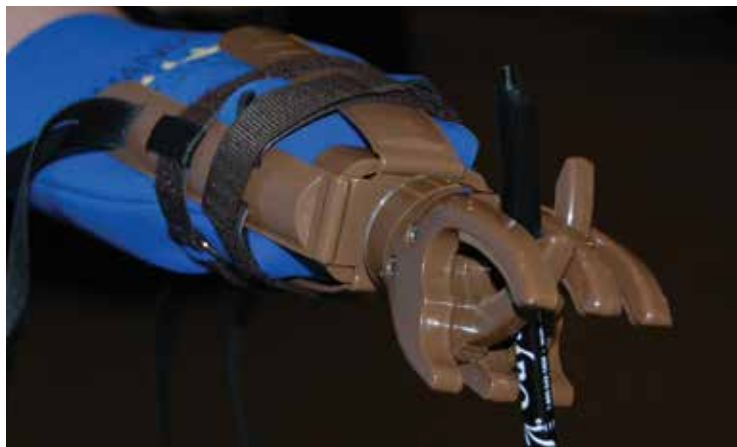
I genuinely thank the members of the Board of Directors for their support and continued guidance. And, also to the staff members for taking on the challenges, the new opportunities and for their initiative and commitment to the organization and the members we serve. As we reflect back on the 2015-2016 fiscal year, we know that the year ahead will be a year of transition. We look forward to the challenge of ensuring the transition is smooth.



LINDA LIKAR



DONGWEI TAO



DARIA TAYLOR



SHELDON APPELYARD

HOW DID WE ENGAGE STAFF?

We want Alberta Milk to be a great place to work and creating a positive culture among staff is a priority for management. In the past year, staff celebrated many accomplishments and navigated a variety of changes. We recognized six staff member's length of service milestones with our organization: 35 years – Katherine Loughlin; 15 years – Mike Southwood and Daria Taylor; 10 years for Cristin Vollrath; five years – Jaclyn Chute and Dongwei Tao.

As well, this past year also brought a few changes to staff. Forrest Evans resigned as our Policy Analyst and Jonathan Ntoni was hired for the role. Audrey Kirtzinger joined Alberta Milk as our Member Services Coordinator, when John Mann retired after 16 years of coordinating the transportation of milk. Jaclyn Chute, Nutrition

Educator, and Karlee Conway, Corporate Communications Coordinator, both went on maternity leave this year and we were happy to have Kristina Isaac and Erin Jordan join us for their one-year absences.

Providing staff with continual learning opportunities is more than just offering staff individual courses or conferences, that enhance their knowledge in their particular field. Not only did our office retreat create an opportunity to improve workplace relationships and team productivity, it also provided the opportunity for team members to give back to the community (this year we made prosthetic hands for people in need in developing countries). Partnered with social celebrations, we strive to build a positive community within the Alberta Milk staff.



530 dairy producers shipped
725,043,666 litres of milk



HOW DID WE ENSURE THAT MILK WAS EFFICIENTLY PRODUCED?

MILK PRODUCTION

In 2015-16, Alberta's 530 dairy producers shipped 725,043,666 litres of milk, representing 8.69 per cent of Canadian milk production. The average butterfat content of this milk was the highest on record at 4.0072 kg/hl, surpassing the previous record high of 4.001 kg/hl in 2014-15. Because of this record high butterfat density and strong milk volume, Alberta produced a total of 29,053,873 kg of butterfat in 2015-16. The volume of milk, butterfat density, and total kilograms of butterfat produced in Alberta in 2015-16 were the highest in history, making this year another banner year for dairy production in Alberta.

Alberta did not incur any over-production penalties or lose any production opportunities in the 2015-16 fiscal year. The province remained well within its provincial Cumulative Quota Position (CQP) flexibility limits of +0.5 per cent and -1.50 per cent of our Total Production Quota

(TPQ) throughout the fiscal year. Similarly, no other Western Milk Pool (WMP) province paid any overproduction penalties or lost production opportunities, since the WMP collectively remained within its CQP flexibility limits of +0.5 per cent and -1.5 per cent of our allotted TPQ.

Alberta comfortably achieved production of solids non-fat, well below its provincial solids non-fat/butterfat (SNF/BF) ratio limit. Alberta's provincial SNF/BF ratio limit was 2.4167, and Alberta produced a ratio of 2.2619 this year. This, although higher than last year's ratio of 2.2555, was the lowest in the WMP this year and helped the WMP provinces meet our collective pool limit of 2.4030. The increase (i.e., +0.28 per cent) in Alberta's SNF/BF ratio over last year's was mainly due to production volumes significantly increasing whilst butterfat densities relatively remained constant compared to last year. The WMP's collective SNF production this year resulted in an SNF/BF ratio of 2.2763.



GERD ANDRES



JONATHAN NTONI



TOTAL PRODUCTION QUOTA AND UNDERPRODUCTION CREDITS

Alberta's 2015-16 provincial TPQ was 28,868,940 kg of butterfat, an increase of 4.44 per cent from the 2014-15 level of 27,641,687 kg of butterfat. There were two TPQ issuance adjustments for producers in 2015-16, a one per cent increase on January 1, 2016 and another one per cent increase on March 1, 2016. These quota increases were issued in response to the low stocks and high demand for butterfat, that directly results in the quantity of TPQ that Alberta receives.

There were two incentive days each in August, September, October 2015, and April to December 2016. The robust increases in TPQ issuance and unusual schedule of incentive days were in response to rapidly increasing demand for butterfat in 2015-16, contributing to the fastest growth in Market Sharing Quota in recent years.

The total amount of TPQ transferred via the quota exchange in 2015-16 was 1,125.00 kg/day, while the total amount of TPQ transferred via private transfers was 371.30 kg/day, resulting in 18.56 kg/day of that TPQ being surrendered to Alberta Milk. There was also 949,934.01 kg of underproduction credits transferred between producers in 2015-16.

The demand for organic milk and dairy products remained relatively stable. To ensure a constant supply of organic milk for processing, 10 incentive days a month were issued for January to April 2016, and then five incentive days from May to July 2016, in accordance with organic milk demand and projected growth of the organic market. The organic milk leasing policy that has been in place since 2002 is being phased out over the next three years, starting on August 1, 2016. Producers that have used this initiative will be securing their own quota to offset the reduction of the lease option.



NEW ENTRANT ASSISTANCE PROGRAM

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

Alberta Milk's 2016 NEAP provided a 2:1 ratio of loaned to owned quota. The maximum TPQ loan a successful New Entrant may receive from Alberta Milk is 25 kg/day and is provided for up to 10 years. Four applications were received in 2016 and two applicants were accepted into the program, compared to one in 2014-15. The successful entrants are expected to start shipping in fall and winter 2016.

2015-16 PRODUCER PAYMENT

	2014-15	2015-16
Provincial Butterfat (kg/hl)	4.001	4.0072
Provincial Protein (kg/hl)	3.303	3.3202
Provincial OS (kg/hl)	5.722	5.7438
Pool Deductions (\$/kg)	(\$0.0042)	(\$0.0006)
Producer BF price (\$/kg)	\$11.42	\$11.65
Producer PR price (\$/kg)	\$4.55	\$3.92
Producer LOS price (\$/kg)	\$3.57	\$3.42
Average Milk Price (\$/hl)	\$81.14	\$79.33
Total Milk Revenue (\$)	\$560,044,641	\$575,971,850
Milk Quality Bonus (\$)	\$1,350,294	\$1,392,802
Environment Funding (\$)	\$980,008	\$1,006,762
TOTAL PRODUCER REVENUE (\$)	\$562,374,943	\$577,535,115

2015-16 EQUALIZATION STATISTICS BY CLASS

CLASS	VOLUME (L)	VALUE
Class 1	372,386,361	\$363,536,065
Class 2	28,550,875	\$37,217,377
Class 3	127,896,473	\$96,702,024
Class 4	66,989,367	\$71,659,987
Class 4a(1), 4m, 5	129,220,320	\$18,759,090
TOTALS	725,043,396	\$587,874,543



HARMONIZED MILK CLASSIFICATION SYSTEM

CLASS	DOLLARS PER STANDARD HECTOLITRE	DEFINITION OF ELIGIBLE PRODUCTS
Class 1(a)	\$95.67	Fluid Milk - Skim, 1%, 2%, 3.25%, Egg Nog
Class 1(b)	\$95.04	Cream - 10%, 18%, 35%
Class 1(b1)	\$26.18	Cream - Used in Fresh Baked Goods
Class 1(c)	\$0.00	Innovative Fluid Milk Products
Class 1(d)	\$83.96	Fluid Milk Sold in Canada, Outside Provinces
Class 2(a)	\$81.07	Yogurts
Class 2(b)	\$81.07	Sour Cream, Ice Cream
Class 3(a)	\$78.61	All Cheeses Except Those in Classes 3(b), 3(c), and 3(d)
Class 3(b)	\$77.49	Cheddar, Cream Cheese, Cheese Mixes
Class 3(c)	\$78.71	Asiago, Colby, Feta, Gouda, Havarti, Swiss, Mozzarella
Class 3(d)	\$67.12	Mozzarella - Used on Fresh Pizza
Class 4(a)	\$39.43	Butter, Milk Powder, Concentrated Milk
Class 4(a1)	\$49.16	Non-Standardized Cheese Products
Class 4(b)	\$0.00	Concentrated Milk
Class 4(c)	\$68.49	Innovative Industrial Milk Products
Class 4(d)	(\$65.79)	Inventories
Class 4(d1)	\$54.00	Inventory milk for interprovincial milk movement
Class 4(m)	\$6.82	Marginal Markets
Class 5(a)	\$44.31	Cheese Used in Further Processing
Class 5(b)	\$42.26	Other Dairy Products Used in Further Processing
Class 5(c)	\$28.03	Dairy Products Used in the Confectionery Sector
Class 5(d)	\$25.54	Planned Exports

All Values are for the 2015-16 Fiscal Year for the Western Milk Pool Provinces

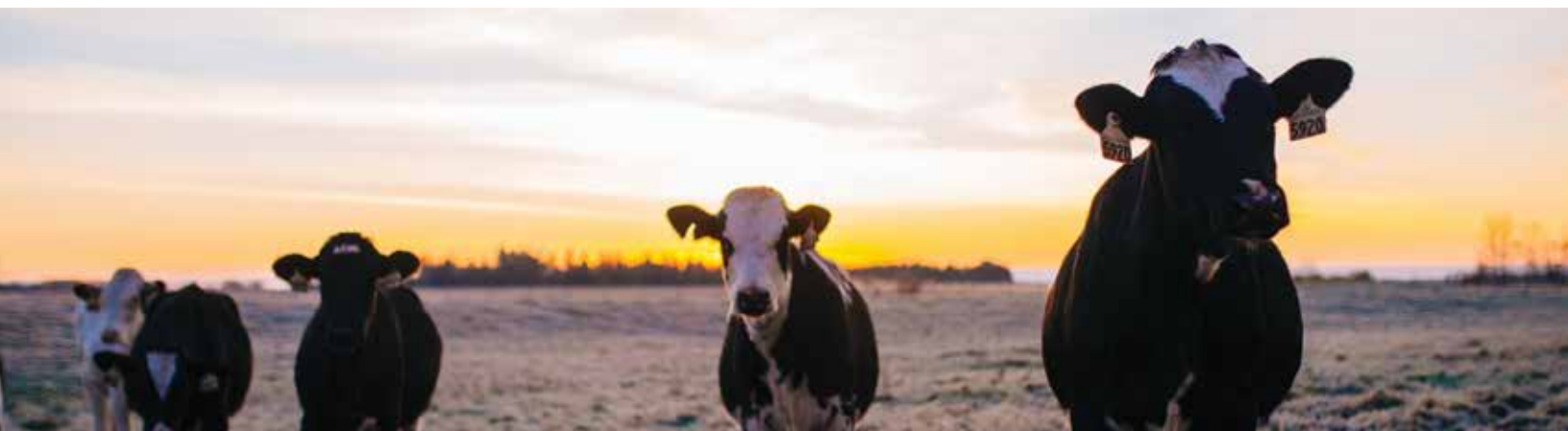


CANADIAN MILK SUPPLY MANAGEMENT COMMITTEE

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

CMSMC approved the CDC's refund of \$20.19 million, to which Alberta's producers received \$1.43 million. Additionally, the CMSMC agreed to increase the growth

allowance (GA) from two to five per cent from December 1, 2015 until February 28, 2017. The Secretariat was tasked to monitor the market and recommend any further adjustment in the GA as needed. As a result of this increase, the two pools (P5 and WMP) will no longer be obligated to move milk between the pools if an imbalance in processing occurs. The CMSMC also approved a credit adjustment of 2,076,988 kg of butterfat which was applied to the Continuous Quota calculation on December 1, 2015 and Alberta's share of it was 222,521 kg of BF. As well, over and under quota penalties are suspended until February 28, 2017, in efforts to account for additional growth and retroactive credit adjustments.



The CDC implemented one new program this year, the Skim Milk Redirection Program for cheese. The program outlines the guidelines and administrative procedures to be followed when raw milk is moved between plants for separation. Movement of the resulting cream or skim milk is added to the surplus removal program cost and shared nationally. CMSMC also approved a definition of butter products eligible for Dairy Innovation Program, to require the product to contain a minimum of 50 per cent butterfat; and the product shall not contain any non-dairy fats (such as vegetable fats/oils), nor any imported dairy ingredient.

The CMSMC approved a national ingredient strategy, which is reported on page 18. Pending implementation of the ingredient strategy, the CMSMC agreed to temporarily include liquid milk protein concentrate (MPC) and skim milk as eligible products in class 4(m) MPC. Furthermore, the CMSMC approved the Canadian Laboratory Services (CLS) proposal to update the uniform factor currently used for solids-non-fat in payment laboratories. The CLS will commence its study in November 2016 and the associated costs will be paid by the CDC and shared nationally.

Estimated Canadian Butterfat Requirements (i.e., Market Sharing Quota - MSQ) for the 2016-2017 dairy year was set at 220.51 million kg of BF and Alberta's share of the MSQ is 15.83 million kg of Butterfat for the period. The annual Cost of Production budget was \$619,687. CDC contributed \$200,000 to the budget and the provinces contributed to the balance. Alberta's contribution was \$52,472, representing our share of total quota (8.4676%).

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 WMPCC decided to apply 100 per cent of the February 1, 2016, fluid milk price increase on butterfat (BF). Also, the committee agreed to share the revenue losses and additional costs resulting from the disposal of skim milk in Manitoba, based on in-quota sales from September 2015 to August 2016, when the decision will be reviewed. A key decision of the WMPCC was the approval of the recommendation to implement the national ingredient strategy. The committee also approved milk price adjustments effective September 1, 2016, which in effect is expected to increase producer blend price nationally by about \$1.13/hL.



NATIONAL INGREDIENT STRATEGY

In July 2016, an agreement in principle was reached by producers and processors. This agreement formalized a negotiation that officially started in September 2015. The negotiations were based on the New Market Environment for the Canadian Dairy Industry proposal developed by producers and the national dairy processors proposal for a Modernized Canadian Dairy System. The vision is of a flexible, market responsive policy framework that supports growth in markets for dairy products and ingredients, while maintaining the core features of supply management.

The agreement in principle addresses the following key elements; establishment of a new ingredients class, pricing and pricing mechanisms, support for fine cheese,

market growth and innovation, and producer revenue protection mechanism. An implementation plan and supporting pricing methodology policy was presented at the Canadian Milk Supply Management Committee meeting in July 2016. In the case for Alberta Milk, the implementation of this new strategy will require amendments to our Marketing Regulation and pricing directives.

This new strategy will result in major changes in the administration of our industry, but most importantly it has the potential to create innovation and growth for both producers and processors. The impacts of the agreement will be closely measured as the implementation happens.



JOHN MANN



HEATHER GILLIS



BILL BEISAL



AUDREY KIRTZINGER

HOW DID WE ENSURE THAT MILK WAS EFFICIENTLY TRANSPORTED?

The continued increase in farm production has been a challenge to maintain efficiencies within the transportation system. The trucks on the road each day have increased from 58 to 60. The number of routes every two days has increased from 144 to 154, with an average of 148 routes (the average was 142 in 2014-15). The average route volume has varied from 26,047 litres to 27,427, with an average of 26,759 (was 26,577 in 2014-15). The legal weight capacities of the milk trailers vary, and for most of them the legal volume capacity is close to 28,500 litres. Using the average of 26,759, the trailers have been operating at 93.9 per cent (was 93.3 per cent in 2014-15) efficiency.

Milk within the Western Milk Pool (WMP) has continued to be transported from the east to the west. This change in the direction of WMP movement coupled with the WMP plant shutdowns for maintenance and renovations has effected the dispatching of load destinations in Alberta. This year was also the start of loading b-trains on farm and transporting to Abbotsford, BC.

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. The start of the b-trains travelling off-route to BC has increased the hours and mileage in 2015-16. The average daily hours have varied from 621 to 766 with a yearly average of 669 (was 624 in 2014-15). The average route hours have varied from 8.6 up to 9.9, with a yearly average of 9.0 (was 8.8). The average daily kilometers have varied from 22,190 up to 30,154, with a yearly average of 24,944 (was 21,740 in 2014-15). The average route kilometers have varied from 306 up to 392 with a yearly average of 336 (was 307 in 2014-15).

The Transportation Advisory Committee continues to work on policies and issues affecting the transportation of raw milk. This year, the committee completed a revision to the Extra Pickup (EPU) Policy and to the Dual Tank Policy, by combining the two policies into one. The revision was approved by the Board and initiated on March 1, 2016. This policy deals with producer pickups that are outside of the normal two-day pickup schedule and also producers with dual bulk tanks. The main revision was a token payment to producers who did not need an EPU, but were receiving an EPU for their hauler to balance and keep their trailers as full as possible. Another important revision was that all producers who have dual tanks do not pay a yard charge on their second tank.

The committee was involved with the review of the transportation formula in 2014-15, that was commissioned by the Board. The committee reviewed the consultant's final report and made recommendations to the Board. The results of the review were implemented on January 1, 2016.

The committee was involved in selecting a transportation consultant to supply the 2016-17 fiscal year transportation rates for the transportation formula for hauler pay. The committee reviewed the rates supplied by the consultant and forwarded recommendations to the Board for consideration.

The committee has been researching route optimization and will continue its research with other provinces that are using route optimization programs.



HOW DID WE ENSURE QUALITY MILK WAS PRODUCED?

MILK QUALITY AND MEASUREMENT

When moving hundreds of millions of litres of milk every year from our farms to processors around Alberta and western Canada, producers have acknowledged that accurate measurement and excellent milk quality are essential for consumers.

MILK MEASUREMENT

The on-farm Bulk Milk Tank Calibration Program calibrates all new tanks as required and re-calibrates existing tanks every five years. The ownership of International Dairy Calibrations Alberta Ltd. was passed onto Shaun Byer in September 2015. Alberta Milk was able to work with Shaun to implement an electronic bulk tank chart import into our database, thus negating the need for manual entry of the chart.

Staff routinely monitor the two processing plants that are part of the Metering and Proportional Sampling program. These two processors are checked three times per year by Weights and Measures Canada representatives.

MILK QUALITY

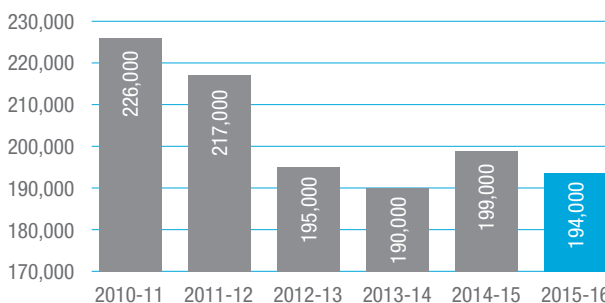
There are four tests completed on producer raw milk on a regular basis to measure quality. Milk must meet the provincial standard or producers face the prospect of financial penalties or suspension.

MILK QUALITY PARAMETER	% OF PRODUCERS MEETING THE PROVINCIAL REQUIREMENTS FOR RAW MILK QUALITY
Bacteria	99.16%
Somatic Cells	99.06%
Freezing Point	99.86%
Inhibitors	99.98%

Occasionally, milk quality dips below the provincial requirements. When this happens, producers incur financial penalties. This past year, only 76 producers received a penalty, which is a 37 per cent decrease from 2014-2015 and is the lowest yearly total since 2008.

Somatic cell count (SCC) is used as an indicator of milk quality. Following the regulatory change to a maximum of 400,000 cells/ml in 2012, Alberta producers have consistently produced better quality milk. This year's provincial average of 194,000 cells/ml was the second lowest on record.

ALBERTA YEARLY SCC AVERAGE





JIM EISEN



KELLY MAUTHE

**Congratulations to
Sylvanside Dairy for
winning the Provincial
Milk Quality Award for
a second year!**

CELEBRATING EXCELLENCE IN MILK QUALITY

Alberta Milk has two programs for rewarding excellence in milk quality.

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 2015-16, an average of 73 per cent of producers qualified for the monthly milk quality bonus.

As well, a record number of 204 producers (39 per cent) qualified for the milk quality award. Congratulations to Sylvanside Dairy for winning the award for a second year!

TOP TEN FARMS IN MILK QUALITY IN ALBERTA

1	SYLVANSIDE DAIRY LTD.
2	EARNEWALD HOLSTEINS LTD.
3	THOMPSON HBC
4	DEERFIELD HB
5	FERNAND AND CAROL-LYNN PELCHAT
6	PRAIRIEHOME HB
7	KEN FENSKE
8	POULIN, BROUSSEAU, VANDENBERG
9	H & J LEUSINK DAIRY LTD.
10	ROCKY MOUNTAIN HOLSTEINS LTD.



ANIMAL HEALTH AND WELFARE

ANIMAL HEALTH

The Healthy Dairy Herds (HDH) initiative is the successor to the Alberta Johne's Disease Initiative (AJDI). The HDH has been laying the ground work for the next opportunity to support producers. Based on the results of the provincial Hoof Health Initiative, various research trials conducted by the University of Calgary and producer feedback from the proAction® Animal Care pilot project, the HDH worked on designing a new program to help producers identify on-farm risks for lameness and develop management plans. Alberta Milk and the many partners of the HDH initiative are committed to developing programs which will assist Alberta's dairy producers in maintaining healthy dairy herds.

AFAC continues a two-year Cattle Benchmarking project, which will evaluate and record the condition of cattle arriving at auction markets and abattoirs. This data will be evaluated to determine true causes of unfit and compromised cattle arriving at these locations. We hope to use this information with producers to ensure appropriate care and transport of our animals.

PROACTION®



MILK QUALITY AND FOOD SAFETY

The first two modules of proAction® are milk quality and food safety and both have been

in place in Alberta for many years. Our provincial milk quality module is based on the testing of every farm's milk shipment as part of the Milk Grade and Price Program. Our food safety module was introduced as the Canadian Quality Milk program and assures consumers of the safety of our food product.

ANIMAL WELFARE



The 2016 year has been one of change for Alberta Farm Animal Care (AFAC), as the previous board structure was replaced with a smaller, elected board and a separate membership council, to

which all members are invited to participate. This move has allowed more individual producers and supporting livestock industry organizations and businesses to participate in the various council discussions (on cull cattle welfare and antimicrobial resistance, for example) and bring a real grassroots producer perspective.

ANIMAL CARE & TRACEABILITY

We hosted workshops across the province in December 2015 and May 2016, to introduce Alberta dairy producers and industry service providers to the proAction® Animal Care and Traceability modules. The workshops included an overview of the Animal Care module which focuses on



MIKE SLOMP



JODI FLAIG



housing, feed and water, animal health and biosecurity, handling and shipping animals, and staff training and communication. One of the key components of the Animal Care module is the animal care assessment which evaluates three areas: body condition scoring, injury (neck, knee and hock) and lameness. The workshops offered the opportunity to ask questions regarding the program: why it was developed, how it was developed, and what the validation and assessment might look like on-farm.

An overview of the Traceability module was also provided at these workshops. The Traceability module is built on the three pillars of traceability: animal identification, premises identification (PID), and animal movement.

All of our dairy producers received the proAction® Animal Care & Traceability reference manuals, workbooks and reference materials, either at the workshops or via mail if they were unable to attend. Alberta Agriculture and Forestry, Field Office Administrators and Canadian Cattle Identification Agency, Mobile Field Representatives also participated in various Alberta Milk events and provided information to assist producers in accessing the traceability information they might need.

BIOSECURITY & ENVIRONMENT

The proAction® Biosecurity and Environment modules were piloted on dairy farms across Canada in spring 2016. More than 30 of our dairy producers participated in the pilot project. The participants attended orientation workshops and were then asked to review the validation checklists at home to prepare for a mock pilot validation. Preparation included the completion of Standard Operating Procedures, an on-farm biosecurity risk assessment, and the Environmental Farm Plan. Participants' feedback on the mock pilot validations was shared with the national proAction® Biosecurity and Environment Working Groups, leading to further modifications and revisions in both modules.



RESEARCH

RESEARCH FUNDING

Alberta Milk has had another successful year in working through the Agriculture Funding Consortium (AFC), to successfully leverage producer funding for research projects. The AFC process allows commodity groups and funding agencies to review and consider projects together. This creates efficiency for both AFC members and researchers, as well as to increase the opportunity to leverage producer dollars. Alberta Milk has received great support from the Alberta Livestock and Meat Agency (ALMA) and Alberta Innovates Bio-Solutions and has been able to partner with Alberta Barley and Alberta Beef on various projects of common interest. Additional funding partners outside the AFC have included Alberta Agriculture and Forestry, Saskatchewan Agriculture Development Fund, Alberta-Ontario Innovates, Canadian Dairy Network and several private companies.

Alberta Milk also pursued research projects of interest submitted outside of the AFC process. These project proposals were presented at the Research and Extension Advisory Committee's (REAC) annual research presentation meeting in July 2016. 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 our research priorities and also addressed current dairy producer needs, including on-farm implementation. Proposals were also expected to display collaboration with other researchers. The discussions usually led to project proposal enhancements or

consideration of additional funding sources. All of this activity yielded stronger proposals and an increased funding leverage ratio on Alberta Milk's research assessment funds.

The research projects we helped to fund were undertaken by Alberta Agriculture and Forestry and the universities of Alberta, British Columbia, Calgary and Saskatchewan, and focussed on calf health, feed production, efficiency and management, digital dermatitis, Johne's disease, mastitis, and reproductive health and management. We look forward to continued success with our research investments in 2016-17.

We worked through the Dairy Research and Extension Consortium of Alberta (DRECA), to deliver numerous producer extension activities, including the 2016 Dairy Cattle Reproduction Management Workshops, two-page research summaries, Dairy Club and the annual DRECA Forum.

The 2016 Dairy Cattle Reproduction Management Workshops included presentation on the economics of reproductive decisions, reproduction tools and techniques, a veterinary perspective, and the genetic aspect. The workshop also highlighted the importance of building connections with dairy industry service providers.

The DRECA partnership, comprised of Alberta Agriculture and Forestry, Alberta Milk and the universities of Alberta and Calgary, strives to encourage collaboration among partners in dairy research and its extension to producers across the province.



HOW DID WE SUPPORT FARM SAFETY AND ENVIRONMENTAL STEWARDSHIP?

AGCOALITION

The farm and ranch community experienced the introduction of the Enhanced Protection for Farm and Ranch Workers Act (introduced as Bill 6). While the Act was initially described as a government commitment to farm safety, it soon became clear that labour relations and employment standards would also be included in the new legislation.

In early 2016, the provincial government created a consultation process to receive feedback to the new legislation. Alberta Milk and 28 other provincial farm groups set a new precedent by creating the AgCoalition, which was designed to present a united approach to the provincial government and to provide meaningful producer input to the consultation process.

Coalition members agreed to fund this new initiative and selected Gord Winkel to serve as an interim executive director. His services have been invaluable to the efforts of the Alberta farm and ranch community. Throughout the consultation process the AgCoalition membership worked hard to understand the new issues and represent producer perspectives and concerns across the province. Alberta Milk producers and staff have been very engaged in this work. The government's consultation process will continue into the next year.

FARM SAFETY EDUCATION AND EXTENSION

The crop and livestock groups have begun a new initiative to work together in building farm safety resources and training tools to enhance the culture

of farm safety in Alberta. This will begin with simple tools to identify safety hazards on the farm (including livestock handling) and designing suitable action plans to address the hazards.

RURAL INFRASTRUCTURE (ROADS AND BRIDGES)

As a result of multiple years of reduced provincial government funding, Alberta's rural infrastructure is slowly crumbling and requires some considerable investment and overhaul. Certain counties have been unable to source alternate funding to pay for repairs to roads and bridges. Some of these counties have chosen to implement significant road bans on liquid manure hauling, creating additional burdens for livestock producers and one county recently imposed a first ever tax on livestock operations, in an effort to recoup dollars to maintain roads and bridges.

The provincial government's review of the Municipal Government Act was in full swing during 2016. We participated in consultation meetings with the Minister of Municipal Affairs.

ENVIRONMENT

Alberta Milk worked closely with several industry partners, to monitor and follow up on various environmental topics and emerging trends, such as manure management and the provincial government's proposed carbon tax. Our partners include the Intensive Livestock Working Group (eight livestock / poultry groups), the Agri-Environmental Partnership of Alberta and the Natural Resources Conservation Board.



HOW DID WE ENGAGE DAIRY PRODUCERS?

ANNUAL GENERAL MEETING AND DAIRY CONFERENCE

Our 2015 annual general meeting and dairy conference was held November 17-19 in Edmonton.

The dairy conference featured a balance of inspirational and educational presentations. Our keynote speaker, Damian Mason, used humour to get his message across about the value of agriculture. Participants were inspired by the presentation of Chantal Petitclerc on the Dairy Farmers of Canada (DFC) program *Fuelling Women Champions* initiative. Ms. Petitclerc is one of the program ambassadors and one of Canada's most decorated Paralympians. Canada's dairy farmers can be proud of

the program and partnerships that have been established with several celebrated athletes, and sports organizations as we work to provide opportunities in sport for all female athletes. Concurrent sessions featured topics on Food Integrity, Know GMO and the Digital Age of Farming.

DAIRY INDUSTRY ACHIEVEMENT AWARD (DIAA)

This award celebrates individuals or organizations who have distinguished themselves through their substantial contributions to the leadership and development of Alberta's dairy industry. Longtime farming couple Stan



SHELLEY RIETVELD



KIM SKOLARCHUK



Tom Kootstra presenting the DIAA to Stan and Marg Coleman

and Marg Coleman were awarded the DIAA this year. The Colemans owned and operated Green Hectares Jerseys, west of Innisfail, and have been involved in the dairy industry for over five decades. Their dedication to farm education initiatives and the Jersey breed made them candidates for the award.

Their involvement in the Calgary Stampede's Aggie Days, Amazing Agriculture and 4-H programs has contributed to increased public knowledge of the dairy industry. Both held executive leadership roles with the Alberta Jersey Cattle Club and were active in Jersey Canada events. They were instrumental to the Jersey Canada Genetic Recovery Program and descendants of their own herd have been recognized and awarded internationally.

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.

About 445 participants attended the 2015 fall producer meetings. The key discussion points focused on the recently negotiated Trans-Pacific Partnership agreement and the current producer price.

About 390 participants attended the 2016 spring producer meetings. Updates were provided on trade, DFC activities, P10 negotiations on a national ingredient strategy, and farm safety. One of the main points of interest related to the increasing downward pressure on the producer blend price.

The Future Leaders Development Program was developed to provide dairy producers with the opportunity to learn more about the roles and responsibilities of being a director, prior to seeking election or appointment to a dairy industry board. This program started in Eastern Canada and was adapted for Western Canada. It is funded by BC Dairy Association, Alberta Milk, SaskMilk, Dairy Farmers of Manitoba, CanWest DHI, and WestGen.

This year's program was held in January 2016, and brought together 20 future dairy industry leaders who participated in a three-day development course that provided the opportunity to grow their leadership skills, business knowledge and network, while simultaneously allowing them to better understand their own personal skills.

The dairy industry continues to consolidate and the dairy farmer organizations realize that we will all be working closer together in the future. Further consolidation of existing organizations should be expected over the next decade and therefore, it is logical that a closer network of future leaders should be developed together.



Edmonton Premier's Breakfast

HOW DID WE SHARE STORIES AND ENGAGE STAKEHOLDERS?

MEDIA RELATIONS

Media relations for Alberta Milk this year was a reflection of how consumers are eager to learn about the farm-to-fridge journey and reconnect with their food. Farm safety, butter prices and shortages, as well as animal care, were topics that drew media attention.

In November and December, Jeff Nonay, of Lakeside Dairy, did a radio interview on the topic of farm safety and what was known at the time as Bill 6, now the Enhanced Protection for Farm and Ranch Workers Act. The announcement of Bill 6, by the New Democratic Party government, was thought to be controversial due to its abruptness, lack of clarity, and the fact that commodity groups had not been adequately consulted.



ERIN JORDAN



KARLEE CONWAY



In March, Jeff Nonay was also interviewed by Alberta Primetime for the *Who Does That Job?* segment. A tour of Lakeside Dairy profiled all that Jeff does to produce quality milk.

In May, with guidance from DFC, proAction was promoted to urban media. A press release managed to attract Alberta Primetime, a current affairs program. Chairman Albert Kamps confidently spoke to the benefits and necessity of proAction, as part of consumer assurance.

CONSUMER ENGAGEMENT

Summer is a key time to engage urban consumers in the dairy industry. Alberta Milk continued to co-host events and/or offer support in the form of promotional items for giveaway, social media exposure, and dairy products for attendees.

The Breakfast on the Dairy Farm took place for a fourth year in June in the central region at Yff Dairy, thanks to co-hosting by the East of Olds Dairy and Southern Alberta Holstein Clubs, with approximately 500 attendees. The hope is that more Breakfast on the Dairy Farms will continue to be planned as annual events in the other regions.

Four farms, in the north and central regions, participated in Alberta Open Farm Days, a Government of Alberta initiative, which connects urban populations to farming.

Alberta Milk supported this initiative by offering promotional items, biosecurity booties and dairy products.

DIGITAL MEDIA

Corporate communications adopted the Twitter account @AlbertaMilk, as a result of the marketing and nutrition education team transitioning to Dairy Farmers of Canada. Going forward, there will be an increase in industry-related information being tweeted out.

A new look and feel for the corporate website, albertamilk.com, was sought out after deciding to blend with the nutrition-focused site moreaboutmilk.com. The project commenced in February, when we selected a website developer called Paper Leaf.

The site development had the entire journey of milk in mind, showcasing both industry topics such as proAction, as well as dairy nutrition and healthy recipes. Through the Ask a Dairy Farmer feature, we received many questions, which create the opportunity to open up a conversation about our industry. This feature attracts all types of stakeholders; consumers seeking a specific cheese, job hunters looking for work on a dairy farm, and parents inquiring about dairy nutrition.

The eventual launch of the new site is set for October 2016.



HOW DID WE ENGAGE GOVERNMENT LEADERS IN SUPPLY MANAGEMENT?

Given the new political landscape, both provincially and federally, Alberta Milk spent much of the year engaging the provincial New Democratic Party and federal Liberal governments in what supply management is and why it matters to both farmers and consumers.

With new governments to work with, the decision was made to hire a new government relations firm. After careful consideration, Alberta Supply Management (SM5) chose Alberta Counsel, to strategize and support our government relations efforts.

PROVINCIAL GOVERNMENT RELATIONS

In October, SM5 met with the Honourable Oneil Carlier, Minister of Agriculture and Forestry, to leverage government to officially endorse supply management.

In November, SM5 hosted a farm tour to the Morinville Hutterite Colony for NDP MLA. Nine MLAs and two staff attended the event. Overall it was a great opportunity to showcase the supply managed commodities and present information on our marketing system and farming practices. The tour was well received by those in attendance.

In February, the delegate workshop was attended by the Minister of Agriculture and Forestry Oneil Carlier. He spoke on the Enhanced Protection for Farm and Ranch Workers Act and the importance of investing in the provincial dairy industry.

In July, the Premier's Breakfasts took place with SM5 sponsoring the breakfasts. Premier Rachel Notley was in attendance for the Calgary breakfast and the Honourable Deron Bilous, Minister of Economic Development and Trade, hosted the Edmonton breakfast. Board members and delegates were present for each event. The Calgary breakfast provided an opportunity to converse with MLAs about supply management, while the Edmonton breakfast catered more to interacting with consumers.

FEDERAL GOVERNMENT RELATIONS

Throughout the year, international trade committee activities were continuously monitored. Dairy Farmers of Canada (DFC) outlined five key issues to discuss when given the opportunity to do so with government leaders: diafiltered milk misclassification, advanced rulings by the Canadian Border Services Agency, duty deferral, CETA and TPP compensation, as well as government investment into processor modernization.



In February, DFC's annual dairy policy conference saw us meet with seventeen Alberta MPs on Parliament Hill; one NDP and sixteen Conservative. Board members were scheduled to meet with different MPs, depending on existing relationships or their farm's proximity to a MPs riding. Overall, conversations were productive and offered an opportunity for further future dialogue.

In February, the Honourable Chrystia Freeland, Minister of International Trade and the European Commissioner for Trade, announced that the legal review of the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) English text has been completed. It is expected that the CETA will be signed next year. Alberta Milk has supported DFC in ensuring that the impact on the dairy industry is understood and stressing the importance of the compensation package that was previously promised.

After reaching an agreement in principle in October 2015, the federal government signed the Trans-Pacific Partnership Agreement (TPP) in February 2016. The federal government is now consulting with Canadians and has undertaken an economic impact assessment of Canada's potential participation in the TPP. Alberta Milk has been active in engaging with the federal government as part of the consultation process. A vote in Parliament will be required before the TPP will come into force. All

other countries will follow the same process, and each has up to two years to consider ratification before making a final determination.

The impact on our industry as a result of these two free trade agreements is significant. The industry is seeking a compensation package that features an income guarantee program, on-farm infrastructure support, processor modernization program, and a market development initiative. These initiatives will assist producers as they adjust to the new realities, secure needed processing infrastructure, and help grow the market for cheese and other dairy products.

In May, SM5 secured a meeting with NDP MP Linda Duncan, to discuss our two main issues; diafiltered milk and the duty deferral program.

Canada Milk Day was celebrated on June 2 on Parliament Hill. The event was an opportunity to draw attention to government issues and engage consumers in dairy, by giving away cheese curds and information on our industry. Dairy farmers showed up and rallied for the Liberal government to offer explanations on supply management issues that have long been brought forth to government.



HOW DID WE SUPPORT THE MARKETING OF MILK?

STRATEGIC MILK ALLIANCE (SMA)

The beverage market remained very challenging and staff continued to implement programs that we believed would encourage milk drinking by families and adults alike. Nationally, milk sales continue to trend negative, while western sales were positive over the year with white milk +1.06 per cent and chocolate milk +6.29 per cent.

During the latter part of 2015 and early 2016, the SMA continued to air the *Milk Every Moment* campaign, which included TV commercials, billboard advertising, a social media campaign, and in the west, consumer activations. To support the campaign, Alberta Milk attended a variety of events with an activation team. During the fall of 2015, the *MilkMobile* attended eight

events and the team interacted with almost 6,000 Albertans. During the cold winter months, we welcomed hardy festival goers to seven events to jump in our *Milk Every Moment* Snow Globe. Consumers could make a slow motion video in the snow globe and enjoy real hot chocolate milk afterwards. Over 7,600 consumers enjoyed this activation! The spring and summer months of 2016 were busy with events. Our team was present at five events, interacting with moms in a unique *Mom's Playground*-themed activity. At this activity, moms got some personal attention and could have a hand massage or have nail polish applied while enjoying a milk. At the same time their children were occupied with games and a colouring book. The activation was very well received and we engaged with 11,500 Albertans.

In March, the decision was made by SMA partners to dissolve the partnership and the campaign wound down by July 31.



321
SCHOOLS
participated in





KATHERINE LOUGHLIN

MILK WEST PROGRAMS

The Milk West Steering Committee met regularly by phone, plus held two in-person meetings to discuss Milk West business. Alberta Milk had two directors on the Milk West Steering Committee.

CHOCOLATE MILK: Our chocolate milk activity focused on sport rituals this year, and encouraged active Albertans to make chocolate milk their go-to post-workout ritual. The campaign used Facebook, pre-roll video, and a special promotion with Sportsnet, to reach athletes. In addition, our Recovery Crew interacted informally with participants at nine events in Alberta, sharing the chocolate milk for recovery message. During fall 2015, our *Contender's Lounge* targeted participants at two extreme events, while our new activation, the *Recovery Camp*, was at the Great White North triathlon at Stony Plain and Rugged Maniac in Calgary during the summer of 2016. Both of these activations provided a place to cool down, stretch out and enjoy a chocolate milk for recovery. We appreciated the support of western dairy processors in donating milk for all activations.

YOUTH CAMPAIGN: *Snack Time*, the animated video campaign targeting youth, continued to grow in popularity. New videos were introduced regularly and promoted to the youth community via social media. With additional videos completed this year, we had a pool of over 50 videos on the *Snack Time* YouTube channel at year end. We also introduced an activation targeted at teens called *Snack Time Sumo*. Teens could dress up in

their favourite characters' costume and challenge their friends to a competition. Other friends could cheer them on while snacking on popcorn and cold milk. This activation was at two events in Alberta, the Camrose Jaywalkers Jamboree and Klondike Days in Edmonton, and was effective at engaging nearly 8,500 teens. *Snack Time* garnered 11 marketing awards; a testament to the creativity and broad appeal of the campaign.

MILK MOOVES YOU PROMOTION: This western retail on-package promotion was very successful again this year with over 700,000 entries, 295,000 of which were from Albertans. Both Saputo and Parmalat participated this year with over 23 million specially marked cartons and jugs of white and chocolate milk in the market. The grand prize was a very desirable 2016 RAM 1500 SXT truck, which was won by a family in Winnipeg. Secondary prizes were coupons for a free McCafe specialty beverage, which was also very popular with consumers.

SCHOOL MILK: The elementary school milk program, Club Moo, had 321 participating schools. Staff continue to look for ways to help schools overcome the barriers to selling milk at school. We had 34 schools celebrating participation milestones this year. Nine schools celebrated 30 years of participation in school milk, while 25 schools celebrated 10, 15, 20 or 25-year milestones. Once again, we supported Breakfast for Learning (Alberta) with a cash grant to ensure dairy products were available for students in need at school. Our funding helped 104 schools include dairy in their breakfast programs.



CHARMAINE BLATZ



BETHANY MILLIGAN



KATHY SEARLE



The high school Milk Slam promotion was active in 239 secondary school and 43 post-secondary school cafeterias in Alberta during fall 2015. The promotion built on the Snack Time youth campaign theme and created a link between a very popular advertising campaign and drinking milk at lunch. This instant win promotion ran for 10 weeks and rewarded students who purchased milk. Prizes included free milk, flash drives and PC tablets. Evaluation by the cafeteria operators suggested this program was very effective at increasing milk consumption by students.

Alberta Milk continued to support the Alberta Schools' Athletic Association Alberta Milk scholarship and selected two students, Rachel Hawkins from Bishop Carroll in Calgary and Kyle Wong from Henry Wise Wood in Calgary, as winners of the two \$1,000 scholarships for 2015.

CONSUMER OUTREACH: Chocolate milk messaging was used on rink boards in 43 busy ice arenas across the province. Alberta Milk sponsored 20 events across the province, ranging from fairs to fun runs. At 10 of these events, our activation team engaged with over 15,000 Albertans, sharing milk messages and a milk sample with them. Alberta Milk had two activations this year – one targeting moms and the second targeting teens. Our *To Mom* activation was at three events and provided an opportunity for families to recognize mom for all she does for them by presenting her with a personal note and a long stemmed rose. This activation was at three Edmonton events: the Mothers' Day Run

in May, the Works Art and Design Festival in June and Taste of Edmonton in July. It was overwhelmingly popular with families who loved the idea of saying thanks to their mom, and enjoyed the connection to milk. Over 6,250 Albertans were engaged at these three events. Our second activation was a high striker game which visited four events including the Alberta Summer Games, Porkapalooza, the Alberta School Sport Track and Field championships, and Play-On Calgary. Over 5,700 participants tried to hit the lever with a mallet and ring the cow bell at the top of the stand. In return for the effort, they received a small cow bell and milk. The activation teams were able to meet all objectives for consumer interaction and milk sampling at our chosen events.

MOREABOUTMILK.COM: Alberta Milk is active in the social sphere with our website, weekly blog, YouTube channel, Twitter and Pinterest activity. Our digital efforts continue to be well received by consumers. The Alberta Milk marketing and nutrition team developed blogs on a weekly basis, for our *Easy. Tasty. Healthy.* blog. As well, we had two guest bloggers adding their work to our mix. Our average monthly blog page views was up by almost 64 per cent, while average monthly sessions on the site were up by 82 per cent, Facebook fans grew by almost 32 per cent and Twitter followers were up almost 24 per cent. In February, Alberta Milk initiated a redevelopment of both moreaboutmilk.com and albertamilk.com into one comprehensive web site.



EDUCATOR PROGRAMS

POWER TO PLAY (KINDERGARTEN TO GRADE 3):

The demand for workshops continues to decline, however, teachers who are familiar with the program remain committed and enthusiastic about it. Staff delivered six workshops over the year.



POWER4BONES (GRADE 5):

This year, we surpassed our goal of 475 classrooms registered for the program and reached 481 classrooms. Feedback from teachers and students remains positive. Progress continues to be made on updating the program to be touchscreen compatible.

POWER TO BE ME (GRADE 7-9): This new program was introduced last year and continued to be well received in junior high schools. This year, 150 teachers registered for the program.

POWER UP! WITH MILK AND EGGS:

This year, sessions were offered at teacher's conferences in Fort McMurray and Edmonton for this high school foods studies

program. Teacher feedback was very positive and we noted 158 unique resource downloads from the Power Up! website, in addition to the 31 resource kits distributed through sessions.



SMOOTHIE POWER: This program rewards teachers for using Alberta Milk resources. We awarded five smoothie kits to winning schools.

SCHOOL NEWSLETTER: In 2015-16 the school newsletter, *Healthy Eating for Your Classroom*, was launched. The newsletter highlights our school programs, Pinterest pages and activities to help teachers teach nutrition in the classroom.



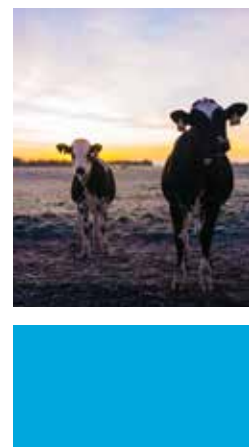
KELSIE GILKS



JACLYN CHUTE



COLINDA HUNTER



HEALTH PROFESSIONAL PROGRAMS

HEALTH PROFESSIONAL PROGRAMS

NUTRITION FILE SEMINAR 2016 was titled Nutrition Fact or Fiction: What is the Evidence? The program reached 262 health professionals and educators, 100 nutrition students, and generated overall positive feedback. According to the participant evaluations, the program learning objectives were met. The speakers focused on a few topics, including, everyday superfoods like cheese, sugar and heart disease, and consumer perceptions about how food is produced and marketed, as well as evaluating nutrition research and communication strategies. The speakers were overwhelmingly rated as good or excellent, and participant expectations were met.

NUTRITION FILE FOR HEALTH EDUCATORS

NEWSLETTER: Four issues of the eNewsletter were published and distributed to over 980 subscribers. Viewing rates were very high at over 50 per cent and our reach was greatly extended by subscribers forwarding on the newsletter to their colleagues.

NUTRITION FILE NETWORK E-NEWS: Subscriptions increased by 27 per cent and we are now reaching almost 1000 clients with each edition. This eNewsletter is used to highlight new resources and nutrition information with health professionals and educators across Alberta.

TOUR DE MOO: Two dairy farm tours for dietitians and health educators were organized in the fall; one near Olds to capture those from the Calgary area and one close to Edmonton. In total, 35 participants enjoyed the event and provided very positive feedback. Farm tours remain an excellent way to help urban professionals understand our industry. We appreciate the commitment of Alberta dairy farmers in hosting these tours.

NUTRITION FILE TWITTER - We continue to be active on our Twitter account for health professionals (@NutritionFile). We follow 1001 accounts and have 583 followers, an increase of 31 per cent. This year we had 44.2K impressions (# of times users saw the tweets), a slight increase over last year. The most popular tweets related to our blog recipes, Nutrition Month, the Nutrition File Seminar and the Dairy Farmers of Canada (DFC) Nutrition Symposium.

NOURISH MOVE THRIVE: Our nutrition education program for fitness leaders continues to successfully reach active Albertans. *Your Best Breakfast*, the *7-Day Food and Activity Journal* and *Smoothie* booklet continue to be popular resources. Fitness leaders were ordering educational postcards on all the topics with portion control, protein, snacking and grocery shopping being of most interest. New resources that were developed included: *Smart Snacks*, *Starting the Nutrition Conversation*, and *Healthy Hydration*.



Facebook is helping us connect with a greater number of fitness leaders through our Nourish Move Thrive page. We met up with fitness leaders at their annual conference, Alberta Fitness Leadership Certification Association (AFLCA) recertification courses, and also reached them through the *Fitness Informer* magazine (their professional magazine) and monthly eNewsletter. A new nutrition workshop was developed specifically for AFLCA fitness leaders to help them feel more comfortable with talking about nutrition with their participants. One was held in Calgary and another in Lethbridge.

NUTRITION RESOURCES: Our resource catalogue was updated and distributed to over 5000 health professionals and educators and promoted through our eNewsletter. Over 800 orders were received for free nutrition education print resources, totaling almost 352,000 single items distributed. This is a 265 per cent increase over last year—largely due to promotion through our online store, which makes it easy and convenient for users to order our materials.

INDUSTRIAL PRODUCT MARKETING AND NATIONAL NUTRITION PROGRAMS: Alberta Milk continued to work closely with DFC on national marketing and nutrition programs. Cheese remained an important product focus for DFC and activities included television, digital advertising, events, and sponsorships. A new campaign, *Project Sleep*, was brought to Canadians by dairy farmers who understand the value of a good night's sleep. Sleep deprivation is linked to many health issues and this campaign drew attention to some little-known facts. The *Fuelling Women Champions* program continued to grow, and DFC was able to highlight this initiative at a range of women's sport events across Canada with excellent spokespeople. National nutrition activities focused on health policy, as well as building partnerships with key organizations like the Canadian Heart and Stroke Foundation, the Colorectal Cancer Foundation, and Osteoporosis Canada.



LEE FINELL



KRISTINA ISAAC



CINDY THORVALDSON



AGRICULTURE EDUCATION: Alberta Milk believes in the value of helping interested Albertans understand modern dairy farming. During the year, 41 members requested items to use at farm tours for children and adults. As well, staff attended five major agriculture events: Amazing Agriculture in Edmonton, Aggie Days in Calgary and Lethbridge, the University of Alberta's Agriculture, Life, and Environmental Sciences Centennial event at the University Farm, and the Calgary Stampede. We appreciated the support of producers who volunteered to engage with consumers and answer their questions at the Journey of Milk booth at the Calgary Stampede. As well, we continued with the Milk and Cookie Shack at the Calgary Stampede and generated proceeds of \$17,710 for the Calgary Interfaith Food Bank. Additionally, we participated in the Barrhead Street Festival with the *Race the Farmer* activity. This festival included a farm tour for attendees. Breakfast on the Dairy Farm saw over 500 attendees visit Yff Dairy in central Alberta.

Alberta Milk continues to work closely with the *Classroom Agriculture Program* to ensure grade 4 students have an opportunity to interact with a farmer or an agriculture industry professional in Alberta classrooms.

MERCHANDISE AND INCENTIVES: A variety of logoed merchandise and incentives were produced for Alberta Milk members and consumers. Our online store, accessible at www.albertamilk.com, made it easy for producers to order items of interest. As well, merchandise was available for sale at the annual general meeting.



HOW ARE WE PREPARING FOR THE FUTURE?

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

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

1. We will strengthen our Social License to Operate by enhancing consumer trust in our farming practices and dairy products.
2. We will build positive relationships, communicate in a transparent manner with our partners, stakeholders and clients to address challenges and pursue opportunities.
3. We will grow our market and enhance producer sustainability through the implementation of the national ingredients strategy
4. We will consolidate market and nutrition education activities within the national marketing and nutrition strategies
5. We will ensure effective and efficient operations and maintain the regulatory and marketing environment that meets the needs of our members.

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

- Strong stakeholder support for supply management.
- Strong support for our social license to operate.
- Growing, profitable industry in which all producers share equitably in all market opportunities and returns.
- Delivery of high quality milk.
- Policies and procedures that ensure strong environmental stewardship and animal health and welfare.
- Facilitating market developmental opportunities to help stimulate industry re-investment.
- Facilitating nutrition education programming to ensure on-going educator and health professional commitment to milk as part of a healthy diet.
- All producers act collectively to meet Canadian market needs.
- Building strong governance through delegates' and Board members' leadership, knowledge and engagement.



DENISE BRATTINGA



KATHLEEN HEATH



CORY PETERSON



HOW ARE WE ENSURING 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 have been audited using generally accepted auditing standards. Schedule 1, which provides reporting of our statement of operations in accordance with our business plan and budget, is considered unaudited as the firm was not engaged to conduct an audit review of budget figures. Financial information presented elsewhere in this report is consistent with the statements provided.

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

Accountability systems are adopted and approved as a key component of Alberta Milk's Business Plan. The Board receives a report on the operations of the organization at each Board meeting, a comprehensive review of operations at mid-year and a summary of operations at year-end. The Finance Committee

oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting. In support of this responsibility, the committee reviews quarterly financial statements and 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, 2016, should be read in conjunction with the financial statements.

Actual revenues were higher than budgeted by \$23,421,679, largely resulting from higher restricted revenues (revenues resulting from the operation of various producer payment pools). These accounted for \$21,835,012, 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 \$972,238 and higher board assessment fees of \$499,896.

Expenses were higher than budget by \$22,178,152. Producer payment pool expenditures exceeded budget by \$21,894,557. The costs of operating the milk transportation pool and quota management operations were over budget by \$1,017,374, due to increased milk volumes. Marketing activities were under budget by \$760,042, resulting to under expenditures associated with Milk West activities and lower uptake on our school nutrition programs.



CRISTIN VOLLRATH



DARLENE CRENSHAW

RISK PREVENTION

During the business planning process, management and the Board performed an environmental scan to identify significant risks and opportunities that the organization will face in the upcoming year and developed a business plan and risk register to mitigate risks and maximize potential opportunities. The process includes risk identification, evaluation of risk probability, and definition of risk mitigation strategies and measures.

The five areas of risk include:

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

The Board developed risk mitigation strategies and closely monitored their implementation during 2015-16.



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