



# 2017-18

ANNUAL REPORT





## WHO IS ALBERTA MILK?

### *VISION*

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

### *MISSION*

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

### *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 administration assessment for Board operations is \$.50/hL and the transportation assessment 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.



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# The Alberta Dairy Industry: 2017-18 SNAPSHOT

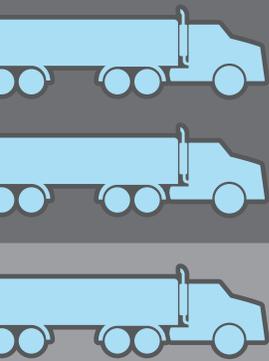


**8.75%**

of  
Canadian  
milk   
production

**RECORD:**

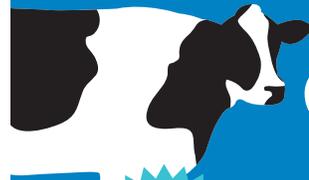
**807,014,422** litres  
produced



**65**

**MILK  
TRUCKS**  
on the road  
travelling

**9,237,145** kms



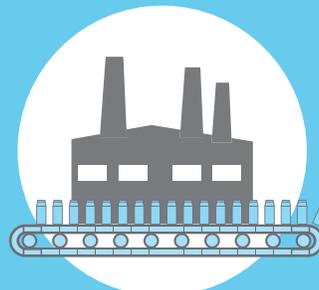
**96.6%**

QUALITY  
MILK!

of **raw milk**  
was within the regulatory  
limits for quality

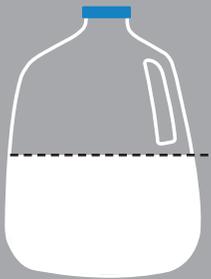
**104,335**

Milk samples tested



**22**

NUMBER OF  
**processing  
plants**



ABOUT

**50%**

of **milk** within the Western Milk Pool turned into fluid milk, while the rest headed to industrial products

**68,569**  
STUDENTS  
were enrolled in Club Moo



**272**

**DOWNLOADS**  
of school online resources



**RECORD BREAKING**  
butterfat content:

**4.09** kg/L

**35,000**

views on our blog,

**EASY.  
TASTY.  
HEALTHY**



**54** QUESTIONS  
SUBMITTED

to our  
**Ask a Dairy Farmer**  
website

**\$13,525** DONATED  
to Calgary Interfaith  
Food Bank



**4**

**PRODUCERS**

attended the Future Leaders  
Development Conference

**1,875,400**

people reached through  
Facebook and Twitter



# CHAIRMAN'S MESSAGE

*TOM KOOTSTRA, CHAIRMAN OF THE ALBERTA MILK BOARD*



One of my underling philosophies as the chairman of Alberta Milk has been that we must always strive to strengthen our relationships and collaborative efforts with our partners and stakeholders. I am honoured to report that we continue to make great strides in those efforts. With so many challenges and opportunities globally, nationally and here in Alberta, now more than ever we need to work together.

At the national level, Dairy Farmers of Canada (DFC) worked to address trade agreements including Comprehensive Economic and Trade Agreement (CETA), Comprehensive and Progressive Trans-Pacific Partnership (CPTPP, formally the TPP) and North American Free Trade Agreement (NAFTA). With the full implementation of the CETA agreement, the impact of the importation of cheese from Europe was immediately felt. By the end of December 2017 there was a 97 per cent fill-rate of the Tariff Rate Quota (TRQ) issued. The Dairy Farm Investment Program was implemented and administered by Agriculture and Agri-Food Canada to support the competitiveness of dairy farmers and help adapt to the impacts of CETA. The uptake on the program was overwhelming, an illustration of the vast number of producers that were committed to expansion and enhancement projects needed to take on the challenges and opportunities facing producers. This demand also meant that many farms did not receive support, which is a true flaw in the program, as all farms in Canada were equally impacted by this agreement.



*“With so many challenges and opportunities globally, nationally and here in Alberta, now more than ever we need to work together.”*

With the decision of the USA to withdraw from the TPP and the at the same time demand that NAFTA be renegotiated, the trade file became very active. Supply management and especially dairy has been under constant media pressure. Alberta Milk, DFC and all our provincial counterparts have had to respond to many media inquiries and articles. We have worked hard to ensure that there was a dairy message to balance the naysayers. The remaining 11 members of the TPP finalized the CPTPP in March. Despite the rigorous lobbying from the dairy industry, the CPTPP still included the original dairy access of 3.25 per cent requested by the USA. With the NAFTA renegotiations still underway, we cannot afford to allow more access to imports.

We also collaborated within the dairy industry, across the supply management sector and with many others in response to the federal governments proposed Healthy Eating Strategy. We worked to gain an understanding of the flaws with the strategy with members of parliament and the provincial government. The strategy has three components: changes to the *Canada Food Guide*, the introduction of front-of-package labelling, and a strategy on the marketing to children. The Healthy Eating Strategy is not science-based and focused on a plant-based diet. If not addressed, the result would be dairy products downgraded in *Canada's Food Guide* from currently being a category on its own to being lumped into the other protein category. Under the front-of-package labelling, some dairy products will feature front-of-package warning labels, discouraging their consumption regardless of the full nutritional benefits and nutrient density. It is shocking to us as Health Canada's own advisory panel says most Canadians are not getting enough of the nutrients found in milk. These changes will not only negatively impact our industry, they will have long-term health consequences for all Canadians.

I am extremely pleased to report that the working relationship with the Western Milk Pool continues to be

strong as we worked to address production and processing challenges. As a coordinated group, we are working to address the lack of processing capacity in western Canada. While more has to be done, we are working together to ensure all processing in western Canada is served in an effective manner.

Our collaboration through the AgCoalition (29 farm group members) has lead to the establishment of AgSafe Alberta Society and provided valuable input into the development of the Occupational Health and Safety (OHS) code for agriculture. AgSafe Alberta is producer-governed and will develop and deliver farm safety management tools, resources and programs. Alberta Milk worked diligently as one of the members on the AgCoalition and with the Government of Alberta (GOA) to review the 142 GOA recommendations regarding OHS for agriculture to ensure these regulations met the expectations of farmers and ranchers in Alberta. We were pleased when the government recognized and respected the work of the AgCoalition through the Industry Guidelines.

I was honoured to take part in the officially opening of the Lakeland College Dairy Learning Center. This state-of-the-art dairy facility will benefit dairy students and also provide classroom training and short-course extension opportunities. Alberta Milk is proud to be a partner and contributor.

The transition on the Board continued as Heini Hehli and Klaas Vander Veen both reached a mandatory stepdown after serving for nine years and Jim Towle elected to step down from the Board last year. I want to personally thank them for the dedication, commitment, and sage advice they provided. In turn, we welcomed Greg Debbink and Miranda Verhoef as new Board members and welcomed back Albert Kamps who returned after a one-year stepdown. All three have had meaningful contributions.

What an incredible year – my gratitude to all that helped make it so!

# GENERAL MANAGER'S MESSAGE

MIKE SOUTHWOOD



Predictability and sustainability are two fundamental principles of the dairy industry. Unfortunately, the constant scrutiny of the dairy industry and supply management by academics and the media and other naysayers driven by the renegotiation of North American Free Trade Agreement (NAFTA) has left some in the industry concerned with the predictability of the industry in the future. I must acknowledge the passionate and energetic efforts of many directors, producers, and the Alberta Milk staff to address these issues. The pressure on dairy has been extreme, but I'm confident we have been able to answer the demands.

No media requests were denied and no opportunities were forgotten as we worked to ensure that the correct story was given. In close collaboration with the poultry industry under the banner of SM5 Alberta, we were able to meet with federal and provincial elected officials to ensure our position was well understood. These meetings included one-on-one visits with the minister of Agriculture and Forestry and the minister of Economic Development and Trade. SM5 hosted a reception that attracted over 40 MLAs from all parties which provided a great opportunity to highlight the contribution we make to the Alberta economy. We also worked closely with Dairy Farmers of Canada and the other provincial dairy organizations across Canada in our advocacy efforts, especially those related to trade and the Healthy Eating Strategy. Two websites, My Canadian Milk and Keep Canadians Healthy, are key elements as they were solely designed to be the source of information on issues impacting dairy. They provided the opportunity for consumers to join farmers in their efforts to advocate for the industry.



*“The pressure on dairy has been extreme, but I’m confident we have been able to answer the demands.”*

In support of the *Enhanced Protection for Farm and Ranch Workers Act* that came into effect on Jan. 1, 2016, the Government of Alberta announced the new Occupational Health and Safety (OHS) regulations for agriculture. The regulations reflected the input of the agriculture industry, provided through the AgCoalition, that reviewed the original 142 draft OHS for agriculture recommendations. We are pleased that the input from industry was valued and reflects the uniqueness of farming.

In support of farm safety, the industry finalized the process to establish the AgSafe Alberta Society. It will incorporate the new OHS regulations in the delivery of farm safety resources and services to farmers and ranchers across the province. Alberta Milk is a founding member and has representation on the board of directors.

We continued to enhance our New Entrants Assistance Program (NEAP) to help create an environment of predictability and enhanced sustainability for individuals wanting to start a dairy farm in Alberta. The enhancements included making the quota loan period longer and allowing for a greater expansion of total quota holdings. We accepted three new entrants last year bringing the total number to 20 since its inception in 2011.

To assist with the sustainability of the organic milk market, we introduced the Organic Entrants Assistance Program (OEAP) modelled after the success of the NEAP. Applicants will get a matching quota loan and as organic producers have increased costs, participants in the OEAP will receive a transition premium for their milk. We are seeking to accept up to two new organic producers.

In support of our efforts to implement proAction®, Alberta Milk hosted two workshops. The Cattle Handling Workshop discussed fundamental cattle handling principles and the Back to Basics Workshops was held in coordination with Holstein Canada, CanWest DHI, and the Canadian Cattle Identification Agency. It presented information that farmers needed to know about the two newer proAction® modules: Animal Care and Traceability. These workshops were well attended and continue to provide a practical learning experience for producers as we implement proAction®.

I would like to thank the Alberta Milk Board, delegates, and staff for the passion and energy that they continue to bring to Alberta Milk. I am confident that we will meet our operational commitments and take on any unforeseen challenges in the next year.



# DELEGATES BY REGION

## NORTH REGION

Greg Debbink  
 Wim Ruysch  
 Bart Bikker  
 John Wurz  
 Lorrie Jespersen  
 Gezinus Martens  
 Alain Lavoie  
 Tim Hofstra  
 Jason Crozier  
 Tom Kootstra

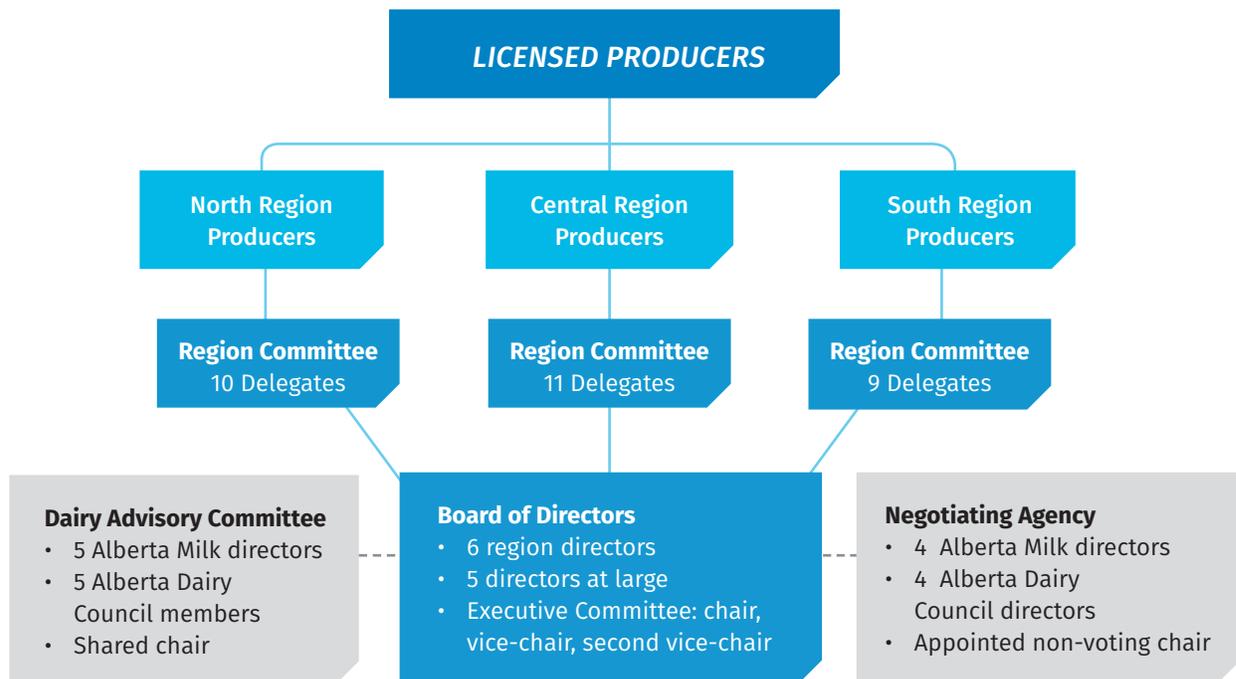
## CENTRAL REGION

Tietsia Huyzer  
 Willem Vanderlinde  
 Pieter Ijff  
 Alfons Ten Brummelhuis  
 Miranda Verhoef  
 Heini Hehli  
 Gert Schrijver  
 Wim van de Brake  
 Cornel van't Klooster  
 Albert Kamps  
 JP Brouwer

## SOUTH REGION

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

## Producer Governance Chart



# ALBERTA MILK BOARD OF DIRECTORS

## NORTH REGION



Tom Kootstra,  
chairman



Gezinus Martens

## CENTRAL REGION



Miranda Verhoef



Albert Kamps,  
vice chairman

## SOUTH REGION



Martin Van Diemen



Stuart Boeve,  
second vice  
chairman

## DIRECTORS AT LARGE



Greg Debbink



Lorrie Jespersen



Conrad Van Hierden



Gert Schrijver



Pieter Ijff



# ALBERTA MILK COMMITTEES

COMMITTEES	DIRECTORS	DELEGATES			
<b>Animal Health and Environment Advisory Committee</b>	Miranda Verhoef, Martin Van Diemen, Lorrie Jespersen	John Wurz, Heini Hehli, Mike Vanden Dool, Wim Vande Brake			
<b>Corporate Affairs Committee</b>	Albert Kamps, Greg Debbink	Bill Van Rootselaar, Mike Vanden Dool, Tietsia Huyzer			
<b>Dairy Advisory Committee</b>	Tom Kootstra, Albert Kamps, Stuart Boeve, Gezinus Martens, Martin Van Diemen				
<b>Dairy Farmers Of Canada</b>	Tom Kootstra, Albert Kamps, Stuart Boeve, Conrad Van Hierden, Martin Van Diemen				
<table border="1"> <tr> <td><b>DFC Board Member</b></td> <td>Gert Schrijver</td> </tr> <tr> <td><b>Balanceco</b></td> <td>Albert Kamps</td> </tr> </table>	<b>DFC Board Member</b>		Gert Schrijver	<b>Balanceco</b>	Albert Kamps
<b>DFC Board Member</b>	Gert Schrijver				
<b>Balanceco</b>	Albert Kamps				
<b>Finance Committee</b>	Albert Kamps, Gezinus Martens	Alain Lavoie, Tietsia Huyzer, Brian Stoutjesdyk			
<b>Market Development Advisory Committee</b>	Pieter Ijff, Miranda Verhoef	Bart Bikker, Cornel van't Klooster, Klaas Vander Veen			
<b>Milk Quality, Component and Measurement Advisory Committee</b>	Conrad Van Hierden, Pieter Ijff	Alfons Ten Brummelhuis, John Van Driesten, Jason Crozier, Gerrit Haarman			
<b>Research and Extension Advisory Committee</b>	Pieter Ijff, Gezinus Martens	Mike Vanden Dool, Gerrit Haarman, JP Brouwer, Heini Hehli, Tietsia Huyzer			
<b>Transportation Advisory Committee</b>	Greg Debbink, Gezinus Martens	Willem Vanderlinde, Gerrit Haarman, Wim Vande Brake			

# GOVERNANCE

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

The province is divided into three regions: north, central and south, and each region is represented by an elected delegate body that forms the region committee. The region committees are instrumental in providing input into issues the Board is addressing. On average, the region committees met three times a year and are an essential conduit of information to Alberta Milk and to the Alberta Milk Board.

## Delegates

Alberta Milk has 30 delegates elected within the regions to represent producers. We welcomed two new delegates last year: Jason Crozier in the North Region and Cornel van't Klooster in Central Region. New delegates are invited to participate 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. Last year's workshop focused on milk metering on trucks, overview of the Alberta Milk pay structure, in-depth discussion on general governance, regulatory review and potential harmonization of producer flexibility to +5 and -15 within the Western Milk Pool.

## Directors

Two new directors, Greg Debbink and Miranda Verhoef were elected to the Board as was Albert Kamps, who returned after a mandatory one-year stepdown requirement. Klaas Vander Veen and Heini Hehli reached their mandatory stepdown provision after nine years on the Board and Jim Towle chose to step back from his role as a delegate and director.



*Tom Kootstra recognizing outgoing directors, Heini Hehli, Klaas Vander Veen and Jim Towle*

*L - R: Tom Kootstra, Heini Hehli, Ruth Hehli, Annie Vander Veen, Klaas Vander Veen, Phyllis Towle, Jim Towle.*

## Reviews and Appeals

A review may be requested by a person or organization 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 three producer reviews last year. A request to reinstate credits that would have been lost was approved due to extenuating circumstances; a request to have a cancelled producer license reinstated was modified to a short-term suspension with conditions of being reinstated; and a request to have an inhibitor violation removed, as the cause was from contaminated feed, was denied.

*Thank you to outgoing delegates Jim Towle, Brian Stoutjesdyk, Tim Hofstra and Bill Van Rootselaar, for their commitment to the industry.*

## HUMAN RESOURCES

Alberta Milk's is guided by four pillars or core values: ethical practice, accountability, effective communication, and having creative and proactive approach. Management's goal is to help Alberta Milk achieve its strategic mission, while ensuring employees exemplify those four values and are engaged and motivated to help the dairy producers succeed. We want Alberta Milk to be a great place to work and endeavor to have a positive culture among our staff.

In the past year, staff celebrated many accomplishments and navigated a variety of changes. A highlight was the Board recognized Karlee Conway for her five-year length of service milestones with Alberta Milk.

We also had three staff members retire: Darlene Crenshaw, pooling coordinator (15 years of service), Jim Eisen, CQM coordinator (11 years of service), and Kathy Searle, administrative assistant (nine years of service). We thank them for their dedication to the industry and wish them the best in retirement.

We welcomed Morgan Hobin to take the lead as the proAction coordinator; Paul Gotaas, CPA, as our new senior accountant; and Jaime Elias to the role of school and agriculture events assistant. Kathleen Heath moved into the role of pooling coordinator from her previous role in our finance department.



*Jim, Kathy and Darlene all retired this year.*

# ALBERTA MILK STAFF



Mike Southwood  
General Manager



Mike Slomp  
Member Services  
Manager



Denise Brattinga  
Finance and Policy  
Manager



Daria Taylor  
Corporate Services  
Manager



Sheldon Appleyard  
IT Support Specialist



Bill Beisal  
Transportation  
Coordinator



Charmaine Blatz  
Sponsorship and Events  
Coordinator



Karlee Conway  
Communications Specialist



Jaime Elias  
School and Agriculture  
Programs Assistant



Jodi Flaig  
Industry Development  
Coordinator



Kelsie Gilks  
School and Agriculture  
Program Coordinator



Heather Gillis  
Administrative Assistant,  
Transportation



Paul Gotaas  
Senior Accountant



Helen Gu  
Financial Analyst



Kathleen Heath  
Pooling Coordinator



Morgan Hobin  
proAction® Coordinator



Audrey Kirtzinger  
Member Services  
Coordinator



Linda Likar  
Receptionist



Kelly Mauthe  
Member Services  
Specialist



Jonathan Ntoni  
Policy Analyst



Shelley Rietveld  
Corporate Services  
Coordinator



Kim Skolarchuk  
Administrative Assistant,  
Corporate Services



Cristin Vollrath  
Quota Coordinator



## MILK PRODUCTION

At the end of the 2017-18 dairy year there were 516 dairy producers with a total milk shipment of 807,014,422 litres, representing 8.75 per cent of Canadian milk production. The average butterfat content of this milk was the highest on record at 4.09 kg/hl, surpassing the previous record high of 4.03 kg/hl in 2016-17. Due to this record high butterfat density and strong milk volume, Alberta produced a total of 33,081,134 kg of butterfat. The volume of milk, butterfat density, and total kilograms of butterfat produced in Alberta were, again, the highest in history, making last year another banner year for dairy production in Alberta.

Alberta did not incur any over-production penalties. However, the province lost 1,080,746 kg of production opportunity due to the reinstatement of pool production flexibility limits on June 1, 2018.

The Eastern Milk Pool (P5) ended the dairy year with a Cumulative Quota Position (CQP) of +0.5 per cent over-production and the Western Milk Pool (WMP), -1.07 per cent under-production compared to allotted quota, thereby bringing Canada to a CQP of +0.08 per cent at the end of the dairy year.



Alberta once again achieved production of Solids Non-Fat (SNF) to butterfat (BF) well below its provincial SNF/BF ratio limit of 2.41, by producing 2.21. The improvement in Alberta's SNF/BF ratio (i.e., -1.11 per cent) over last year's (2.24) was mainly due to higher average butterfat densities shipped last year, relative to the previous year. This is most likely an indication of a positive response by producers to the WMP's producer payment policy, which provided 85 per cent of total revenues paid on BF production, 10 per cent paid on protein and five per cent paid on lactose and other solids production. This policy was implemented in Alberta effective October 1, 2017. The WMP's collective SNF production last year resulted in an SNF/BF ratio of 2.22, well below the pool's limit of 2.4030.

## Total Production Quota and Underproduction Credits

Alberta's provincial Total Production Quota (TPQ) was 33,006,455 kg of butterfat, an increase of 5.93 per cent from the 2016-17 level of 31,157,339 kg. Alberta issued a total of seven per cent increase in producer quota issuance (same as last dairy year). There were five quota issuance adjustments for producers, a two per cent increase each on September 1, 2017, October 1, 2017, November 1, 2017 and February 1, 2018 and a one per cent decrease on May 1, 2018. The quota increases were issued in response to market growth as well as rebuilding and stabilization of Canadian butter stocks. The decrease on May 1, 2018 was in

response to limited processing capacity in the WMP. To ensure timelier production to fulfill market requirements, the Alberta Milk Board approved a reduction of the producer lower production flexibility limit from -30 days to -25 days effective December 1, 2017 and further from -25 days to -20 days effective March 1, 2018. Thus, Alberta producers' production flexibility limits is now at +10/-20 days, bringing Alberta closer to the other members of the WMP whose limits is currently at +5/-15 days.

The total amount of daily TPQ transferred via the quota exchange in 2017-18 was 1,299.00 kg and an amount of 425.62 kg was also transferred via private transfers resulting in 21.28 kg of that TPQ being surrendered to Alberta Milk. There was also 1,077,016.51 kg of underproduction credits transferred between producers.

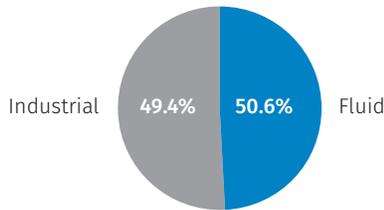
## Incentive Days

A total of 10 incentive days were issued last year. Two incentive days each month for August to November and one day each for December and January. The vigorous increases in TPQ issuance and incentive days were in response to the high demand for butterfat which has contributed substantially to growth in Market Sharing Quota in recent years. The Alberta Milk Board also issued 15 incentive days per month from August to July in accordance with organic milk demand and projected growth of the organic market.

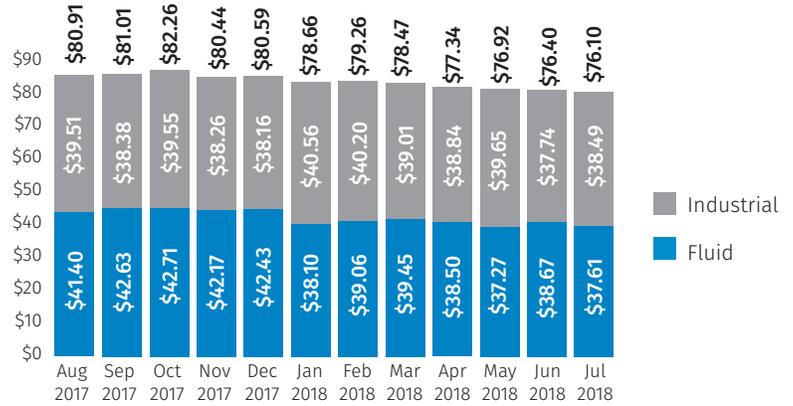
PRODUCER PAYMENT

	2016-17	2017-18
Provincial Butterfat (kg/hl)	4.0360	4.0992
Provincial Protein (kg/hl)	3.3149	3.3248
Provincial OS (kg/hl)	5.7322	5.7376
Pool Deductions (\$/kg)	(0.0045)	(0.0043)
Producer BF price (\$/kg)	11.93	15.35
Producer PR price (\$/kg)	3.59	2.44
Producer LOS price (\$/kg)	3.42	1.08
Average Milk Price (\$/hl)	79.67	77.22
Total Milk Revenue (\$)	589,284,548	635,702,515
Milk Quality Bonus (\$)	1,341,393	1,353,845
Environment Funding (\$)	1,020,259	1,111,438
<b>Total Producer Revenue (\$)</b>	<b>591,646,200</b>	<b>624,767,996</b>

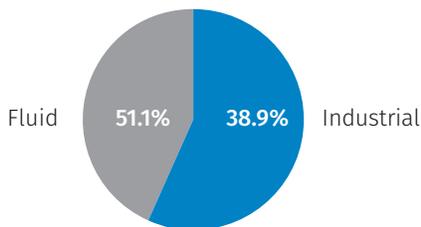
WMP PROCESSOR PURCHASES OF MILK COMPONENTS (12-MONTH %)



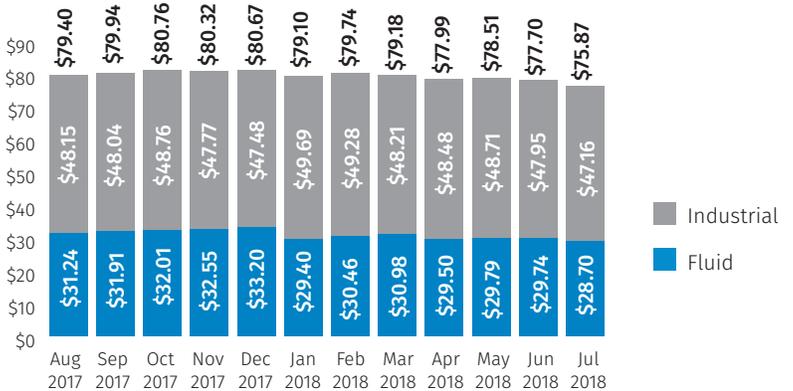
WMP PROCESSOR PURCHASES OF MILK COMPONENTS (\$/HL)



P10 PROCESSOR PURCHASES OF MILK COMPONENTS (12-MONTH %)



P10 PROCESSOR PURCHASES OF MILK COMPONENTS (\$/HL)



# 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 ingredients in dairy products. A technical secretariat, made up of member organizations from across Canada supports the CMSMC and the CDC in policy development and economic analysis.

The CMSMC approved the CDC's refund of \$8.4 million for the 2017-18 dairy year, of which Alberta producers received \$596,237. Due to the fulfilment of all markets and stocks reaching optimal levels, the CMSMC eliminated the three per cent temporary growth allowance effective May 1, 2018. The committee approved the reinstatement of pool production flexibility limits on June 1, 2018. Associated with this decision was the reinstatement of each pool's Cumulative Quota Position effective May 31, 2018.

The CMSMC approved a decision to set target butter stocks at eight per cent of Total Requirements (TR) in June and 4.5 per cent of TR in December going forward. Established Canadian Butterfat Requirements for the 2018-19 dairy year was 288.88 million kg of butterfat and Alberta's share was 21.793 million kg for the period.

The CMSMC approved changes to the national harmonized dairy product classes.

In July, the CDC announced an increase in support price for butter effective September 1, 2018. This resulted from a Dairy Farmers of Canada submission to the CDC to trigger the mechanism for "exceptional circumstances" since the preliminary results of the cost of production (COP) analysis for the year 2017, indexed to May 2018, showed a gap that exceeds 3.5 per cent when compared to the estimated producer revenues. The CDC expects these adjustments in support price to result in a +4.5 per cent overall increase in producer revenue from milk processed in Classes 1 to 4. The price announcement takes effect on September 1, 2018 instead of the usual February 1, 2019. Thus, the next regularly scheduled price change will occur on February 1, 2020.

The CMSMC also approved the new National Centralized Registration System (NCRS) to be implemented as of January 1, 2019. The NCRS is a system designed to facilitate reporting of transaction between milk buyers and non-milk buyers.

## Western Milk Pool

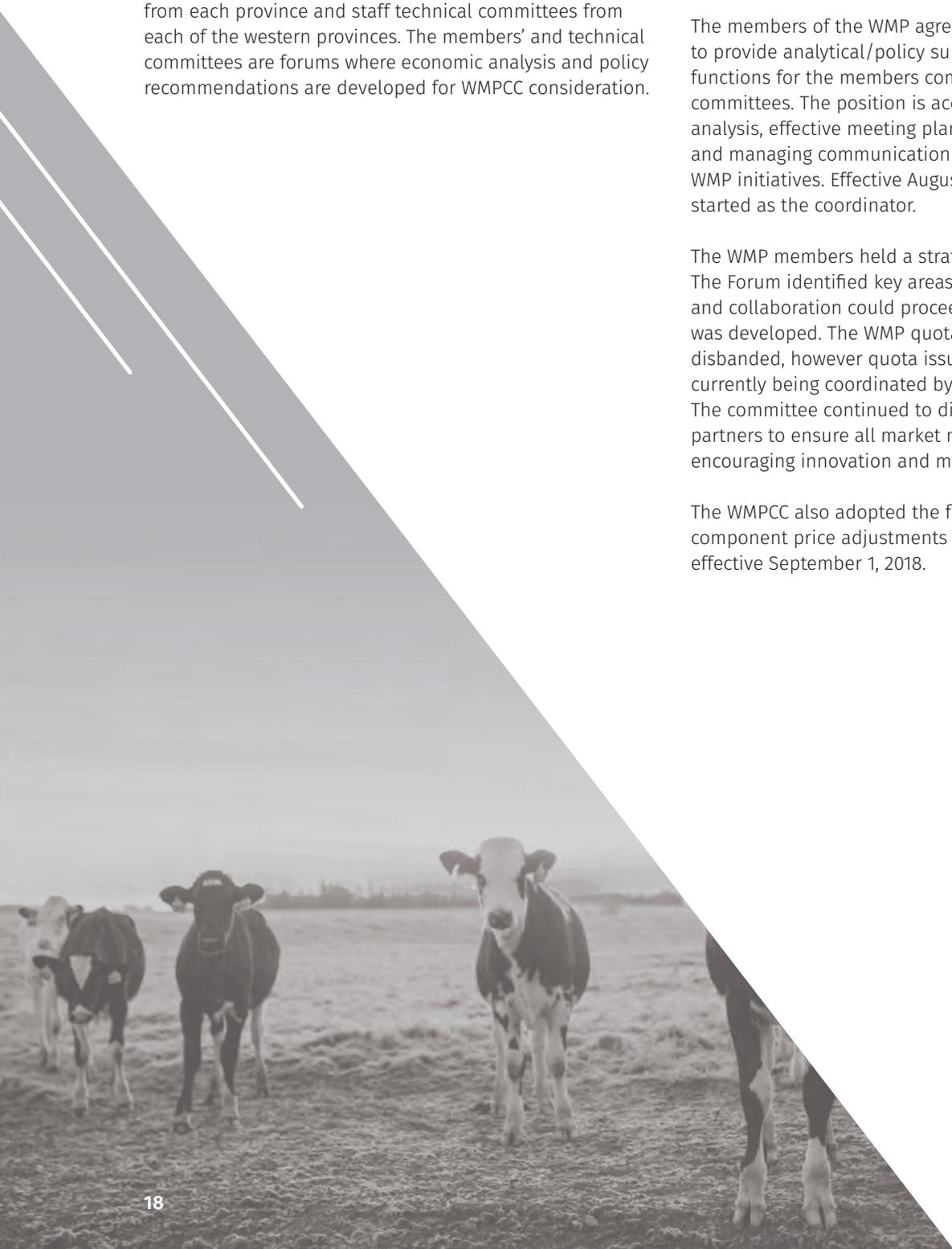
The Western Milk Pool (WMP) is an agreement among the four western provinces, with shared policies and programs. Governance of the WMP is the responsibility of the WMP coordinating committee (WMPCC). The WMPCC is supported by a members' committee, made up of executive members from each province and staff technical committees from each of the western provinces. The members' and technical committees are forums where economic analysis and policy recommendations are developed for WMPCC consideration.

A primary function of the WMP members committee was the assessment of production and processing needs. Jointly, the WMP members worked to secure processing expansion within the west. With investments in British Columbia, Saskatchewan, and Manitoba, processing capacity has been enhanced but our efforts continue as we look to ensure there to opportunity for continued growth.

The members of the WMP agreed to hire a coordinator to provide analytical/policy support plus administrative functions for the members committee and sub-committees. The position is accountable for technical analysis, effective meeting planning, as well as developing and managing communication for various committees and WMP initiatives. Effective August 1, 2017 Sarah Loehndorf started as the coordinator.

The WMP members held a strategic planning forum. The Forum identified key areas where further work and collaboration could proceed and a work plan was developed. The WMP quota committee has been disbanded, however quota issuance procedures are currently being coordinated by the member's committee. The committee continued to dialogue with industry partners to ensure all market needs are met while encouraging innovation and market growth.

The WMPCC also adopted the fluid and industrial component price adjustments as approved by the CMSMC effective September 1, 2018.



## New Entrant Assistance Program

The goal of Alberta Milk's New Entrant Assistance Program (NEAP) is to assist passionate, knowledgeable individuals and families who want to start a dairy farm by alleviating some of the start-up costs of dairy farming. The program strives to accomplish this goal by loaning a small amount of the province's Total Production Quota (TPQ) to successful applicants each year to assist them in establishing a viable dairy farm. The NEAP provides a 2:1 ratio of loaned to owned quota to each successful applicant up to a maximum of 25 kg/day of loaned quota.

The Alberta Milk Board, after consultation with industry and stakeholders, made significant improvements to the NEAP to make it more sustainable for current and future participants. The following are some of the improvements made:

- The quota loan will gradually expire beginning in the 11th year (previously seventh year) at a rate of 10 per cent per year (previously 20 per cent) and is reduced to zero at the end of year 19 (previously year 10).
- While using the program, new entrants can expand up to 100 kg/day of total quota holdings, that is about 71-100 cows (previously maximum 70 kg/day).
- Up to three (previously two) qualified applicants will be accepted into the NEAP going forward.
- NEAP participants will now receive and keep global increases on their loaned NEAP quota.

Six applications were received and three applicants were accepted into the program. The 2018 successful new entrants are:

- Dale and Karen Hofstra of Millet Municipality
- James and Deanna Brilman of Lethbridge County
- Jonny and Jeremy Webb of Foothills No. 31 Municipality

## Organic Entrant Assistance Program

Alberta Milk launched an Organic Entrant Assistance Program (OEAP) to attract up to two new organic producers to the industry. The OEAP follows the same guidelines and requirements as the NEAP with a few modifications including the following:

- A 3:1 ratio of loaned to owned quota will be provided to each successful applicant up to a maximum of 25 kg of loaned quota.
- OEAP participants will have up to three years to attain organic certification.
- While transitioning to become organic producers, OEAP participants will receive a premium of \$0.10 per litre on their milk for up to three years.
- The OEAP program is open until two applicants have been accepted. Applications are assessed on a first-come first-served basis.

# MILK QUALITY AND MEASUREMENT

## Milk Sampling and Milk Quality

Producers' commitment to excellent quality milk is supported by an extensive raw milk testing program. Test results are the basis of producers' payment, milk quality bonus programs, awards and penalties. Producers rely on a number of industry partners including the milk transportation companies, dairy processors, couriers and the Central Milk Testing Laboratory to collect and deliver samples for testing in a timely and controlled manner.

### SAMPLE SUITABILITY & TESTING

# of milk samples from shipments	105,262
# of samples tested	104,335
% of milk shipments tested	99.1%

Raw milk is tested for four criteria on a regular basis to measure milk quality. These criteria are bacteria, somatic cell count (SCC), freezing point and inhibitors. Last year, more producers on average met the regulatory limits for milk quality compared to the previous year except for bacteria counts which took a small dip.

## RAW MILK QUALITY TEST

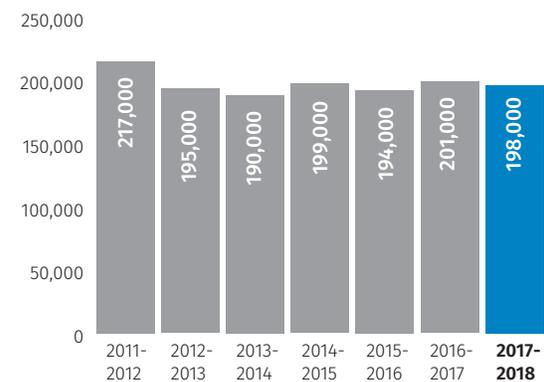
	Bacteria	Somatic Cell Count	Freezing Point
# of samples	65,144	104,335	104,335
# of samples below the regulatory limit	64,053	101,761	104,263
% of samples below the regulatory limit	98.33%	97.53%	99.93%
Penalties Applied	83	70	8

The number of inhibitor penalties decreased from 44 to 33.

Occasionally, the milk quality of a shipment drops below the provincial requirements. When this happens, the producer incurs financial penalties. This past year a total of 194 penalties were applied to 109 different producers which is a decrease from last year.

Somatic cell count is used as an indicator of milk quality and correlates well to higher quality dairy products. The 2017-18 provincial average of 198,000 cells/ml is consistent with the excellent quality milk produced the past few years.

## ALBERTA SCC AVERAGE BY DAIRY YEAR



*Congratulations to Sylvanside Dairy Ltd. for winning the provincial milk quality award for the third time in the past four years!*

#### CELEBRATING EXCELLENCE IN MILK QUALITY

Alberta Milk has two programs for rewarding excellence in milk quality: the Milk Quality Bonus and the Milk Quality Award.

Milk Quality Parameter	Monthly 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 Count	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
Results 2017-2018	An average of 69% of producers qualified for the monthly milk quality bonus (high of 75%, low of 60%). The average monthly bonus was \$0.2045/ht	Of the producers who shipped all 12 months, 122 producers (24%) qualified for the annual quality award.

#### TOP TEN FARMS IN MILK QUALITY

1	SYLVANSIDE DAIRY LTD.	Central
2	HUTTERIAN BRETHERN CHURCH OF THOMPSON	South
3	H & J LEUSINK DAIRY LTD.	South
4	HUTTERIAN BRETHERN OF MILFORD	South
5	MOO-LAIT FARMS LTD.	North
6	GDL FARMS LTD.	South
7	ROSEGLEN HUTTERIAN BRETHERN	South
8	SCHUURMAN DAIRY LTD.	North
9	HUTTERIAN BRETHERN CHURCH OF WINTERING HILLS	South
10	DEERFIELD HUTTERIAN BRETHERN	South

#### Milk Measurement

The on-farm Bulk Milk Tank Calibration Program contracts with International Dairy Calibrations Alberta Ltd to calibrate all new tanks and re-calibrate existing tanks every five years. This past year, we calibrated 30 new tanks and 86 existing tanks for a total of 116.

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

# MILK TRANSPORTATION



Alberta Milk staff interact daily with the provincial milk transportation companies and dairy processors as well as our Western Milk Pool (WMP) partners to ensure the most cost-effective transportation of milk supply within the province and across the WMP. Throughout the year, Alberta moved raw milk to British Columbia, Saskatchewan and Manitoba.

As milk production has continued to increase steadily in response to the increases to quota and incentive days, Alberta's average daily volume topped 2.2 million litres which creates additional pressure on our transportation system.

## Transportation Statistics for 2017/18

- 65 trucks
- 167 routes
- 9,237,145 kms
- average route volume 26,299

# proACTION®

## National Scene

Dairy Farmers of Canada (DFC) and its members initiated proAction® to show consumers how farmers responsibly produce milk. Consumers are asking for proof of responsible farming practices and with proAction, dairy farmers offer the documentation to demonstrate that they work to ensure milk quality and safety, and to continually improve animal health care as well as environmental stewardship.

The content of the six proAction modules (Milk Quality, Food Safety, Animal Care, Traceability, Biosecurity, Environment) are developed by farmers for farmers based on extensive discussion and research through technical and working groups. Alberta provides consistent farmer feedback on these working groups.

DFC hosted an annual face-to-face meeting of its proAction Committee in Ottawa. Provincial proAction staff and respective farmer representatives from across Canada attended. This meeting was an opportunity for farmers to share their province's progress with their colleagues from other provinces and for staff to learn from each other about innovative farmer communication and training methods. Specific updates on individual proAction modules were also an important benefit of this meeting.

## Animal Care Partnership

In the proAction Animal Care module, dairy farmers across Canada are able to demonstrate their commitment to animal care. One of the module requirements is for farmers to have a cattle assessment completed by a third party. Alberta Milk, the other provincial dairy organizations, and DFC partnered with Holstein Canada (HC) to conduct the cattle assessment requirement on-farm.

The first-round of cattle assessments generated excellent baseline information about Canadian dairy cattle, established a basis for a strong working relationship and provided several learning opportunities resulting

in revisions or improvements to future assessment services.

Following this successful two-year contract for the initial round of cattle assessments, the partners signed a new agreement to extend HC's assessment services for an additional four years.

## Industry Collaboration

Alberta Milk hosted a series of Animal Care Assessment Workshops for industry service providers and farmers alike. Clem Nash, proAction animal assessment trainer, presented on the assessment process, scoring and how to effectively utilize the animal information for herd management practices. In addition, industry consultants Laura Solano and Steve Mason reviewed the Lameness Reduction Initiative, which supports Alberta dairy farmers in their efforts to detect and reduce lameness through discussions of housing, health and handling.

We worked in coordination with industry partners Morgan Sangster from Holstein Canada, Trevor Fisher from CanWest DHI, and staff with the Canadian Cattle Identification Agency (CCIA), to present a series of farmer workshops. The series revisited the basic information that farmers needed to know regarding the two newer modules of Animal Care and Traceability, which were part of the validation process effective September 1, 2017. This workshop series created opportunities for all of the service providers that play an important role in proAction to deliver greater clarity and additional learning resources for our farmers.

## Program Consistency

All proAction Provincial Delivery Agents (PDAs) are audited every five years on a 12-month rolling basis. The purpose of the audit is to confirm that those responsible for proAction in their province are following program delivery procedures and meeting national requirements.

This past year, Dairy Farmers of Canada (DFC), conducted an internal audit of Alberta Milk. Our audit included a review of validation reports on the National Electronic Administrative System (NEAS). For example, the audit examined Alberta Milk's process

in resolving Corrective Action Requests (CARs) and the subsequent timelines involved. The audit also reviewed the overall quality of the validation report given to each farmer.

DFC's audit report commended our provincial validators in completing validations according to the scheduled due date. Alberta Milk also followed up on its one CAR. This CAR required the provincial coordinator to coach individual validators regarding the construction of validation reports during on-farm shadow visits. We continue to monitor report development and work closely with our validators to provide farmers with professional reports.

We hosted 16 participants at our annual proAction validator consistency session. Validators and provincial coordinators from Manitoba, Saskatchewan and British Columbia along with the group of nine from Alberta attended. The group conducted proAction validations on two local farms and discussed and reviewed observations the following day. Penner Farm Services provided in-service training on the Lely wash system and staff from CCIA demonstrated the use of the Canadian Livestock Tracking System for the traceability module reporting requirement.



# ANIMAL HEALTH

Alberta Milk works closely with the provincial government, the Alberta Veterinary Medical Association (AVMA), Alberta Farm Animal Care (AFAC), the Society for the Prevention of Cruelty to Animals (SPCA), the Canadian Food Inspection Agency (CFIA) and other livestock commodity groups to monitor current and emerging animal health and welfare issues.

## Livestock Care Conference

Alberta Milk continued its strong financial commitment and leadership role in supporting animal care through its membership in AFAC. In 2018, AFAC completed the Cattle Benchmarking Project (CBP), initiated the livestock Welfare Engagement Project and delivered the annual Livestock Care Conference (LCC), including euthanasia workshops for producers. The LCC is another great opportunity for producers to interact with industry professionals and students and learn about the latest updates on animal welfare and related challenges for the industry.

## Cattle Handling Workshops

In support of the CBP, Alberta Milk's Animal Health and Environment Advisory Committee (AHEAC) committed to the delivery of cattle handling workshops, information, knowledge and skill transfer opportunities through the Dairy Research and Extension Consortium of Alberta (DRECA). During these cattle handling workshops, producers learned about fundamental cattle handling principles, specifically how dairy animals are considerably different than their beef counterparts. Hauling practices were also examined and participants had the chance to explore a cattle liner, which brought the conversation into perspective. Compromising cattle handling situations were also reviewed. Therefore, it is imperative that producers have the decision-making capabilities to assess a situation and address the needs of the animal in a timely, safe and appropriate manner.

## Managing a Crisis

Through the Canadian Animal Health Coalition (CAHC) Alberta Milk, along with Alberta Beef Producers and Alberta Pork, developed organizational emergency disease management plans to aid in the response to the unfortunate circumstance of an animal disease impacting Alberta. A handbook was published to help individual producers prepare and manage their own farms in similar circumstances. Alberta Milk will continue to roll out this information to Alberta producers in the coming year.

## Antimicrobial Resistance Education

With the growing development of antimicrobial resistance, the use of antimicrobials for livestock has been scrutinized and put under greater veterinary oversight. Alberta Milk, along with all commodity groups within the Alberta livestock and poultry industry, the Government of Alberta and the AVMA has been working to support:

- Surveillance: more information on distribution, hotspots for development, and transmission pathways.
- Stewardship: reducing antimicrobial use and therefore pressure for selection.
- Innovation: more effective surveillance and stewardship, and alternatives to antibiotics.

## ENVIRONMENT

Dairy farmers practice environmental stewardship daily and are committed to working with regulators, neighbors and government policy makers to ensure agriculture and the environment continue to thrive.

### Intensive Livestock Working Group

Alberta Milk is a member of the Intensive Livestock Working Group (ILWG) which is a closely-knit group of the eight livestock commodity groups working on environmental issues of common interest.

These include specific on-the-ground projects such as phosphorus management and water quality to participating in industry discussions on the provincial government's energy and emissions reduction policy initiatives.

### Partnerships

We have worked with industry colleagues and Alberta Agriculture and Forestry on several matters such as:

- the creation of a new ManureTracker® app to assist farmers and custom operators in maintaining manure distribution records (as required under *Agriculture Operation Practices Act*).
- addressing the impact of agricultural equipment on rural infrastructure, and
- the growing concern about some counties developing Municipal Development Plans which contain exclusion zones for confined feeding operations. This issue has also been discussed at our meetings with the Natural Resources Conservation Board's Policy Advisory Group.

### Agri-Environmental Partnership of Alberta

Alberta Milk is a long-standing member of the Agri-Environmental Partnership of Alberta (AEPA), a network of crop and livestock commodity groups along with the three levels of government working to proactively address agri-environmental issues from a policy perspective. We have seen a greater alignment of ILWG and AEPA efforts to engage and build relationships with provincial government policy influencers to provide input to programs relating to climate change, such as the Canadian Agriculture Partnership, Government of Alberta policy, and the implementation of the provincial Climate Leadership Plan.



## RESEARCH

Alberta Milk is committed to collaboration with all stakeholders to maximize producer investment in research and extension. These stakeholders include the Government of Alberta, universities of Alberta, British Columbia, Calgary and Saskatchewan, Agriculture and Agri-Food Canada, Dairy Farmers of Canada, provincial dairy organizations, and various livestock commodity groups.

### Leveraging Funding

The Research and Extension Advisory Committee (REAC) approved \$113,000 of producer dollars towards the funding of six research projects in 2018 through the Agriculture Funding Consortium (AFC). The AFC provides the opportunity for commodity groups and funding agencies to review and discuss potential projects collaboratively and efficiently. The AFC project funding was leveraged to support six dairy research projects with a total budget of \$3,097,220. The projects, which cover dairy cattle reproduction, genetics, health, disease detection and treatment, are in-line with the priorities of efficiency, sustainability and increased productivity.

As part of our effort to pursue opportunities for dairy research excellence, Alberta Milk proudly supports three specific research positions in western Canada. The three positions include: Dr. Michael Steele (early life development, University of Alberta), Drs. Nina von Keyserlingk and Dan Weary (animal welfare, University of British Columbia) and Dr. Herman Barkema (infectious diseases, University of Calgary Faculty of Veterinary Medicine). This support included \$220,000 in financial contributions.

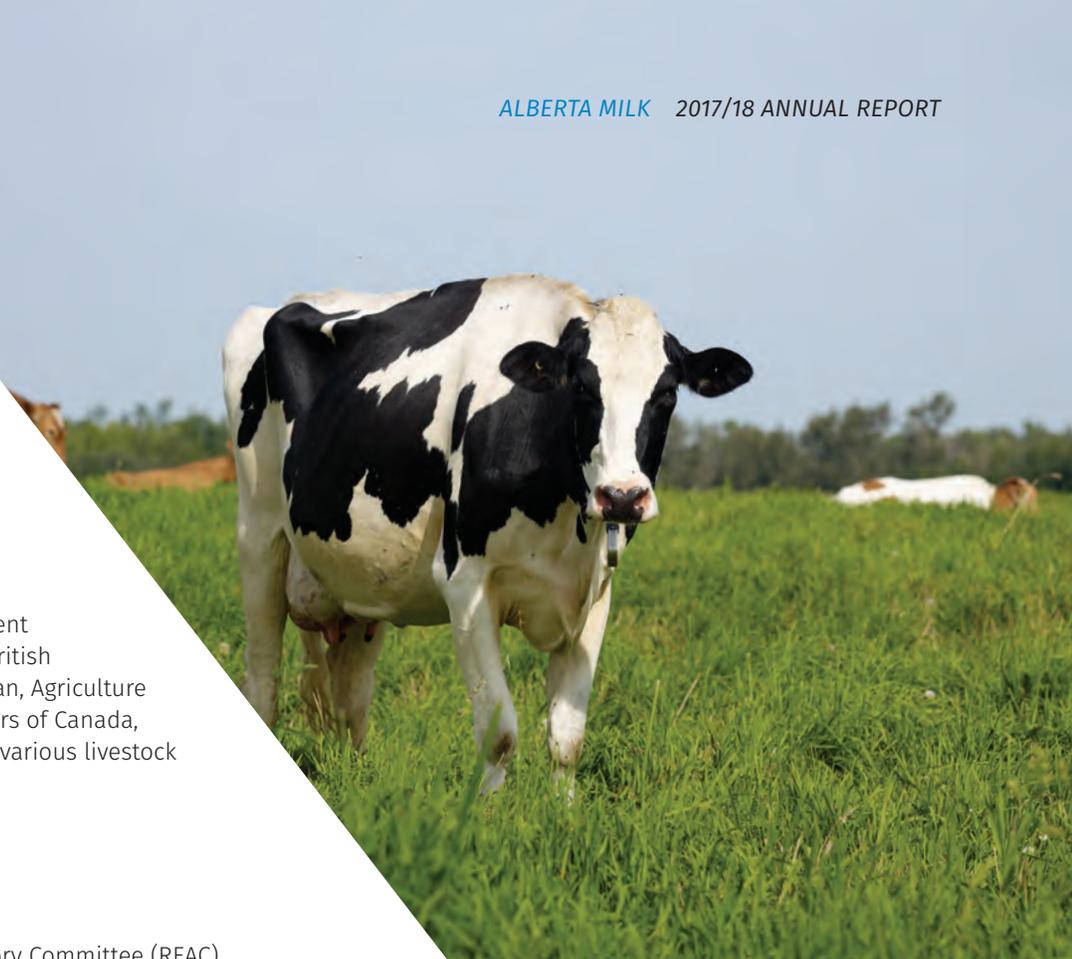
### Dairy Research and Extension Consortium of Alberta

Alberta Milk is also engaged with the Dairy Research and Extension Consortium of Alberta (DRECA) with objective of returning research knowledge to Alberta dairy producers.

This support included financial commitment and a producer leadership role. DRECA encourages and facilitates collaboration in dairy production research, extension and education activities targeted for dairy producers and industry service providers including:

- DRECA Workshops
- Research Summaries
- DRECA Forum

The DRECA partnership expanded last year to include Lakeland College and the Alberta Veterinary Medical Association. Both new members have direct ties to the dairy community and will bring added strength to the provincial dairy education and extension effort.



Last year, the DRECA partnership evaluated overall dairy extension and education activities to be sure that research results, skills and knowledge are delivered to Alberta's dairy producers, the supporting industry partners and research community through a variety of communication channels. This evaluation led DRECA to broaden its approach so that dairy herd and health management programs such as the Alberta Johne's Disease Initiative and Lameness Reduction Initiative are included under the DRECA umbrella going forward and supported for the benefit of our producers.

## Working with Partners

The Western Dairy Research and Extension Council is a new network of the four western dairy producer organizations who have committed to work collaboratively and efficiently to support researchers and research projects and promote the extension of research results.

As a member of DFC's Canadian Dairy Research Council, Alberta Milk contributed to the project review and selection of projects supported nationally through the Dairy Research Cluster with funding provided by Agriculture and Agri-Food Canada. Results of this research was shared with Alberta dairy producers through [dairyresearch.ca](http://dairyresearch.ca) and the Western Canadian Dairy Seminar (WCDS).

The WCDS is the premier event for sharing research results with producers in western Canada. Alberta Milk is a significant financial supporter and a member of the organizing committee.

Alberta Milk was proud to interact regularly with Lakeland College to provide feedback into the development of courses for dairy producers and their employees.

## FARM SAFETY

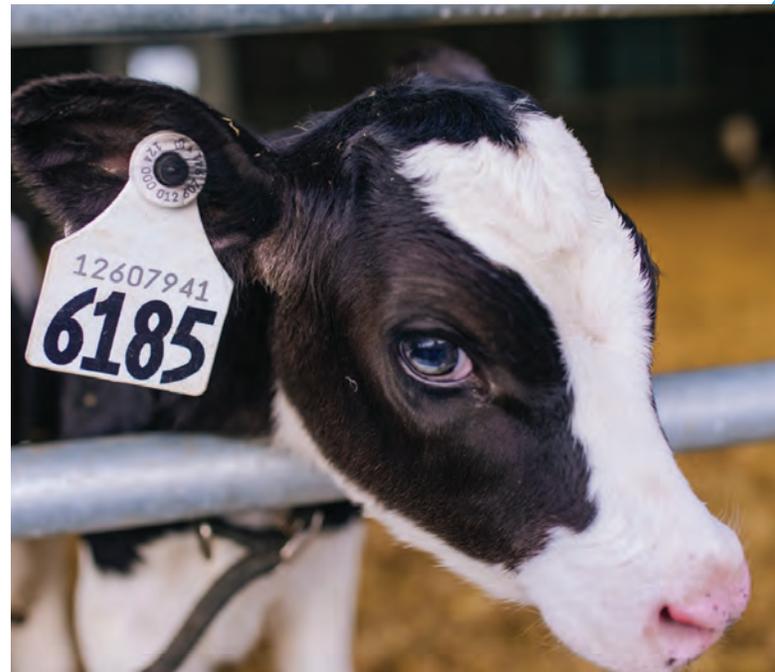
Alberta Milk has been active on the farm safety file for many years with activity ramping up in the past few years with the introduction of Bill 6 which was enacted as the *Enhanced Protection for Farm and Ranch Workers Act*. The Act applies to non-related, employees working on the farm and specifically covers Workers Compensation Board insurance, Employment Standards, Labour Relations and Occupational Health and Safety (OHS).

We have been working with the other 28 commodity members of the AgCoalition to develop a common agriculture industry response and commitment to farm safety and to communicate them to the provincial government. Working together as Alberta's farm groups has been a productive process leading to a unified approach and a single voice in our dialogue with the Government of Alberta (GOA).

The AgCoalition's work included direct meetings between farmers and government, as well as many working sessions with commodity group staff analysing the details of the new legislation. This included the review each of the 142 GOA recommendations regarding OHS for agriculture. The OHS Code is part of a very complex regulatory framework and the AgCoalition hosted meetings across the province to gather farmer feedback, explanations, and descriptions of the unique requirements of agriculture to ensure the expectations of farmers and ranchers regarding these OHS recommendations were being heard.

In the summer of 2018, the GOA announced the new OHS regulations for agriculture which reflected the unique working environment of farming and also included the requested exemptions AgCoalition chair and dairy farmer Albert Kamps was the public face for farmers during these consultations and participated in the press conference. We believe farm safety is everybody's business. Alberta Milk was instrumental in creating the AgSafe Alberta

Society (ASAS) in November 2017. The ASAS will lead the industry to advance the awareness, understanding and training of farm safety. The goal of ASAS is to enable farm businesses to take the next step to establishing practical farm safety management programs that will help enhance the development of a 'safety culture,' where safety is a fully integrated part of the farm business. This will include raising farm safety awareness, hazard assessment, standardized farm safety workshops as well as on-farm safety demos and training resources. We have representation on the ASAS board of directors and are pleased to work with the crop and livestock commodity groups on this important initiative on behalf of farm families and employees across the province.



# FARMER ENGAGEMENT

## Annual General Meeting and Dairy Conference

The 2017 Alberta Milk Annual General Meeting and Dairy Conference was held November 21-23 in Edmonton where we hosted over 250 participants.

We welcomed members from a number of our affiliate provincial boards who brought their thoughts on the industry and highlighted some of the key issues and opportunities in their province. Growth challenges created by the increasing demand for butterfat, environmental issues for dairy farms, municipal infrastructure, the burden that is placed on tax payers in rural Canada, and the need for collaboration were some of the common themes in their messages.

Dairy conference keynote speaker Tony Chapman noted that it is extremely important for us to make a food connection with the consumer and remember the importance of local. His message that “You can either lead or sit back and watch what happens” resonated with many.

Dr. Herman Barkema spoke on the topic of anti-microbial resistance. It is becoming a major concern as some of the current antibiotics are losing their ability to deal with the resistant bugs.

Peter Kuparis, an economist from Alberta Agriculture and Forestry, spoke on navigating changes in trade and reiterated government’s continued support of supply management.

Jennifer Jones, a DFC Fuelling Women’s champion, provide a very inspirational message on challenges of working as a cohesive team, staying focused, and deifying obstacles to achieve your goals



Attendees at our Annual General Meeting and Dairy Conference.

## Recognition of Service Award

The 2017-18 recipients of the Recognition of Service Award were Don and Carol Wright.

Don and Carol have played an active role in the Alberta dairy industry for almost 50 years and touched so many people from their passion to simply make the dairy industry the best it can be.

The duo took over his father's farm in 1971 and together they established the prefix "Wrightside Holsteins." They worked side by side for 25 years developing a successful dairy farm and was proven by the many successes Wrightside Holsteins had in the show ring. They worked with their three children, Lexi, Ella and Casey throughout 4-H and they were both active leaders many local dairy groups and events such as the Mountain View 4-H Dairy Club, Alberta Holstein Association, Canadian Dairy Classic Show, and the Western Canadian Dairy Classic Show. Both also Don and Carol served on the Alberta Holstein Branch.

After selling their herd in 1993, Carol built a successful muck boot and show supplies company. Their entrepreneurial spirit continued in 2004 with the creation of *Cowsmopolitan* magazine

There was not a recipient for the Dairy Industry Achievement Award.



*Tom Kootstra presenting Carol and Don Wright with the Recognition of Service Award.*

## Farmer 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, quota management, and updates on key topics the organization is addressing.

Last year's Fall Producer Meetings were well attended with approximately 430 participants. There were 44 per cent of our farms represented. Updates were provided on national issues, trade and quota. Donna Trottier also presented an update on AgSafe Alberta.

The spring meetings were also well attended with over 46 per cent of farms in attendance. Updates were provided on trade, Dairy Farmers of Canada's activities and an industry update. Boris Makale presented on agriculture's involvement with the Workers Compensation Board.

## Farmer Communications

The Members' Only website is a secure website for farmers only to see information about their quota and milk quality results, but also have quick access to forms, information and events. Last year, we provided updates on key messages as issues challenged our industry such as negative media on supply management, international trade negotiations, as well as change in government policies and programs.

We also fully committed to our e-mail distribution list for both farmers and stakeholders. After users subscribe, they receive updates to their emails. Our open rate is over double the industry average.

The Alberta Milk newsletter, *MilkingTimes*, was distributed every month and provided an update on policy changes, events, marketing and staffing. This was also sent out via the email distribution list.

# YOUNG FARMER DEVELOPMENT

## Next Generation Forum



In March of 2018, Alberta Milk hosted our third Next Generation Forum in Red Deer. This event's objective is to ensure that the sons, daughters and those interested in starting a dairy farm know about the opportunities and challenges that exist in our industry and how to deal with them.

This two-day event brought together 24 young local farmers. Day one of the event provided an opportunity to learn about Alberta Milk's governance, decision making and producer investment. We held Quota 101, where we did an in-depth discussion on quota issuance

and management – along with working through several scenarios to cement the learning. Farmer Tim, a social media icon from Ontario, was our guest speaker who shared how to become an advocate for the dairy industry using social media. Day two was kicked off with succession planning, when to start and how to do it financially smart.

Jake Vermeer, a young dairy farmer in Camrose, shared with the group how to become involved as a young farmer and what opportunities are available to be a part of the industry without the commitment of being a delegate or board member.

## Future Leaders Development Conference

Last year, the Future Leaders Development Conference went from a western Canadian conference to a national one. The partnership was expanded from six organizations to ten. BC Dairy Association, Alberta Milk, SaskMilk, Dairy Farmers of Manitoba, Dairy Farmers of Ontario, Westgen, Eastgen, GayLea Foods, CanWest DHI, and Valacta all selected future leaders to attend the conference in Toronto



Participants at the Future Leaders Conference.

in February. Twenty dairy farmers participated in the three-day conference that provided resources to assist them in understanding board governance, grow their leadership skills, and network with farmers from other provinces. Four farmers from Alberta attended last year.

### Alberta Milk Scholarship

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

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

Last year, Alberta Milk was pleased to be able to offer three \$1,000 Alberta Milk Scholarships. The recipients were Jordan Bruins, Isabell Stamm, and Jorn Peeters.



### Sponsorships

Alberta Milk wants to see local dairy farm programs, events, and groups thrive. We help support them across the province by providing funding. This funding goes a long way in shaping the development of young farmers that participate in the excellent opportunities throughout the province. Alberta Milk contributed \$4,700 towards 4-H clubs, the Western Canadian Classic, the Calgary Stampede Dairy Show and many more.



# TELLING THE DAIRY STORY ONLINE



Making our footprint in the digital space is vital for the continuation of helping people understand the story behind their glass of milk. Alberta Milk has put a strong emphasis on communicating in the digital world.

## Social Media

Alberta Milk has worked hard to build a strong social media following. We aim to be where the people are and help share great stories, dairy recipes and fun facts that everyone can relate to. Each of our social media platforms have different audiences which we refine our messaging and content to reflect.

## By the numbers

**FACEBOOK REACH: 1,044,000**  
**FACEBOOK FOLLOWERS: 4,230**

**TWITTER REACH: 831,400**  
**TWITTER FANS: 3,279**

**BLOG VIEWS: 35,000**  
**TIME SPENT ON POSTS: 5 MINUTES**



We executed many campaigns on Facebook including giveaways, contests, and to raise awareness to our audience of moms with kids in the home. This resulted in nearly doubling our engagement we had with our followers. Twitter acted more as our political arm in rallying support for supply management and clarifying misinformation. Both of our main social media platforms grew tremendously due to the creative and consistent sharing of information.

There were 52 posts to our blog, Easy.Tasty.Healthy. The blogs focused on a variety of different topics, including special food days such as national ice cream sandwich day, dairy month, Breakfast on the Dairy Farm, and the importance of eating together as a family. The goal of the blog is to help families cook easy, tasty, and healthy meals that use dairy. This goal was achieved, but the atmosphere of the digital world is consistently changing. As our consumers are relying more on social media for their information and as their time becomes more precious, they don't always have time to read a blog, so we will transition away from our blog for 2018-19 but keep all the great recipes and posts on our website.

## Website

Albertamilk.com is an easy way for consumers to learn more about what we do. Last year, there was nearly 300,000 unique visitors to our site.

Ask a Dairy Farmer is a feature on our website, where consumers are able to satisfy their curious minds by submitting a question about the dairy industry in Alberta and have it answered and posted online. No question is off limits! The intent of this is to build our social licence and trust with consumers by providing honest and transparent answers.

We answered over 50 questions last year from "Why should the Government defend supply management?" to "How is Milk2Go different from regular milk?". This feature was the most visited portion of our website that equates to about 40 per cent of our website traffic.

## In the Media

The media is an excellent opportunity to reach a large audience with positive dairy messaging. Although that can be counter productive, we utilize the media frequently to help tell the story of dairy farmers in Alberta.

One main way we execute this is by distributing press releases. Last year, we sent out a release about our Fall Producer Meetings, New Entrant Assistance Program, the Organic Entrant Assistance Program, Breakfast on the Dairy Farm, as supported the media strategy with the AgCoalition.

We also work with the media by completing media interviews. Last year was an unprecedented amount of coverage because of the renegotiation of NAFTA. From TV to newspapers to radio, our spokespeople worked with our communications staff to ensure that dairy's voice was heard. We also contributed a two-page spread in the consumer issue of Grains West which was distributed in the *Calgary City Palate* and the *Edmonton Tomato*.

We also hosted media training for our spokespeople in partnership with Cole's Ag Communication to ensure that our farmers know when to say what and how!

Alberta Milk also once again has a director on the Alberta Farm Writers Association and sponsored their annual general meeting and farm tour.

# TELLING THE DAIRY STORY AT EVENTS

We have an enormous opportunity to connect with the community to strengthen the trust and thereby improve the image of milk and encourage current and future consumption of milk products by adults and youth.

## Sponsorships

Alberta Milk aligns all our local sponsorship and educational activities to the overarching campaigns run by Dairy Farmers of Canada. By becoming involved with local activities across Alberta, we hope to engage the consumers on a more personal level and encourage consumer trust. Each of these events and activities helps to spread the message about our industry to Albertans of all ages.

Chocolate milk is an excellent sports recovery drink for both young and old and to reinforce that message we actively support community sports events throughout the province by advertising on rink boards, providing milk at local events, hockey tape for tournaments and hosting booths at larger events to create an interactive and memorable presence.

### 21 PRODUCER REQUESTS

For milk donations and promotional items.

### 18 EVENTS FOR SPONSORSHIP OF MILK

These ranged from Go Girl events throughout the province to art camps for kids.

### 33 RINK BOARDS

Advertised on rink boards throughout the province.

### 22 SPONSORSHIPS AND ACTIVATIONS AT EVENTS

Sponsored a variety of events throughout the province, which included events such as the Word's Longest Hockey Game, Alberta Winter and Summer Games, Mothers Day Walk in Calgary and the Children's Festival in St. Albert to name a few.

## Taste Alberta

re-time CFL All-Star Almonds Sewell to sign your second season in the league. "It was disappointing, but I look back at it as a good thing because, first of all, I was in here, and second I came with a chip on my shoulder. Now I don't care. I'm signing great things now."

"To Boating, being an Edmonton skinko is a special thing. "I think it's just love," he said. "If you look at the stadium itself, it's a lovely stadium. The fanbase is so loveable. We get a lot of love here. I think love is the right word to put anything into perspective. I think that's how I feel being an Eskimo. I feel love." And so far, Boating is loving the life of being a starter in just his second season. "I ended my last off in the off-season at this to have a chance to happen," he said of becoming a starter.

"It just shows how much the coaching staff has trust in me and now I have to repay that trust with performance on the field. It just feels great to be on the field and be a big part of that defence. Being a professional football player was not something Boating grew up dreaming of becoming. The former Torontonian immersed himself in all sorts of activities growing up as a young Canadian kid, but when it came to sports, soccer was in his blood. "Basically soccer was my love when I was younger. I didn't try football until my first year of high school." He didn't really see himself playing the game but was convinced to give it a go by a buddy. "A good family friend of mine was in the same high school as I was. He was a running back. He just said 'Come out. Try

**WE GET A LOT OF LOVE HERE. I JUST THINK LOVE IS THE RIGHT WORD TO PUT EVERYTHING INTO PERSPECTIVE. I THINK THAT'S HOW I FEEL BEING AN ESKIMO. I FEEL LOVE.**

Kawku Boating, Edmonton Eskimos

and I stayed at defensive end all the way up until now. I instantly fell in love with it because I was the one delivering the hits, and just being able to get sacks was so huge for me. "As a receiver, you're dependent on your quarterback, the play calling and all that. Your success is dependent on a lot of other people. But when I was put at defensive end I felt like I was loose, that I could do whatever I wanted, it was all on me to get to that quarterback." Boating is driven to be a 10-sack a season guy coming off the edge. "The goal is to hit that double-figure mark. With the 18 games we play I feel that's the milestone you want to hit, especially going into my second year," he said. Last season Boating started one game but dressed for all 18 as a rookie and finished with 22 defensive line sacks and one fumble. He was Wilfrid Laurier's sack leader in college in addition to being a 2016 USports second-team Canadian and a two-time Reader's Digest Canadian.

"No longer as at least do double did last year in the statistical category I'll be happy." He said he's fortunate to be in into the lineup playing beside Sewell. "It's amazing. He's my locker and I look up to him a lot. I think a great leader on and off the field, but he's also a great guy whenever I have questions about football, I go up to him. He's my big brother. So if the world is for him to be here.

This section was provided by the Edmonton Eskimos for commercial use.



Celebrating local foods and opening the barn doors to Alberta agriculture industries is what Taste Alberta is all about; providing real stories about real farmers, passionate about producing food. Alberta Milk participated in Taste Alberta events in which we had the opportunity to reach out to consumers and food bloggers and share our dairy farm stories. Some of these events were Prairie on your Plate dinners, #foodfight, Porkapalooza, local advertising and Christmas in November. Ensuring that Albertans know that their milk is produced locally, and sustainability is our goal.



Showcasing Canadian cheese and pairing it with local wines was the focus of our activity at Christmas in November. Hundreds of participants sampled Canadian cheeses and took home a logoed cheese board to use when entertaining at home.



Participants at the Silver Skate Festival enjoying hot chocolate milk.

## Consumer Events

Alberta Milk participates in multiple consumer events throughout the year. The goal of these events is to help consumers better understand our industry, clear up any misconceptions, learn about where their milk comes from, and in some cases, such as Calgary Stampede, meet the farmers behind their milk.

Calgary Stampede is our largest event, with over 10,000 visiting our educational booth. Last year, we were very fortunate to have 17 farmers volunteer their time to work in the booth. Alberta Milk continued to work with the Calgary Stampede at our Milk and Cookie Shack. The proceeds of the sales of a single serving milk and a wagon wheel were donated to the Calgary Interfaith Foodbank. Last year, the shack generated a revenue of \$13,525. Since 2004, Alberta Milk has helped raise over \$177,000 for the Calgary Interfaith Foodbank.

Annually, we also attend Aggie Days in both Calgary and Lethbridge, where we see between 800 and 3,000 students. Edmonton offers a similar program called Amazing Agriculture which targets specifically Grade 4 students. These three events are unique, in that their goal is to encourage a better understanding of agriculture as well as have the students learn that their food comes doesn't come from a shelf at the grocery store.

## Open Farm Days

Open Farm Days is a two-day, provincial wide initiative which allows Albertan's to experience a local farms and learn about where their food comes from. Alberta Milk offered \$500 to each farm (to a maximum of 10) in order to provide them with support for opening their farm for these days. Seven farms opened their gates during the weekend of August 19-20, 2017 with a cumulative attendance of over 1,000 people.

## Breakfast on the Dairy Farm

Dairy farmers were able to host a Breakfast on the Dairy Farm at Van der Gun Dairy near Innisfail which saw over 700 visitors. Thank you to the host farm and all of the support from volunteers and sponsors that made this event so successful.

The East of Olds Farmer group and the Southern Alberta Holstein Club were the recipients of the 2018 Alberta Farm Animal Care Award of

Excellence in Communications because of their work with Breakfast on the Dairy Farm. This award honours those that take an active role in effectively telling the story about livestock issues, and informing the public and agri-food industry about farm animal care in a factual and honest way that is credible and builds trust.



## Milk Moobile

The mobile unit was completed in August 2017 with the intention of providing consumers with a better understanding of where their milk came from, the technologies that are used on the farm, as well as offering producers more of a showcase item for their on-farm events. The trailer has a model size cow in the back that can be pulled up and hooked up to a working milking machine. There are two other full sides of the trailer which open to share industry information, such as the number of farms located in Alberta, how much milk one cow producers, how much food and water she consumes, and so much more. This trailer was also developed to be towed in small town parades- the cow can be pulled out and set up to be towed slowly to show parade viewers what our industry has to offer.

This past year the trailer successfully attended eight events, including Breakfast on the Dairy Farm, Open Farm Days, and the Leduc Dairy Congress.

# TELLING THE DAIRY STORY IN SCHOOLS

## School Milk



Club Moo is our elementary school milk program that provides incentives and resources to schools who make milk available to their

students. Annually, Alberta Milk staff work to find new, fun, and creative items that students will enjoy. These items are provided to schools that order them free of charge and are given to students as a way to continually encourage their consumption of milk.

Last year, the two Club Moo incentives were a milk carton shaped pencil case and a toothbrush holder. The toothbrush holder was designed to link milk consumption with healthy teeth. There were 68,569 students from 324 schools were registered to enjoy the benefits of this program. Of those 324 schools, 12 per cent were new to the program, and 10 per cent celebrated being with the program for 10 or more years.

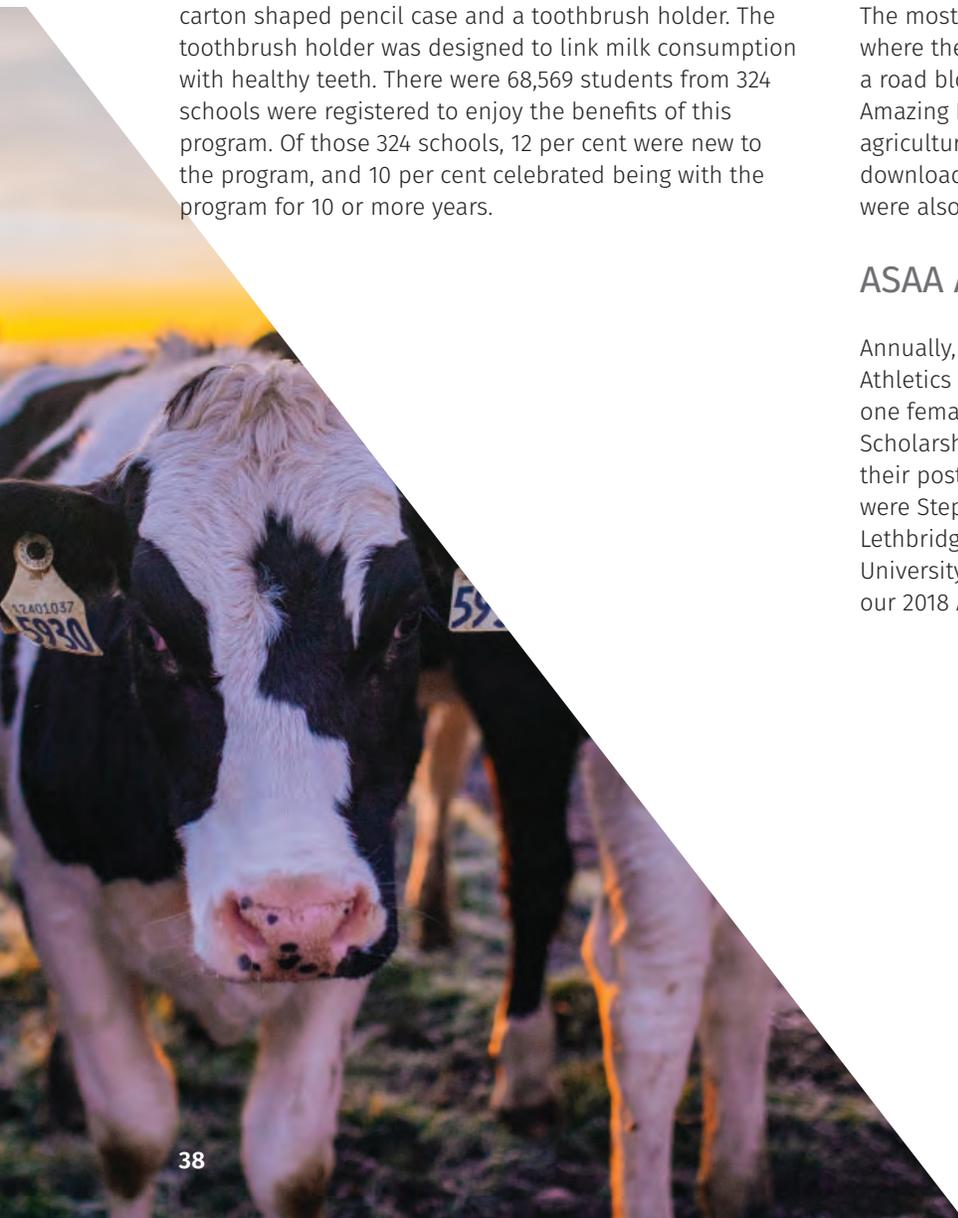
## PROJECT Agriculture

PROJECT Agriculture launched in September as a refresh on the old resource Moo2You. Developed for Grade 4-6 teachers, PROJECT Agriculture incorporates dairy farming and agriculture into the current Alberta education curriculum for math, science, social studies, language arts, and health. Five different project guides were developed to provide students with a project-based learning approach. Project based learning is when students work on a larger project, rather than small worksheets or assignments. These larger projects allow them to develop skills such as problem solving and teaches them to ask questions that they then find answers to.

The most popular resource is called The Amazing Race, where the goal of the project was for students to develop a road block, like they would see on the TV show The Amazing Race Canada, while using the multiple different agriculture regions of our country. There were 272 downloads of the online resources and 20 hard copies were also requested and mailed out.

## ASAA Alberta Milk Scholarship

Annually, Alberta Milk works with the Alberta Schools Athletics Association (ASAA) to select one male and one female athlete to receive the ASAA Alberta Milk Scholarship. Each recipient receives \$1,000 towards their post secondary education. The 2017-18 recipients were Stephanie Gross of Calgary (attending University of Lethbridge) and Cale Kooyman of Lacombe (attending University of Alberta). We will recognize both recipients at our 2018 AGM in November.



# GOVERNMENT RELATIONS

Last year was an exceptionally busy year for ensuring dairy farmers' voices were heard by government. There were two main issues that drove our efforts: negative pressure on supply management and the proposed national Healthy Eating Strategy.

## Provincial

Alberta Milk works with the poultry industries to create Alberta Supply Management (SM5). Through SM5, we work to ensure that the provincial government understands the facts around our marketing systems. SM5 worked with Alberta Counsel, our government relations firm, to help us move our issues to the forefront. Some highlights were:

- SM5 hosted a MLA reception where over 40 MLAs attended to mingle with our farmers
- Sponsorships of the Premier's breakfast in Calgary and Edmonton
- SM5 MLA tour to a supply managed farm
- Sent attendees to the Conservative Stampede Barbeque to connect with the leader of the PC Party of Canada, Andrew Scheer
- Contributed to the *Local Food Act* and Local Food Week
- Meeting with the Honourable Deron Bilous, Minister of Economic Development and Trade
- Meetings with the Honourable Oneil Carlier, Minister of Agriculture and Forestry

Additionally, Alberta Milk worked the Alberta Agriculture and Forestry and Minister Carlier to promote all things dairy. We did this through a social media campaign at our Milk and Cookies Shack at the Calgary Stampede where the minister helped sell milk. He also visited Huntcliff Dairy to help kick off the first ever Local Food Week.



*Minister Carlier visited Huntcliff Dairy to kick off Local Food Week.*

## National

All provinces collaborated to ensure that the dairy voice was heard at the federal decision-making table. We once again sent 10 Board members to Ottawa to lobby the government during the Dairy Farmers of Canada (DFC) policy conference where our farmers met with 12 members of parliament and senators.

One topic we spend considerable time on was the Healthy Eating Strategy. The strategy has three components:

1. Changes to the Canada Food Guide. The proposed changes would see the dairy and alternatives category being eliminated and being categorized with proteins.
2. Front-of-package labelling. The labelling would see nearly 80 per cent of dairy products with an unhealthy warning label.
3. Marketing to children. This would impact our school milk programs as students look forward to incentives.

Health Canada's own advisory panel says most Canadian's are not getting enough of the nutrients found in milk, so why would they propose these counter-effective strategies? In response, we helped create KeepCanadiansHealthy.ca. It was a site where consumers could get informed and send a letter to the prime minister stating their unhappiness with meetings, letters to decision makers.

Supply management continued to take a front seat as well as the renegotiations of NAFTA continued. We all once again joined forces to create MyCanadianMilk.ca, a website that helps consumers understand why local dairy is important and to send a letter to all those at the negotiating table to ensure there are no negative impacts to Canadian dairy. The website was a complimentary function to the meetings DFC secured with Prime Minister Justin Trudeau and Minister of Foreign Affairs Chrystia Freeland.



*From left: Martin Van Diemen (director), Conrad Van Hierden, (director), MP John Barlow, and Stuart Boeve (second vice chairman) at Lobby Day in Ottawa.*

# HOW ARE WE PREPARING FOR THE FUTURE?



In accordance with the Alberta Milk Operational Guidelines and Governance, the Alberta Milk Board of Directors annual reviews and develops a strategic plan that sets the key strategic priorities for the year. The risk management plan outlines what obstacles and opportunities we might face along the way and the budget determines how we will resource our efforts. These overarching governance tools are supported by our business plan that defines where we are headed and who will lead.

## VISION:

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

## MISSION:

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

## 2018-2019 Strategic Priorities

For 2018-19 Alberta Milk has developed the following four strategic priorities.

1. We will effectively advocate for supply management.
2. We will be a trusted partner working with other dairy industry organizations and agriculture groups on common concerns and opportunities.
3. We will encourage industry investment to stimulate sustainable growth.
4. We will ensure effective and efficient operations and maintain the regulatory environment that meets the needs of our members.

Targeted specific actions are also developed to advance these priorities.

## Measuring Success

A key factor is the measurement of success. Monitoring is provided to the Board monthly through the Business Plan Monthly Summary and in greater details through the mid-year and year-end summary of operations. This reporting allows the Board to assess:

1. Where are we compared to where we said we would be?
2. How do we measure up and how well have we mitigated our risks and acted on opportunities?
3. How well did the leadership/management teams perform?
4. How are we doing compared to budget?

Measurements are developed for each of the strategies in the business plan. Our overarching success measurements are:

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

## Risk Prevention

Our risk management plan has defined five broad areas of risk. These five areas are further defined and a control procedure and action are established for each issue to mitigate the risks and maximize potential opportunities.

The five areas of risk include:

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

# MANAGEMENT DISCUSSIONS AND ANALYSIS



Accountability systems are adopted and approved as a key component of Alberta Milk's Business Plan. These reports measure progress towards the business plan and key performance indicators. 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.

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. 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.

The following discussion and analysis of the operating results and financial position of Alberta Milk, for the year ending July 31, 2018, should be read in conjunction with the financial statements.

Actual revenues were higher than budgeted by \$22,729,499, resulting from higher restricted revenues (revenues resulting from the operation of various producer payment pools). These accounted for \$16,875,961, due to higher than anticipated milk volumes of greater than 18.5 million litres. This increased milk volume also resulted in higher board assessment fees of \$796,819 as well as higher milk transportation revenue of \$4,784,939.

Expenses were higher than budget by \$21,825,523. Producer payment pool expenditures exceeded budget by \$16,913,841. The costs of operating the milk transportation pool were over budget 4,784,939 resulting from more inter-provincial milk movement. Other business plan activity costs did not vary significantly from budget.

In October, a single shipment of 2,363 L of raw milk resulted in approximately 400,000 litres of finished product and 50,000 litres of heavy cream having to be discarded costing nearly \$800,000. This incidence was a result of a contamination that came through the feed that was wrongly delivered to a farm. We continue to seek a resolution. This incident illustrates the importance of on-farm food safety programs.



## Independent Auditor's Report

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Grant Thornton LLP  
1701 Scotia Place 2  
10060 Jasper Avenue NW  
Edmonton, AB  
T5J 3R8  
T +1 780 422 7114  
F +1 780 426 3208

To the Members of Alberta Milk

We have audited the accompanying financial statements of Alberta Milk, which comprise the statements of financial position as at July 31, 2018, and the statements of operations, statements of changes in net assets and cash flows for the year ended July 31, 2018, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

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

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Alberta Milk as at July 31, 2018, and the results of its operations and its cash flows for the year ended July 31, 2018 in accordance with Canadian accounting standards for not-for-profit organizations.

Edmonton, Canada  
October 18, 2018

  
Chartered Professional Accountants

**ALBERTA MILK**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED JULY 31, 2018**

	Quota Exchange	MNE	Scholarship	Research	Other	2018 Total	2017 Total
<b>REVENUES:</b>							
Assessments (Note 7):	\$ -	\$ -	\$ -	\$ -	\$ 4,035,088	\$ 4,035,088	\$ 3,703,569
Administrative	-	-	-	-	1,675,555	1,675,555	1,678,559
Class 1 Market Recovery	-	-	-	-	-	12,105,232	11,110,677
Marketing, Nutrition, Education (MNE)	-	12,105,232	-	-	-	403,509	370,357
Research	-	-	-	403,509	-	639,758,059	607,726,404
Restricted Revenue - Equalization (Note 5)	-	-	-	-	32,302,176	32,302,176	27,074,836
Hauling Fees (Note 9)	-	-	-	-	145,323	149,428	150,326
Interest Revenue (Note 3)	-	-	4,105	-	544,765	592,340	676,491
Grant Revenue (Note 6)	-	28,400	-	19,175	125,460	125,460	131,659
Processor Audit Recovery	-	-	-	624,549	-	624,549	608,268
Quota Lease	-	-	-	-	-	49,365,421	52,049,961
Quota Exchange Sales (Note 11)	49,365,421	-	-	-	388,520	430,287	556,017
Other Income	-	41,767	-	-	-	741,567,104	705,837,124
Total Revenues	49,365,421	12,175,399	4,105	1,047,233	678,974,946	741,567,104	705,837,124
<b>EXPENSES:</b>							
Salaries and Contract Services	-	198,760	-	63,105	2,986,863	3,248,728	3,693,641
Director and Delegate per diems	-	6,856	-	27,206	358,740	392,802	381,110
Travel	-	16,998	-	26,395	514,845	558,238	522,393
Office	-	346,984	-	55	855,487	1,202,526	1,323,306
Data Processing	-	-	-	-	677,753	677,753	720,279
Meeting Costs	-	15,811	-	9,412	235,760	260,983	433,130
Professional Fees	-	329	-	-	196,274	196,603	218,077
Communications	-	-	-	-	1,295	1,295	12,754
Advertising	-	11,237,538	-	106	23,307	11,260,951	8,993,136
Project Costs	-	-	-	-	1,000	1,000	-
Hauling Fees (Note 9)	-	-	-	-	32,302,176	32,302,176	27,074,836
Research	-	-	-	206,833	39	206,872	147,863
Sponsorships	-	431,632	3,000	-	29,113	463,745	565,931
Grants	-	13,174	-	724,524	326,276	1,063,974	951,580
Quota Exchange Purchases (Note 11)	49,365,421	-	-	-	-	49,365,421	52,049,961
Restricted Expenses - Equalization (Note 5)	-	-	-	-	639,758,059	639,758,059	607,726,404
Amortization/Write-Offs	-	20,514	-	-	243,142	263,656	401,693
Total Expenses	49,365,421	12,288,596	3,000	1,057,636	678,510,129	741,224,782	705,216,084
<b>EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR</b>	\$ -	\$ (113,197)	\$ 1,105	\$ (10,403)	\$ 464,817	\$ 342,322	\$ 621,040

See accompanying notes and schedules to the financial statements.

**ALBERTA MILK**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT JULY 31, 2018**

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and investments (Note 3)	\$ 13,339,436	\$ 12,558,526
Due from processors, producers and others	29,083,211	26,249,506
Accounts receivable	2,264,306	3,480,996
Inventories	74,998	70,991
Prepaid expenses	166,653	335,155
Total current assets	44,928,604	42,695,174
<b>CAPITAL ASSETS</b> (Note 4)	<b>2,507,817</b>	<b>2,358,496</b>
<b>TOTAL</b>	<b>\$ 47,436,421</b>	<b>\$ 45,053,670</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued liabilities	\$ 3,475,917	\$ 4,679,591
Deferred contributions (Note 5)	32,150,505	28,749,888
Deferred grants (Note 6)	49,723	386,237
Total current liabilities	35,676,145	33,815,716
<b>NET ASSETS:</b>		
Invested in capital assets	2,507,819	2,358,497
Internally restricted:		
Marketing	2,872,755	2,985,952
Research	595,207	479,331
Scholarship	127,496	126,391
Quota exchange (Note 11)	997,721	997,721
Unrestricted	4,659,278	4,290,062
Total net assets	11,760,276	11,237,954
<b>TOTAL</b>	<b>\$ 47,436,421</b>	<b>\$ 45,053,670</b>

Commitments (Note 8)

Contingent Liability (Note 13)

**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, 2018**

	<i>Internally Restricted</i>						Invested in Capital Assets	2018 Total	2017 Total
	Quota Exchange	Marketing	Scholarship	Research	Unrestricted				
BALANCE AT BEGINNING OF THE YEAR	\$ 997,721	\$ 2,985,952	\$ 126,391	\$ 479,331	\$ 4,290,062	\$ 2,358,497	\$ 11,237,954	\$ 12,159,914	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR	-	(113,197)	1,105	(10,403)	464,817	-	342,322	621,040	
ADMINISTRATION COSTS TRANSFERRED (Note 12)	-	-	-	126,279	(126,279)	-	-	-	
PURCHASE OF CAPITAL ASSETS	-	-	-	-	(416,638)	416,638	-	-	
DISPOSAL OF CAPITAL ASSETS	-	-	-	-	4,966	(4,966)	-	-	
AMORTIZATION OF CAPITAL ASSETS	-	-	-	-	262,350	(262,350)	-	-	
TRANSFER OF NET ASSETS	-	-	-	-	-	-	-	(1,700,000)	
PENSION REMEASUREMENT GAIN (Note 10)	-	-	-	-	180,000	-	180,000	157,000	
<b>BALANCE AT END OF THE YEAR</b>	<b>\$ 997,721</b>	<b>\$ 2,872,755</b>	<b>\$ 127,496</b>	<b>\$ 595,207</b>	<b>\$ 4,659,278</b>	<b>\$ 2,507,819</b>	<b>\$ 11,760,276</b>	<b>\$ 11,237,954</b>	

See accompanying notes and schedules to the financial statements.

**ALBERTA MILK**  
**STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED JULY 31, 2018**

	2018	2017
<b>CASH PROVIDED BY (USED FOR):</b>		
<b>OPERATING ACTIVITIES:</b>		
Excess of revenues over expenses from operations for the year	\$ 342,322	\$ 621,040
Items not affecting cash flow:		
Amortization and write-offs of capital assets	263,656	401,693
Gain on pension (Note 10)	180,000	157,000
	<b>785,978</b>	1,179,733
Changes in non-cash working capital items:		
Due from processors, producers, and others	<b>(2,833,705)</b>	1,534,924
Accounts receivable	1,216,690	(1,275,945)
Prepaid expenses	168,502	289,615
Inventories	(4,006)	(70,991)
Accounts payable and accrued liabilities	<b>(1,203,674)</b>	2,576,711
Deferred contributions (Note 5)	3,400,617	(1,769,752)
Deferred grants (Note 6)	<b>(336,514)</b>	(10,671)
Net cash from operating activities	<b>1,193,888</b>	2,453,624
<b>FINANCING ACTIVITIES:</b>		
Loan repayments	-	(60,000)
Transfer of Net Assets	-	(1,700,000)
Net cash to financing activities	-	(1,760,000)
<b>INVESTING ACTIVITIES:</b>		
Purchases of capital assets	<b>(416,638)</b>	(540,500)
Proceeds on sale of capital assets	3,660	540
Net cash to investing activities	<b>(412,978)</b>	(539,960)
INCREASE IN CASH AND INVESTMENTS FOR THE YEAR	<b>780,910</b>	153,664
CASH AND INVESTMENTS AT BEGINNING OF THE YEAR	<b>12,558,526</b>	12,404,862
<b>CASH AND INVESTMENTS AT END OF THE YEAR</b>	<b>\$ 13,339,436</b>	<b>\$ 12,558,526</b>

See accompanying notes and schedules to the financial statements.

## ALBERTA MILK

### NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2018

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

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

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

#### 2. SIGNIFICANT ACCOUNTING POLICIES:

##### Basis of presentation

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

##### Revenue Recognition

Alberta Milk follows the deferral method of accounting for contributions.

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

##### Cash and cash equivalents

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

##### Inventories

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

**ALBERTA MILK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

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

Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided using the declining balance method over the estimated useful life of the assets at the annual rates stated below, with the exception of MMS software, which is amortized using the straight-line method over a period of 10 years.

Building	5%
Computer hardware	30%
Computer software	30%
Consumer displays	30%
Display booth and tent	20%
Office furniture and equipment	20%
Vehicles	30%

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

Employee Future Benefits

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

Plan assets are measured at fair value.

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

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

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

Due from Processors, Producers and Others

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

**ALBERTA MILK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

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

Financial Instruments

*Initial measurement*

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

*Subsequent measurement*

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

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

Use of Estimates

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

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

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

## ALBERTA MILK

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2018

**3. CASH AND INVESTMENTS:**

	2018	2017
Cash and cash equivalents	\$ 11,112,388	\$ 9,398,109
Fixed income	933,065	1,516,275
Equities quoted in an active market	1,166,489	1,410,592
Mutual funds quoted in an active market	127,494	233,550
	<b>\$ 13,339,436</b>	<b>\$ 12,558,526</b>

Interest income includes the following:

	2018	2017
Net increase in fair value of investments	\$ 13,957	\$ 51,465
Interest and dividends earned on corporate funds	149,574	119,870
Interest and dividends earned on scholarship investments	4,198	2,343
Investment management fees	(18,301)	(23,352)
Interest earned on pooling funds	153,776	117,004
Interest rebated to producers	(153,776)	(117,004)
	<b>\$ 149,428</b>	<b>\$ 150,326</b>

**4. CAPITAL ASSETS:**

	2018		2017	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building	\$ 2,190,610	\$ 1,027,530	\$ 1,163,080	\$ 1,141,128
Computer hardware	1,270,616	1,006,459	264,157	308,894
Computer software	1,632,581	1,060,491	572,090	381,597
Consumer displays	235,159	187,292	47,867	68,381
Display booth and tent	91,404	80,085	11,319	14,149
Land	385,175	-	385,175	385,175
Office furniture and equipment	374,254	312,422	61,832	55,890
Vehicles	39,070	36,773	2,297	3,282
Total	<b>\$ 6,218,869</b>	<b>\$ 3,711,052</b>	<b>\$ 2,507,817</b>	<b>\$ 2,358,496</b>

**ALBERTA MILK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**5. DEFERRED CONTRIBUTIONS:**

Deferred contributions represent unspent resources externally restricted for price equalization.

	2018	2017
Contributions received	\$ 643,158,676	\$ 605,956,651
Transferred to revenue	(639,758,059)	(607,726,404)
Increase (decrease) during the year	3,400,617	(1,769,753)
Deferred contributions at beginning of year	28,749,888	30,519,641
Deferred contributions at end of year	\$ 32,150,505	\$ 28,749,888

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:

	2018	2017
Contributions received	\$ 255,826	\$ 665,821
Recognized as revenue	(592,340)	(676,491)
Decrease during the year	(336,514)	(10,670)
Deferred contributions at beginning of year	386,237	396,907
Deferred contributions at end of year	\$ 49,723	\$ 386,237

## ALBERTA MILK

### NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2018

#### 7. ASSESSMENT REVENUE:

The Board collected the following producer assessments during the year:

	2018	2017
Administrative	<b>\$0.50/hl</b>	\$0.50/hl
Marketing, Nutrition, Education	<b>\$1.50/hl</b>	\$1.50/hl
Research	<b>\$0.05/hl</b>	\$0.05/hl
Hauling	<b>\$3.09/hl</b>	\$3.09/hl
Hauling yard charge per pickup	<b>\$21.82</b>	\$21.82

#### 8. COMMITMENTS:

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

2019	\$ 22,430
2020	11,351
Total	\$ 33,781

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

- (a) \$1.36 per hectolitre on milk produced during the year.
- (b) membership fees of \$293,872.

The Board has committed \$448,829 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 \$1,135,000 to be disbursed over the course of the next five years.

## ALBERTA MILK

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2018

## 9. HAULING FEES :

	2018	2017
Paid by producers	\$ 32,113,954	\$ 25,626,082
Processor recoveries	188,222	1,448,754
<b>Total for the year</b>	<b>\$ 32,302,176</b>	<b>\$ 27,074,836</b>
<b>Cost per hectolitre</b>	<b>\$ 4.00</b>	<b>\$ 3.66</b>

Producers were assessed a volume fee of \$29,671,502 (2017 - \$23,251,201) as well as \$2,442,452 (2017 - \$2,374,881) in yard stop charges. The prior year surplus of \$1,635,508 was reduced by \$1,164,503 to \$471,005. The reduction was a result of interprovincial milk transport costs. The remaining surplus will be used to offset next year's producer assessments.

## 10. PENSIONS:

Effective January 1, 2007 the Alberta Milk Employees' Pension Plan ("the Plan") was established on behalf of employees of Alberta Milk. Prior to January 1, 2007 certain members had accumulated retirement benefits under the Western Canadian Dairy Herd Improvement Services Association Employees Pension Plan ("the Predecessor Plan"). As of January 1, 2007 the Predecessor Plan benefits for such members, and the liability thereof, have been transferred to the Plan and shall be paid in accordance with the terms of the Plan. The Plan is a defined benefit plan and specifies the amount of the retirement benefit to be received based on the length of service and final average earnings. The most recent funding recommendation for the Plan was completed as at December 31, 2015 and has been updated for current assumptions in the actuarial report dated September 14, 2018.

## ALBERTA MILK

## NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2018

**10. PENSIONS** *(continued)*:

	2018	2016
<b>Accrued benefit obligation</b>		
Balance at beginning of year	\$ 3,717,000	\$ 3,730,000
Current service cost	263,000	254,000
Interest cost	207,000	197,000
Expected benefits paid	(67,000)	(464,000)
<b>Accrued benefit obligation (ABO) at end of year</b>	<b>\$ 4,120,000</b>	<b>\$ 3,717,000</b>
<b>Plan assets</b>		
Fair value at beginning of year	\$ 4,576,000	\$ 4,390,000
Actual return on plan assets	425,000	382,000
Employer contributions	139,000	155,000
Employees' contributions	107,000	113,000
Actual benefits paid	(67,000)	(464,000)
<b>Fair value at end of year</b>	<b>\$ 5,180,000</b>	<b>\$ 4,576,000</b>
<b>Reconciliation of funded status</b>		
Accrued benefit obligation - end of year	\$ (4,120,000)	\$ (3,717,000)
Fair value of plan assets - end of year	5,180,000	4,576,000
<b>Funded status - plan surplus</b>	<b>\$ 1,060,000</b>	<b>\$ 859,000</b>
<b>Accrued benefit obligation not funded</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Net benefit plan cost</b>		
Current service cost (employer portion)	\$ 156,000	\$ 141,000
Interest cost	207,000	197,000
Expected return on plan assets	(245,000)	(225,000)
Amortization of net actuarial loss	(180,000)	(157,000)
<b>Net benefit plan cost</b>	<b>\$ (62,000)</b>	<b>\$ (44,000)</b>
<b>Gains in year - to be recognized in net assets</b>		
Actuarial asset experience gain	\$ 180,000	\$ 157,000
<b>Gains in year</b>	<b>\$ 180,000</b>	<b>\$ 157,000</b>

**ALBERTA MILK**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JULY 31, 2018**

**10. PENSIONS (continued):**

	2018	2016
<b>Actuarial Assumptions</b>		
Discount rate - beginning of year	5.25%	5.25%
Discount rate - end of year	5.25%	5.25%
Expected return on plan assets	5.25%	5.25%
Rate of compensation increase - beginning of year	3.75%	3.75%
Rate of compensation increase - end of year	3.75%	3.75%
Inflation rate - beginning of year	2.25%	2.25%
Inflation rate - end of year	2.25%	2.25%
<b>Distribution of the total market value of the fund by major asset category</b>		
Canadian equities	29.6%	27.9%
International equities	1.7%	14.4%
U.S. equities	16.5%	15.7%
Debt securities	34.2%	38.1%
Cash and other	18.0%	3.9%
<b>Total</b>	<b>100.0%</b>	<b>100.00%</b>

**11. QUOTA EXCHANGE:**

The Board operates a quota exchange each month. Producers submit bids to purchase quota or offers to sell quota. The exchange is cleared each month at the level where volumes offered for sale and volumes requested for purchase was the smallest.

**12. 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 2018, the Board transferred \$126,279 (2017 - \$91,998) from the Unrestricted net assets into the Research net assets to cover administration costs.

**ALBERTA MILK****NOTES TO THE FINANCIAL STATEMENTS****JULY 31, 2018**

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**13. CONTINGENT LIABILITY:**

During the year, the Board filed a statement of claim against a processor for an amount related to an unpaid invoice. In response, a counterclaim for damages in the amount of \$2,000,000 was filed against the Board. Management intends to defend the Board vigorously against this claim and is of the opinion that they will be successful. As the final outcome of these matters is not determinable at this time, no amount has been accrued in the financial statements.

**14. FINANCIAL INSTRUMENT RISKS:**

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

*Credit risk*

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

*Interest rate risk*

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

*Other price risk*

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

*Liquidity risk*

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

**15. COMPARATIVE FIGURES:**

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the fiscal 2018 financial statements.

# ALBERTA MILK

Schedule I

## SCHEDULE OF REVENUE AND EXPENSES BY GOAL FOR THE YEAR ENDED JULY 31, 2018

	2018 (unaudited)	Budget (unaudited)	2017 (unaudited)
<b>REVENUES:</b>			
Assessments (Note 7):			
Administrative	\$ 4,035,088	\$ 3,942,292	\$ 3,703,569
Class 1 Market Recovery	1,675,555	1,259,169	1,678,559
Marketing, Nutrition, Education (MNE)	12,105,232	11,826,875	11,110,677
Research	403,509	394,229	370,357
Restricted Revenue - Equalization (Note 5)	639,758,059	622,882,098	607,726,404
Hauling Fees (Note 9)	32,302,176	27,517,237	27,074,836
Interest Revenue (Note 3)	149,428	235,000	150,326
Grant Revenue (Note 6)	592,340	156,375	676,491
Processor Audit Recovery	125,460	125,000	131,659
Quota Lease	624,549	610,047	608,268
Other Income	430,287	526,862	556,017
<b>TOTAL REVENUES</b>	<b>692,201,683</b>	<b>669,475,184</b>	<b>653,787,163</b>
<b>EXPENSES BY GOAL &amp; KRA (Schedule II)</b>	<b>691,859,361</b>	<b>670,033,838</b>	<b>653,166,123</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE QUOTA EXCHANGE</b>	<b>342,322</b>	<b>(558,654)</b>	<b>621,040</b>
<b>QUOTA EXCHANGE:</b>			
Sales of quota (Note 11)	49,365,421	70,000,000	52,049,961
Purchases of quota (Note 11)	49,365,421	70,000,000	52,049,961
Net quota exchange	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FOR THE YEAR</b>	<b>\$ 342,322</b>	<b>\$ (558,654)</b>	<b>\$ 621,040</b>

## Schedule II

**ALBERTA MILK**  
**SCHEDULE OF EXPENSES BY GOAL**  
**FOR THE YEAR ENDED JULY 31, 2018**

	2018 (unaudited)	Budget (unaudited)	2017 (unaudited)
<b>EXPENSES BY GOAL &amp; KRA:</b>			
<b><i>Adequate supply of raw milk:</i></b>			
Production and marketing of raw milk	\$ 270,622	\$ 222,480	\$ 213,356
Manage an effective quota system	32,725,785	27,801,157	27,496,798
<b><i>Policy development:</i></b>			
Work with stakeholders	759,093	770,183	903,696
Welfare and health of dairy cattle	88,173	88,345	90,783
Sustainable environmental practices	347,877	7,040	66,864
Milk quality	249,197	195,418	247,781
proAction	249,435	169,438	310,076
<b><i>Encourage dairy product consumption:</i></b>			
National activities	10,976,393	10,723,034	8,868,054
Provincial activities	1,000,309	925,731	1,180,306
<b><i>Promote dairy production research:</i></b>			
Beneficial dairy research	1,057,636	945,242	1,129,392
<b><i>Governance and management of resources:</i></b>			
Administer regulations	48,778	15,000	6,844
Optimal management of resources	3,003,085	3,665,937	3,425,112
Accurate producer payment	640,078,564	623,164,723	608,123,262
<b><i>Communicate with members, stakeholders and the public:</i></b>			
Dairy industry and dairy farming messages	343,647	375,220	450,644
Awareness of Alberta Milk	267,214	230,875	338,868
Communication, education and extension	393,553	734,015	314,287
<b>Total Expenses</b>	<b>\$ 691,859,361</b>	<b>\$ 670,033,838</b>	<b>\$ 653,166,123</b>



1303-91 Street SW  
Edmonton, Alberta, T6X 1H1  
Phone 780-453-5942  
Toll Free in Alberta 1-877-361-1231

[albertamilk.com](http://albertamilk.com)

